PACIFIC EXPLORATION & PRODUCTION CORPORATION

AMENDED AND RESTATED ANNUAL INFORMATION FORM

FOR THE PERIOD ENDED

JUNE 30, 2016

DATED: OCTOBER 17, 2016

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ABBREVIATIONS AND DEFINITIONS

bbl	barrels	Mboe	thousand barrels of oil equivalent
bbl/d	barrels per day	MMboe	million barrels of oil equivalent
Bcf	billion cubic feet	Mcf	thousand cubic feet
boe	barrels of oil equivalent	Mcf/d	thousand cubic feet per day
boe/d	barrels of oil equivalent per day	Mcfg/d	thousand cubic feet gas per day
BOP	barrels of oil per day	MMBtu	million British thermal units
Btu	British thermal units	MMcf	million cubic feet
COP	Colombian Pesos	MMcf/d	million cubic feet per day
DWT	dead weight tonnage	NGL	natural gas liquids
km	kilometres	Psi	pounds per square inch
km^2	square kilometres	Psia	pounds per square inch absolute
kbfbp	thousand barrels of fluid per day	Psig	pounds per square inch gauge
m	metres	R$	Brazilian Real
m^2	square metres	Tcf	trillion cubic feet
m^3	cubic metres	TVDSS	true vertical depth subsea
Mbbl	thousand barrels	U.S.$	United States dollars
MD	measured depth	WI	working interest
MMbbl	million barrels		

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

"5.125% Indenture" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 5.125% Senior Notes Financing."

"5.125% Senior Notes" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 5.125% Senior Notes Financing."

"5.375% Indenture" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 5.375% Senior Notes Financing."

"5.375% Senior Notes" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 5.375% Senior Notes Financing."

"5.625% Indenture" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 5.625% Senior Notes Financing and Exchange Offer of 7.25% Senior Notes."

"5.625% Senior Notes" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 5.625% Senior Notes Financing and Exchange Offer of 7.25% Senior Notes."

"7.25% Indenture" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 7.25% Senior Notes Financing and Exchange Offer of 8.75% Senior Notes."

"7.25% Senior Notes" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 7.25% Senior Notes Financing and Exchange Offer of 8.75% Senior Notes."

"8.75% Senior Notes" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – 7.25% Senior Notes Financing and Exchange Offer of 8.75% Senior Notes."

"2008 Consolidation" has the meaning given to such term under the heading entitled "Information Concerning the Company."

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

"2014 Revolving Credit Facility" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – Credit Facilities & Lines of Credit."

"2015 Rights Plan" has the meaning given to such term under the heading entitled "Description of Current Capital Structure – Rights Plan."

"ACA" means Avispa-Ceibo-Ardilla.

"Accepted Cash Elections" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Impact of the Plan."

"Adjusted EBITDA" has been defined by the Company to be net income (loss) before income tax expense, foreign exchange gain (loss), finance cost, gain (loss) on risk management contracts, gain (loss) of equity-accounted investees, other expenses, share-based compensation, equity tax, gain (loss) attributable to non-controlling interest, depletion, depreciation, and amortization, impairment and exploration expenses, and restructuring costs.

"Affected Creditors" means collectively, Noteholders, lenders under the Credit Facilities and all other creditors for which the Company has commenced a claims process.

"Alfa" means Alfa S.A.B. de C.V.

"Alfa-Harbour Transaction" means the proposed offer from Alfa and Harbour, whereby all of the issued and outstanding Common Shares not owned by Alfa were offered to be purchased for a price of $6.50 per Common Share.

“Alpha” means Alpha Ventures Finance Inc.

“Alvopetro” means Alvopetro Energy Ltd.

“Amended Articles” means the altered articles of the Company to be deposited in the record books in the Company’s record office maintained pursuant to the BCBCA, which Amended Articles shall contain the amendments described under “Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Amended Articles.”

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

“ANLA” means the Autoridad Nacional de Licencias Ambientales, the Colombian environmental authority.

“Annual Information Form” means this Annual Information Form dated October 17, 2016 for the period ended June 30, 2016, updating and restating the Company’s annual information form dated March 18, 2016, in respect of the fiscal year that ended December 31, 2015.

“ANP” means the Agencia Nacional de Petroleo, Brazil.

“Applicants” means collectively, the Company, Pacific E&P Holdings Corp., Meta, PSIE, PSE, Pacific Stratus Energy S.A., Pacific Off Shore Peru S.R.L., Pacific Rubiales Guatemala S.A., Pacific Guatemala Energy Corp., PRE-PSIE Coöperatief U.A., Petrominerales Colombia Corp., and Grupo C&C Energia (Barbados) Ltd.

“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.

“Awards” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan.”

“Bank of America Credit Facility” means the Company’s U.S.$109 million credit and guaranty agreement with Bank of America, N.A. dated May 2, 2013 (as amended).

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

“Bicentenario” means Oleoducto Bicentenario de Colombia S.A.S.

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

“Blackout Period” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan.”

“**Bladex**” means Banco Latinoamericano de Comercio Exterior.

"Bladex Credit Facility" means the Company's U.S.$75 million master credit agreement with Bladex dated April 2, 2014 (as amended).

"Blue ACF" means Blue Advanced Colloidal Fuels Corp.

"Blue Marine" means Blue Marine Shipping Mexico SA de CV.

"Blue Pacific" means Blue Pacific Assets Corp.

"Board of Directors" means the board of directors of the Company.

"BPZ" means BPZ Exploración & Producción S.R.L.

"**Business Day**" means a day, other than a Saturday, Sunday or a statutory or civic holiday, on which banks are generally open for business in Toronto, Ontario and New York, New York.

"BVC" means the Bolsa de Valores de Colombia (or the Colombian Stock Exchange).

"C&C Energia" means C&C Energia Ltd.

"Caribbean Resources" means Caribbean Resources Corporation (formerly "Pacific Coal Resources Ltd.") and any predecessor company.

"Cash Election" means the election made available to Affected Creditors to receive, subject to certain terms and conditions, in lieu of their shares they would otherwise be entitled to receive under the Plan, cash at either a "Designated Rate" of U.S.$16.00 per Affected Creditor Shares (on a post consolidation basis) or, if accepted, such other "Offer Rate" above U.S.$16.00 per Affected Creditor Shares (on a post consolidation basis) in U.S.$0.10 increments.

"Catalyst" means The Catalyst Capital Group Inc.

"CCAA" means the *Companies' Creditors Arrangement Act* (Canada) and the regulations thereto, as now in effect and as it may be amended from time to time prior to the Implementation Date.

"CCAA Proceedings" has the meaning given to such term under the heading entitled "Background to the Restructuring Transaction – The CCAA Process."

"CGX" means CGX Energy Inc.

"Common Shares" means the common shares in the capital of the Company.

"Common Share Consolidation" means the consolidation of the Common Shares existing immediately before the implementation of the Plan and the New Common Shares issued pursuant to and as a step in the Plan on the basis of one Consolidated Share for each 100,000 Common Shares outstanding immediately prior to the Common Share Consolidation.

"Company" or **"Pacific E&P"** means Pacific Exploration & Production Corporation.

"Compensation Committee" means the Compensation Committee of the Board of Directors.

"Consolidated Shares" means the Common Shares that will be issued and outstanding immediately following the Common Share Consolidation.

"Contingent Equity Contributions" has the meaning given to such term under the heading entitled "General Development of Business – Historical Overview – Investments."

"Corcel Contract" means the Corcel exploration and production contract entered into between Petrominerales and the ANH on June 2, 2005.

"Court" means the Ontario Superior Court of Justice (Commercial List).

"Credit Facilities" means collectively, the 2014 Revolving Credit Facility, HSBC Term Facility, Bladex Credit Facility and the Bank of America Credit Facility.

"Creditors' Meeting" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Background to the Restructuring Transaction – The CCAA Process."

"D&M" means DeGolyer and MacNaughton, of Dallas, Texas, an independent petroleum engineering consulting firm.

"Delegated Authority" has the meaning given to such term under the heading entitled "Audit Committee Information – Pre-Approval Policies and Procedures."

"DIAN" has the meaning given to such term under the heading entitled "Legal Proceedings."

"DIP LC Facility" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Background to the Restructuring Transaction – Debtor-in-Possession Financing."

"DIP Notes" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Background to the Restructuring Transaction – Debtor-in-Possession Financing."

"DIP Note Financing" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Background to the Restructuring Transaction – Debtor-in-Possession Financing."

"DIP Offering" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Background to the Restructuring Transaction – Debtor-in-Possession Financing."

"Directors" means members of the Board of Directors.

"DSUs" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan."

"E&P" means exploration and production.

"Early Consenting Noteholders" means Noteholders who validly signed and returned the Support Agreement or joinder thereto in respect of the Restructuring Transaction and otherwise complied with the terms of the Plan in order to receive additional shares in settlement of the Senior Notes.

"EBITDA" means earnings before interest, taxes, depreciation and amortization.

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

"EIA" means environmental impact assessment.

“EIG PH” means EIG Pacific Holdings Ltd., a subsidiary of Harbour Energy Ltd.

“EITI” means the Extractive Industries Transparency Initiative.

“Eligible Person” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan.”

“Equity Financial” means Equity Financial Trust Company.

“Equity Subscribers” means those Noteholders (other than the Plan Sponsor) who have entered into equity subscription agreements in respect of funding the Cash Election.

“Exit LC Facility” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – Background to the Restructuring Transaction – Debtor-in-Possession Financing.”

“Exit Notes” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – Background to the Restructuring Transaction – Impact of the Plan.”

“**Exmar”** means Exmar N.V.

“FARC” means Colombian Armed Revolutionary Forces.

“Fitch” means Fitch Ratings Inc.

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

“Funding Creditors” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – The CCAA Process – Debtor-in-Possession Financing.”

“Genser-Proelectrica” means Consorcio Genser Power-Proelectrica.

“Harbour” means Harbour Energy Ltd. and Harbour Energy, L.P., collectively.

“Helicol S.A.S.” means Helicopteros Nacionales de Colombia S.A.S.

“Hocol” means Hocol S.A.

“HSBC Term Facility” means the Company’s U.S.$250 million term facility, as amended, provided by HSBC Bank USA, N.A.

“**ICE”** means the Intercontinental Exchange, Inc.

“IFC” means International Finance Corporation.

“Implementation Date” means the Business Day on which the Plan becomes effective, which shall be the Business Day designated by the Monitor in the Monitor’s Certificate, or such other date as the Applicants, the Monitor and the Plan Sponsor and certain other Affected Creditors may designate.

“Independent Committee” means the independent committee of the Board of Directors.

“Initial Order” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – The CCAA Process.”

“Interamerican Energy” means Interamerican Energy Corp. (formerly “Pacific Power”).

“Interamerican Energy Purchasers” means Faustia Development S.A., Tusca Equities Inc., and Associated Ventures Corp.

“InterOil” means InterOil Corporation.

“IVA” has the meaning given to such term under the heading entitled “Legal Proceedings.”

“Kappa” means Kappa Energy Holdings Ltd.

“Karoon” means Karoon Petroleo & Gas Ltda.

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

“KERP” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – The CCAA Process.”

“La Creciente Contract” has the meaning given to such term under the heading entitled “Material Oil and Natural Gas Contracts and Properties – Principal Exploration and Production Agreements – La Creciente Contract.”

“LAEFM” means LAEFM Colombia Ltda.

“LNG” means liquefied natural gas.

“LNG Project” means the Company’s proposed Caribbean floating liquefied natural gas project.

“Management Incentive Plan” has the same meaning given to such term under the heading entitled “Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan.”

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

“Monitor” means PricewaterhouseCoopers Inc., in its capacity as Court-appointed Monitor of the Applicants in the CCAA Proceedings.

“Monitor’s Certificate” means the certificate to be delivered by the Monitor pursuant to Section 13.6 of the Plan.

“Moody’s” means Moody’s Investors Service, Inc.

“MOU” has the meaning given to such term under the heading entitled “General Development of the Business – Historical Overview – Joint Ventures, Strategic Partnerships, & Tender Offer – Pemex.”

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

“New Board of Directors” means the Board of Directors of the Company appointed on the Implementation Date pursuant to the Amended Articles and the Plan.

“New Common Shares” means the 5,000,000,000,000 Common Shares to be issued pursuant to the Plan (before giving effect to the Common Share Consolidation).

“New Rights Plan” has the meaning given to such term under the heading “Proceedings under the CCAA – Capital Structure after Implementation of the Plan – Rights Plan.”

“NI 51-101” means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

“NI 62-104” means National Instrument 62-104 – *Take-Over Bids.*

“Nomination Agreement” means the nomination agreement dated August 31, 2015 entered into by the Company, Alfa and the O’Hara Group.

“Note Guarantors” means Meta Petroleum Corp., Pacific E&P Holdings Corp., Pacific E&P International Holdings, S.a.r.l., Pacific Global Capital, S.A., Pacific Stratus International Energy Ltd., Pacific Guatemala Energy Corp., Pacific Brasil Exploracao e Producao de Oleo e Gas Ltda., Pacific Stratus Energy S.A., Pacific Marketing International Corp., Pacific Stratus Energy Colombia Corp., Pacific Off Shore Peru S.R.L., Pacific Stratus Energy del Peru S.A., Petrominerales Peru Ltd., Petro International Ltd., Petrominerales Bermuda Ltd., Petrominerales Colombia Corp., C&C Energia Holding SRL, Grupo C&C Energia (Barbados) Ltd., PRE Corporate Services Corp., PRE-PSIE Cooperatief U.A., Pacific Midstream Holding Corp., Pacinfra Holding Ltd., Major International Oil S.A. and Agro Cascada S.A.S.

“Noteholders” means the holders of Senior Notes.

“NSAI” means Netherland, Sewell & Associates, Inc. of Dallas, Texas, an independent petroleum engineering consulting firm.

“OAM” means Oleoducto del Alto Magdalena.

“OCENSA” means Oleoducto Central S.A.

“OCENSA Pipeline” means the OCENSA pipeline in Colombia.

“ODC” means Oleoducto de Colombia S.A.

“ODC Pipeline” means the pipeline that runs from the Vasconia Station in Puerto Boyacá (Boyacá 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.

“O’Hara” means O’Hara Administration Co., S.A.

"O'Hara Group" means Alejandro Betancourt, O'Hara and the various shareholders they represent as disclosed in their public filings.

"OLECAR Warrant" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – Investments – Port Investments."

"OLECAR Warrant Agreements" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – Investments – Port Investments."

"Options" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan."

"OTA Pipeline" means the *Oleoducto Transandino* which runs from the Orito field in the Putumayo Basin to Colombia's Pacific port of Tumaco.

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

"Pacific Brasil" means Pacific Brasil Exploração e Produção de Óleo e Gás Ltda., a wholly owned subsidiary of the Company.

"Pacific Green" means Pacific Green Energy Corp.

"**Pacific Group**" means the Company and its subsidiaries.

"Pacific Infrastructure" means Pacific Infrastructure Ventures Inc. (formerly called "Pacific Infrastructure Inc.") and any predecessor company.

"Pacific Midstream" means Pacific Midstream Ltd.

"Pacific Midstream Holding" means Pacific Midstream Holding Corp. (formerly called Petro Rubiales), a wholly-owned subsidiary of the Company that owns a 63.64% equity interest in Pacific Midstream.

"Pacific Power" means Pacific Power Generation Corp. (formerly, "Ronter Inc."), a company duly incorporated under the laws of Panama.

"Pacific Stratus" means Pacific Stratus Energy Colombia Corp.

"Pacific Stratus Energy" means Pacific Stratus Energy Ltd.

"PAP Formula" has the meaning given to such term under the heading entitled "Material Oil and Natural Gas Contracts and Properties – Principal Exploration and Production Agreements – Quifa Contract."

"Participant" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan."

"Participating Interest" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – Dispositions of Interests – Queiroz Galvao."

"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.

"PEH" means Pacific E&P Holdings Corp., a company duly incorporated under the laws of Schaffhausen, Switzerland and a direct wholly-owned subsidiary of the Company, which originally held as its primary assets the Rubiales and Quifa fields.

"PEH Acquisition" means the acquisition by the Company of a 75% share interest in PEH.

"PEH Warrants" means the warrants in the capital of the Company issued in connection with the PEH Acquisition.

"PEL" means the Petroelectrica electrical power transmission line.

"Pemex" means Petróleos Mexicanos, Mexico's state oil company, and its subsidiary entities.

"Perupetro" means Perupetro S.A., Peru's state oil company, and its subsidiary entities.

"Petro Rubiales" means Petro Rubiales Corp.

"Petroamerica" means Petroamerica International Colombia Corp.

"Petroelectrica" means Petroeléctrica de los Llanos Ltd.

"PetroMagdalena" means PetroMagdalena Energy Corp.

"PetroMagdalena Acquisition" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – PetroMagdalena Acquisition and Subsequent Disposition."

"PetroMagdalena Arrangement" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – PetroMagdalena Acquisition and Subsequent Disposition."

"Petrominerales" means Petrominerales Ltd.

"Petrominerales Acquisition" has the meaning given to such term under the heading entitled "Information Concerning the Company."

"Petrominerales Arrangement Agreement" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – Petrominerales Acquisition."

"PetroNova" means PetroNova Colombia.

"Plan" means the plan of compromise and arrangement proposed by the Company pursuant to the CCAA, and any amendments, restatements, modifications or supplements thereto, made in accordance with the terms thereof or made at the direction of the Court in the Sanction Order.

"Plan Sponsor" means Catalyst or any funds managed or administered by it or its affiliates.

"PNG Farm-In Agreement" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – Triceratops and PPL 237, Papua New Guinea Farm-In Agreement."

"PPL" means a petroleum production licence.

"PPL 237" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – Investments - Triceratops and PPL 237, Papua New Guinea Farm-In Agreement."

"Preferred Shares" has the meaning given to such term under the heading entitled "Description of Current Capital Structure – Preferred Shares."

"Premier" means Premier Oil Plc.

"PRL" means petroleum retention licence.

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

"PSE" means Pacific Stratus Energy Colombia Corp.

"PSIE" means Pacific Stratus International Energy Ltd.

"Put Option Agreement" has the meaning given to such term under the heading entitled "Historical Overview – Dispositions of Interests – Pacific Midstream – Sale of Partial Interests in ODL and Bicentenario Pipelines and PEL Transmission Assets."

"Put Period" has the meaning given to such term under the heading entitled "Legal Proceedings."

"PwC" means PricewaterhouseCoopers LLP.

"Q2 Financial Statements" has the meaning given to such term under the heading entitled "Legal Proceedings."

"QGEP" means Queiroz Galvão Exploração e Produção S.A.

"Quifa" means Quifa Petroleum Corp.

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

"Quifa SW" means the south-western region of the Quifa field.

"Rating Agencies" means collectively, Moody's, Fitch and Standard & Poor's.

"RCL Proposed Director" means the independent individual proposed by the Supporting Lenders.

"RCN Proposed Director" means the independent individual proposed by the Supporting Noteholders.

"Restructuring Transaction" has the meaning given to such term under the heading entitled "Background to the Restructuring Transaction – The CCAA Process."

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

“RSUs” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan.”

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

“Sanction Order” has the meaning given to such term under the heading entitled “Proceedings under the CCAA – Background to the Restructuring Transaction – The CCAA Process.”

“Senior Notes” means collectively, the 7.25% Senior Notes, the 5.125% Senior Notes, the 5.375% Senior Notes and the 5.625% Senior Notes.

“Series 1 DIP Notes” has the meaning given to such term under the heading entitled “Background to the Restructuring Transaction – Debtor-in-Possession Financing.”

“Series 2 DIP Notes” has the meaning given to such term under the heading entitled “Background to the Restructuring Transaction – Debtor-in-Possession Financing.”

“SFC” means Superintendencia Financiera de Colombia.

“SFC Reviews” has the meaning given to such term under the heading entitled “Legal Proceedings – SFC Reviews.”

“Shareholder” means a holder of Common Shares.

“SIC” means the Superintendencia de Industria y Comercio of Colombia.

“Sociedad Puerto Bahia” means Sociedad Portuaria Puerto Bahia S.A.

“Standard & Poor’s” means Standard & Poor’s Financial Services LLC.

“STAR” has the meaning given to such term under the heading entitled “General Development of the Business – Historical Overview – STAR Project.”

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

“Superintendencia” means Superintendencia de Sociedades, the Colombian authority responsible for monitoring and controlling business entities that may be, or are, insolvent or bankrupt.

“Support Agreement” means the restructuring support agreement dated April 20, 2016 (as amended from time to time) between the Company, the Plan Sponsor and the Affected Creditors party thereto, together with any joinder executed by other Affected Creditors from time to time.

“Supporting Lenders” has the meaning given to such term under the heading entitled “Background to the Restructuring Transaction – The CCAA Process.”

“Supporting Noteholders” has the meaning given to such term under the heading entitled “Background to the Restructuring Transaction – The CCAA Process.”

"Sustainability Committee" means the Sustainability Committee of the Board of Directors.

"Talisman" means Talisman Colombia Oil & Gas Ltd.

"TEA" means Technical Evaluation Agreement.

"Tender Offer" has the meaning given to such term under the heading entitled "General Development of the Business – Historical Overview – Joint Ventures, Strategic Partnerships, & Tender Offer – EIG PH's Proposed Tender Offer."

"Transmeta" means Transportadora del Meta, S.A.

"Transporte Incorporado" means Transporte Incorporado S.A.S.

"TSX" means the Toronto Stock Exchange (including any predecessor exchange thereto).

"**TSX-V**" means the TSX Venture Exchange.

"UPME" means Unidad de Planeación Minero Energética.

"USO" means the Petroleum Sector Workers Syndicated Union.

"U.S. Qualified Incentive Stock Option" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Management Incentive Plan."

"Voting Agreement" has the meaning given to such term under the heading entitled "Proceedings under the CCAA – Governance and Management After the Implementation of the Plan."

"**Warrants"** has the same meaning given to such term under the heading entitled "Proceedings under the CCAA – Background to the Restructuring Transaction – Debtor-in-Possession Financing."

"Warrant Indenture" means the warrant indenture dated June 22, 2016 between the Company, as issuer, Computershare Trust Company, as warrant agent and Computershare Trust Company, N.A. and Computershare Inc., as co-agents.

"WTI" means West Texas Intermediate.

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 one (1) atmosphere of absolute pressure).

"BSW" means basic sediment water.

"DRA" means drag-reducing agents.

"ESP" means Electro-Submersible Pump.

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

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

“P&A” means plugging and abandonment procedures.

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

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

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 that 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, and 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. 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, other than as required by applicable securities laws.

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

- implementation of the Plan;
- the focus of capital expenditures;
- future debt levels and annual interest costs;
- the Company's future financial and operational situation after the implementation of the Plan;
- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for facility construction and completion and the timing and method of funding thereof;

- 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, labour, environmental and tax laws;
- capital expenditure programs and the timing and method of financing thereof;
- the Company's credit ratings upon implementation of the Plan; and
- limitations on the Company's access to sources of financing or competitive terms and compliance with covenants.

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

- the Company's ability to implement the Plan;
- future prices for oil and natural gas;
- future currency and interest rates;
- the Company's ability to generate sufficient cash flow from operations;
- 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 this Annual Information Form. The material risk factors include, but are not limited to:

- the Company's ability to continue as a going concern upon completion of the Plan;
- volatility in market prices for oil and natural gas;
- a continued depressed oil price environment with a potential of further decline;
- investors' perceptions of the Company's prospects and the prospects of the oil and gas industry in Colombia and the other countries where the Company operates and/or has investments;
- expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development;
- inability to obtain a listing on the TSX, TSX-V or certain other securities markets as is acceptable to the Company, the Plan Sponsor and certain other participants in the Plan;
- the effect of ratings downgrades, or ability to obtain adequate ratings, on the Company's business and operations;
- political developments in Colombia, Guatemala, Peru, Brazil, Belize, Guyana and Mexico;
- 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 and/or past integration problems;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- delays in obtaining required environmental and other licences;
- uncertainty of estimates of capital and operating costs, production estimates and estimated economic return;
- the possibility that actual circumstances will differ from estimates and assumptions;
- uncertainties relating to the availability and costs of financing needed in the future;
- changes in income tax laws or changes in tax laws, accounting principles and incentive programs relating to the oil and gas industry; and
- the other factors discussed under the heading entitled "Risk Factors."

The reserves information that is in, or that can be derived from, the information in this Annual Information Form are estimates only. In general, estimates of crude oil, natural gas liquids and conventional natural gas reserves are based upon a number of variable factors and assumptions, such as production rates, ultimate reserves recovery, timing and amount of capital expenditures, ability to transport production, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the crude oil, natural gas liquids and conventional natural gas reserves attributable to any particular group of properties, as well as the classification of such reserves prepared by different engineers (or by the same engineers at different times) may vary. The actual reserves of the Company may be greater or less than those calculated. In addition, the Company's actual production, revenues, development and operating expenditures will vary from estimates thereof and such variations could be material.

Disclosure of well test results in this Annual Information Form should be considered preliminary until analyzed or interpreted and are not necessarily indicative of long-term performance or ultimate recovery.

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 reports or articles are expressly not incorporated by reference into this Annual Information Form unless otherwise explicitly incorporated by reference herein.

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 October 17, 2016, the noon nominal rate for one Canadian dollar in U.S. dollars as published by the Bank of Canada was $1.00 = U.S.$0.7612.

	High	Low	Average	End of Period
Years ended December 31,				
2015	0.8527	0.7148	0.7820	0.7225
2014	0.9422	0.8589	0.9054	0.8620
2013	1.0164	0.9348	0.9710	0.9402

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 October 17, 2016, the noon nominal rate for one Canadian dollar in Colombian pesos as published by the Bank of Canada was $1.00 = COP$2,222.2222.

	High	Low	Average	End of Period
Years ended December 31,				
2015	2,444.9878	1,897.5332	2,132.9784	2,293.5780
2014	2,100.8403	1,706.4846	1,807.4162	2,057.6132
2013	1,879.6992	1,751.3135	1,814.1577	1,814.8820

INFORMATION CONCERNING THE COMPANY

Name, Address and Incorporation

The full legal name of the Company is Pacific Exploration & Production Corporation (formerly "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 in 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 in 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 PEH completed on the same date, the Company changed its name to Petro Rubiales Energy Corp. The Company subsequently acquired the remaining 25% interest in PEH on December 3, 2007. Prior to the acquisition of PEH, Consolidated AGX Resources Corp. had insignificant assets, liabilities, stockholders' equity and operations. As a result of the acquisition, Petro Rubiales Energy Corp. changed its business to the exploration, development and production of certain oil and natural gas.

On January 23, 2008, the Company completed the acquisition of Pacific Stratus Energy (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 of Pacific Stratus Energy and a wholly-owned subsidiary of the Company pursuant to the Stratus Plan of Arrangement, under which Pacific Stratus shareholders received 9.5 pre-2008 Consolidation Common Shares for every Pacific Stratus Energy share held at closing. PEH Warrants and options of Pacific Stratus Energy were exchanged based upon the same ratio.

On May 9, 2008, the Company consolidated its Common Shares on a 1:6 basis (the "**2008 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 PEH 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 Petroleum Company Inc. merged, with Meta becoming the surviving entity.

In December 2012, the Company commenced the process of reorganizing its pipeline and infrastructure assets, so that the majority of such assets were transferred to Pacific Midstream Holding (formerly "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 acquisitions in recent years.

On January 23, 2013, the Company amalgamated with C&C Energia under the name Pacific Rubiales Energy Corp., pursuant to a certificate of amalgamation dated January 29, 2013, and issued by the Registrar of Companies, B.C.

On November 28, 2013, the Company completed the acquisition of Petrominerales (the "**Petrominerales Acquisition**"). In connection with the Petrominerales Acquisition, the Company amalgamated with Petrominerales under the name of Pacific Rubiales Energy Corp., pursuant to a certificate of amalgamation dated January 1, 2014, and issued by the Registrar of Companies, B.C. For further information, see the heading entitled "General Development of the Business – Historical Overview – Petrominerales Acquisition."

Effective August 14, 2015, the Company changed its name from "Pacific Rubiales Energy Corp." to "Pacific Exploration & Production Corporation" in order to reflect its broader focus in Latin America as its production base continues to be diversified away from the Rubiales Field.

It is anticipated that in connection with the Restructuring Transaction, the Amended Articles will become effective on the Implementation Date which shall amend and restate the current articles of the Company. For further information, see the heading entitled "Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Amended Articles."

The Common Shares were listed on the TSX until May 25, 2016 at which time they were delisted from the TSX and are listed, but suspended from trading on the BVC. The TSX has conditionally accepted the Common Shares for listing on the TSX upon the implementation of the Plan. Listing is subject to the Company meeting certain standard requirements of the TSX.

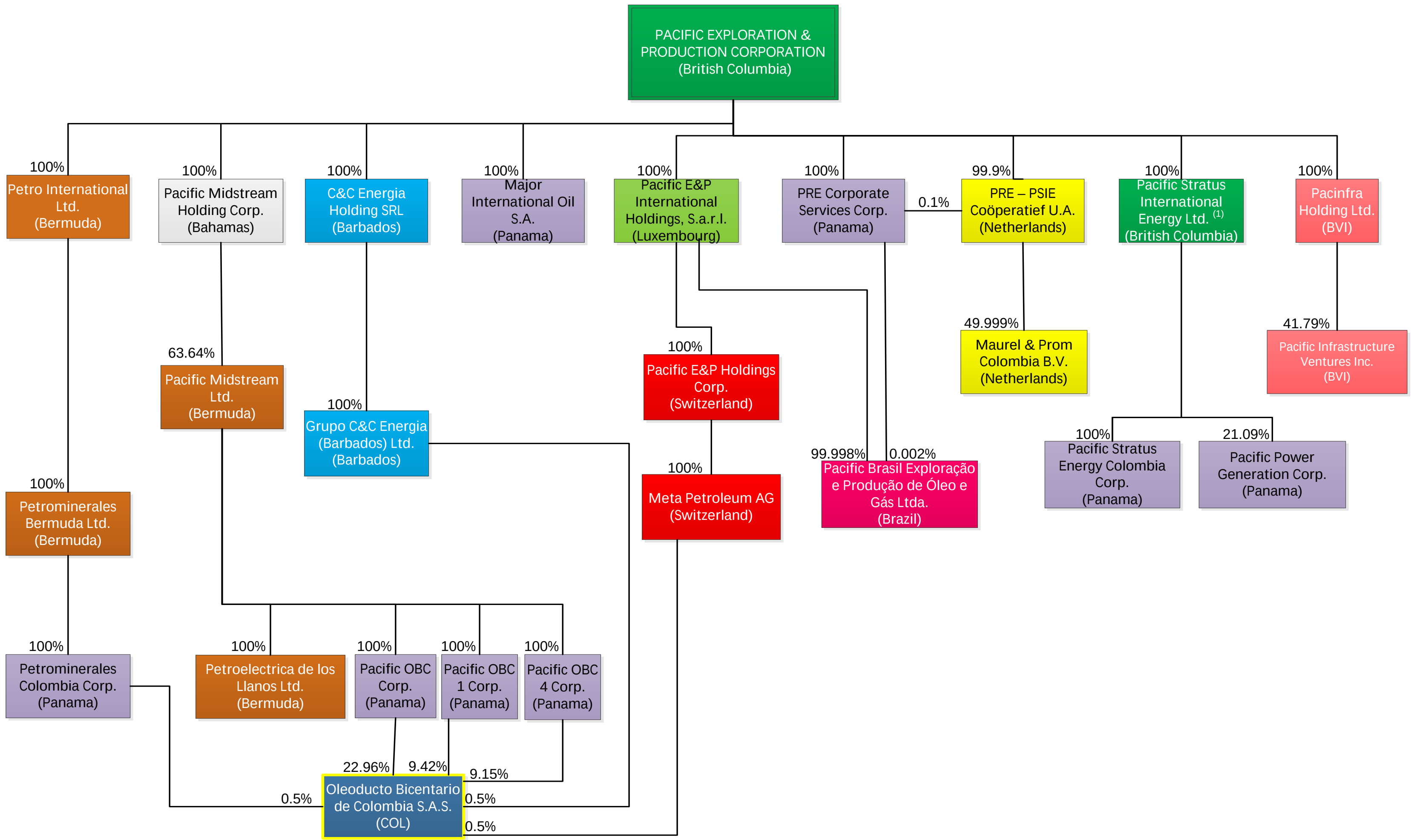
Intercorporate Relationships

The Company directly and indirectly conducts its business through a number of subsidiaries. The Company has been undergoing a corporate reorganization designed to maximize tax efficiencies and strengthen investment protection.

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 June 30, 2016.

The subsidiaries of the Company not set out below each accounted for (i) less than 10% of the Company's consolidated assets as at June 30, 2016; and (ii) less than 10% of the Company's consolidated revenues for the period ended June 30, 2016. In aggregate, the remaining subsidiaries accounted for less than 20% of each of (i) and (ii) described above.

As at June 30, 2016



(1) It is contemplated that Pacific Stratus International Energy Ltd. will be wound-up and its assets transferred to the Company as part of the Restructuring Transaction.

PROCEEDINGS UNDER THE CCAA

Background to the Restructuring Transaction

Since the second half of 2014, oil prices have declined to levels not seen in 13 years. During this period, WTI crude oil prices ranged from a high of U.S.$107.26 per barrel on June 20, 2014, to a low of approximately U.S.$26.50 per barrel on February 11, 2016. The Pacific Group's operations, including profitability and cash flow, are particularly sensitive to oil prices. The decline and volatility in oil prices over this period contributed significantly to a substantial decline in the trading price of the Common Shares and the profitability of the Pacific Group as a whole.

In this context, the Company reviewed and considered various strategic alternatives, including potential investment and divestment opportunities. On May 5, 2015, the Company entered into exclusive discussions with Alfa and Harbour in connection with the Alfa-Harbour Transaction. On May 20, 2015, the Company, Alfa and Harbour entered into an arrangement agreement in connection with the Alfa-Harbour Transaction, and on July 8, 2015, at the request of Alfa and Harbour, the arrangement agreement was terminated as proxy returns suggested that Shareholders holding a significant number of shares would vote against the Alfa-Harbour Transaction and it was most likely the Alfa-Harbour Transaction would not be approved by Shareholders.

Following the termination of the Alfa-Harbour Transaction, oil prices continued to be volatile with a general downward trend. As a result, the Pacific Group continued to face decreased cash flow, reduced profitability and constrained financial flexibility. At the end of September 2015, the Company realized that it would be in violation of its covenants under its Credit Facilities to maintain a consolidated net worth above U.S.$1 billion and it therefore needed to obtain a waiver from the lenders to avoid a default thereunder, which waiver was granted on September 29, 2015 but was scheduled to terminate on December 28, 2015. See also "General Development of the Business – Financings, Credit Facilities and Lines of Credit – Amendments, Waiver of Net Worth and Leverage Covenants under Credit Facilities, and Forbearance Agreements."

On December 28, 2015, the Company received further waivers under its Credit Facilities, including an extension of the previous waivers granted, through February 26, 2016.

On or about January 14, 2016, the Company elected to utilize the 30 day grace period pursuant to the 5.625% Indenture and the 5.375% Indenture rather than make the scheduled interest payments due on such notes. The Company intended to use the grace period to engage with its creditors (including the lenders under the Credit Facilities and the Noteholders) with a view to making its capital structure more suitable to current market conditions.

As a result of the then current economic environment and, in particular, the downturn in the oil and gas sector, including sharp reductions and continued weakness in commodity prices, management, the Board of Directors and an independent committee of the Board of Directors (the "**Independent Committee**") began proactively exploring strategic alternatives to help resolve the Company's capital structure and liquidity concerns.

By February 19, 2016, the Company was able to announce that it had entered into forbearance agreements with certain holders of the 5.375% Senior Notes and the 5.625% Senior Notes and the lenders under the Credit Facilities. Under the forbearance agreements, and subject to certain terms and conditions thereof, certain Noteholders and the lenders under the Credit Facilities agreed to forbear from declaring the principal amounts of certain Notes or the Credit Facilities, as the case may be, due and payable until

March 31, 2016. The Company remained current with its suppliers, trade partners and contractors and normal operations continued.

The Company elected on March 21, 2016 not to make the interest payments due on March 28, 2016 under the 5.125% Senior Notes. The Company had a 30-day period from the scheduled payment date to cure the failure to make such payment, after which the failure to make such payment would be an event of default under the 5.125% Senior Notes. Certain holders of the 5.375% Senior Notes, the holders of the 5.625% Senior Notes and the lenders under the Credit Facilities agreed on March 24, 2016, subject to certain terms and conditions, to extend the terms of their forbearance agreements to April 29, 2016.

The CCAA Process

After an extensive competitive bid solicitation process involving the submission of six bids and direct negotiations amongst the respective bidders, including The Catalyst Group Inc., an ad hoc committee of Noteholders and certain lenders under the Credit Facilities, the Board of Directors, acting upon a recommendation from the Independent Committee, announced a proposed recapitalization and financing transaction (the "**Restructuring Transaction**") on April 19, 2016 with the Plan Sponsor and entered into a definitive restructuring support agreement (the "**Support Agreement**") with certain Noteholders (the "**Supporting Noteholders**"), certain lenders under the Credit Facilities (the "**Supporting Lenders**"), and the Plan Sponsor in connection with the Restructuring Transaction on April 20, 2016. After a review of available methods to implement this transaction, the Company concluded that the Restructuring Transaction should be implemented pursuant to a proceeding under the CCAA, together with appropriate proceedings in Colombia under Ley 1116 of 2006 and in the United States under chapter 15 of title 11 of the United States Code (collectively, the "**CCAA Proceedings**"). Accordingly, the Company commenced proceedings under the CCAA on April 27, 2016 for the purpose of implementing the Restructuring Transaction.

On April 27, 2016, the Applicants obtained an initial order from the Court under the CCAA (the "**Initial Order**") which, among other things, imposed a general stay of proceedings against the Applicants with respect to any claims and liabilities that related to the Applicants' agreements or business, other than proceedings authorized under Ley 1116. On May 3, 2016, the Company and certain other members of the Pacific Group with branches in Colombia filed a request for recognition in Colombia under Ley 1116 in respect of the CCAA Proceedings. In conjunction with the Initial Order, the Company implemented a key employee retention plan ("**KERP**") whereby certain officers and employees were granted a cash incentive of between 25% to 100% of their annual base salary in exchange for committing to continue their employment with the Company until the closing of the Restructuring Transaction. The aggregate amount of the KERP is a maximum of U.S.$14,120,000.

On May 25, 2016, the Common Shares were delisted from the TSX.

On June 10, 2016, the United States Bankruptcy Court for the Southern District of New York entered an order under chapter 15 of title 11 of the United States Code granting recognition of the CCAA Proceedings. On June 10, 2016, the Superintendencia granted an order under Ley 1116 recognizing the CCAA Proceedings as the foreign main proceedings for the Restructuring Transaction.

On June 30, 2016 the Court granted a meeting order which, among other things, (a) authorized the filing of the Plan pursuant to the CCAA through which the Restructuring Transaction would be implemented; (b) authorized and directed that a meeting of Affected Creditors be held to consider and vote on the Plan (the "**Creditors' Meeting**"); (c) set August 23, 2016 as the date for a hearing for court approval of the Plan (the "**Sanction Order**") should the Plan be approved at the Creditors' Meeting; and (d) provided certain additional direction with respect to the procedures for the conduct of voting at the Creditors' Meeting and the procedures for qualifying Supporting Noteholders to receive early consent shares on implementation of the Plan and for Affected Creditors to receive cash in lieu of New Common Shares under the Plan pursuant to the Cash Election. For further information, see the heading entitled "Proceedings under the CCAA – Impact of the Plan."

On August 17, 2016, the resolution approving the Plan was approved by 98.4% in number of Affected Creditors who represented 97.2% in value of the eligible voting claims of Affected Creditors who were present and voted in person or by proxy at the Creditors' Meeting. On August 23, 2016, the Court granted the Sanction Order sanctioning and approving the Plan. Assuming satisfaction or waiver of the remaining conditions to the implementation of the Plan within the expected time frame, the Company anticipates that the Implementation Date will be on or around October 24, 2016.

Debtor-in-Possession Financing

On June 22, 2016, the Pacific Group closed a U.S.$500 million debtor-in-possession note financing (the "**DIP Note Financing**"), less an original issue discount with certain of the Noteholders (the "**Funding Creditors**") and the Plan Sponsor. The Plan Sponsor provided U.S.$240 million for the purchase of notes (after taking into account the original issue discount) pursuant to the DIP Note Financing (the "**Series 1 DIP Notes**") and the Funding Creditors provided U.S.$240 million for the purchase of notes and warrants (after taking into account the original issue discount) pursuant to the DIP Note Financing (the "**Series 2 DIP Notes**" and together with the Series 1 DIP Notes, the "**DIP Notes**"). On the Implementation Date, the Series 2 DIP Notes will be amended and restated as the Exit Notes and the Series 1 DIP Notes will be exchanged for 1,465,000,000,000 New Common Shares, representing approximately 29.3% of all the New Common Shares. As part of the DIP Note Financing, the Company issued warrants (the "**Warrants**") to the Funding Creditors that are exercisable at a nominal exercise price for up to 625,000,000,000 New Common Shares, representing approximately 12.5% of the New Common Shares on the Implementation Date pursuant to the Warrant Indenture. For further information, see the heading entitled "Proceedings under the CCAA – Impact of the Plan."

In addition, the Company entered into a U.S.$115,532,794 new letter of credit facility (the "**DIP LC Facility**" and together with the DIP Note Financing, the "**DIP Offering**") with certain lenders under the Credit Facilities. On the Implementation Date, the DIP LC Facility will be amended and restated as an exit letter of credit facility expiring in June 2018 (the "**Exit LC Facility**").

Pursuant to the terms of the Support Agreement, the Company was entitled to enter into oil hedges for up to 60% of its net production. On July 21, 2016, the Company entered into an agreement with BP Products North America Inc., which contemplates oil price hedging for the purchase and sale of up to 3 million barrels of crude oil over a 6-month period. For further information, see the heading entitled "Proceedings under CCAA – Impact of the Plan – Hedging Arrangements."

Impact of the Plan

The purpose of the Plan is to facilitate the continuation of the business of the Pacific Group as a going concern, address certain liabilities of the Company and its subsidiaries, and effect a recapitalization transaction as described herein on an expedited basis to provide a stronger financial foundation for the Pacific Group going forward. It will provide additional liquidity, allowing the Pacific Group to continue to work towards its operational and financial goals from and after the Implementation Date with the expectation that persons with an economic interest in the Pacific Group will derive a greater benefit from the implementation of the Plan than would otherwise result.

Based on the current price of oil and the current level of expenditures (before debt service), the Company and its subsidiaries anticipate that the Company will, absent the implementation of the Plan (and giving effect to the consequential repayment of the funds provided under the DIP Offering), cease to have sufficient cash resources to continue operations during the fourth quarter of 2016.

Upon implementation of the Plan, it is anticipated that:

- the claims of Noteholders in respect of approximately U.S.$4.3 billion under the Senior Notes will be settled in exchange for approximately 2,250,000,000,000 New Common Shares or cash in lieu (pursuant to the Cash Election), representing approximately 45.0% of all the New Common Shares of which approximately 110,000,000,000 New Common Shares or cash in lieu (pursuant to the Cash Election), representing approximately 2.2% of all the New Common Shares, will be allocated to Noteholders that were Early Consenting Noteholders and approximately 2,140,000,000,000 New Common Shares or cash in lieu (pursuant to the Cash Election), representing approximately 42.8% of all the New Common Shares will be allocated to Noteholders regardless of whether or not they are Early Consenting Noteholders;

- claims of the bank lenders in respect of approximately U.S.$1.2 billion under the Company's Credit Facilities will be settled in exchange for approximately 651,800,000,000 New Common Shares or cash in lieu thereof (pursuant to the Cash Election), representing approximately 13.0% of all the New Common Shares;

- the claims of Affected Creditors that are neither Noteholders nor bank lenders under the Company's Credit Facilities in respect of approximately U.S.$15 million will be settled in exchange for approximately 8,080,000,000 New Common Shares or cash in lieu thereof (pursuant to the Cash Election), representing approximately 0.2% of all the New Common Shares;

- Cash Elections in respect of approximately 92,500,000,000 New Common Shares were accepted such that Affected Creditors participating in the Cash Election will receive approximately U.S.$16,317,000 in lieu of the New Common Shares they were otherwise entitled to receive as set out above (the "**Accepted Cash Elections**");

- the Plan Sponsor and Equity Subscribers will have acquired approximately 92,500,000,000 New Common Shares as a result of the Accepted Cash Elections;

- the Plan Sponsor shall exchange the Series 1 DIP Notes into 1,465,000,000,000 New Common Shares, representing approximately 29.3% of all the New Common Shares;

- the Series 2 DIP note indenture will be amended and restated such that the Series 2 DIP Notes will become the Exit Notes and each holder of DIP Notes (other than the Plan Sponsor) will, following the implementation of the Plan, hold Exit Notes;

- each Warrant shall, unless a holder thereof has revoked, or is deemed to have revoked, its election to exercise the Warrants, be exercised for 625,000,000,000 New Common Shares, representing in the aggregate (assuming the exercise of all Warrants) approximately 12.5% of all New Common Shares; and

- after giving effect to the above share issuances, the common shares of the Company will be consolidated on the basis of one New Common Share for each 100,000 Common Shares outstanding immediately prior to the consolidation and any fractional New Common Shares will be rounded down to the nearest whole number without consideration in respect thereof.

As a result of the Restructuring Transaction, the Company's indebtedness will be reduced by approximately U.S.$5.1 billion, from U.S.$5.4 billion as of December 31, 2015, to approximately U.S.$286.5 million outstanding (after giving effect to the Restructuring Transaction on a pro forma basis), which represents the total aggregate amount outstanding under the Exit Notes of U.S.$250 million and certain finance leases for power generation and equipment. Following the Restructuring Transaction, the Company's annual interest expense will be reduced by approximately U.S.$259 million as compared to the year ended December 31, 2015. Upon implementation of the Plan, the Exit Notes and certain finance leases for power generation and equipment will be the Company's only long-term debt outside of facilities to support letters of credit or hedging activities.

At the Implementation Date, the Company will deposit U.S.$39 million in trust account established at the request of the Superintendencia in order to guarantee the payment of certain trade payables of Colombian branches of certain Note Guarantors. These funds will be released from the trust account upon confirmation that certain trade payables have been paid.

The Company shall use commercially-reasonable best efforts to obtain a rating within ten (10) Business Days after the Implementation Date and to obtain and maintain the listing of the Exit Notes on the Official List of the Luxembourg Stock Exchange.

Exit Notes

Pursuant to the Plan, the Company issued the DIP Notes to the Funding Creditors and the Plan Sponsor. The DIP Notes accrue interest at an annual rate of 12%.

The Plan Sponsor purchased Series 1 DIP Notes and upon implementation of the Plan on the Implementation Date, the Series 1 DIP Notes will be exchanged for approximately 29.3% of the fully diluted shares of the Company. The Funding Creditors purchased the Series 2 DIP Notes. Upon implementation of the Plan on the Implementation Date, the Series 2 DIP Notes will be amended and restated as the exit notes described below (the "**Exit Notes**").

The Exit Notes are issued in an aggregate amount of U.S.$250 million and will bear interest at an annual rate of 10.0% for a term of five years and may be redeemable by the Company subject to certain terms. The Exit Notes will be unconditionally and irrevocably guaranteed by each of the Note Guarantors that guaranteed the DIP Notes and by certain collateral which secured the DIP Notes on a first priority basis immediately prior to the Implementation Date.

If the change of control provisions are triggered under the indenture governing the Exit Notes, each holder will have the right to require the Company to offer to redeem the Exit Notes at 101% of the principal amount thereof plus accrued and unpaid interest.

Exit LC Facility

The Exit LC Facility will become effective upon implementation of the Plan. The Exit LC Facility will be effectuated by an amendment and restatement of the DIP LC Facility.
The Exit LC Facility will:

- mature on June 22, 2018;

- bear interest and fees at the same rates and under the same terms as the DIP LC Facility; and
- contain covenants and events of default substantially similar to those in the Exit Note Indenture.

Failure to reimburse a letter of credit draw within two business days of any drawing of a letter of credit will constitute an event of default under the Exit LC Facility. The Exit LC Facility is guaranteed by the same Note Guarantors that guarantee the Exit Notes, and is secured by the same collateral as the Exit Notes but with a second priority ranking as compared to the Exit Notes.

Hedging Arrangements

The Company's hedging strategy aims to secure additional liquidity to effectively fund planned non-discretionary expenses. The Company is significantly vulnerable when crude oil and natural gas prices decline below the necessary levels to fund our operating costs and general and administrative expenses, planned non-discretionary capital programs, taxes and debt services. The Company enters into a variety of derivative financial instruments to manage its exposure to commodity price risks, including zero cost collars, swaps, forwards, extendable collars, extendable swaps and leveraged collars.

For the first quarter of 2016, the Company hedged 43% of our estimated production. Nonetheless, in early February, the Company decided to perform an unwinding strategy over the outstanding hedging positions for 2016 of 5.8 MMbbl; since then, commencing in August 2016, the Company has hedged 48.2% of its estimated production for the second half of 2016. The Company is currently advancing our hedging program for 2017, and the objective is to hedge at least 60% of the Company's planned production.

As of August 31, 2016, the Company held pure financial hedging instruments indexed to ICE Brent with a notional volume of 6.34MMbbl outstanding as per the below summary chart. Furthermore, the Company entered into a zero cost collared forward sale contract with BP Products North America Inc. with a floor price of U.S.$46.00 and a ceiling of U.S.$49.60 ICE Brent (subject to a price differential on the Brent), whereby the Company must deliver 500,000 barrels of oil per month starting September 2016 until February 2017.

Type of Instrument[(1)]	**Term**	**Volume (U.S.$)**	**Strike Price**	**Benchmark**	**MtM as of August 31, 2016 (U.S.$ in thousands)** [(2)]
Plain Vanilla ZCC	August 2016- January 2017	1.2 million	43/47.25	BRENT	($1,928)
Plain Vanilla ZCC	August 2016- January 2017	1.2 million	42.50/47.75	BRENT	($2,660.8)
Plain Vanilla ZCC	August 2016- January 2017	1.8 million	43/47.55	BRENT	($1,788.8)
Plain Vanilla ZCC	September 2016- February 2017	0.72 million	43/50	BRENT	($664)
Plain Vanilla ZCC	September 2016- February 2017	0.72 million	43/50	BRENT	($664)
Plain Vanilla ZCC	February 2017	0.7 million	48/55.35	BRENT	($1,505)

(1) ZCC means zero cost collar
(2) MtM means market to market

Other than the Exit Notes, the Exit LC Facility, certain finance leases for power generation and equipment and the hedging facility with BP Products North America Inc., the Company does not maintain any other indebtedness. The Exit Notes and Exit LC Facility provide certain exemptions pursuant to which the Company may incur additional indebtedness.

Capital Structure after Implementation of the Plan

The current capital structure of the Company is described under the heading "Description of Current Capital Structure – Common Shares" and "Description of Current Capital Structure – Preferred Shares." After the Plan is implemented, the authorized capital of the Company will consist of an unlimited number of Common Shares and an unlimited number of Preferred Shares without par value. Subject to the rights of the holders of Preferred Shares, the holders of Common Shares will be entitled to dividends if, as and when declared by the Board of Directors, to one vote per Common Share at meetings of 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. 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 in priority to the Common Shares. The Board of Directors will 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 will not have pre-emptive rights to subscribe for any issue of securities.

On the Implementation Date, no Preferred Shares will be outstanding and, after giving effect to the Common Share Consolidation contemplated by the Plan, approximately 50,003,000 Common Shares will be outstanding, representing: (i) the New Common Shares to be issued to Affected Creditors in settlement of their claims; (ii) the New Common Shares to be issued to the Plan Sponsor in exchange for its Series 1 DIP Notes; (iii) the New Common Shares to be issued to the holders of Warrants that do not revoke their election to exercise the Warrants; (iv) the New Common Shares to be issued to the Plan Sponsor and Equity Subscribers to fund the Cash Election; and (v) the Common Shares to be held by Existing Shareholders, in each case, following the Common Share Consolidation.

Rights Plan

Under the Plan, the 2015 Rights Plan will be terminated. A description of the 2015 Rights Plan is set out under "Description of Current Capital Structure – Shareholder Rights Plan."

Pursuant to the terms of the Support Agreement, the Company has agreed to adopt a customary shareholder rights plan on the Implementation Date (the "**New Rights Plan**"). The New Rights Plan contains substantially the same terms and conditions as the 2015 Rights Plan aside from housekeeping changes to reflect current best practices, changes to reflect terms of the Support Agreement and certain other changes to take into account amendments to the regime governing take-over bids recently adopted by the Canadian Securities Administrators pursuant to NI 62-104 that came into effect on May 9, 2016.

Under the New Rights Plan, a permitted bid will be a take-over bid by means of a take-over bid circular pursuant to and in compliance with NI 62-104 and that is made to all shareholders on the books of the Company. As a result, a permitted bid must remain open for a longer period of up to 105 days (increased from 60 days to take into account NI 62-104) after the offer date of the bid and then for another ten days following public announcement that more than 50% of the outstanding shares held by independent shareholders (which excludes shares owned by the bidder and its joint actors) have been deposited or tendered and not withdrawn for purchase by the bidder. This permits a shareholder to accept the bid after a majority of the independent shareholders have decided to accept the bid, and lessens concern about undue pressure to tender to the bid.

In addition, a permitted bid excludes a creeping or exempt bid whereby a person could slowly accumulate shares through stock exchange acquisitions, or acquire blocks of shares through private agreements, which may result, over time, in an acquisition of control or effective control without paying a control premium or without sharing of any control premium among all shareholders fairly.

The Plan Sponsor, which will own approximately 30.78% of the Consolidated Shares immediately following the Implementation Date, shall be grandfathered under the New Rights Plan and will not, under the terms of the New Rights Plan, be restricted from acquiring additional Consolidated Shares in any manner.

The TSX accepted notice for filing of the New Rights Plan. The foregoing description is a summary only of the New Rights Plan. A copy of the New Rights Plan will be available on SEDAR at www.sedar.com upon implementation of the Plan.

Governance and Management after Implementation of the Plan

Amended Articles

As part of the Plan, the Amended Articles will become effective on the Implementation Date which shall amend and restate the articles of the Company. The Amended Articles contain, among other things, certain special approval rights and provisions requiring that the Board of Directors be comprised of a majority of "Independent Directors" (as defined in the Amended Articles) which provisions shall apply until the earlier of (i) the date the Plan Sponsor owns less than 10% of the issued and outstanding voting securities of the Company and (ii) the date of the annual general meeting of shareholders of the Company to be held in 2019. The directors of the Company immediately prior to the Implementation Time shall be deemed to have resigned and the New Board of Directors shall be deemed to have been appointed. The Amended Articles also provide that the New Board will initially be set at seven members and be initially compromised as follows:

Proposed Directors

Gabriel de Alba, Toronto, Ontario

Gabriel de Alba is a Managing Director and Partner of Catalyst. Mr. de Alba's responsibilities at Catalyst have included acting as a director or senior officer of various Catalyst portfolio companies, including, Geneba Properties, Advantage Rent-A-Car, Gateway Casinos & Entertainment, Therapure Biopharma, World Color Press, Cable Satisfaction International/ Cabovisão and Sonar Entertainment. Catalyst and funds managed by it have, since 2002, been involved in numerous distressed and/ or under-valued situations including (in addition to the portfolio companies previously referred to) AT&T Canada, Call-Net Inc., Stelco, IMAX Corporation, Calpine Power Income Fund, Countryside Power Income Fund, Canwest, SFX Entertainment, The Fresh Market and YRC Worldwide. Prior to joining Catalyst at its inception in 2002, Mr. de Alba worked at AT&T Latin America. Mr. de Alba was a founding member of the Bank of America International Merchant Banking Group and, prior to that, worked in Bankers Trust's New York Merchant Banking Group. Mr. de Alba is fluent in five languages and holds a double B.S. in Finance and Economics from the NYU Stern School of Business, an M.B.A. from Columbia University and has completed graduate courses in Mathematics, Information Technology and Computer Sciences at Harvard University.

Luis F. Alarcon, Bogota, Colombia

Luis F. Alarcon is a seasoned Colombian executive with strong connections in the Colombian business environment. Mr. Alarcon started his career as a consultant working for a local firm and participating in several studies in the fields of energy, agriculture, water resources and environmental planning. He has served as the Head of the Public Investment Unit at the National Planning Department, an Energy Economist within the Inter-American Development Bank's (IADB) Department of Project Analysis and a Deputy Minister and later as Minister of Finance and Public Credit under the government of President Virgilio Barco. He was appointed as Executive Director, representing Colombia and Peru at the IABD just before returning to Colombia to serve as Chief Executive Officer of Flota Mercante GranColombiana (Colombian Merchant Fleet), a position he held during seven years. Between 1997 and 2000 he served as Director and General Manager for PetroColombia S.A. and in 2001 he joined Asofondos de Colombia (Colombian Association of Pension Funds) as President of the association until 2007. For the next 8 years, Mr. Alarcon served as Chief Executive Officer of Interconexión Eléctrica S.A. E.S.P., a Colombian listed infrastructure company operating throughout Latin America and focused on electric power transmission, road concessions, telecommunications transmission and management of real-time systems. Mr. Alarcon is a Civil Engineer with a degree from Universidad de Los Andes (1975) and obtained a Masters in Civil Engineering from Massachusetts Institute of Technology (1979). In 1995 he attended the Advanced Management Program at Oxford University. He currently serves as Chairman of the Board of Directors of Grupo Sura and Almacenes Exito, two of the largest holdings in Colombia, and is a member of the Board of Riopaila-Castilla, one of the main sugar and bioenergy companies in the country. He is also a member of the Board of Trustees of Universidad de los Andes.

W. Ellis Armstrong, Houston, Texas

Ellis Armstrong is a chartered engineer with over 35 years international oil and gas industry with BP in Argentina, Colombia, Venezuela, Trinidad, Alaska and the North Sea. He held senior strategy, commercial, technical and operational roles with BP and was also the Chief Financial Officer for the group's global exploration and production business. Dr. Armstrong is an independent director of Lamprell plc, Interoil Plc and Lloyds Register Group, a leading international risk assurance firm. Dr. Armstrong has a BSc and PhD in Civil Engineering from Imperial College, and a Master's degree in Business Administration from Stanford Business School.

Raymond Bromark, Sarasota, Florida

Raymond Bromark is a certified public accountant and retired partner of PwC where he served for almost 40 years. Mr. Bromark joined PwC's staff in Chicago in 1967 and was later transferred to the National Office (New York) in 1977. Afterwards, he was appointed to the Boston Office (1983) and in 1990 he was selected as Deputy Vice Chairman of Auditing and Business Advisory Services (ABS) for the firm. From 1994 through 2000, he was the Global Engagement Partner responsible for reporting on E.I. DuPont de Nemours and Company's financial statements. During the five years prior to his retirement in 2006, he led the PricewaterhouseCoopers Professional, Technical, Risk and Quality Group. Mr. Bromark was a member of the board of World Color Press (commercial and industrial printing) from 2009 to 2010 when the company merged into another company. He currently serves as Director and Chair of the Audit Committee for YRC Worldwide Inc. (a transportation service provider), Tesoro Logistics GP LLC (an operator, developer and acquirer of crude oil, refined products and natural gas logistics assets), and CA Inc. (a leading provider of information technology management software and solutions). Mr. Bromark earned a BSc degree in Business Management from Quincy University and is a Member of the American Institute of Certified Public Accountants. He is also a member of the National Association of Corporate Directors' (NACD) Audit Committee Chair Advisory Group.

Russell Ford, Katy, Texas

Russell Ford is a senior executive with more than 35 years of experience within the global oil and gas industry. He started his career at Shell's E&P business in 1981 as a production engineer working in upstream. Afterwards, he served in a series of technical, operational and leadership roles across a number of onshore and deep-water assets, in upstream research, and as head of M&A for North America. More recently, he led Royal Dutch Shell Group's global supply chain activities as Executive Vice President of Contracting and Procurement (2013-2015). Prior to that he was Executive Vice President Onshore (2009-2012) with responsibility for drilling, development, and producing operations for the North American onshore unconventional/shale portfolio. This followed assignments as a Vice President over upstream onshore and offshore development in the Western Hemisphere (2005-2009), Private Assistant to Shell's Chief Executive (2004-2005), and Head of EP Strategy and Portfolio (2003-2004). Mr. Ford has a BS in Mechanical Engineering from the University of Michigan and an MBA from California State University. He served as Chairman of the Board of AeraEnergy from 2012 until 2015, and is currently a member of the University of Michigan's Energy Institute External Advisory Board. Since retiring from Shell in June 2015, he has advised companies and financial institutions on project-specific matters.

Barry Larson, Calgary, Alberta

Barry Larson has over 40 years of oil and gas industry experience, 21 of which have been with operations at the international level. Early in his career he worked fourteen years for Winterwill Canada as a Drilling and Production Superintendent. From 1994 until 1998 he was stationed in Argentina with Chauvco Resources International, where he received extensive operating experience first as a Drilling Manager, as Manager of Operations, and later as Vice President of Operations. From August 1999 to May 2004, Mr. Larson was co-founder and Vice President of Aventura Energy Inc., a company with operations in Argentina as well as in Trinidad & Tobago. Afterwards, he joined Petro Andina Resources Inc. where he served from 2005 to 2009 as Vice President of Operations and Chief Operating Officer. After the takeover by Parex Resources Inc., he held the same position for the company during seven years until retiring in 2016. Mr. Larson holds a Diploma in Hydrocarbon Engineering Technology from the Northern Alberta Institute of Technology and is currently a member of the board of directors for Madalena Energy Inc. (TSXV – MDN).

Camilo Marulanda, Bogota, Colombia

Camilo Marulanda is a Colombian executive with robust experience in the oil and gas sector. Mr. Marulanda began his career at Procter & Gamble. In 2003, he joined Colombia's state oil company Ecopetrol, one of the four main petroleum producers in Latin America, where he developed an extensive career occupying several different managerial positions over 12 years. During his first tenure at Ecopetrol (2003-2013), Mr. Marulanda served as Head of the Marketing Department, National Sales Manager, Supply and Marketing Vice President and Strategy and Growth Corporate Vice President. In 2012, he was appointed Chief Executive Officer for Cenit Transporte y Logística de Hidrocarburos (hydrocarbons logistics and transportation), a subsidiary of Ecopetrol that manages all the midstream assets of the group. After two years, he was selected to serve as Chief Operating Officer for Ecopetrol where he remained until 2015. Mr. Marulanda earned a bachelor´s degree in Economics from the Universidad de Los Andes, where he also finished a specialization in Marketing and an Executive MBA. He currently serves as President and Chief Executive Officer for Ashmore-CAF Asset Management in Colombia.

Each such member of the Board of Directors in office at the Company's annual general meeting of Shareholders to be held in 2017 shall, if they consent to re-election, be nominated for re-election. Each of Barry Larson, as the RCN Proposed Director, and Russell Ford, as the RCL Proposed Director, shall be nominated for re-election at the annual general meeting of Shareholders to be held in 2018, provided that such directors consent to re-election.

Additionally, as part of a voting agreement between the Plan Sponsor and the Company to become effective on the Implementation Date (the "**Voting Agreement**"), the Plan Sponsor has agreed to vote all of its Common Shares in favour of the RCN Proposed Director and the RCL Proposed Director (if they consent to election) at the two annual general meetings of Shareholders immediately following the Implementation Date, which provisions shall also cease to apply if the Plan Sponsor owns less than 10% of the outstanding Consolidated Shares.

Corporate Cease Trade Orders

No proposed director 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 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 ceased to be a director, chief executive officer or chief financial officer of the company subject to 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 proposed director of the Company, or a shareholder that, following implementation of the Plan, will hold 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 proposed director of the Company, and no shareholder that, following implementation of the Plan, will hold 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 proposed director of the Company, and no shareholder that, following implementation of the Plan, will hold 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.

Management

It is anticipated that certain executive and management positions of the Company in place on the Implementation Date (as agreed by certain parties to the Support Agreement on April 25, 2016) shall be affirmed by a specified majority of the New Board of Directors including by Barry Larson, the RCN Proposed Director, and/or Russell Ford, the RCL Proposed Director. If the requisite majority does not affirm any such position, then the incumbent executives shall remain in their respective positions, but a search firm shall assess potential alternatives. At the Implementation Date, Ronald Pantin (Chief Executive Officer), Carlos Perez (Chief Financial Officer) and Peter Volk (General Counsel) will be the senior officers of the Company subject to the aforementioned approvals.

Management Incentive Plan

The following is a summary of important provisions of the "Pacific Exploration & Production Corporation Security Based Compensation Plan" (the "**Management Incentive Plan**").

Purpose. The purpose of the Management Incentive Plan is to promote the Company's interests and long-term success by providing Directors, officers and employees of the Company and its affiliates with greater incentive to further develop and promote the Company's business and financial success, to assist the Company in attracting, retaining and motivating the Board of Directors, officers and employees of the Company and its affiliates and to further the identity of interests of persons to whom Awards (as defined below) may be granted with those of the shareholders through share ownership in the Company.

Administration. Under the Management Incentive Plan, the Board of Directors may, at any time, appoint a committee (which is expected to be the Compensation Committee) to, among other things, interpret, administer and implement the Management Incentive Plan on behalf of the Board of Directors in accordance with such terms and conditions as the Board of Directors may prescribe, consistent with the Management Incentive Plan.

Eligible Persons. Under the Management Incentive Plan, Awards may be granted to any Director or any officer or employee of the Company or an affiliate (an "**Eligible Person**") provided that: (i) a Director shall only be an Eligible Person with respect to an Award of Deferred Stock Units ("**DSUs**") or Restricted Stock Units ("**RSUs**"); and (ii) a Participant, other than a Director, shall not be an Eligible Person with respect to DSUs. A participant ("**Participant**") is an Eligible Person to whom an Award has been granted under the Management Incentive Plan.

Number of Securities Issued or Issuable. Subject to the adjustment provisions provided for in the Management Incentive Plan and the applicable rules and regulations of all regulatory authorities to which the Company is subject (including the TSX), the aggregate number of common shares reserved for issuance in respect of which Awards may be granted to all Participants shall not exceed 2,500,150, which number shall include treasury common shares subject to an Award (or any portion thereof) that is settled in cash in lieu of settlement in treasury common shares. For the purposes of computing the number of common shares available for grant under the Management Incentive Plan, common shares subject to any Award (or any portion thereof) that have expired or are forfeited, surrendered, cancelled or otherwise terminated prior to the issuance or transfer of such common shares shall again be available for grant under the Management Incentive Plan.

Issuance of Awards. The Management Incentive Plan allows for the issuance of stock options ("**Options**"), RSUs and DSUs (collectively, the "**Awards**"); each is briefly described below:

Stock Options — Options allow holders to receive common shares at a future date. Options are granted with vesting conditions (typically based on continued service or achievement of personal or corporate objectives) for a term of not more than ten (10) years. Each vested Option may be exercised to acquire a common share. The exercise price per common share for Options is fixed by the Compensation Committee but under no circumstances can the exercise price at the time of grant be less than the fair market value (as defined in the Management Incentive Plan) of the common shares. Vesting of Options is determined by the Compensation Committee in its sole discretion and specified in the Award agreement pursuant to which the Option is granted. Directors are not entitled to receive Options.

Restricted Stock Units — RSUs entitle the holder to receive common shares (or the cash equivalent) at a future date. RSUs are granted with vesting conditions (typically based on continued service or achievement of personal or corporate objectives) and settled upon vesting by delivery of common shares (or the cash equivalent). The value of the RSU increases or decreases as the price of the common shares increases or decreases, thereby promoting alignment of the interests of the RSU holders with shareholders. Settlement may be made, in the sole discretion of the Compensation Committee, in common shares, cash or a combination thereof. Vesting of RSUs is determined by the Compensation Committee in its sole discretion and specified in the Award agreement pursuant to which the RSU is granted.

Deferred Stock Units —DSUs represent a future right to receive common shares (or the cash equivalent) at the time of the holder's retirement, death, or the holder otherwise ceasing to provide services to the Company, allowing the Company to pay compensation to holders of DSUs on a deferred basis. Each DSU awarded by the Company is initially equal to the fair market value of a common share at the time the DSU is awarded. The value of the DSU increases or decreases as the price of the common shares increases or decreases, thereby promoting alignment of the interests of the DSU holders with shareholders. Settlement may be made, in the sole discretion of the Compensation Committee, in common shares, cash or a combination thereof. Only Directors are entitled to receive DSUs.

Insider Participation Limit. If and for so long as the common shares are listed on the TSX, the number of common shares issuable, at any time, to Participants that are insiders, and issued, within any one year period, to Participants that are insiders, (or when combined with all of the Company's other security based compensation arrangements) shall not, in aggregate, exceed 10% of the total number of outstanding common shares. For the purposes of the foregoing, the term "insider" shall mean those who are "reporting insiders" of the Company as defined in *National Instrument 55-104 - Insider Reporting Requirements and Exemptions* of the Canadian Securities Administrators.

Adjustment of Exercise/Settlement during Blackout Periods. Further to the Company's insider trading policy, officers, directors and employees may be prohibited from trading in the Company's securities for an interval of time, or the "**Blackout Period**". As Blackout Periods are of varying length and may occur at unpredictable times, Awards may expire or settle during a Blackout Period. As a result, the Management Incentive Plan provides that: (i) where the expiry date of an Option occurs during or within ten non-blackout trading days following the end of a Blackout Period, the expiry date for such Option shall be the date which is ten non-blackout trading days following the end of such Blackout Period; and (ii) where the date for the settlement of RSUs or the payment of a settlement amount in the case of a DSU occurs during a Blackout Period, the Company shall make such settlement or pay such settlement amount to the holder of such an Award within ten non-blackout trading days following the end of such Blackout Period and in any event no later than December 31st of the third calendar year following the year of service to which the RSU Award relates.

Vesting of Restrictions. Options and RSUs granted to Eligible Persons shall vest in stages over a period of not less than three years following the date of grant with no more than one-third (⅓) of the Options or RSUs vesting in any annual period. Subject to the foregoing, vesting shall be determined by the Compensation Committee. Except as determined from time to time by the Compensation Committee, all Options and RSUs will cease to vest as at the date upon which the Participant ceases to be an Eligible Person.

Term of Options. Subject to the Blackout Period provisions described above, each Option will expire on the date determined by the Compensation Committee and specified in the Award agreement pursuant to which such Option was issued, which date shall not be later than the tenth anniversary of the date of grant, or such earlier date as may be required by applicable law, rules or regulations, including those of any exchange or market on which the common shares are listed or traded. If a Participant's status as an officer or employee terminates for any reason other than death or termination for cause, the Option will expire on the date specified by the Compensation Committee and in the absence of such specification, will be deemed to be the date that is 90 days following the termination of the Participant's service with the Company. In the event of the death of a Participant, the Option will expire on the date which is one year after the date of death of such Participant. In the event of the termination of the Participant as an officer or employee of the Company or an Affiliate for cause, the Option will expire on the date of such termination. Notwithstanding the foregoing, the Compensation Committee may, subject to the amending provisions of the Management Incentive Plan and to regulatory approval, if required, at any time prior to expiry of an Option extend the period of time within which an option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension shall not be granted beyond the original expiry date of the Option.

U.S. Qualified Incentive Stock Options. Options intended to qualify as an "incentive stock option", as that term is defined in Section 422 of the Internal Revenue Code, may be granted under the Management Incentive Plan. To the extent required by the Internal Revenue Code, these Options are subject to additional terms and conditions as set out in the Plan. In addition, if any Participant who is a citizen or resident of the U.S. to whom an "incentive stock option" for the purposes of section 422 of the U.S. Internal Revenue Code (a "**U.S. Qualified Incentive Stock Option**") is to be granted under the Plan, and at the time of the grant the Participant is an owner of shares possessing more than 10% of the total combined voting power of all classes of the Company's common shares, then special provisions will be applicable to the U.S. Qualified Incentive Stock Option granted to such individual. These special provisions applicable only to U.S. Qualified Incentive Stock Options will be: (i) the exercise price (per common share) cannot be less than 110% of the fair market value of one common share at the time of grant; and (ii) the option exercise period cannot exceed five years from the date of grant.

Transferability. Awards granted under the Management Incentive Plan are not transferable or assignable and may be exercised only by the Participant, subject to exceptions in the event of the death or legal incapacity of the grantee.

Procedure for Amending. Subject to terms of the Management Incentive Plan and any applicable requirements of the stock exchange on which the common shares are listed for trading, the Compensation Committee or the Board of Directors, as applicable, has the right, at any time, to suspend, amend or terminate the Plan and to amend any Award agreement, including, without limitation, making the following amendments to the Management Incentive Plan and any Award agreement: (i) amendments of a "housekeeping" or ministerial nature including any amendment for the purpose of curing any ambiguity, error or omission in the Management Incentive Plan; (ii) amendments to reflect any requirements of, or to comply with, any regulatory authorities to which the Company is subject; (iii) such changes as may be required to comply with applicable provisions of the *Income Tax Act* (Canada) or the U.S. Internal

Revenue Code or to enable Awards to qualify for favourable treatment under such or other applicable taxation laws; and (iv) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law. Notwithstanding the foregoing, the Compensation Committee or the Board of Directors, as applicable, shall not have the right, without shareholder approval, to amend the Management Incentive Plan or any Award to: (i) increase the number of common shares issuable under the Management Incentive Plan; (ii) amend the amendment provisions of the Management Incentive Plan; (iii) remove or exceed the "insider participation limit" set out in the Management Incentive Plan; or (iv) extend the term of any Award held by an insider of the Company beyond its original expiry date or reduce the exercise price or other purchase price benefiting an insider of the Company, except as otherwise permitted by the Management Incentive Plan.

Other Material Information. Appropriate adjustments to the Management Incentive Plan and to Awards granted thereunder will be made by the Compensation Committee to give effect to adjustments in the number and type of common shares (or other securities or other property) resulting from subdivisions, consolidations, substitutions, or reclassifications of common shares, payment of stock dividends or other changes in the Company's capital. In the event of any change in control (as defined in the Management Incentive Plan), the Board of Directors may: (i) determine the manner in which all unexercised options or unsettled Awards granted under the Plan shall be treated including, without limitation, requiring the acceleration of the time for the exercise or settlement of Awards by the Participants, the time for the fulfillment of any conditions or restrictions, including vesting, on such exercise or settlement, and the time for the expiry of such rights; or (ii) if the agreements effecting the change in control do not provide for substitution of all Awards granted under the Plan, then with respect to any Award granted under the Plan that is not so assumed or substituted, unilaterally commute for or into any other security, property or cash on a fair and equitable basis, any Award (other than a DSU) that is still capable of being exercised or settled, upon giving to the Participant to whom such Award has been granted at least 30 days written notice of its intention to commute such Award, and during such period of notice, the Award, to the extent it has not been exercised or settled, may be exercised or settled by the Participant; and on the expiry of such period of notice, the unexercised or unsettled portion of the Award shall lapse and be cancelled. Notwithstanding the foregoing, for Awards issued to U.S. Persons, any actions taken in the event of any change in control must comply, to the extent applicable, with the requirements of Sections 424 and 409A of the U.S. Internal Revenue Code where necessary to prevent adverse tax consequences.

GENERAL DEVELOPMENT OF THE BUSINESS

Pacific E&P is a Canadian public company and a leading explorer and producer of natural gas and crude oil, with operations focused in Latin America. The Company has a diversified portfolio of assets with interests in numerous exploration and production blocks in various countries including in Colombia, Peru, Brazil, Guyana and Belize. The Company is committed to conducting business safely in a socially and environmentally responsible manner. As of October 17, 2016, the Company had interests in 61 exploration and production blocks in Colombia, Peru, Brazil, and Belize and daily net production after royalties of approximately 70,560 boe/d.

Historical Overview

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

Acquisitions

PetroMagdalena Acquisition and Subsequent Disposition

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**").

Through the PetroMagdalena Acquisition, the Company secured various working interests in a number of exploration and production blocks, some of which were spun out or disposed of by the Company as follows: (i) in 2013, the Company completed a reorganization of PetroMagdalena by which the Cubiro, Mecaya and Topoyaco blocks were spun out to Pacific Stratus; (ii) the Santa Cruz block was returned to the ANH and the Carbonera La Silla block was assigned to a third party; and (iii) the Carbonera, Catguas and Yamu blocks were spun out to Pacific Stratus, which subsequently sold all three blocks to a third party.

On May 16, 2014, the Company sold all of the issued and outstanding shares of PetroMagdalena, including six exploration blocks, to International Metals Traders S.A.

Petrominerales Acquisition

On November 28, 2013, the Company completed the acquisition of Petrominerales pursuant to an arrangement agreement dated September 29, 2013 (the "**Petrominerales Arrangement Agreement**"), whereby the Company acquired all of the issued and outstanding common shares of Petrominerales for $11.00 cash for each Petrominerales share (approximate value of $935 million) plus one common share of a newly formed exploration and production company, Alvopetro. Alvopetro's assets consisted of Petrominerales' Brazilian assets, which were segregated from Petrominerales along with U.S.$91 million in cash. The total purchase price on a fully diluted basis, including assumed net debt and excluding funding of Alvopetro, was approximately U.S.$1.7 billion.

The acquisition provided the Company with approximately 9.8 million gross (6.8 million net) acres of exploration and development properties in Colombia (18 blocks) and Peru (four blocks). The acquisition of Petrominerales also included the Rio Ariari exploration block, which covers an area of 760,000 acres in the southern Llanos Basin. This large block is part of the same heavy oil belt that includes the Quifa and CPE-6 blocks and is located approximately 80 km southwest of the CPE-6 field. The Rio Ariari block is strategic to the Company's core expertise in heavy oil development in Colombia.

The Company also acquired certain oil pipeline interests in Colombia (5% in the OCENSA Pipeline, which was subsequently assigned to Meta in March 2014, and 9.65% in the Bicentenario Pipeline, which was subsequently partially sold in December 2014 as part of the Midstream transaction). See "Historical Overview – Dispositions of Interests – OCENSA Pipeline" and "Historical Overview – Dispositions of Interests – Pacific Midstream – Sale of Partial Interests in ODL and Bicentenario Pipelines and PEL Transmission Assets."

The Petrominerales Acquisition triggered a change-of-control event under certain loan documents of Petrominerales, and as such, on December 2, 2013, the Company provided change-of-control offers to holders of two sets of Petrominerales convertible debentures: (i) convertible debentures maturing on August 25, 2016 that had an annual coupon rate of 2.625%, and (ii) convertible debentures maturing on June 12, 2017, that had an annual coupon rate of 3.25%. The debentures totaled U.S.$538 million and as at December 31, 2013, the Company paid U.S.$262.8 million to the bondholders. The outstanding balance was repaid in full in January 2014.

Tinigua Acquisition

On February 27, 2014, Meta signed a farm-in agreement with PetroNova to acquire a 50% participating interest in the onshore Tinigua exploration block and the right to, at its sole discretion, request operatorship. The Company received all necessary government approvals for the transaction on December 10, 2014.

In connection with the acquisition, Meta reimbursed PetroNova U.S.$12.5 million, representing 50% of costs incurred by PetroNova prior to the effective date of the transaction. In addition, Meta has certain carry obligations, which are still pending, of up to a maximum aggregate amount of U.S.$19 million, covering up to U.S.$12 million of the capital and operational expenditures of the first exploratory well and up to U.S.$7 million of the capital and operational expenditures of the second exploratory well.

Furthermore, Meta has an additional carry obligation, except in the event Meta exercises its withdrawal right, of up to the maximum amount of U.S.$7 million of the capital and operational expenditures for each of the third and fourth wells.

PetroNova's share of the additional carry obligation shall be repaid to Meta by PetroNova out of 50% of PetroNova's corresponding production share from the Tinigua E&P contract, until the corresponding amount of the carry is repaid in full.

The carry obligation and the additional carry obligation cover Meta and PetroNova's share of the capital and operational expenditures of such wells, equivalent to 90% of those capital and operational expenditures.

Exploration and Production Blocks Acquired

Guama Block

In February 2013 and September 2013, the Company announced the discovery of natural gas and condensate in the Manamo-1X and Capure-1X exploration wells located in the Guama block, in which the Company is the operator and has a 100% working interest. This discovery demonstrated the upside potential of both the Guama block and the Lower Magdalena basin where the Company has a large exploration acreage position. It also validated the geophysical seismic model being used to successfully identify these condensate-rich gas accumulations.

Acquisition of Interest in Belize

As of 2015, the Company acquired from several private investors a 100% equity interest in BCH International Inc., a British Virgin Islands corporation, which holds the block formerly known as La Democracia located in the central part of Belize with a total area of 638,520 acres. The block is in the exploratory phase and is operated under a production sharing agreement.

During 2015, all geological, geophysical and geochemical data was integrated, resulting in the establishment of two prospects with economic potential; however, currently the Company has no plans for exploration activities in Belize for the remainder of 2016.

New Offshore Exploration Blocks Awarded

On May 15, 2013, the Company, through its wholly owned subsidiary, Pacific Brasil was awarded the FZA-M-90, PAMA-M-265, and PAMA-M-337 offshore exploration blocks in the 11th bid round in Brazil organized by the ANP. The three blocks have a combined area of approximately 2,300 km^2 gross (1,153 km^2 net). Two of the blocks are located in the Pará-Maranhão basin, both of which have been acquired through a consortium with QGEP. The third block is located in the Foz do Amazonas Basin and was acquired through a consortium with Premier and QGEP.

QGEP is the operator of, and has a 35% participating interest in, the FZA-M-90 block. Premier has a 35% participating interest therein, and the Company has a 30% participating interest. The exploration work commitments for this block include a 3D seismic program over the entire block plus the drilling of one exploration well.

In Block PAMA-M-265, the Company has a 70% participating interest, while in Block PAMA-M-337 the Company has a 50% participating interest with the remaining interest held by QGEP. The exploration work commitments include 3D seismic over each block plus the drilling of one exploration well on Block PAMA-M-337.

All three blocks have an initial five-year exploration phase with the option to extend this phase by an additional three years, and the Company has identified seven exploration prospects on these blocks.

On August 8, 2016, the Company entered into a term sheet for the sale of its participation in the abovementioned blocks to QGEP. Subsequently, on October 14, 2016, the Company, Pacific Brasil and QGEP entered into a farm out agreement with respect to its participation interests in the abovementioned blocks. Further details on the farm-out term sheet can be found under the heading entitled "General Development of Business – Historical Overview – Dispositions of Interests".

Approval of Participating Interest in Peru

On July 25, 2013, the Peruvian government approved the acquisition of a 50% participating interest by the Company in the exploration contract for Block 116 located in northeastern Peru, as well as the transfer of the operatorship of this block to the Company.

Llanos – 19 Block Farm in Agreement

On May 12, 2014, the Company signed a farm-in agreement with Petroamerica to acquire a 50% participating interest in the Llanos-19 Block (with PSE having the remaining 50% interest), which was effective as of June 11, 2014 and subject to government approvals.

In connection with the acquisition, Petroamerica acquired a carry obligation of 100% of the capital and operational expenditures of the next well to be drilled in the contract area (excluding the Tormento Field) up to the maximum aggregate amount of U.S.$17 million. Once the carry obligation is satisfied, all costs will be assumed by each party in proportion to its participating interest. This carry obligation was fulfilled by Petroamerica.

The Company exercised its withdrawal right in the exploration phase before the ANH and proposed a transfer of investment as established in the ANH's Acuerdo 2, 2015. Pursuant to the transfer of investment, the Company will transfer its pending investment (U.S.$1 million) in the Llanos 19 E&P contract to the Llanos 25 E&P contract. Petroamerica has also decided to transfer their pending investment which is also U.S.$1 million. This proposal is currently being reviewed by the ANH.

The Company also withdrew from the Tormento Field.

Cubiro and Arrendajo Acquisitions

Cubiro and Arrendajo were commercially producing blocks of which the Company shared an interest with LAEFM. On August 12 and September 15, 2014, the Company completed the acquisition of the remaining interests in Cubiro and Arrendajo, respectively, from LAEFM.

Prior to the completion of this acquisition, Cubiro and Arrendajo were recognized as joint operations pursuant to certain private participation agreements previously entered into by the Company with LAEFM. The consideration for the two transactions consisted of U.S.$250 million in cash, as well as contingent consideration of U.S.$21.93 per barrel of proven and probable oil reserves upon the certification of certain areas on the Cubiro Block as at December 31, 2014. Based on the reserve certification, the contingent consideration was determined to be U.S.$27 million.

Block 192 in Peru Awarded

On September 1, 2015, the Company announced that its wholly-owned subsidiary, Pacific Stratus Energy del Peru S.A., had been awarded a two-year contract to operate Block 192 by Perupetro, the State company that, on behalf of the Peruvian State, is responsible for promoting, negotiating, underwriting and monitoring contracts for exploration and exploitation of hydrocarbons. The contract was signed by the Government of Peru by way of Presidential decree on August 29, 2015 and expires on August 20, 2017. The Company commenced operations on Block 192 on August 30, 2015.

Block 192, located onshore Peru, is the largest producing oil block in Peru and has been in production for 40 years, with a cumulative production of 725 MMbbl at the end of 2013, and a peak production of 117,000 bbl/d in 1979. The block has a total of 17 light, medium and heavy oil fields and production comes from 12 of these fields, which represents approximately 17% of Peru's total oil production. As of December 31, 2015, the block was producing approximately 11,000 bbl/d, at an average 18° API oil with a water cut of 98%. For the six month period ended June 30, 2016, the average total gross production of this block was 3,161 bbl/d (gross), at an average of 18.1° API oil with a water cut of 97.7%.

Due to a rupture of the NorPeruano pipeline in February 2016, operations in Block 192 have been temporarily suspended. The Company expects normal operations to commence in December 2016 resulting in an extension of the terms of the contract until July 2018.

Acquisition of the Remaining 50% Working Interest in the CPE-6 Block

On December 21, 2015, the Company announced that Meta reached an agreement with Talisman to acquire the remaining 50% working interest held by Talisman in the CPE-6 Block in Colombia. The maximum consideration to be paid by the Company for this interest is U.S.$48 million in the form of (i) an overriding royalty interest payable to Talisman equal to 4% of the monthly net total production multiplied by an applicable price per barrel and (ii) cash consideration distributed in three tranches: (a) U.S.$5 million payable to Talisman once the accumulated gross production of the CPE-6 Block reaches a total of 5 million barrels; (b) U.S.$5 million once the accumulated gross production of the CPE-6 Block reaches a total of 10 million barrels; and (c) a final U.S.$5 million, once the accumulated gross production of the block reaches a total of 20 million barrels. Any tranches of the cash consideration are subject and limited to the aggregate of such cash payments and variable monthly payments reaching the maximum price of U.S.$48 million.

This farm-out agreement with Talisman is retroactively effective as of December 17, 2015, subject to ANH approval. As of the date hereof, ANH has not yet approved the assignment.

<u>Pipelines</u>

ODL Pipeline

The second phase of the ODL Pipeline project was fully commissioned in February 2010. Operations and maintenance of the pipeline were 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 2012, the pipeline reached a transport capacity of 340,000 bbl/d; from September 2009 to June 2016, a total of 523 MMbbl of diluted crude has been transported from the Rubiales Field to the Monterrey and Cusiana Stations.

The Cusiana blending facility allows for the blending of light oil, which is trucked to a new diluent blending facility at the OCENSA pumping station, located in Cusiana, with heavy oil pumped through the ODL Pipeline. As a result, the API gravity in the ODL Pipeline may be reduced from 18° to 15°, resulting in significant savings in diluent transportation costs. The project was completed during the second quarter of 2013 and blending started on April 22, 2013. This operation has contributed to significantly reducing transportation and blending costs for the Company.

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

Bicentenario Pipeline

The Company currently holds a 27.4% equity interest in the Bicentenario Pipeline.

In October 2013, the Bicentenario Pipeline reached mechanical completion of Phase 1. During the fourth quarter of 2013 the Company began filling the pipeline, which was completed on October 3, 2013. Operations started on November 1, 2013 with the first cargo finished loading on November 2, 2013 and with the first oil being pumped through the system in July 2014. As of June 30, 2016, approximately 48.2 MMbbl had been pumped through the system.

The start-up of this pipeline was an important milestone in reducing the Company's crude oil and transportation costs. However, due to guerrilla activity, the Bicentenario pipeline has been plagued with disruptions.

For further details regarding the Bicentenario Pipeline project, see the heading entitled "Pipelines – Operating Pipelines – Bicentenario Pipeline" and "Interest of Management and Others in Material Transactions – Oleoducto Bicentenario de Colombia."

<u>Dispositions of Interests</u>

Pacific Midstream – Sale of Partial Interests in ODL and Bicentenario Pipelines and PEL Transmission Assets

On December 17, 2014, the Company announced the sale of approximately 43% of its interest (6% of which was subject to the completion of certain conditions precedent including the start-up of the LNG

Project, which was subsequently cancelled by the Company in 2016 due to unfavourable market conditions) in Pacific Midstream, which holds the ODL and Bicentenario Pipelines and the PEL transmission assets, to IFC, IFC Global Infrastructure Fund and a consortium of investors. The total consideration for the sale of the interest was U.S.$320 million, of which the Company has received U.S.$240 million. Additional consideration may be received if certain conditions precedent are fulfilled. Currently, the Company holds 63.64% in Pacific Midstream and IFC holds a 36.36% interest.

In connection with the sale, the Company, along with Pacific Midstream and Pacific Midstream Holding, entered into a certain put option agreement with IFC and its co-investors in Pacific Midstream (the "**Put Option Agreement**") pursuant to which IFC and such co-investors would be entitled to require Pacific Midstream Holding, Pacific Midstream or the Company to acquire such investors' shares of Pacific Midstream in the event that the Company, Pacific Midstream Holding or Pacific Midstream violate certain representations and covenants (relating principally to criminal offenses, sanctionable practices, environmental compliance, insurance and the furnishing of information) and the requirements set forth in the transaction documents relating to IFC's investment in Pacific Midstream. The put price is set at the amount that would be required to be paid to IFC's and its co-investors in order for them to realize a 15% internal rate of return on their U.S.$240 million investment in Pacific Midstream. Such rights terminate on the earlier of the date on which (i) IFC no longer owns shares in Pacific Midstream; or (ii) consummation of a qualified public offering of the shares of Pacific Midstream.

Pursuant to an agreement among the shareholders of Pacific Midstream, Pacific Midstream has an option, exercisable at the discretion of IFC and solely in the event that: (i) the Bicentenario Pipeline is non-operational for six consecutive months, and (ii) as a result the take or pay contracts to which Bicentenario's operating company is a party with any of the Company's affiliates or Ecopetrol's affiliates are terminated, to require the Company to purchase Pacific Midstream's interest in Bicentenario at a price equal to U.S.$280 million. This amount can be reduced by: (i) the amount of any cash dividends paid by Bicentenario to Pacific Midstream, and (ii) any repayments by Bicentenario to Pacific Midstream Holding of existing shareholders' subordinated loans in a principal amount of U.S.$42.5 million plus accrued interest.

OCENSA Pipeline

In December 2013, the Company entered into an agreement to sell its 5% interest in the OCENSA Pipeline for total consideration of U.S.$385 million to a consortium led by Darby Private Equity, the private equity arm of Franklin Templeton. The transaction included the sale of not only the 5% equity interest in the OCENSA Pipeline but also the accompanying transportation capacity rights, including current and future capacity expansions. In connection with the sale, the Company entered into a ten-year agreement to secure transportation capacity for a take-or-pay incremental charge in addition to the regulated tariff on the pipeline. The transaction closed in April 2014. For further information, see the heading entitled "Legal Proceedings".

Proposed Sale of Brazilian Assets

Karoon

On August 19, 2016, the Company and Karoon entered into a binding term sheet pursuant to which the Company has agreed to sell to Karoon its 35% participating interest in the joint operating agreements and contracts with respect to the Karoon Blocks. In connection with the disposition, Karoon has agreed to pay the Company U.S.$15.5 million, and a contingent payment of U.S.$5 million payable upon gross production of the first 1MMboe from any of the contracts relating to the Karoon Blocks. Subsequently, on September 27, 2016, the Company announced that it entered into definitive documentation on the terms set out above. The agreement remains conditional upon, among other things, approval from the ANP. The agreement was approved by the Court on September 29, 2016.

Upon closing this transaction, the Company expects to reduce its working commitments by approximately U.S.$53.5 million.

Queiroz Galvao

On August 8, 2016, the Company entered into a binding a term sheet with QGEP pursuant to which the Company agreed to transfer the following participating interests in certain contracts from Pacific Brazil to QGEP: (i) 30% of Contract FZA-M-90; (ii) 50% of PAMA-M-337; and (iii) 70% of PAMA-M-265 (collectively, the "**Participating Interests**").

On October 14, 2016, in connection with the transfer of the Participating Interests, the Company and Pacific Brasil entered into a farm-out agreement with QGEP. Pursuant to this farm-out agreement, the Company agreed to pay to QGEP the outstanding cash calls for these blocks in the amount of R$51,655,336 (approximately U.S.$16 million). In addition, Pacific Brazil deposited U.S.$10,000,000 into an escrow account to be released upon the satisfaction of certain conditions (including ANP approval).

QGEP has agreed to assume all of the Company's obligations relating to the Participating Interests and replace certain letters of credit provided by the Company under these contracts issued by Banco Itau BBA in the amounts of: (i) R$41,922,600 (approximately U.S.$13 million) for the FZA-M-90 block; (ii) R$21,121,800 (approximately U.S.$6.5 million) for the PAMA-M-265 block; and (iii) R$68,587,000 (approximately U.S.$21 million) for the PAMA-M-337 block. The transaction contemplated by the term sheet was approved by the Court on September 29, 2016.

Upon closing of this transaction, the Company expects to reduce its working commitments by approximately U.S.$24.8 million. The sale of the Company's Brazilian assets is part of the Company's overall strategy to exit from Brazil.

Expiration of Contracts

The Company held 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. These contracts were originally entered into in July 1988 among Tethys Petroleum Company Inc. (40%), Turnsector Limited (10%), Astralstake Limited (50%) (each a predecessor of Meta) and Ecopetrol and expired in June 2016. The contract provided an initial six year period for exploration, extendable for an additional year, with a 22 year exploitation period commencing after the exploration period.

In June 2016, the Rubiales and Piriri fields were returned to Ecopetrol upon the expiration of the joint operating agreements. Upon termination of the Rubiales and Pirirí contracts, all wells in production, all buildings, and other assets associated to the joint account on the Rubiales field reverted to Ecopetrol free of charge and without compensation to the Company. Certain real estate rights held by Major International Oil S.A connected to the Rubiales operation were transferred to Ecopetrol.

During 2015, the Company's oil and gas sales derived from the Company's Rubiales and Piriri contracts represented 30.5% (including diluent) of the Company's consolidated oil and gas sales, and as of December 31, 2015, the Rubiales block (which includes the Rubiales and Piriri fields) accounted for approximately 3% of the Company's net proved plus net probable heavy oil reserves. The average total gross production of the Rubiales/Piriri field throughout 2015 was 163,659 bbl/d. For the second quarter of 2016, the average total gross production of the Rubiales/Piriri field was 137,747 bbl/d.

<u>Exploration Properties</u>

Guama

In February 2013 and September 2013, the Company announced the discovery of natural gas and condensate in the MANAMO-1X and CAPURE-1X exploration wells located in the Guama block, in which the Company is the operator and has a 100% working interest. This discovery demonstrated the upside potential of both the Guama block and the Lower Magdalena basin where the Company has a large exploration acreage position. It also validated the geophysical seismic model being used to successfully identify these condensate-rich gas accumulations.

In September, 2014, the Company initiated extended tests on two exploratory wells, PEDERNALITO-1X and COTORRA-1X, that were drilled in 2011 to TD's of 7,100 and 7,210 feet MD. The tests also incorporated well MANAMO-1X drilled in 2012 to a TD of 7,520 feet and by August 31, 2016, the registered cumulative production was 1.1 BCF of gas, 30,800 bbl of condensate of 43+º API and negligible water cut. The production is being processed in the Guama Gas Plant, and the stabilized output is 2.8 to 3.0 MMCFD and 45 bbl per day of condensate.

During 2013, CAPURE-1X exploration well was drilled to 7,640 feet MD and initially tested gas condensate. The well was short-tested again in August 2016 and results indicated flowing of 30 bbl/d of 40+º API paraffinic oil plus gas condensate. This discovery is currently under assessment.

CPE-6 Block - Hamaca Discovery

The Hamaca field, located in block CPE-06, was discovered in 2011 with the CPE6-1X well (drilled in December, 2013) reaching a depth of 3,500 feet MD. During 2013, this well was drilled to a total depth of 3,318 feet in the Eocene-Oligocene Carbonera formation (basal sands and C7 members), analogue to the Rubiales field. The petrophysical evaluation of the well indicated a total of 50 feet of net pay averaging 30% porosity across a gross interval of 90 feet. During initial testing, the well flowed 178 to 242 bbl/d of oil (10.8° API) and 31 to 62 bbl/d of water, respectively.

During 2013 the Company drilled the CPE6-H2 appraisal well approximately 3.8 km northeast of the CPE6-1X well. The petrophysical evaluation showed 35 feet of net pay in the Basal Sand Unit, confirming the extension of the reservoir in this direction. The well tested at a flow rate of 213 bbl/d of 10.9° API with a 12% water cut.

Based on the successful results of these two wells, the Company submitted to the ANH the evaluation plan for the Hamaca prospect in January 2014, which would allow drilling of additional appraisal wells to delineate the reservoir and to carry extended tests in all the wells in order to support the declaration of commerciality. The completion of the Evaluation Plan is scheduled for December 2017.

In the corresponding drilling campaign in 2014 and 2015, two stratigraphic and fourteen delineation wells were drilled.

Currently, extended tests are being performed on seven wells as well as feasibility studies including static model, dynamic model and production technologies evaluation.

As at December 31, 2015, the Company's estimation of oil in place was 263 MMbbl.

As at August 31, 2016, the field has produced 895,783 bbl of oil and 15,151,975 bbl of water.

Guatiquia Block – ACA Discovery

The Ceibo-1 exploratory well was spudded on December 29, 2013, and reached a TD of 12,450 feet on February 5, 2014. Petrophysical interpretation indicated 68 feet of net pay including 49 feet of net pay in the Guadalupe Formation and 20 feet of net pay in the Lower Sand Unit. The well was completed in the Lower Sand Unit in February 2014 and has produced over 2,104 Mbbl as at August 31, 2016. Ceibo-1 is the discovery well for the ACA pools in the Guatiquia block. Since the drilling of Ceibo-1, nine additional wells have been drilled into the ACA pools giving a total of ten wells currently on production. Nine wells are producing for the Lower Sand Unit and one well for the Guadalupe Formation. The pools have produced a cumulative 9,226 Mbbl as at August 31, 2016 since first production in February 2014, and are currently producing a gross of 14,845 bbl/d as at October 17, 2016.

The latest well, Avispa-5, was spudded on July 27, 2016, and reached a TD of 11,946 feet on August 17, 2016. Petrophysical interpretation of LWD (logging while drilling) logs indicated 43.5 feet of net pay including 14.5 feet of net pay in the Guadalupe Formation and 29 feet of net pay in the Lower Sand Unit. Avispa-5 was put on production for the Lower Sand Unit on August 31, 2016, and is currently producing 2,495 bbl/d with a 0.4% water cut as at September 12, 2016.

Block 131 - Discovery in the Los Angeles-1X Exploration Well

On February 5, 2014, the Company announced a significant light oil discovery in its Los Angeles-1X well located in Block 131 in Peru (in which the Company, through a wholly owned subsidiary, holds a 30% working interest).

The Los Angeles Noi-3X exploration well, spudded in early December 2014, reached a total depth of 8,882 feet MD (8,028 feet TVDSS) in the Copacabana Formation, in late January 2015 and hydrocarbons were found in the Upper Cushabatay Formation. The Los Angeles Noi-3X well was within the same structural closure of Los Angeles-1X and with a similar oil-water contact present in both wells, confirmed the extension and continuity of this pool to the north. In early February 2015, the well was completed and tested and long-term production testing of this well commenced on March 28, 2015.

The Los Angeles-2CD well began drilling on March 6, 2015, and reached total depth of 7,503 feet MD (5,613 feet TVDSS) on April 3, 2015, in the Upper Sarayaquillo Formation. The bottom hole location of the Los Angeles-2CD well is 1,070 metres south of the Los Angeles-1X discovery well. Petrophysical evaluation of open hole logs indicated the presence of 43 feet of net pay (81 feet gross reservoir sand) in the Upper Cushabatay Formation and confirmed the extension and continuity of this pool to the south.

Over 1,437 Mbbl of 45° API oil has been produced in total. Los Angeles 1X, Los Angeles Noi-3X and Los Angeles 2CD have produced over 940 Mbbl, 406 Mbbl, and 91 Mbbl of oil, respectively.

The Company is currently in discussions with CEPSA Peruana S.A.C. in relation to the potential sale of all of the Company's working interest in Block 131. CEPSA Peruana S.A.C. holds the remaining 70% working interest and is the current operator of the block.

Joint Ventures, Strategic Partnerships & Tender Offer

Pemex

On October 17, 2014, the Company announced that it entered into a three year memorandum of understanding and cooperation with Pemex (the "**MOU**"), establishing the basis for discussions and analysis of potential oil and gas cooperation in Mexico, including exploration, deep-water projects, revitalization of mature fields, heavy and extra-heavy oil onshore and offshore fields, high water production fields and other upstream activities.

The MOU establishes a cooperative framework in order to exchange technical knowledge, information, experiences and practices, as well as any other mutually identified areas of interest. These may include upstream, midstream, human capital and environmental and safety knowledge and opportunities.

EIG PH's Proposed Tender Offer

On January 13, 2016, EIG PH announced tender offers to purchase all the Company's outstanding Senior Notes and proposed to sponsor a restructuring of the Company (the "**Tender Offer**"). The Tender Offer was withdrawn in March 2016.

Intellectual Property & Technology

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. This technology is designed to suit heavy oil crude reservoirs like the Quifa field, among others in Colombia, and take advantage of drainage patterns already used in the present primary recovery process.

On October 1, 2013, the Company announced that it had been granted two patents for its proprietary STAR enhanced oil recovery technology by the Colombian patent authority, the SIC. The patent award by the SIC provides the Company with intellectual property rights to the STAR technology in Colombia for an exclusive 20 year period from the filing date of April 1, 2011, to April 1, 2031, and August 31, 2010, to August 31, 2030, respectively.

On April 22, 2014, a joint technical report prepared by Ecopetrol and the Company concluded that the STAR Project had provided sufficient information required for the evaluation of the technology and that therefore the pilot project would be concluded, and that the process of closing the project would be carried out. The Company may continue to explore the potential of the STAR project in the future.

Petroeléctrica & Commencement of Electrical Power Transmission Line to the Rubiales and Quifa Oil Fields

In 2010, the Company incorporated Petroeléctrica which is responsible for the design, construction and operation of a new PEL of 230 kilovolts that connects the Rubiales and Quifa fields to Colombia's national energy grid. Petroeléctrica is a strategic piece of infrastructure for the Company as it assists in the development of the Quifa and other nearby fields in the Llanos Basin, including the Sabanero block and CPE-6 block.

Field construction of the power transmission line commenced in May 2012 and was completed by the third quarter of 2013. The Rubiales Substation was completed by the third quarter of 2013, Quifa Substation was completed in May 2015, and Jagüey started operations in July 2015.

Studies have been completed on increasing PEL transmission capacity from 192 MW to 262 MW and the increase was approved by Empresa de Energía de Bogotá and by UPME, subject to certain upgrades that must be performed in the national grid as a condition to effectively use the incremental capacity. The completion of the projects by UPME is planned for 2017 and will allow for future development of the Llanos Basin.

On January 20, 2014, the Company announced that it had commenced start-up and energizing of its PEL, which originates at the Chivor substation and stretches approximately 260 km to the Rubiales field. As at June 30, 2016, the power line has transmitted 2,051,312 MWh to the Rubiales and Quifa fields and the ODL Pipeline with an availability index of 99.9%. The Company has invested approximately U.S.$240 million in the construction of PEL, which is now 63.64% owned by the Company after the Company's partial disposition of Pacific Midstream. See "General Development of the Business – Historical Overview – Dispositions of Interests - Pacific Midstream – Sale of Partial Interests in ODL and Bicentenario Pipelines and PEL Transmission Assets."

This project has reduced the Company's operating costs at the Quifa fields by significantly lowering the electrical energy costs for oil production and transportation which had previously been utilizing more expensive imported diesel fuel.

The Company plans to use PEL to supply other heavy oil field developments in the southern Llanos basin.

Investments

Interamerican Energy

In 2008, 2012 and 2013, the Company made certain investments in Interamerican Energy (formerly, Pacific Power), a private Panamanian company that owns 100% of the shares in Proelectrica, resulting in the Company holding a 24.9% equity interest in Interamerican Energy.

On December 11, 2015, the Company and the others shareholders of Interamerican Energy, including Proenergy Corp. (a subsidiary of Blue Pacific Assets Corp.), entered into a share purchase agreement with the Interamerican Energy Purchasers for the sale of 70% of the shares of Interamerican Energy. As part of the transaction, the Company agreed to sell 4% of the Company's 24.9% equity interest in Interamerican Energy to the Interamerican Energy Purchasers for approximately U.S.$5.0 million. As a result of the sale, the Company currently owns approximately 21.09% and Proenergy Corp. currently owns approximately 5% of Interamerican Energy. Associated Ventures Corp., one of the Interamerican Energy Purchasers, is controlled by Alejandro Betancourt, a former director of the Company.

The Company used most of the proceeds from the sale to pay for its share of a put option that was exercised by Sustainable Services Inc., pursuant to the terms of a pre-existing shareholder agreement between Interamerican Energy and its shareholders. The Company did not bear any of the transaction costs of approximately U.S.$1.3 million, and was not subject to withholdings for its pro rata share of any of the Interamerican Energy debt that may have been accelerated as part of the transaction.

For further information, see the heading entitled "Interest of Management and Others in Material Transactions – Blue Pacific Assets Corp. – Proelectrica."

Port Investment

The Company currently holds a 41.79% equity interest in Pacific Infrastructure, the assets of which are strategic to the Company's plans to substantially increase its oil production and export sales from Colombia in the midterm and will reduce the current dependence on Coveñas, the sole oil export terminal on the Colombian Caribbean coast. With the Company's investment in Pacific Infrastructure, the Company has secured alternative storage and port capacity for both its imports and exports.

In 2013, IFC invested U.S.$150 million in Pacific Infrastructure and the Company may, under certain limited circumstances, including after a period of five years in the event that Pacific Infrastructure has not made an initial public offering of its shares, be required to repurchase such shares from IFC. IFC's investment helped develop Pacific Infrastructure's key assets, which include the Puerto Bahía port in Cartagena, Colombia. This asset is expected to reduce both bottlenecks and the dependence on a single export terminal and facilitate increased access to international markets.

Further to various warrant agreements dated November 7, 2013 entered into in connection with IFC's interest acquisition in Pacific Infrastructure (collectively, the "**OLECAR Warrant Agreements**"), IFC and certain of its affiliates are entitled to exercise warrants (the "**OLECAR Warrants**") that are exercisable as of October 31, 2016, to purchase shares in Pacific Infrastructure. The OLECAR Warrants are exercisable in the event that the Olecar Project fails to reach completion by such exercise date. The OLECAR Warrants expire on the earlier of (i) January 1, 2021, and (ii) the Olecar Project completion date. If the OLECAR Warrants are exercised, it is estimated that the participation interest of Pacinfra Holding Ltd. in Pacific Infrastructure would be reduced from approximately 41.79% to 39.24%. See "Risk Factors – "Dilution of Equity Interest in Pacific Infrastructure."

Puerto Bahía

Puerto Bahía is a greenfield liquids import-export terminal with a 2.4 MMbbl storage and cargo handling facility located on the bay of Cartagena, one of the largest trade hubs in Latin America.

On October 4, 2013, Sociedad Puerto Bahía (a wholly-owned subsidiary of Pacific Infrastructure) entered into a credit agreement with Itau BBA Colombia S.A. Corporación Financiera for a debt facility of up to U.S.$370 million for the construction of Puerto Bahía. During 2014 and 2015, the banks made various disbursements for a total of U.S.$370 million. As of the date hereof, Sociedad Puerto Bahía is in default with respect to this credit agreement and is currently in the process of obtaining the applicable waivers. The Company expects to receive such waiver prior to the Implementation Date. In addition, the Company has been actively seeking investors for Puerto Bahía and is currently evaluating offers for the sale of all or part of the port.

The Company's subsidiary, Meta, has entered into an off-take agreement with Sociedad Puerto Bahía pursuant to which the Company has committed to ship certain predetermined volumes of oil and gas via the port and, through Pacinfra Holding Ltd. and Pacific Infrastructure, the Company has agreed to contribute up to an additional U.S.$130 million of equity financing plus interest of 2% per annum and plaintiff's costs and expenses to Sociedad Puerto Bahía in the event of certain cost overruns or revenue shortfalls (the "**Contingent Equity Contributions**").

Shares in the equity of Sociedad Puerto Bahía and all significant assets of Sociedad Puerto Bahía, including its rights to Contingent Equity Contributions and under the off-take agreements and all other contracts relating to the ownership, development, operation, maintenance and commercialization of the Puerto Bahia port facilities, have been pledged under the U.S.$370 million credit agreement.

In May 2015, operations approval from the Minister of Energy and Mines was obtained. The port began operations in June 2015, receiving oil trucks and oil tankers. On August 28, 2015, the official inauguration of the port took place with the Vice President of Colombia in attendance as well as national and regional dignitaries.

The port consists of two terminals: a hydrocarbon terminal and a dry cargo terminal. The hydrocarbon terminal has an initial operational capacity of 2.4 million barrels, in eight storage tanks for both naphtha and crude oil and has the capacity to load Suezmax tankers (up to one million barrels capacity). In addition, it has a truck loading/unloading station and a barge terminal offering complete flexibility in hydrocarbon transportation logistics. The bulk loading terminal has a 300 metre long dock and can handle post-Panamax ships. It has an area of 12 hectares available for storage with room for future expansion. The port is accessed by sea, river, and land in the Bay of Cartagena, on the north side of Barú Island and has a natural draft of 20 metres.

As of June 30, 2016, the hydrocarbon terminal with 8 of 10 planned tanks, the truck loading and unloading station, the fixed bridge and the multi-purpose terminal for handling bulk materials are fully operational. From June 2015 to June 2016, the terminal has received, handled and delivered on average, 77,557 bbl/d, through the trucking facilities, barge and liquid terminal.

The operations in Puerto Bahía have generated new opportunities related to handling crude oil and products for other users and potentially to Cartagena Refinery.

OLECAR Pipeline

In addition to Puerto Bahía, Pacific Infrastructure was also going to develop the OLECAR pipeline, which would have connected Puerto Bahía to the oil pipeline hub at the port of Coveñas, ensuring the uninterrupted supply of crude oil for export. However, currently, the OLECAR project has been suspended as the Company has been focusing its capital expenditures during the current lower oil price environment on its most material near-term projects.

For further information, see the heading entitled "Interest of Management and Others in Material Transactions – Blue Pacific Assets Corp. – Pacific Infrastructure" and "Pipelines – Pipelines in Construction – Cartagena to Coveñas Pipeline (OLECAR)."

CGX Investment

On April 26, 2013, the Company purchased 350,000,000 units of CGX, a Canadian-based oil and gas exploration company focused on the exploration for oil in the Guyana/Suriname Basin, for an aggregate price of $35 million pursuant to a private placement financing. Each unit consisted of one common share plus one common share warrant of CGX with an exercise price of $0.17. As a result of this investment, the Company held 49,443,428 common shares of CGX, representing approximately 64.4% of the issued and outstanding common shares of CGX on a non-diluted basis.

As at December 31, 2015, the Company held 50,351,929 common shares of CGX, representing approximately 53.64% of the issued and outstanding common shares of CGX on a non-diluted basis. Subsequently, on January 11, 2016, the Company's interest was diluted pursuant to an issuance of shares by CGX to a third party. As such, the Company currently owns approximately 45% of the issued and outstanding common shares of CGX on a non-diluted basis.

CGX has an interest in three petroleum prospecting licences in the Guyana-Suriname Basin (two offshore blocks, Corentyne & Demerara, and one onshore block, Berbice) spanning approximately 13,500 km² in a large highly prolific frontier basin with important resource potential.

Triceratops and PPL 237, Papua New Guinea Farm-In Agreement & Subsequent Withdrawal of Interest

The Company entered into a farm-in agreement on July 27, 2012 with InterOil relating to its acquisition of a 10% net (12.9% gross) participating interest in Petroleum Prospecting Licence 237 ("**PPL 237**") in onshore Papua New Guinea, including the Triceratops structure and exploration acreage located within that licence (the "**PNG Farm-In Agreement**"). PPL 237 was divided into petroleum prospect licence PPL 475 and petroleum retention licence PRL 39.

On August 8 and 14, 2015, pursuant to the farm-in agreement, the Company exercised its rights to withdraw from the PRL 39 and PPL 475 licences; however, as of the date hereof, InterOil has not yet acknowledged this exercise of rights. In exchange, InterOil is obligated to repay the Company U.S.$96.0 million from the net cash proceeds of the sale of petroleum recovered or produced from the PPL 237 licence within six years of the withdrawal date, the repayment of which is pending and is currently being negotiated between the Company and InterOil. As a result, the Company no longer has any interests or licences in any blocks in Papua New Guinea.

Karoon Farm-In Agreement

On September 18, 2012, the Company reached an agreement with Karoon 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, with an option to acquire a 35% interest in S-M-1166 (collectively, the "**Karoon Blocks**"). In consideration for acquiring the interests in the Karoon Blocks, the Company agreed to pay Karoon 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, the Company must carry up to the first U.S.$70 million in costs for the Bilby well and contribute 35% of all costs thereafter.

On January 24, 2013, the Company announced the discovery of light oil at the Kangaroo-1 exploration well drilling on Block S-M-1101.

On March 27, 2013, the Company elected to exercise its option to acquire a 35% interest in a fifth block, Block S-M-1166 held by Karoon, through the funding and participation in the Bilby-1 exploration well. After the completion of the Company's obligations on the Bilby-1 well, the Company earned the right to acquire a 35% interest in the five Karoon Blocks and was entitled to request the operatorship of the project, which was subject to approval from the ANP. On September 11, 2013, the ANP approved the Company's acquisition of the 35% participating interest in such blocks.

In December 2013, the ANP approved the evaluation plan for the Kangaroo discovery (Plano de Avaliação de Descoberta do Poço 1-KPGL-1D-SPS). The evaluation plan includes an appraisal of the Kangaroo discovery well as an exploration well to test a satellite trap west of Kangaroo. At the time of submitting the evaluation plan, the operator agreed to a partial relinquishment of the original block areas.

On August 19, 2016, the Company and Karoon entered into a binding term sheet pursuant to which the Company agreed to sell Karoon its 35% participating interest in the joint operating agreements and contracts with respect to the Karoon Blocks, subject to certain terms and conditions. In connection with the disposition, Karoon has agreed to pay the Company U.S.$15.5 million, and a contingent payment of U.S.$5 million payable upon gross production of the first 1MMboe from any of the contracts relating to the Karoon Blocks. Subsequently, on September 27, 2016, the Company announced that it has entered into definitive documentation on the terms set out above. The agreement remains conditional upon, among other things, approval from the ANP. The agreement was approved by the Court on September 29, 2016.

Upon closing of this transaction, the Company expects to reduce its working commitments by approximately U.S.$53.5 million.

Agreements

Liquefied Natural Gas Sales Contract

On December 5, 2014, the Company and Gazprom Marketing & Trading Limited executed a Liquefied Natural Gas Sale and Purchase Agreement for approximately 0.5 million tonnes per year for four years of LNG free on board Colombia (Caribbean Sea) beginning in the third quarter of 2015. Pursuant to the agreement, the Company was to source the gas from the La Creciente field, which would have then been transported to a floating liquefaction plant and then vested into a floating storage unit to be then delivered to the buyer. However, in first quarter of 2016 the Company and Exmar, pursuant to a settlement agreement, agreed to terminate their Liquefaction and Storage Agreement, originally executed in March 2012 for a term of 15 years, thereby formally cancelling the delivery of the floating liquefaction plant. Further details regarding the settlement agreement can be found under the heading entitled “Legal Proceedings – Exmar.”

Licences and Permits

Environmental Licences for the CPE-6 and Guama E&P Blocks

During 2013, the ANLA granted the global environmental licence for the Guama Block. The Guama environmental licence allowed the Company to advance this block into its development phase by providing the Company authorization to drill up 20 development wells and build production facilities. On November 2013, the Company obtained the global environmental licence to develop the CPE-6 block. The CPE-6 licence allows exploration and future development of the block.

The Company received the second EIA for Block 126 in the Ucayali Basin, allowing the Company to advance the discovery to an evaluation phase. This EIA in Peru will allow a long-term production test on the Sheshea-1X well. Furthermore, the Company was granted the environmental licences for the Quifa North Field, and Quifa North West fields. These licences allowed the Company to advance these blocks into a development phase, as well as improve the geological information. The authorizations included drilling of production wells and construction of production facilities. The additional development wells in both licences will allow the Company the ability to increase production levels. On September 2, 2015 the Company was granted the environmental licence for Arrendajo field, which allowed the Company to advance this block into its development phase.

On November 9, 2015, ANLA granted the global environmental licence for the Curito field. On December 10 2015, ANLA granted the amendment to the global environmental licence of Guama Field.

<u>Financings, Credit Facilities and Lines of Credits</u>

The Senior Notes are direct, unsecured obligations of the Company. In 2016, the Company entered into various waivers and forbearance agreements with respect to the Senior Notes. See "Proceedings under the CCAA."

Repayment of Debentures

On August 29, 2013, the Company repaid the final U.S.$2.7 million of its debentures, representing the balance of the debentures it issued in connection with its acquisition of Kappa, a Colombian oil and gas exploration and production company, in 2008.

7.25% Senior Notes Financing and Exchange Offer of 8.75% Senior Notes

On December 12, 2011, the Company closed an offering of U.S.$300 million senior unsecured notes bearing a rate of 7.25% (the "**7.25% Senior Notes**"). The 7.25% Senior Notes are governed by an indenture dated December 12, 2011 (as supplemented on December 12, 2011, December 20, 2011, January 5, 2012, May 22, 2013, December 3, 2013, and December 27, 2013) (the "**7.25% Indenture**"), which sets out the principal terms of the notes. The 7.25% Senior Notes are direct, unsecured, subordinated obligations and rank *pari passu* without preference among themselves. The 7.25% 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, and commencing on June 12, 2012. The 7.25% Senior Notes will mature on December 12, 2021.

On December 5, 2011, the Company commenced an offer to exchange its U.S.$450 million senior unsecured notes issued on November 10, 2009, and bearing a rate of 8.75% (the "**8.75% Senior Notes**") for the 7.25% Senior Notes. In connection with the exchange, as of January 3, 2012, being the expiration date, the exchange offer resulted in U.S.$358.5 million aggregate principal amount of the 8.75% Senior Notes being validly tendered and accepted in exchange for 7.25% Senior Notes.

On December 3, 2013, the Company re-opened the 7.25% Senior Notes to issue an additional U.S.$300 million pursuant to a supplemental indenture dated December 3, 2013.

A portion of the 7.25% Senior Notes was exchanged into the 5.625% Senior Notes, and as at December 31, 2015, the aggregate principal amount of the 7.25% Senior Notes outstanding was U.S.$690 million.

See "General Development of the Business – Historical Overview – 5.625% Senior Notes Financing and Exchange Offer of 7.25% Senior Notes" and "Description of Current Capital Structure – Senior Notes."

The claims of holders of 7.25% Senior Notes will be fully settled and extinguished upon implementation of the Plan. See "Proceedings Under the CCAA - Impact of the Plan."

5.125% Senior Notes Financing

On March 28, 2013, the Company closed an offering of U.S.$1 billion senior unsecured notes (the "**5.125% Senior Notes**"). The 5.125% Senior Notes are governed by an indenture (the "**5.125% Indenture**") which sets out the principal terms of the notes. The 5.125% Senior Notes bear interest at an annual rate of 5.125% on the outstanding principal amount, payable on March 28 and September 28 of each year commencing on September 28, 2013. The notes are senior unsecured, rank equal in right of payment with all of the Company's existing and future senior unsecured debt and mature on March 28, 2023.

As of June 30, 2016, the aggregate principal amount of the 5.125% Senior Notes outstanding was U.S.$1 billion.

For further details regarding the 5.125% Senior Notes, see the heading entitled "Description of Current Capital Structure – Senior Notes".

The claims of holders of 5.125% Senior Notes will be fully settled and extinguished upon implementation of the Plan. See "Proceedings Under the CCAA - Impact of the Plan."

5.375% Senior Notes Financing

On November 26, 2013, the Company closed an offering of U.S.$1.3 billion senior unsecured notes (the "**5.375% Senior Notes**"). The 5.375% Senior Notes are governed by an indenture (the "**5.375% Indenture**"), which sets out the principal terms of the notes. The 5.375% Senior Notes bear interest at an annual rate of 5.375% on the outstanding principal amount, payable semi-annually in arrears on January 26 and July 26 of each year, commencing on July 26, 2014. The 5.375% Senior Notes will mature on January 26, 2019.

As at June 30, 2016, the aggregate principal amount of the 5.375% Senior Notes outstanding was U.S.$1.3 billion.

The claims of holders of 5.375% Senior Notes will be fully settled and extinguished upon implementation of the Plan. See "Proceedings Under the CCAA - Impact of the Plan."

5.625% Senior Notes Financing and Exchange Offer of 7.25% Senior Notes

On September 19, 2014, the Company announced that it had commenced an offer of U.S.$750 million in senior unsecured notes due 2025 at a coupon rate of 5.625% and maturing on January 19, 2025 (the "**5.625% Senior Notes**"), which expired on October 17, 2014, to exchange the outstanding 7.25% Senior Notes held by eligible holders for the 5.625% Senior Notes in an effort to improve the maturity profile of the Company's debt by extending the maturity of certain debt while reducing interest expense.

The 5.625% Senior Notes are direct, unsecured, subordinated obligations and will rank pari passu without preference among themselves. The 5.625% Senior Notes bear interest at an annual rate of 5.625% on the outstanding principal amount, payable semi-annually in arrears on each January 19 and July 19 of each year, commencing on January 19, 2015. The terms and conditions of the 2014 Senior Notes are set forth in a note indenture dated as of September 19, 2014, as supplemented on October 6, 2014, and on October 23, 2014 (the "**5.625% Indenture**").

Eligible holders who validly tendered their notes for exchange by October 2, 2014, received in exchange for each U.S.$1,000 of principal amount of existing notes being exchanged an aggregate principal amount of 2014 Senior Notes equal to U.S.$1,131.25, which included an early participation payment of U.S.$30.00. Eligible holders who validly tendered existing notes for exchange after such date but on or prior to the expiration date received an exchange price of U.S.$1,101.25 in principal amount of 5.625% Senior Notes for each U.S.$1,000 in principal amount of existing notes validly tendered and accepted.

All eligible holders whose existing notes were validly tendered and accepted for exchange also received a cash payment equal to the accrued and unpaid interest on their existing notes accepted for exchange from the last applicable interest payment date up to, but excluding, the applicable exchange date, less the accrued and unpaid interest on the 5.625% Senior Notes from September 19, 2014, to the applicable exchange date.

A total of U.S.$364 million aggregate principal amounts of 7.25% Senior Notes were validly tendered in exchange for the 5.625% Senior Notes.

As at June 30, 2016, the aggregate principal amount of the 5.625% Senior Notes outstanding was U.S.$1,114 million.

The claims of holders of 5.625% Senior Notes will be fully settled and extinguished upon implementation of the Plan. See "Proceedings Under the CCAA - Impact of the Plan."

Credit Facilities & Lines of Credit

Over the past year, the Company entered into various waivers and forbearance agreements with respect to the Credit Facilities.

The claims in respect of the Credit Facilities will be settled in connection with the Restructuring Transaction. See "Proceedings Under the CCAA – Impact of the Plan."

Bank of America Credit Facility

During February 2013, the Company entered into and subsequently drew down on a new credit facility with Banco Itau for U.S.$100 million. The U.S.$100 million outstanding on the facility was fully repaid and the Company entered into the Bank of America Credit Facility, which is payable in three installments on November 3, 2014, 2015, and 2016 and has an interest rate of LIBOR + 1.5%. The terms of the facility are substantially similar to those of the 2014 Revolving Credit Facility (defined below).

As of the date hereof, the principal amount outstanding under the BoA Facility was U.S.$2.9 million.

Letters of Credit and Bladex Credit Facility

As at July 5, 2016, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of U.S.$193.08 million.

On April 2, 2014, the Company borrowed U.S.$75 million pursuant to the Bladex Facility. The Bladex Facility carries an interest rate of LIBOR + 2.70% and the principal is payable in equal installments in October 2016, April and October 2017, and April 2018 with interest payments on the outstanding principal due biannually. The terms of the Bladex Facility are substantially similar to those of the 2014 Revolving Credit Facility.

As of the date hereof, U.S.$75 million in undrawn letters of credit and no principal amounts were outstanding under the Bladex Facility

HSBC U.S. Dollar Syndicated Term Facility

On April 8, 2014, the Company borrowed U.S.$250 million pursuant to the HSBC Term Facility. The HSBC Term Facility carries an interest rate of LIBOR plus 2.75%, and the principal is to be repaid as follows: (i) 15% in April 2016; (ii) 25% in October 2016; and (iii) 60% in April 2017, with interest payments on the outstanding principal due quarterly. The terms of the HSBC Term Facility are substantially similar to those of the 2014 Revolving Credit Facility.

As of the date hereof, the principal amount outstanding under the HSBC Term Facility was U.S.$212.5 million.

U.S. Dollar Syndicated Revolving Credit Facility

In April 2014, the Company entered into a revolving and credit guaranty agreement in the amount of U.S.$1 billion with a syndicate of lenders and Bank of America, N.A. as administrative agent (the "**2014 Revolving Credit Facility**").

As of the date hereof, the Company had fully drawn down on the 2014 Revolving Credit Facility.

Ratings Downgrades

During 2015, the Company received various credit rating downgrades from the major rating agencies: Fitch had downgraded the Company's credit rating to CCC; Moody's had downgraded the Company's credit rating to Caa3; and Standard and Poor's had downgraded the Company's credit rating to CCC+. As of March 2016, Fitch, Moody's and Standard and Poor's had further downgraded the Company's credit rating to C, C and D, respectively. As of the date hereof, Moody's has withdrawn from providing the Company with a rating, while the Company's Standard and Poor's and Fitch credit ratings remain unchanged (being a rating of D and C, respectively).

Pursuant to an assignment agreement with Transporte Incorporado, an entity owned by the Darby Private Equity Fund, the Company is entitled to Transporte Incorporado's transport capacity rights through the OCENSA Pipeline at a set monthly premium through March 1, 2024. As part of this assignment agreement, the Company is required to maintain a minimum credit rating of B1 as determined by Moody's and B+ by Standard and Poor's and Fitch which was breached in 2015 due to various downgrades throughout the year. These downgrades resulted in the triggering of an early-termination right in favour of Transporte Incorporado, upon giving notice to the Company, that would require the Company to immediately pay an estimated U.S.$110 million early-termination payment. The Company has not received such notice from Transporte Incorporado and had previously received a waiver from Transporte Incorporado of its right to early-terminate for a period of time, which had been extended several times to September 15, 2016 and is currently being negotiated with Transporte Incorporado. The Company expects to receive a further extension of this waiver until March 31, 2019 prior to the Implementation Date. The Company continues to pay monthly premiums and expects the breach to be cured with elevated ratings post-emergence.

In addition, the Company entered into crude oil transport agreements with OCENSA that requires it to maintain a minimum credit rating of BB- as determined by Standard and Poor's and Fitch and Ba3 as determined by Moody's, which were breached by the Company in 2015 as a result of various downgrades throughout the year. As a result of these downgrades, OCENSA has the right to obligate the Company to provide a standby letter of credit in an amount equal to U.S.$91.3 million or proof of at least U.S.$137.0 million of equity or U.S.$109.6 million of working capital within 60 days of receiving a notice of breach by OCENSA. The Company did not receive a notice of breach and on October 2, 2015, it preemptively requested a waiver of these requirements until the project to expand the OCENSA Pipeline is completed, sometime in 2016. The Company was granted this waiver on November 5, 2015. If upon completion of the pipeline (and therefore termination of the waiver) the Company is unable to produce the required letter of credit, or proof of sufficient equity or working capital in each of Meta and Petrominerales (which the Company currently does not have), OCENSA may terminate the agreements, accelerating take or pay liabilities thereof for an estimated amount of U.S.$820 million. The Company expects the breach to be cured with elevated ratings post-emergence.

In March 2012, the Company's subsidiary, Pacific Stratus, entered into a liquefaction, storage and loading services agreement with Exmar. The Company as part of the agreement was required to maintain a minimum credit rating of BB- (Standard and Poor's) which was breached in 2015 due to a downgrade in December 2015. As a result of the downgrade and pursuant to the agreement, upon giving notice to the Company, Exmar N.V. could have requested a letter of credit for approximately U.S.$53.6 million. In March 2016, the Company and Exmar agreed to terminate the agreement, and the Company agreed to pay a termination fee of U.S.$5 million in cash up front and U.S.$1 million per month for a period of 15 months pursuant to the terms of a settlement agreement. After having paid U.S.$9 million pursuant to the settlement agreement, the Company availed itself of its right to compromise the remaining balance of U.S.$11.0 million under the Plan. Consequently, any future rights of Exmar in connection with the settlement deed will be to receive equity in the Company pursuant to and in accordance with the Plan. See "Legal Proceedings."

For additional information, see "Risk Factors – Ratings Downgrades."

Corporate & Securities Matters

Dividends

In 2013, the Company paid an average quarterly dividend in cash in the amount of U.S.$0.15 per Common Share. In the aggregate, approximately U.S.$195.76 million was paid to holders of Common Shares in 2013.

In 2014, the Company paid an average quarterly dividend in cash in the amount of U.S.$0.165 per Common Share. In the aggregate, approximately U.S.$207.55 million was paid to holders of Common Shares in 2014.

Given the current lower oil price environment, the Board of Directors decided to suspend the dividend paid on common shares as of the first quarter of 2015.

For further information see the heading entitled "Risk Factors – Dividends" and the heading entitled "Dividends."

Advance Notice Policy

The Board of Directors adopted the "Advance Notice Policy," effective April 12, 2013, which was later approved and ratified by the Shareholders on May 30, 2013.

The Advance Notice Policy includes, among other things, a provision that requires advance notice be given to the Company in circumstances where nominations of persons for election to the Board of Directors are made by shareholders of the Company other than pursuant to (i) a requisition of a meeting made pursuant to the provisions of the BCBCA; or (ii) a shareholder proposal made pursuant to the provisions of the BCBCA.

Additionally, the Advance Notice Policy sets a deadline by which Shareholders of record must submit director nominations to the Company prior to any annual or special meeting of shareholders, sets forth the information that a shareholder must include in the notice to the Company, and establishes the form in which the shareholder must submit the notice.

Corporate Name Change

Effective August 14, 2015, the Company changed its name from “Pacific Rubiales Energy Corp.” to “Pacific Exploration & Production Corporation”. The name change reflects the Company’s broader focus in Latin America as its production base continues to be diversified away from the Rubiales Field, and emphasizes the Company’s strategy, which is focused on sustainable growth in production and reserves and cash generation within a diversified portfolio of assets.

Changes to Management and the Board of Directors

On August 26, 2015, José Francisco Arata resigned as President and director of the Company. Ronald Pantin, the Company’s Chief Executive Officer, assumed the additional responsibilities of President, and Mónica De Greiff was appointed as an independent director of the Board of Directors.

On August 31, 2015, the Company entered into the Nomination Agreement with respect to the appointment of four new directors to the Board of Directors.

Pursuant to the terms of the Nomination Agreement, Alfa and the O’Hara Group was each entitled to nominate two individuals to the Board of Directors. Alfa nominated Messrs. José de Jesús Valdez Simancas and Raul Millares and the O’Hara Goup nominated Messrs. Alejandro Betancourt (who represents a group of shareholders beneficially owning approximately 19% of the Company’s Common Shares) and Orlando Alvarado. Each such nominee was appointed to the Board of Directors. Mr. Betancourt sat on the newly formed Executive Management Committee. In connection with such nominations, Messrs. Miguel Rodriguez, Neil Woodyer, Victor Rivera and German Efromovich resigned from the Board of Directors on August 31, 2015. Messrs. Valdez, Millares, Betancourt and Alvarado resigned from the Board of Directors on April 27, 2016 prior to the granting of the Initial Order. The Nomination Agreement is no longer in effect.

Under the Plan, the New Board shall have been deemed to have been appointed. For further information see the heading entitled “Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Proposed Directors.”

DESCRIPTION OF THE BUSINESS

Summary

Pacific E&P is a Canadian public company and a leading explorer and producer of natural gas and crude oil, with operations focused in Latin America. The Company has a diversified portfolio of assets with interests in numerous exploration and production blocks in various countries including in Colombia, Peru, Brazil, Guyana and Belize. The Company is committed to conducting business safely in a socially and environmentally responsible manner. As of October 17, 2016, the Company had interests in 61 exploration and production blocks in Colombia, Peru, Brazil, and Belize and daily net production after royalties of approximately 70,560 boe/d.

The Company, which commenced generating revenues on July 16, 2007 with the closing of the PEH Acquisition, is involved in the exploration, development and production of certain oil and natural gas interests, primarily located in the Republic of Colombia, and to a lesser extent, in Peru, Guyana, Guatemala, and Belize. Through its wholly-owned subsidiaries, the Company holds indirect interests in certain hydrocarbon properties in Colombia through contracts with Ecopetrol, the Colombian majority state-owned oil and gas company, and the ANH, the Colombian national hydrocarbons agency. The Company has grown by acquiring and developing underexploited oil and natural gas exploration areas.

Through the Company's exploratory success, and a series of acquisitions between 2007 and 2013, the Company became the largest independent oil and gas operator in Colombia in terms of production. The Company operated oil and gas properties that produced on average 303,882 boe/d, with an average daily net production (after royalties and payments to the Company's joint venture partners) of 154,472 boe/d, during 2015, and an average of 251,849 boe/d, with an average daily net production (after royalties and payments to the Company's joint venture partners) of 127,951boe/d for the three months ended June 30, 2016. Excluding the Rubiales block, for which the Company's contracts expired in June 2016, the Company's oil and gas properties produced on average 114,102 boe/d, with an average daily net production (after royalties and payments to the Company's joint venture partners) of 81,468 boe/d for the three months ended June 30, 2016.

The Company has the second largest exploration base in Colombia after Ecopetrol. Its diversified asset base includes over 6 million net acres, divided in working interests in 46 blocks in Colombia of which 23 blocks are in the exploration phase, and one block is in the evaluation phase. The Company derives its production from 25 blocks (22 blocks in Colombia and 3 blocks in Peru, including Block 192). Worldwide (including Colombia), the Company has interests in 30 blocks that are in the exploration phase, and six blocks that are in the evaluation phase.

The Company has been adversely affected by the significant reduction in global oil prices since the second half of 2014. As a result, the Company's profitability and production revenue have decreased, its exploration and development programs have been de-accelerated, its reserves volumes have been negatively impacted, its access to capital has become more difficult and its financial condition and liquidity have worsened. See "Risk Factors."

A summary of the Company's material oil and natural gas properties is set out below.

Contract/ Licence	Location	Gross Acres ('000)	Net Acres ('000)	Average Total Oil Production (bbl/d)[3]	Average Total Gas Production (MMcf/d)[3]	Net Proved and Probable Reserves as of December 31, 2015 (MMboe)	Pacific E&P's Working Interest	Operator	Status
				Principal Exploration and Production Properties - Colombia					
Arrendajo	Llanos	48	48	3,072	82	2.99	100%	Pacific Stratus	Production
Cachicamo	Llanos	48	48	1,472	0	2.12	100%	C&C	Production
Casanare Este	Central Llanos	35	18	618	23	0	100%	Petrominerales	Exploration/ Evaluation
Casimena	Llanos	57	57	3,565	0	5.64	100%	Petrominerales	Production
Canaguaro	Llanos	6	5	832	914	3.18	87.5%	Petrominerales	Production
Corcel	Llanos	25	25	2,197	396	2.10	100%	Petromminerales	Production
CPE-6	Llanos	593	296	989	0	16.36	100%[1]	Meta	Exploration
Cravoviejo	Llanos	47	38	4,364	0	5.79	100%	Grupo C&C	Production
Cubiro	Llanos	24	44	5,841	2	22.89	100%	Pacific Stratus	Evaluation/ Production
Guatiquia	Llanos	14	14	15,625	1,764	15.74	100%	Petrominerales	Exploration/Production
Guama	Lower Magdalena	133	133	52	2,758	0	100%	Pacific Stratus	Evaluation/ Exploration
La Creciente	Lower Magdalena	27	27	21	46,953	54.07	100%	Pacific Stratus	Exploration/ Production/ Evaluation

Contract/ Licence	Location	Gross Acres ('000)	Net Acres ('000)	Average Total Oil Production (bbl/d)(3)	Average Total Gas Production (MMcf/d)(3)	Net Proved and Probable Reserves as of December 31, 2015 (MMboe)	Pacific E&P's Working Interest	Operator	Status
Neiva	Upper Magdalena	2	1	3136	0	5.13	69%	Ecopetrol	Production
Orito	Putumayo	42	33	1,466	0	10.01	79%	Ecopetrol	Production
Quifa	Llanos	377	226	47,750	0	66.03	60%	Meta	Exploration/Production
Sabanero	Llanos	107	107	830	0	0.53	100%	Meta	Exploration/Production
Rio Ariari	Llanos Heavy Oil	307	307	0	0	40.35	100%	Petrominerales	Production/ Exploration
Principal Exploration and Production Properties - Peru									
Block 192	Marañon Basin	1,266	1,266	0	0	6.97	100%	Pacific E&P	Force Majeure
Block Z-1	Tumbes/ Talara	554	272	2,745	0	18.99	49%	BPZ	Exploration/ Production
Lot 131	Ucayali	1,923	577	2914	0	1.80	30%	CEPSA	Exploration/Production

(1) The Company originally held a 50% interest in the CPE-6 Block and increased its interest to 100% by acquiring the remaining 50% interest held by Talisman in December 2015. The acquisition of the remaining 50% interest is subject to ANH approval. See "Historical Overview – Exploration and Production Blocks Acquired."
(2) Subject to Ecopetrol's additional participation percentage in production. See "Material Oil and Natural Gas Contracts and Properties Principal Exploration and Production Agreements – Quifa Contract."
(3) Total production for the month of June 2016.

For more information, please see "Material Oil and Natural Gas Contracts and Properties".

Oil and Gas Production

The Company's average net production after royalties and internal consumption in 2015 in Colombia and Peru totaled 154,472 boe/d (303,882 boe/d total field production), representing an increase of 7,049 boe/d (5%) from the average net production of 147,423 boe/d reported in 2014.

During the second quarter of 2016, net production after royalties and internal consumption totaled 127,951 boe/d, a decrease of 14,386 boe/d (10%) from the average net production of 142,337 boe/d reported in the first quarter of 2016. Production after June 30, 2016 will be affected by the reversion of the Rubiales Field.

The Company has significantly increased its light and medium oil production through targeted acquisitions and exploration discoveries. During 2015, light and medium net oil production totaled 57,022 bbl/d, increasing 16% in comparison to 2014. Part of the increase corresponds to production from Block 192 in Peru, which the Company acquired in August 2015.

During the second quarter of 2016, light and medium net oil production totaled 42,453 bbl/d, decreasing by 10% from the first quarter of 2016. The decrease is mainly attributable to the natural decline of the Llanos oil fields, due a reduction in drilling activity; additionally, Peru production decreased mainly due to the suspension of operations in Block 192. Heavy oil production from Quifa and other fields decreased by 4% during the second quarter of 2016 compared with the previous quarter. Light and medium oil and heavy crude oil production (excluding production at the Rubiales field) now represents 33% and 23%, respectively, of total net oil and gas production.

The following table highlights the average daily production from all of the Company's producing fields located in Colombia and Peru during 2015:

	Average Year Production (in boe/d)					
	Total field production		Gross share before royalties [1]		Net share after royalties	
Producing fields - Colombia	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Rubiales / Piriri	163,659	180,519	68,392	75,460	54,713	60,368
Quifa SW [2]	56,197	56,573	33,380	33,607	29,643	23,685
	219,856	**237,092**	**101,772**	**109,067**	**84,356**	**84,053**
Other fields in Colombia						
Light and medium [3]	57,290	54,521	55,067	49,907	51,436	46,341
Gas [4]	10,312	11,372	9,227	10,347	9,227	10,347
Heavy oil [5]	5,880	6,312	4,047	4,273	3,867	4,041
	73,482	**72,205**	**68,341**	**64,527**	**64,530**	**60,729**
Total production Colombia	**293,338**	**309,297**	**170,113**	**173,594**	**148,886**	**144,782**
Producing fields in Peru						
Light and medium [6]	10,544	5,650	5,586	2,641	5,586	2,641
	10,544	**5,650**	**5,586**	**2,641**	**5,586**	**2,641**
Total production Colombia and Peru	**303,882**	**314,947**	**175,699**	**176,235**	**154,472**	**147,423**

Notes:

(1) Share before royalties is net of internal consumption at the field and before PAP at the Quifa SW field.
(2) The Company's share before royalties in the Quifa SW field is 60% and decreases in accordance with a high-price clause (PAP) that assigns additional production to Ecopetrol. See "Material Oil and Natural gas Contracts and Properties – Principal Exploration and Production Agreements – Quifa Contracts."
(3) Mainly includes Cubiro, Cravoviejo, Casanare Este, Canaguaro, Guatiquia, Casimena, Corcel, CPI Neiva, Cachicamo, Arrendajo and other producing fields. This also includes the interest in the Cubiro field, which produced at 3,626 bbl/d and was acquired from LAEFM. See "Historical Overview – Exploration and Production Blocks Acquired – Cubiro and Arrendajo Acqusitions."
(4) Includes La Creciente, Dindal/Rio Seco, Cerrito, Carbonera and Guama fields.
(5) Includes Cajua, Sabanero, CPE-6, Rio Ariari, Prospecto S and Prospecto D fields.
(6) Includes 691 bbl/d of net production, with respect to the receivable outstanding from BPZ, and also includes Block 192, which has been operated since August 30, 2015 with 12,000 bbl/d of gross production under normal conditions.

For further information on the Company's material properties, see "Material Oil and Natural Gas Contracts and Properties."

Colombia

The Company continues to optimize wells and facilities to maximize production while minimizing capital expenditures. Net production after royalties in Colombia increased to 148,886 boe/d (293,338 boe/d total field production) for the year ended December 31, 2015, from 144,782 boe/d (309,297 boe/d total field production) in the same period of 2014.

Net production after royalties in Colombia was 125,850 boe/d (246,626 boe/d total field production) for the second quarter of 2016, down from 148,894 boe/d (293,756 boe/d total field production) in the same period of 2015, and 8% lower than 136,254 boe/d in the first quarter of 2016 (267,685 boe/d total field production).

During 2015, production growth was offset by a 9% decrease in net production at the Rubiales Field year-over-year. Production reductions at the Rubiales field were primarily due to restricted water disposal capacity as a result of delays in the environmental approval for Agrocascada water irrigation project.

Reduced production at the Rubiales Field was primarily due to natural decline. The Rubiales and Piriri fields were returned to Ecopetrol upon the expiration of the joint agreements on June 30, 2016. The Company and Ecopetrol have signed a termination agreement for the return of the Rubiales and Piriri fields, and are continuing negotiations to conclusively settle certain outstanding obligations. Pursuant to the Rubiales-Piriri contract, all fixed assets located in the field are transferred to Ecopetrol, along with the operatorship, without compensation. Both parties have agreed on a settlement agreement for the smooth transition of the operatorship, with certain adjustments to be finalized in the near future, including production volume adjustment, inventory and material transfers, and certain abandonment obligations.

Peru

Production from Peru corresponds to the 49% participating interest in Block Z-1, the 30% working interest in the Los Angeles discovery in Block 131 and the Block 192 operation contract. Net production after royalties in Peru for the year ended December 31, 2015 increased to 5,586 boe/d (10,544 boe/d total field production) from 2,641 boe/d (5,646 boe/d total field production) during the year ended December 31, 2014.

Net production after royalties for the second quarter of 2016 totalled 2,101 bbl/d, a 65% decrease from 6,084 bbl/d in the first quarter of 2016, mainly due to the suspension of operations in Block 192 as the result of a rupture to the NorPeruano pipeline in February.

Exploration

The Company's exploration portfolio currently covers approximately 2,568,446 net hectares (6,251,265 net acres), and it has 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 2013 by acquiring an interest in 18 blocks in Colombia and four blocks in Peru through its acquisition of Petrominerales, and in Guyana through its investment in CGX. During 2014, the Company acquired a 50% interest in the Tinigua Block in Colombia, and during 2015, the Company acquired the remaining 50% interest in the CPE-6 Block.

During 2015, and as part of its exploration drilling campaign, the Company drilled a total of 15 exploration and appraisal wells (4 exploratory and 11 appraisal wells) in Colombia, Brazil, Peru and Papua New Guinea with a success rate of 87%. This exploration and appraisal drilling campaign resulted in new discoveries in the Quifa (Quifa North) block and the Corcel (Zural) blocks in Colombia, and in SM-1102 (Echidna-1) block offshore Brazil. The Company also drilled confirmation wells of the Avispa and Ceibo discoveries in the Guatiquia block in Colombia, Los Angeles well in Lot 131 in Peru, Kangaroo-2 well in Block S-M-1165 in the Santos basin offshore Brazil and the Triceratops-3 well in block PRL 39 in Papua New Guinea (since relinquished). Exploration successes primarily located in the Central and Deep Llanos in Colombia added an average of approximately 14,591 bbl/d of light oil production in 2015.

Total net exploration expenditure for 2015 was U.S.$172.37 million, which went towards exploration activities including drilling and seismic activities in Colombia, Peru, Brazil, Papua New Guinea and Belize. During the six month period ended June 30, 2016, exploration expenditure was approximately U.S.$22.53 million with exploration activities mainly due to seismic acquisition in northern Brazil.

In March 2016, the Company relinquished its contracts for Llanos 59, Llanos 15, Castor, Las Aguilas, and CPE-1 blocks, and transferred the value of unexecuted commitments on these blocks to additional commitments of the Company to the Mapache, Casanare Este, Guatiquía Llanos 83, Guama and Rio Ariari blocks.

Currently, a relinquishment request to the ANH for Llanos 19, Topoyaco, Sabanero and CPO-14 contracts is in progress and the value of unexecuted commitments for these blocks will be transferred to the Llanos-25 block. For blocks Llanos 7 and Llanos 55, an environmental review is in progress in order to relinquish these blocks.

Commercial Activity

During 2015, oil and gas sales (including trading) totaled 159,113 boe/d, representing an increase of 1%, in comparison with 158,026 boe/d in 2014. During 2015, the Company sold a total volume of 58,076 Mboe of crude oil and natural gas, of which 4.0 MMbbl of crude oil (6.84%) corresponded to exports. Oil and gas sales (including trading) totaled U.S.$2.825 billion during 2015, 43% lower than 2014, which had revenues of U.S.$4.95 billion. This decrease is a result of lower realized oil prices and lower trading volumes sold.

The following table highlights the average daily crude and oil gas produced and available for sale, the trading volumes sold, and the respective realized and international prices (in U.S. dollars) for 2014 and 2015:

	Average Volume of Sales and Prices			
	Year Ended December 31		Three Months Ended December 31	
Colombia and Peru	**2015**	**2014**	**2015**	**2014**
Oil (bbl/d)	144,985	136,324	161,918	139,247
Gas (boe/d)	9,211	10,319	10,541	10,125
Trading (bbl/d)	7,307	12,085	889	14,237
Total barrels sold (boe/d)	161,503	158,728	173,348	163,609
Sales from E&E assets (boe/d) (1)	(2,390)	(702)	(1,420)	(2,164)
Net barrels sold (in boe/d)	159,113	158,026	171,928	161,445
Realized Prices				
Oil realized price ($/bbl)	49.56	89.46	41.86	68.27
Gas realized price ($/boe)	32.28	31.27	31.43	29.97
Combined realized price oil and gas $/boe (excluding trading)	48.51	85.35	41.22	65.64
Trading realized price ($/bbl)	51.16	91.51	40.89	78.32
Reference Market Prices				
WTI NYMEX ($/bbl)	48.76	92.91	42.16	73.20
ICE BRENT ($/bbl)	53.60	99.45	44.69	77.07
Guajira Gas Price ($/MMBtu) (2)	5.17	5.65	5.44	5.67
Henry Hub average Natural Gas Price ($/MMBtu)	2.63	4.26	2.23	3.83

Notes:

(1) Includes sales from exploration and evaluation assets.

(2) The domestic natural gas sales price is referenced to Market Reference Price (“MRP”) for gas produced in La Guajira Field.

During the three months ended June 30, 2016, average oil and gas sales (including trading) totaled 110,024 boe/d, a decrease of 23% from the 143,225 boe/d in the same period of 2015, mainly due to natural oil production declines. The crude oil and gas combined realized price for the three months ended June 30, 2016, was U.S.$37.60/boe, U.S.$16.12/boe lower than the same period of 2015.

The following table highlights the average daily crude oil and gas available for sale, realized and international prices during the second quarter of 2016:

	Average Volume of Sales and Prices (U.S.$)		
Colombia and Peru	**Q2 2016**	**Q1 2016**	**Q2 2015**
Oil (bbl/d)	101,855	111,188	127,738
Gas (boe/d)	8,958	10,210	8,001
Trading (bbl/d)	288	347	10,808
Total barrels sold (boe/d)	**111,101**	**121,745**	**146,547**
Sales from E&E assets (boe/d) (1)	(1,077)	(1,178)	(3,322)
Net barrels sold (in boe/d)	**110,024**	**120,567**	**143,225**
Realized prices			
Oil realized price ($/bbl)	38.77	43.20	55.04
Gas realized price ($/boe)	24.44	25.29	33.34
Combined realized price oil and gas $/boe (excluding trading)	37.60	41.67	53.72
Trading realized price ($/bbl)	36.79	28.95	56.29
Reference market prices			
WTI NYMEX ($/bbl)	45.64	33.63	57.95
ICE BRENT ($/bbl)	47.03	35.21	63.50
Guajira Gas Price ($/MMBtu) (2)	5.93	5.93	5.08
Henry Hub average Natural Gas Price ($/MMBtu)	2.25	1.98	2.74

Notes:

(1) Includes sales from exploration and evaluation assets.

(2) The domestic natural gas sales price is referenced to the MRP for gas produced in La Guajira field. Reference: Official circulars 002 and 090 of 2014, Energy and Gas Regulatory Commission ("**CREG**") and the results for the commercialization process 2015 informed by the market operator as defined in CREG Resolution 089, 2013.

Specialized Skill and Knowledge

The Company's operations in the oil and natural gas industry require 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. For further details regarding this risk factor see "Risk Factors – Competition." 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 in other countries in which the Company operates.

Business Cycles

The oil and natural gas business is subject to price cycles, and the marketability of oil and natural gas is also affected by worldwide economic cycles. The Company's operations are related and sensitive to the market price of oil and natural gas and these prices fluctuate widely and are affected by numerous factors such as global supply, demand, inflation, exchange rates, interest rates, forward selling by producers, central bank sales and purchases, production, global or regional political, economic or financial situations and other factors beyond the control of the Company. Further information is provided under the heading entitled “Risk Factors – Fluctuating Prices.”

Environmental Protection

The oil and natural gas industry in Colombia, Peru, Guatemala, Brazil, Guyana, and Belize 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 licences and permits, civil liability for damages caused and 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

During 2016, in response to current market conditions, the Company implemented a new organizational structure focused on streamlining its operations which has in turn reduced costs and improved efficiency. As of the date hereof, the Company has 20 employees at its head office in Toronto, Canada, and approximately 1,411 employees in its project offices and field offices throughout Colombia. At its project offices in Lima, Peru, the Company has 186 employees. In addition, the Company also has 13 employees in Calgary, Alberta, two employees in Switzerland, two employees in Spain and 11 employees in Panama.

Foreign Operations

The Company’s revenues are generated through the sale of hydrocarbons. The Company’s hydrocarbon production activity is located in Colombia and Peru and all of the Company’s exploration properties are located in Colombia, Peru, Guatemala, Brazil, Guyana and Belize. The Company has an interest in 61 blocks in total, comprised of 46 blocks in Colombia, 6 blocks in Peru, 8 blocks in Brazil, and one block in Belize.

Social and Environmental Policies

The Company devotes significant time and resources to comply with the commitments made in its sustainability model. The Company has dedicated employees responsible for all matters affecting its stakeholders, the environment and local communities and is committed to operating under strict compliance with all material environmental laws and regulations, and has adopted implementation and mitigation plans in order to address the environmental risks identified by the Company. For further details regarding this risk factor see, “Risk Factors – Environmental Factors.”

Despite the current low oil price environment and changes to the Company’s budget for sustainability, the Company remains committed to upholding and achieving its various sustainability commitments and standards throughout its business operations, and complying with the related commitments it has made to the Company’s stakeholders and under applicable laws. The Company will continue to engage with its various stakeholders in a transparent and timely manner, informing them about any and all changes and activities of the Company within the area of social and environmental policies and issues. During the first half of 2016, the Company focused on efficiently using its social investment budget in a manner aligned with local public and private actors in order to increase its impact and promote sustainability.

Since 2012, the Board of Directors has appointed a sustainability committee at a managerial and board level to assist in carrying out the Company's corporate sustainability policies, which relate to, among others, environmental, social, health, safety and ethical matters. The Sustainability Committee is responsible for advising the Board of Directors, other committees of the Board of Directors and executive management on such matters. The current members of the Sustainability Committee are Hernan Martinez (Chair), Monica de Greiff, and Augusto Lopez.

To better manage potential environmental and social risks, the Company has developed an engagement policy which emphasizes the importance of transparency with the Company's stakeholders. In furtherance of this policy, the Company has established basic guidelines for engagement specifically tailored to each type of stakeholder. In 2013 and 2015, the Company advanced the creation of protocols for engagement with communities, ethnic groups, international and national government, media, and private and public security.

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 2016, Meta and PSIE received recertification of their environmental, health and safety management systems under ISO 9001, ISO 14001 and OHSAS 18001 standards, reinforcing their commitment to have zero major accidents within their operations. Additionally, the Company received recertification in energy efficiency under ISO 50001.

Energy efficiency, management of emissions, integral management of water resources and correct waste disposal will continue to be key elements in the Company's contribution to the challenge of climate change. Given budget constraints, the Company measures its emissions in-house and has them certified by third parties. In addition, in 2016, the Company filed the annual Carbon Disclosure Project questionnaire. Through this effort, the Company has been able to identify sources of excess emissions and has set targets to control them. Furthermore, the growth of the Company's gas portfolio and production is also a key part of the Company's strategy to control emissions, as natural gas is the cleanest widely available burning fossil fuel.

During 2015, the Company updated its social investment framework after being agreed to by the local, regional and national communities and authorities of the areas in which the Company operates. This framework prioritizes efficient and sustainable projects in the following areas: (i) productivity of local economies, (ii) strengthening of social and institutional ties, (iii) human capital development, and (iv) quality infrastructure. Given the economic challenges the oil and gas industry faces in the coming years, the Company has revised its strategy to centre on investments required by law and prioritizing the provisions on environmental licences, as well as strengthening its local procurement program in order to generate social wellbeing. Additionally, given the amount of operations within indigenous communities, during 2016, the Company continued to apply an ethnic social investment framework with the aim of protecting, respecting and strengthening traditional practices and preserving cultural heritage. This framework, developed from the necessities identified with various ethnic communities, helps the Company mitigate the impacts that an adaptation process and coexistence of various cultures can have.

The Company will continue to comply with commitments to indigenous communities in the form of compensation in accordance with certain international conventions and constitutional regulations, both in Colombia and Peru.

Regarding Peru, the Company is committed to conduct operations in Block 192 in a socially and environmentally conscientious manner and, to date, has reached agreements on environmental measures and labour opportunities as well as social investment, mainly in health and education. Strict compliance with these stipulations enabled uninterrupted production during 2015 and has built trust between the

Company and the indigenous communities in which it operates, setting the grounds for positive working relations during 2016.

In addition, in 2007, the Company was awarded Block 137 by the Peruvian State. In accordance with the Company's policies relating to human rights, the Company did not enter Block 137 until it had free, prior and informed consent by the indigenous communities in the area. In 2008, due to a lack of agreement between the Peruvian State, the Company and the respective indigenous communities, the block was declared in force majeure, and to date, the Company has not carried out activities within the territory. Given the latter and out of respect for the community's will, on June 17, 2016 the Company notified Perupetro of its decision to terminate the contract. The termination was effective as of July 17, 2016 with no associated penalties. Block 135 is also currently declared in force majeure.

The Company has adopted Declarations on Human Rights and Gender Equality. The Human Rights Declaration stems from the Company's sustainability policy and sets out the Company's commitment to the promotion and protection of human rights, including freedom of association, eradication of child and forced labour, security and human rights, economic, social and cultural rights of communities and the pursuit of gender equality. The declaration is based on the identification and analysis of potential risks relating to human rights, the adequate management thereof and the definition of action plans according to the needs and the political and socio-economic context of the areas in which the Company operates, with an emphasis on those areas that are high risk. The Gender Equality Declaration also stems from the sustainability policy and recognizes diversity and inclusion, gender equality and the fundamental need to advocate and demand respect and for the promotion of the rights of the women and men who work for the Company, and for those who belong to the communities and ethnicities neighbouring the Company's operations.

Aligned with its Gender Equality Declaration and the intiatives implemented by its Gender Committee (dedicated to the promotion of best practices in gender equality), for the past two years the Company has participated in the EQUIPARES gender equality seal process coordinated by the United Nations Procurement Division and the Colombian Ministry of Labor. EQUIPARES is a tool for cultural, business and organizational transformation that seeks to identify and eliminate inequalities, barriers and gender gaps in labour matters. In 2015, the Company received the "Commitment to Equality" award from these organizations, an important milestone in the Company's effort to obtain the gender equality seal. Additionally, committed to fostering productivity and promoting gender equality for its employees, the Company launched its "virtual office" pilot initiative which prioritizes those with family situations that require work location flexibility. In September 2016, the Company became the first oil and gas company in South America to obtain the Equipares Certification, obtaining a score of 98.9 out of 100.

After a comprehensive evaluation process, the Company was part of a select group of 27 companies that was admitted to the Voluntary Principles on Security and Human Rights as of December 2014. The Voluntary Principles provide a framework for companies to use when assessing human rights risks associated with security and assessing whether corporate actions heighten or mitigate such risks. The implementation of these principles contributes to the greater stability of the environments in which the Company operates, potentially reduces exposure to litigation, enhances the Company's reputation, promotes the culture and values of the Company, and enhances the Company's social licence to operate.

During 2015, the Company actively worked with the UN Global Network Canada in developing a published guidance document for auditing the implementation of the Voluntary Principles on security and human rights, which attempts to provide clearer guidance for companies and auditors about what good practice looks like when implementing such principles. The guidance also includes information on the Company's community engagement practices and human rights training with security forces.

In 2015, and again in 2016, the Company was listed as one of the Best 50 Corporate Citizens in Canada by Corporate Knights, a magazine which produces corporate rankings, research reports and financial product ratings based on corporate sustainability performance. The ranking transparently measures a diverse range of Canadian enterprises on a suite of 12 sustainability metrics, including greenhouse gas productivity, percentage of taxes paid, and health and safety, among others.

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, and environmental rights and the fight against corruption. As a member of the United Nations Global Compact since January 25, 2011, the Company has committed to reporting its progress with respect to human, labour and environmental rights to the United Nations on an annual basis.

The Company is also a member of the “Business for Peace” initiative in Colombia promoted by the United Nations Global Compact. As a result, the Company is committed to incorporating peace building strategies in its areas of operations. Business for Peace focuses primarily on the reintegration of combatants, job creation and support for the development of social enterprises, among others, and the Company believes it can assist in all of these areas, thereby making a contribution to strengthening the capabilities of ex-combatants and promoting entrepreneurship that will help boost local economies.

In June 2011, the Company announced its support for 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. In line with this commitment, the Company has used its sustainability reports to disclose taxes, royalties and other payments associated with the Company’s operations.

For the second year in a row, the Company signed a document of adherence with the Colombian Ministry of Energy and Mines whereby the Company will participate in the first EITI country report, which is one of the requisites in order to be ratified as a member country. This report is aimed at creating an efficient social monitoring mechanism and helps ensure that payments made to the government by extractive companies are contributing to building more developed communities and thereby more favourable business conditions. Additionally, the Company participated in the global EITI forum in Peru reaffirming our commitment to the initiative worldwide. We expect the second report to be published towards the end of 2016.

The Company’s commitment to its sustainability policy is most evident from when it operated the Rubiales Field. In 2008, when the Company began its operations at the Rubiales Field, the area surrounding the field was considered a high risk conflict area. For the past eight years, the Company has worked closely with its stakeholders to build a more stable and prosperous region. By developing specific sustainability policies aimed at ensuring the Company’s procedures avoid human rights violations and promoted stakeholder engagement, the Company ensured its decisions reflected the expectations of its stakeholders, a practice which has been recognized by several organizations. During the Company’s operations of the Rubiales Field, the Company employed more than 25,000 Colombian citizens at the field in various capacities. In addition, the Company improved the quality of life of more than 22,000 inhabitants of Puerto Gaitan through the development of educational, health, infrastructure, culture, and local supplier strengthening initiatives. The Company intends to continue its commitment to apply its sustainability model throughout all its operations.

In July 2016, the Company published its seventh sustainability report to ensure all stakeholders understand in general the Company's sustainability model. The sustainability report was developed in accordance the Global Reporting Initiative (GRI) guidelines and received external assurance from Deloitte & Touche Ltda.

For further details regarding the Company's sustainability policies, its human rights and gender declarations, and stakeholder engagement policy, please visit the Company's website at www.pacific.energy. A copy of the Company's most recent Sustainability Report is also available on the Company's website.

MATERIAL OIL AND NATURAL GAS CONTRACTS AND PROPERTIES

The following describes the Company's principal oil and gas contracts, properties and areas producing or under evaluation as of December 31, 2015. 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.

Principal Exploration and Production Agreements

Exploration plays an important role in the Company's activities in Colombia, Peru, Brazil, Guyana, Guatemala and Belize. The Company capitalizes on the opportunities provided by the exploration and production contracts and TEAs being offered by ANH. Under the Colombian regime, all operators are afforded access to any uncontracted lands by committing to a minimum exploration work plan with no initial upfront payment to the government other than costs agreed upon in each contract.

A summary of the Company's commitments, undiscounted and by calendar year (in thousands of U.S. dollars) is presented below:

As at June 30, 2016	2016	2017	2018	2019	2020	Subsequent to 2021	Total
ODL Take-or-Pay Agreement	$ 25,146	$ 50,292	$ 48,633	$ 47,440	$ 29,327	$ 1,160	$ 201,998
Minimum work commitments	47,580	144,637	88,941	8,500	-	58,609	348,267
Bicentenario Take-or-Pay Agreement	77,562	155,124	155,124	155,124	155,124	699,214	1,397,272
Operating purchase and leases	29,713	9,865	5,098	5,098	5,098	14,561	69,433
Transportation and processing commitments	75,015	223,486	216,244	215,132	215,132	920,541	1,865,550
Community obligations	7,052	-	-	-	-	-	7,052
Total	$ 262,068	$ 583,404	$ 514,040	$ 431,294	$ 404,681	$ 1,694,085	$ 3,889,572

In addition, the Company holds direct and indirect interests in certain hydrocarbon-producing properties in Colombia and Peru through its wholly owned subsidiaries, pursuant to certain agreements with Ecopetrol, the ANH and farm-in agreements with third parties.

The material exploration and producing properties and contracts are described below.

Quifa Contract

The Company holds a 60% interest in the Quifa Contract relating to exploring and developing the Quifa block, which covers approximately 226,000 acres, on a net basis, and is contiguous to the Rubiales oil field. Ecopetrol holds the remaining 40% working interest over joint production in commercial fields in the Quifa area. The Company holds 70% of the working interest for expenditures under the Quifa contract, and the remaining 30% is held by Ecopetrol. The Quifa contract was entered into on December 22, 2003 between Meta Petroleum Ltd. (a predecessor of Meta) and Ecopetrol (as amended), and expires in December 2031. The Quifa contract provides for an initial six year period for exploration, extendable for up to five years, with a 22 year exploitation period commencing as of the end of the exploration period. In respect of the gas field, the Quifa contract has a maximum of 30 years for the exploitation period.

During the exploitation period, the Company pays as royalties to Ecopetrol a percentage of the production of liquid hydrocarbons ranging from 6% to 25% depending on production levels and types of oil, as established by Colombian Law 756 of 2002.

Ecopetrol has a right to an additional participation in production in the case of high prices, according to the following rules:

- in respect of liquid hydrocarbons, in the event that (x) the accumulated production of a commercial field exceeds five million bbl (including royalties), and (y) the price of WTI crude during any month exceeds the base price for crude oil in U.S. dollars set forth in the contract; and

- in respect of gaseous hydrocarbons, after the initial five year exploitation period in the event that the price of U.S. Gulf Coast Henry Hub natural gas in Btus exceeds the average price in U.S. dollars for natural gas.

During the first half of 2011, the cumulative production of the Quifa SW commercial field exceeded the 5 million bbl threshold. The additional participation percentage of Ecopetrol when the high price clause is triggered until depletion is calculated using the equation below (the "**PAP Formula**"):

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

Where **PAP** = Additional participation percentage in production for Ecopetrol.

P = current oil price (WTI) in U.S.$.

Po = Po (n-1) x (1 + I (n-2)). Po refers to the WTI reference price indicated in the contract, Po (n−1) refers to Po at the end of the previous year (adjusted annually), and I (n−2) refers to the U.S. Producer Price Index (PPI) two years prior.

With the fall in world oil prices, the Company did not pay PAP in the months of March to May and September to December 2015.

Upon termination of the Quifa contract, any wells in production, any buildings and other real estate possessions in the Quifa block will revert to Ecopetrol free of charge. If any party decides to terminate its working interest prior to the end of the 17-year exploitation period, such party must sell its interest to Ecopetrol.

The Company and Ecopetrol had a disagreement over the interpretation as to how production from the Quifa SW region of the Quifa block should be split under the PAP Formula and were engaged in an arbitration process to clarify the interpretation. The arbitration has since been completed, and the Company began to deliver to Ecopetrol its share of the daily net production from the Quifa SW region calculated in accordance with the arbitration decision, as well as an additional 6,500 barrels per day of crude oil beginning in July 2013 and completed the delivery of such shortfall in March 2014. Please see "Legal Proceedings" for further information.

The Company is currently in the exploration and production period of the Quifa contract, and has developed two commercial fields, Quifa SW and Cajua, and as at June 30, 2016, has 245 producing wells for Quifa SW and over 43 producing wells for Cajua, and the Company's facilities currently have the capacity to process 60,000 bbl/d. The Company's production is currently sent by flow lines to the production facilities at the Rubiales field and to the ODL Pipeline, which connects to the national pipeline system.

In 2016, exploration activity planned for the Quifa block will be drilling one well in the exploration area. The Company plans to progressively increase production levels at the Quifa block and at light oil blocks such as Corcel to replace the output of the Rubiales field in connection with the termination of the Rubiales and Piriri contracts in June 2016.

As of June 30, 2016, the average total gross production for the second quarter for the Cajua field was 2,578 bbl/d (2,667 bbl/d for the six month period ended June 30, 2016) and the average total gross production for the Quifa SW field was 49,046 bbl/d (50,554 bbl/d for the six month period ended June 30, 2016).

La Creciente Contract

Pacific Stratus, the Company's wholly-owned subsidiary, holds a 100% interest (subject to adjustment by ANH based on the benchmark price of natural gas) in the exploration and production agreement (the "**La Creciente Contract**") with the ANH relating to the La Creciente natural gas field, a 27,000 acre property located in the Lower Magdalena Basin, Colombia that began producing natural gas in January 2008. The La Creciente Contract, which expires in August 2034, includes the following: (i) an initial five year and five month period for exploration, extendable under certain circumstances, with a 24 year exploitation period from the date of commercial declaration, which occurred on November 11, 2008 for La Creciente "A" and September 25, 2009 for La Creciente "D."

The Company has already complied with all the minimum exploration requirements. The Company continues exploring and is also in the production period. Under the terms of the La Creciente contract, the Company has a right to operate the block or assign the operations to a third party.

Under the terms of the contract, the Company is required to pay to ANH a variable royalty on any natural gas produced (to be paid in cash or in kind) of approximately 6.4% based on Colombian Law 756 of 2002.

During the exploration and exploitation periods, the operator is required to pay the ANH a land use fee based on the acreage and location used (in the case of the exploration period), or on the amount of hydrocarbon produced multiplied by (x) in respect of liquid hydrocarbons, U.S.$0.10 per barrel or (y) in respect of gaseous hydrocarbons, U.S.$0.01 per barrel (in case of the exploitation period). In addition, the operator is required to pay an additional fee to the ANH under certain circumstances.

Upon termination of the La Creciente Contract, any wells in production and any buildings and other real estate possessions in the La Creciente block will revert to ANH. If the Company decides to terminate its working interest prior to the end of the 18th year of the exploitation period, it must offer to sell its interest to ANH.

The Company currently has three producing wells and seven suspended wells on this property, which provide the production potential to support current delivery commitments.

The Company plans to continue to develop its proven reserves in the La Creciente field with the objective of reaching total production levels near 70 MMcf/d.

The Company has no planned exploration activities for the La Creciente field for 2016.

During the second quarter of 2016, the average gross gas production of this field was 9,015 boe/d (9,656 boe/d for the six month period ended June 30, 2016).

Other Exploration and Production Agreements

The following table sets forth the principal terms of the Company's other principal blocks:

Contract/Licence[7]	Type of Contract	Date of Contract	Counterparty	Pacific E&P's' Interest	Royalty	Exploration/ Evaluation Period[1]	Minimum Exploration Requirements Status[2]	Exploitation Period[3]
				Colombia				
Arrendajo	E&P	12/16/05	ANH	97.5%	[4]	6 years	Production	24 years
Cachicamo	E&P	07/12/06	ANH	100%	[4]	6 years	Production	24 years
Canaguaro	E&P	06/12/06	ANH	87.5%	[4]	6 years	Production	24 years
Casanare Este (Curito)	E&P	02/06/05	ANH	100%	[4]	6 years	Ongoing	24 years
Casimena	E&P	11/03/05	ANH	100%	[4]	6 years	Production	24 years
Corcel	E&P	06/20/05	ANH	100%	[4]	6 years	Production	24 years
CPE-6	E&P	09/26/11	ANH	100%[8]	2%+[4]	6 years	Ongoing	24 years
Cravoviejo	E&P	05/27/05	ANH	100%	[4]	6 years[2]	Ongoing	24 years
Cubiro	E&P	10/08/04	ANH	100%[5]	[4]	5 years 9 months	Production	24 years
Guama	E&P	04/10/07	ANH	100%	[4]	6 years	Ongoing	24 years
Guatiquia	E&P	08/28/07	ANH	100%	[4]	6 years	Ongoing	24 years
Neiva	CPI	05/31/01	Ecopetrol	79%	8%	N/A	Production	22 years
Orito	CPJ	04/01/01	Ecopetrol	79%	8%	N/A	Production	22 years
Rio Ariari	E&P	04/20/07	ANH	100%	[4]	6 years	Ongoing	24 years
Sabanero	E&P	07/13/07	ANH	100%	[4]	6 years	Ongoing	24 years
				Peru:				
Block 192	Temporary Services Contract 2 years	08/30/15	Perupetro	100%	44% - 84% of crude as consideration for the services	N/A	6 workovers	N/A
Block Z-1	E&P Licence	01/29/02	Perupetro	49%	5-20%[6]	7 years	Ongoing	40 years
Lot 131	E&P Licence	11/21/07	Perupetro	30%	5-20%[6]	7 years	Ongoing	30 years oil 40 years gas

(1) Includes a phase zero, which may last six months or one year, during which the contractor agrees to obtain from the Ministry of Interior verification and certification of the presence of ethnic communities or groups in the area of influence of the exploration activities and to carry out prior consultations.

(2) The minimum exploration requirements for these contracts generally cover periods up to six years. The minimum exploration requirements include the acquisition, processing and interpretation of seismic data by using 2D or 3D technology covering a minimum acreage and the drilling of exploratory and appraisal wells.

(3) The exploitation period is generally applied separately to each exploitation area within the same block.

(4) Colombian Law 756 of 2002 provides for royalties between 8% and 25% depending on production levels and types of oils, but may be lower under certain circumstances. Percentages included in the table refer to economic rights of ANH in addition to the royalties set forth in Colombian Law 756 of 2002.

(5) The Company has granted a private royalty equivalent to 3% of the production from the Cubiro block to Montecz S.A.

(6) The royalty rates vary depending on the volume of production.

(7) For more information, see the table under the heading “Description of the Business – Summary.”

(8) The Company originally held a 50% interest in the CPE-6 Block and increased its interest to 100% by acquiring the remaining 50% interest held by Talisman in December 2015. The acquisition of the remaining 50% interest is subject to ANH approval. See “General Development of the Business – Historical Overview – Exploration and Production Blocks Acquired.”

Pipeline Agreements

The Company also has a number of contracts in connection with the various pipelines it uses. For more information, please see “Pipelines.”

PIPELINES

The Company has equity interests and/or transportation rights in ten operating pipelines. The Company’s current strategy is to monetize its equity interests in the pipelines while maintaining rights to use transportation capacity.

Operating Pipelines

ODL Pipeline

Jointly with Ecopetrol, the Company built the ODL Pipeline to transport heavy crude oil from the Rubiales, Quifa and Cajua oil fields to the Cusiana and Monterrey Stations, in the Casanare province, and connect with the OCENSA and Bicentenario pipeline systems. The Company has a 35% interest in ODL Pipeline (through Pacific Midstream Ltd., of which we own 63.64% and IFC owns 36.36%) and Ecopetrol has the remaining 65%.

The ODL Pipeline project was a key element of the Company’s plan to expand the Rubiales, Quifa and Cajua oil fields, and has allowed the Company to develop the fields to their current levels and to substantially decrease the Company’s transportation costs. The Company completed the first phase of construction in September 2009, which rendered the ODL Pipeline operational with a capacity to transport up to 60,000 bbl/d. The second phase was completed in February 2010, increasing transport capacity to 170,000 bbl/d. A third phase was completed in January 2012, to reach 340,000 bbl/d transport capacity, the construction of a pipeline branch to the Cusiana Station, the construction of two booster stations and the increase of storage capacity at the Rubiales pumping station.

The ODL Pipeline, which is 235 kilometres in length and 24 inches in diameter, allows for the transportation of the heavy crude oil we produce at the Quifa and Cajua fields. With the objective of reducing diluent usage, ODL built facilities at Cusiana Station to complete dilution for diluted crude of 15° API from Rubiales Station. Today, the Company has flexibility at Cusiana to complete dilution from 18°API to 21.5°API, taking advantage of Castilla and Vasconia price differentials.

The Company has entered into ship or pay agreements with the ODL Pipeline joint venture company, which provides the Company with transportation rights for up to 119,000 bbl/d. Commencing in July 2016, the ship or pay capacity was 31,500 bbl/d and expires in 2020.

For further information, see "General Development of the Business – Historical Overview – Pipelines – ODL Pipeline."

OCENSA Pipeline

In 2009, the Company entered into two agreements with OCENSA in order to secure firm transport capacity for our production. The agreements provide the Company with preferential rights to use available capacity on the OCENSA Pipeline system for up to 160 million bbl for a ten-year period beginning February 1, 2010. The principal terms of the agreement are as follows:

- 50 Mbbl/d from the first business day of February 2010, until December 31, 2010;
- 60 Mbbl/d commencing January 1, 2011, through February 2017; and
- 20 Mbbl/d commencing on the day after the seven-year period noted above has elapsed for a period of up to three additional years, or until the total volume of capacity pursuant to the agreement has reached 160 million bbl.

In parallel with this agreement, the Company entered into a transportation contract to regulate the operating aspects of transporting oil through the Ocensa system. Under this contact, the Company delivers its production to OCENSA at either the Cusiana station or the El Porvenir station and pumps it through to the Coveñas terminal. The Company pays the transportation tariff set by the Ministry of Mines and Energy of Colombia for each segment of the OCENSA Pipeline.

In November 2013, as part of the Company's acquisition of Petrominerales, the Company acquired a 5% equity interest in OCENSA. Consistent with the Company's strategy of monetizing its interests in pipelines while maintaining rights to use transportation capacity, in April 2014 the Company sold the 5% interest to a consortium led by the Darby Private Equity Fund for U.S.$385 million. See "General Development of the Business – Historical Overview – Dispositions of Interests." At the same time, the Company entered into a ten-year agreement to secure 29 Mbbl/d of transportation capacity for a take-or-pay incremental charge in addition to the regulated tariff, on a ship and pay basis. This transaction was closed in April 2014.

During 2015, the Company bid for and earned 30 Mbbl/d of capacity in the OCENSA expansion project P135. Through a ship-or-pay agreement, the Company will have this capacity from December 2016 for seven years. The P135 tariff is expected to be lower than the regulated tariff.

The Company's rights to the OCENSA Pipeline are designed to ensure the transportation of the Company's share of production from the southern Llanos and Casanare basins, and to optimize the use of the Company's diluents with substantial savings in our transportation and dilution costs.

OGD Pipeline

The Company operates and holds a 90.6% working interest in the OGD pipeline through a joint venture agreement with Cimarrona LLC. The OGD pipeline is a 10-inch diameter pipeline that runs approximately 63.7 km from the Company's production facilities at the Guaduas field to the OAM pipeline at La Dorada Station and has a capacity of 40,000 bbl/d. Under the terms of the OGD pipeline joint venture, the Company has the right to transport its crude oil production using all available capacity.

OAM Pipeline

The Company holds a 1.2% working interest in the OAM pipeline through a construction and operation contract. The OAM pipeline is a 20-inch diameter pipeline that runs approximately 391.4 km from Tenay to Vasconia and has a capacity of 110,000 bbl/d. Crude oil production is transported via the OAM pipeline to Vasconia and from Vasconia to the Coveñas terminal via the ODC Pipeline. Under the terms of the OAM pipeline contract, the Company has transportation rights up to 1,200 bbl/d into capacity and up to 30,000 bbl/d out of capacity at preferential rates.

ODC Pipeline

The Company holds a 1.0% working interest in the ODC Pipeline through an equity interest in ODC, the owner of the pipeline. The ODC Pipeline runs approximately 483 km from Vasconia to the Coveñas terminal and has a 24-inch diameter pipeline with a capacity of 236,000 bbl/d. As a shareholder, the Company has transportation rights of up to 2,000 bbl/d and additional capacity subject to available capacity from the other owners.

Bicentenario Pipeline

In December 2010, the Company entered into a participation agreement with Ecopetrol and other producers and initially acquired a 32.88% equity interest in the Bicentenario Pipeline. The Company's interest was subsequently increased by 0.5% and 9.65% in connection with the Company's acquisitions of C&C Energia and Petrominerales, respectively. The Company's equity interest in Bicentenario was reduced to 27.4% in December 2014 as a result of a 36.36% equity interest sale of Pacific Midstream to IFC (see "General Development of the Business – Historical Overview – Dispositions of Interests – Pacific Midstream – Sale of Partial Interests in ODL and Bicentenario Pipelines and PEL Transmission Assets.") Pacific Midstream is a subsidiary which holds indirectly a 41.5% equity interest in Bicentenario. Bicentenario was responsible for the financing, design and construction; operations have been contracted to Ecopetrol.

The pipeline runs from Araguaney, in the Casanare Department, to the Banadia Pumping Station.

The pipeline was planned to be executed in four phases; phases 0 and 1 have been completed.

- Phase 0: Truck off-loading facility in Banadia with a capacity of 40,000 bbl/d.

- Phase 1: Construction of a 42-inch diameter and 226-kilometre pipeline connecting Araguaney to Banadia with a capacity to transport 120,000 bbl/d. In addition, the Araguaney station has a storage capacity of 800 Mbbl and pumping capacity up to 450,000 bbl/d. We have the right to transport 47,333 bbl/d out of the 120,000 bbl/d transportation capacity. The pipeline became operational on November 3, 2013.

- Phase 2: Construction of a 387-kilometre pipeline connecting Banadia and the Ayacucho station. This pipeline will have a 30-inch diameter.

- Phase 3: Construction of a 310-kilometre pipeline connecting the Ayacucho station with the Coveñas terminal. The pipeline will have a 36-inch diameter. Phases 2 and 3 are designed to further increase capacity by 330,000 bbl/d, however they have been suspended indefinitely. No further phases will be constructed.

Phases 0 and 1 required an aggregate investment of U.S.$1.9 billion, excluding financing costs. The shareholders of Bicentenario financed the pipeline through project financing, with a debt/equity ratio of 70/30. Under the terms of the participation agreement, the Company has the option to maintain its investment in Bicentenario or have its interest diluted by the time the investment decision is made for Phases 2 and 3. With Phase 1, the Bicentenario Pipeline can transport the crude oil to Banadia and after, it goes through the Caño Limon Pipeline to the Coveñas Terminal Export Terminal.

Due to guerrilla activity, from November 2013, the Bicentenario pipeline and/or Caño Limón pipeline have been inoperative around 50% of the time. These disruptions have decreased revenue and increased transportation costs, as we had to transport crude through other transportation systems. See "Risk Factors."

For further information see the heading entitled "General Development of the Business – Historical Overview – Bicentenario Pipeline" and "Interest of Management and Others in Material Transactions – Oleoducto Bicentenario de Colombia."

Monterrey-Araguaney Pipeline

In 2012, the Company entered into an agreement with Ecopetrol in order to secure firm transportation rights for its production from Monterrey to Araguaney, which connects to the Bicentenario pipeline. The agreement provides the Company with rights to use available capacity on the pipeline for up to 32,616 bbl/d for a 15 year period beginning with the commencement of operations at the Bicentenario pipeline.

Caño Limón-Coveñas Pipeline

In 2011, the Company entered into an agreement with Ecopetrol in order to secure firm transportation rights for its production from the Llanos Basin. This pipeline runs from the Caño Limón field to the Coveñas export terminal. The Company's Bicentenario pipeline connects to this pipeline. The agreement provides the Company with rights to use available capacity on the pipeline for up to 47,333 bbl/d for a 15 year period beginning with the commencement of operations at the Bicentenario pipeline.

Santiago-Monterrey Pipeline

In 2011, the Company entered into an agreement with Ecopetrol in order to secure firm transportation rights for its Llanos basin production. The pipeline runs from Santiago Station to the Coveñas Ocensa Terminal. The agreement provides the Company with rights to use available capacity on the pipeline for up to 2,000 bbl/d for an eight-year period beginning in December 2014.

OTA Pipeline

In 2011, the Company entered into an agreement with Ecopetrol in order to secure firm transportation rights for its production from the Orito field. The OTA Pipeline runs from the Orito field in the Putumayo Basin to Colombia's Pacific port of Tumaco. The agreement provides the Company with rights to use available capacity on the pipeline for up to 3,000 bbl/d for an eight year period beginning in January 2012. In addition, the Company has contingency transportation rights in three other pipelines, *Oleoducto Orito-San Miguel*, *Oleoducto San Miguel-Lago Agrio* and *Oleoducto de Crudos Pesados*, in the event that there is an interruption in the Company's ability to use the OTA Pipeline.

Pipelines in Construction

<u>Cartagena to Coveñas Pipeline (OLECAR)</u>

The Company currently holds approximately a 41.79% ownership interest in Pacific Infrastructure, a company that is planning to develop a new pipeline with a capacity of 300,000 bbl/d that will link Coveñas with Cartagena in the Caribbean region. Pacific Infrastructure is also developing a port project in Cartagena to link to the OLECAR pipeline. See "Interest of Management and Others in Material Transactions – Blue Pacific Assets Corp. – Pacific Infrastructure." As of the date hereof, the Olecar Project has been postponed due to oil market conditions.

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 this list does not contain 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.

Risks Relating to the Plan

The Plan may not be implemented

The Company will not complete the Plan unless and until all conditions precedent to the Plan, some of which are not under the control of the Company, are satisfied or waived. There can be no certainty, nor can the Company provide any assurance, that all conditions precedent to the Plan will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. Even if the Plan is completed, it may not be completed on the schedule described in this Annual Information Form. See "Proceedings Under the CCAA – The CCAA Process." In addition, if the Plan is not completed on the schedule described in this Annual Information Form, the Company may incur additional expenses.

Adverse publicity related to the CCAA Proceedings may affect the Company's business

Negative publicity or news coverage relating to the CCAA Proceedings could have an adverse effect on the Company's business. Following the implementation of the Plan, there can be no assurance that negative publicity will not have a long-term negative effect on the business.

In addition, there can be no assurance as to the effect of the announcement of the Plan on the Pacific Group's relationships with its suppliers, customers or contractors, nor can there be any assurance as to the effect on such relationships caused by any delay in the completion of the Plan. To the extent that any of these events result in the tightening of payment or credit terms, or the loss of a major supplier, customer, contractor, or of multiple other suppliers, customers, purchasers, or contractors, this could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

The Company may be unable to retain and motivate key executives and employees following implementation of the Plan and the Company may have difficulty attracting new employees.

To effectuate the Restructuring Transaction, the Company has filed proceedings under Ley 1116 in Colombia

The Company cannot assure that any plan of reorganization ultimately confirmed in the Colombian proceedings will have the same terms as set forth in the Plan. Claims may be asserted in Colombian proceedings of which the Company is presently unaware and for which Pacific Group may ultimately be liable. Moreover, the Superintendencia retains the ability to assert control over the Company and its subsidiaries and branches in Colombia and has not to date relinquished such control. There can be no assurance as to the steps the Superintendencia will take which, given the significance of the Pacific Group's operations in Colombia, can have an adverse effect on the Pacific Group.

The Plan may not improve the financial condition of the Company

Management believes that the Plan will enhance the Company's liquidity and provide it with continued operating flexibility. However, such belief is based on certain assumptions, including, without limitation, that the Company's financial condition will be stable or will improve following the completion of the Plan in the increasingly competitive marketplace in which the Company operates, that general economic conditions and the market price of natural gas and crude oil will remain stable or improve, as well as the Company's continued ability to manage costs. Should any of those assumptions prove false, the financial position of the Company may be materially adversely affected and the Company may not be able to pay its debts as they become due. Additional financing will likely be required to operate the Company's business on a long-term basis.

The Plan may not improve the financial condition of the Company's business

Management believes that the consummation of the Plan will enhance the Company's liquidity and provide it with improved operating flexibility. However, such belief is based on certain assumptions, including, without limitation, that the Company's consolidated sales and relationships with suppliers, customers and competitors have not been materially adversely affected while the Company is under CCAA protection and that the Company's financial condition will be stable or will improve following the completion of the Plan in the increasingly competitive marketplace in which the Company operates, that general economic conditions and the markets for the Company's products or for the products of its partners will remain stable or improve, as well as the Company's continued ability to manage costs. Should any of those assumptions prove false, the financial position of the Company may be materially adversely affected and the Company may not be able to pay its debts as they become due. Additional financing will likely be required to operate the Company's business on a long-term basis.

After the implementation of the Plan, the Common Shares may be concentrated in a few holders with additional rights

Following the completion of the Plan, the Plan Sponsor will hold approximately 15,390,495 of the Consolidated Shares (or approximately 30.78% of the issued and outstanding Consolidated Shares), which shares will be acquired on the exchange of DIP Notes and in connection with subscriptions made to fund the Cash Election. As a result, the Plan Sponsor may exercise substantial influence over the policies and management of the Company, which could prove to be contrary to the interests of the other stakeholders of the Company.

Following completion of the Plan, the Affected Creditors will hold approximately 34,608,896 of the Consolidated Shares (or approximately 69.21% of the issued and outstanding Consolidated Shares), assuming the exercise of all Warrants. The Affected Creditors will hold equity interests in Pacific E&P only because Common Shares are the form of consideration they were entitled to receive under the Plan in exchange for their agreement to extinguish their claims against the Company relating to debt held by them. Some of the Affected Creditors are financial institutions which may be required under applicable law to divest their equity interest in the Company within a period of time.

It cannot be assumed that the Plan Sponsor and the Affected Creditors will remain shareholders for the long term. Catalyst and the Affected Creditors may be interested in disposing of their interest in the Company's issued and outstanding Common Shares in the near or medium term, and may therefore be unwilling to pursue certain long-term policies to the extent they may have short-term goals. In addition, if they decide to dispose of some or all of their outstanding Common Shares, this event might trigger change of control provisions under the indenture governing the Exit Notes, at which point the Company may have an obligation to offer to redeem the Exit Notes at 101% of the principal amount thereof plus accrued and unpaid interest.

If, as a result of the disposition of Common Shares by the Plan Sponsor or Affected Creditors, a controlling shareholder is created, the new controlling shareholder could have a different vision and strategy for the Company's business, which the Company cannot predict, but which may be adverse to the interests of the stakeholders of the Company. In addition, the concentration of ownership could also facilitate or hinder a negotiated change of control of the Company, and consequently impact the value of the Common Shares.

Pursuant to the Amended Articles, the Plan Sponsor, certain Noteholders and certain lenders of the Credit Facilities will initially be able to nominate certain members of the New Board of Directors. See "Proceedings Under the CCAA – Amended Articles." In addition, there are certain special approval rights set out in the Amended Articles and the Company will adopt the New Rights Plan on the Implementation Date.

The TSX and BVC have recently delisted or suspended the Common Shares from quotation on their respective exchanges

The TSX has delisted, and the BVC has suspended from trading, the Common Shares from quotation on their exchanges. The delisting and suspension from trading of the Common Shares from the TSX and BVC, respectively, could have material adverse effects by, among other things: (a) reducing the liquidity and market price of the Consolidated Shares; (b) limiting the Company's ability to raise new capital; (c) reducing the number of investors willing to hold or acquire the Consolidated Shares, thereby further restricting the Company's ability to obtain equity financing; (d) reducing the amount of news and analyst coverage of the Company; and (e) reducing the Company's ability to retain, attract and motivate our directors, officers and employees. While the TSX has conditionally approved the re-listing of the Common Shares on the TSX, there can be no assurances that the TSX will accept the listing of the Consolidated Shares or that the Company will be able to maintain such listing.

Absence of a public market for the Common Shares and depressed trading price

An active public market for the Common Shares may not develop or be sustained after the New Common Shares are issued and the Common Share Consolidation is completed. If an active public market does not develop, the liquidity of the Common Shares may be limited and the value of the Consolidated Shares may decline. Additionally, Affected Creditors may seek to dispose the Consolidated Shares they receive under the Plan following the Implementation Date to obtain liquidity. This could cause the initial trading prices for the Common Shares to be depressed.

The trading price for the Common Shares may be volatile

If re-listed on the TSX, the trading price of the Common Shares may be subject to large fluctuations, which may result in losses to investors. The trading price of the Common Shares may increase or decrease in response to a number of events and factors, including: the price of natural gas and crude oil; the Company's financial condition, financial performance and future prospects; the public's reaction to the Company's news releases, other public announcements and the Company's filings with the various securities regulatory authorities; changes in earnings estimates or recommendations by research analysts who track the Company's equity securities or the securities of other companies in the natural gas and crude oil sector; changes in general economic conditions and the overall condition of the financial markets; the number of Common Shares to be publicly traded, including upon issuance of convertible equity securities by the Company; the arrival or departure of key personnel; acquisitions, strategic alliances or joint ventures involving the Company or its competitors; and the factors listed under the heading "Forward-Looking Information."

Risks Relating to Non-Implementation of the Plan

Failure to implement the Plan could create liquidity risks

If the Plan is not implemented and business operations of the Company continue at their current levels, the Company expects, in the foreseeable future, to cease to have sufficient liquidity to carry on business in the ordinary course or to service, repay or refinance its outstanding indebtedness. In the current market conditions and the Company's financial condition, and given the Company's existing contractual covenants, the Company can give no assurance that additional capital will be available on favourable terms, or at all. The Company has committed an event of default under the Senior Notes and Credit Facilities as a result of its failure to make interest payments thereunder when due. If the Company continues to be in default under the terms of certain of its indebtedness, the debtholders thereunder may accelerate the maturity of their obligations, and these defaults could cause cross-defaults or cross-acceleration under our obligations. The Company's inability to obtain additional capital, if and when needed, could have a material adverse effect on its business, results from operations and financial condition.

If the Plan is not implemented the DIP Notes will need to be redeemed and there can be no assurance that the Company will have sufficient liquidity to redeem the DIP Notes or, if it does, that it will thereafter have sufficient liquidity to operate its business.

If the Plan is not implemented and another plan is not proposed that meets the approval requirements of the Court, the Company may remain under CCAA protection for an indefinite period of time and its businesses could substantially erode or an insolvency proceeding involving the liquidation of the assets of the Pacific Group with a view to recovering the amounts owing to the Company's creditors could result.

If the Plan is not completed, there is no assurance that the Company will be able to complete a recapitalization or restructuring of its businesses or that any such recapitalization or restructuring will be on terms that provide equivalent value to Affected Creditors compared to the consideration to be received by Affected Creditors pursuant to the Plan, in which case, it is likely there will be a "free-fall" bankruptcy of the Company and/or appointment of a receiver over all of the assets and undertakings of the Company or the Superintendencia will take actions to take control of the Company and its subsidiaries and branches in Colombia, neither of which would be in the best interests of the Company.

The Company may not generate sufficient cash flow to service all of its obligations

In the event that the Plan is not implemented, the business is not expected to generate cash flow in an amount sufficient to enable the Company to repay its indebtedness, or to fund its other liquidity needs. The Company's ability to make payments on its indebtedness, and to fund its operations, working capital and capital expenditures, depends on its ability to generate cash in the future. The Company's cash flow is subject to general economic, industry, financial, competitive, operating, regulatory and other factors that are beyond the Company's control. The Company's ability to refinance its indebtedness or obtain additional financing will depend on, among other things: the financial condition of the Company at the time; restrictions in the Company's other credit documents; and other factors, including the condition of the financial markets or the market price of natural gas and crude oil.

In the event that the Plan is not implemented then: the Company's net indebtedness will not be reduced by approximately U.S.$5.1 billion and the associated net reduction in debt service costs will not be achieved; the new liquidity provided as part of the DIP Offering would no longer be available to the Company as the Series 1 DIP Notes and the Series 2 DIP Notes will be redeemed and replacement financing may not be available; the Company may have increased vulnerability to current and future adverse economic and industry conditions; the Company may have limited flexibility in planning for, or reacting to, changes and opportunities in its business and its industry; the Company may have increased employee turnover and uncertainty, diverting management's attention from routine business and hindering its ability to recruit qualified employees; the Company may be placed at a competitive disadvantage compared to its competitors; and the Company's cash flow from operations and available liquidity are expected to be insufficient to provide adequate funds to finance its operations and it is expected that a liquidation would result.

Risks Related to the Company and the Oil and Natural Gas Industry

Fluctuating prices and markets

Oil and gas prices will have a direct impact on the Company's earnings and are subject to volatile price fluctuations. Substantially all of the Company's revenues are derived from the extraction and sale of oil and natural gas. World prices for oil and natural gas have fluctuated widely in recent years. Oil and natural gas are commodities for which prices are determined based on world demand, supply and other factors, all of which are beyond the Company's control.

Political developments throughout the world (especially in the Middle East), expectations of inflation, currency exchange fluctuations, the evolution of stocks of oil and related products, the circumstantial effects of climate changes and meteorological phenomena, such as storms and hurricanes, the increase or decrease in demand in countries such as China and India, increased production due to new extraction developments and improved extraction and production methods, as well as significant conflicts, like the conflicts in Syria, Afghanistan and Iraq, political instability and the threat of terrorism from which some producing areas suffer periodically, together with the risk that the supply of crude oil may become a political weapon, could affect the world oil market and oil prices.

The price of crude oil began a significant decline in the latter half of 2014 and continued through 2015. After a period of relative stability, prices again plunged in late 2015 and through early 2016. Oil prices are expected to remain volatile and may decline even further in the near future as a result of excess global supply due to the increased growth of shale production in the United States, the decline in global demand for exported crude oil commodities, and the Organization of the Petroleum Exporting Countries' continued decisions pertaining to the oil production of its members, among other factors. In February 2016, as a result of plunging oil prices, certain countries have said they will agree to an oil production output freeze; however there can be no assurance that an actual production freeze will occur, the duration of the freeze in output and whether it will be enough to control market prices of oil. During this period, WTI crude oil has ranged from a high of U.S.$107.26 per barrel on June 20, 2014, to a low of U.S.$26.21 per barrel on February 11, 2016. This type of volatility is not uncommon. In 2008, concurrent with the downturn in the global economy at the time, crude oil prices varied considerably, from a high of U.S.$145.29 per barrel on July 4, 2008, to a low of U.S.$31.41 per barrel on December 22, 2008. As of October 17, 2016, the price of WTI crude oil was U.S.$49.94 per barrel.

Decreases in oil and natural gas prices typically result in a reduction of the Company's net production revenue and may change the economics of operating some wells, which could result in a reduction in the volume of the Company's reserves. Any further substantial declines in the prices of crude oil or natural gas could also result in the 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 have been, and are likely in the future to be, determined by the Company's borrowing base. A sustained material decline in prices of oil or natural gas 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. In addition, 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 increases.

The significant reduction in global oil prices since the second half of 2014 has adversely affected the Company's profitability, reduced its production revenue, decelerated its exploration and development programs, negatively impacted the volume of its reserves, and made access to capital more difficult. Although the Company is still generating positive cash flow from its operations, the Company's business is marginally profitable under the current environment of low global prices. In addition, this decrease in global oil prices has caused a reduction in asset values that are deemed to be more than temporary, resulting in impairment losses. The Company's Adjusted EBITDA decreased from U.S.$2.57 billion in 2013 to U.S.$2.48 billion in 2014 to U.S.$1.03 billion in 2015 to U.S.$264.1 million in the first six months of 2016. The Company's average daily total production decreased from 314,947 boe/d in 2014 to 303,882 boe/d in 2015, and decreased from 302,028 boe/d for the six months ended June 30, 2015 to 264,730 boe/d for the six months ended June 30, 2016. The Company's net proved plus probable reserves decreased from 510.9 MMboe at December 31, 2014 to 290.8 MMboe at December 31, 2015.

These increased levels of volatility and market turmoil have caused the Company liquidity constraints and have made it difficult for the Company to satisfy its financial obligations. Continued increased levels of volatility and market turmoil could make it even more difficult for the Company to satisfy its financial obligations in the future.

Extended decline in oil and natural gas prices

The Company's future financial condition, revenues, results of operations, profitability and growth, and the carrying value of its oil and natural gas properties, depend primarily on the prices the Company receives for its oil and natural gas production. The Company's ability to maintain or increase its borrowing capacity and to obtain additional capital on attractive terms also substantially depends upon oil and natural gas prices. Historically, the markets for oil and natural gas have been volatile and oil prices have decreased significantly since the second half of 2014. Such a decrease, coupled with the Company's then high debt leverage, caused the Company to seek the Restructuring Transaction. The Company cannot predict future oil and natural gas prices and such prices may decline. An extended decline in oil and natural gas prices may again adversely affect the Company's financial condition, liquidity, ability to meet its financial obligations and results of operations. Lower prices have reduced and may further reduce the amount of oil and natural gas that the Company can produce economically and may cause the Company's estimated proved reserves at December 31, 2016 to decline compared to its estimated proved reserves at December 31, 2015.

To attempt to reduce the Company's price risk, the Company periodically enters into hedging transactions with respect to a portion of its expected future production. The Company cannot assure securityholders that it will always be able to enter into replacement hedging agreements or reduce the risk or minimize the effect of any future decline in oil or natural gas prices. As a result, any substantial or extended decline in the prices of or demand for oil or natural gas would have a material adverse effect on the Company's financial condition, liquidity, ability to meet its financial obligations and results of operations. Further information can be found under the heading entitled “Proceedings under the CCAA – the Impact of the Plan – Hedging Arrangements.”

Cost reduction efforts

The Company’s ongoing cost and capital expenditure reduction efforts may not be effective, might have unintended consequences and could negatively impact the business of the Company. The Company’s capital expenditures for 2015 amounted to U.S.$726 million as compared to U.S.$2.4 billion in 2014, and amounted to U.S.$67 million for the period ended June 30, 2016. The Company plans to further cut capital expenditures during the remainder of 2016 to implement its cost-cutting strategy. As part of its ongoing cost reduction efforts, the Company may further reduce its exploration and drilling activities, which could result in a significant decrease in production and ultimately adversely affect the Company’s unrestricted cash position. While the Company’s cost and capital expenditure reduction efforts have reduced, or are expected to reduce, the Company’s operating costs, the Company cannot be certain that all efforts will be successful or that the Company will not be required to implement additional actions to structure its business to operate in a cost-effective manner in the future.

Ratings downgrade

Credit ratings are important to the Company’s borrowing costs and ability to raise funds. Rating downgrades could potentially affect existing agreements of the Company, result in higher financing costs for the Company, reduce access to capital markets, suppliers or counterparties, impair the Company’s ability to enter certain transactions, and increase the costs of borrowing under credit facilities. A downgrade could also limit the Company’s access to short-term debt markets, increase the cost of borrowing in the short-term and long-term debt markets, and trigger collateralization requirements related to physical and financial derivative liabilities with certain marketing counterparties, facility construction contracts, and pipeline and midstream service providers, which may have a material adverse effect on the Company.

The Rating Agencies regularly evaluate the Company, basing their ratings of its long-term and short-term debt on a number of factors. This includes the Company’s financial strength as well as factors not entirely within its control, including conditions affecting the oil and gas industry generally and the wider state of the economy.

Moody’s credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from the highest to lowest quality of such securities. In some instances, Moody’s applies numerical modifiers (1, 2 and 3) in each rating classification from Aa to Caa. The modifier 1 indicates that the security ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the security ranks in the lower end of its respective rating category. In addition, Moody’s may add a rating outlook of “positive”, “negative”, “stable” or “developing” which assesses the potential direction of a company’s credit rating over the medium term.

Standard and Poor’s credit ratings are on a rating scale that ranges from AAA to D, which represents the highest to lowest quality of such securities rated. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) to denote relative status within each respective rating category. A Standard and Poor’s rating outlook assesses the potential direction of a long-term credit rating over the intermediate term. In addition, Standard and Poor’s may add a rating outlook of “positive”, “negative” or “stable” which assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years).

Fitch's long-term debt credit ratings are on a scale that ranges from Aaa to RD/D, representing the range from highest to lowest quality of such securities rated. The modifiers plus (+) or minus (-) may be appended to a rating to denote relative status within each respective rating category.

In evaluating the Company in 2015, the Rating Agencies determined that due to the current depressed oil price environment, the Company's short reserve life and the probable production decline due to the loss of the Rubiales and Piriri fields in June 2016, the Company would feel significant pressure in maintaining a sustainable liquidity profile and its financial obligations in the coming years. Consequently, during 2015, the Company received various credit rating downgrades from the Rating Agencies: Fitch had downgraded the Company's credit rating to CCC; Moody's had downgraded the Company's credit rating to Caa3; and Standard and Poor's had downgraded the Company's credit rating to CCC+. Consequently, the Company breached several minimum credit rating covenants in respect of certain operational agreements it has entered into and the counterparties to such agreements have the option to demand a wide range of remedies including letters of credit and penalties. However, the Company has received various limited waivers of such minimum credit rating requirements. See "Historical Overview – Financings, Credit Facilities and Lines of Credits – Ratings Downgrades." During early 2016, Fitch, Moody's and Standard and Poor's further downgraded the Company's credit rating to C, C and D, respectively. These downgrades were the direct result of the Company's failure to make the required interest payments under its 5.375% Senior Notes and 5.625% Senior Notes. These ratings are the lowest quality credit rating that Moody's and Standard and Poor's provide and the second lowest credit rating provided by Fitch. As of the date hereof, Moody's has withdrawn from providing the Company with a rating, while the Company's Standard and Poor's and Fitch credit ratings remain unchanged (being a rating of D and C, respectively).

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. Credit ratings are not a recommendation to purchase, hold or sell any of the Company's Senior Notes or Exit Notes when and if issued, given that such ratings are not indicative of market price or suitability for a particular investor. Credit ratings may be revised or withdrawn entirely by any of the respective Rating Agencies in the future, if in its judgement circumstances so warrant.

A downgrading of the Company's credit ratings may affect existing agreements of the Company, could result in higher funding costs, and reduce access to wholesale debt markets. There can be no assurance that one or more of the Company's credit ratings will not be downgraded further, or that the Company will be able to successfully negotiate amendments to the minimum credit rating requirements or obtain future extensions of these waivers.

Reserves estimates

The Company will make estimates of oil and natural gas reserves, upon which it will base its financial projections. It will make these reserve estimates using various assumptions, including assumptions as to oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and the availability of funds. Some of these assumptions are inherently subjective, and the accuracy of the Company's reserve estimates relies in part on the ability of its management team, engineers and other advisors to make accurate assumptions. Economic factors beyond the Company's control, such as interest rates and exchange rates, will also impact the value of the Company's reserves. The process of estimating oil and gas reserves is complex, and requires the Company to make significant assumptions in the evaluation of available geological, geophysical, engineering and economic data for each property.

As a result, the Company's reserve estimates will be inherently imprecise. 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. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves may vary substantially from those the Company estimates. If actual production results vary substantially from the Company's reserve estimates, this could materially reduce the Company's revenues and result in the impairment of its oil and natural gas interests.

The significant reduction in global oil prices since the second half of 2014 through early 2016 has adversely affected the Company's oil reserves. The Company's total oil reserves decreased from 560.6 MMboe (510.9 MMboe net after royalties) at December 31, 2014 to 317.8 MMboe (290.8 MMboe net after royalties) at December 31, 2015. Although the Company does have 2016 oil reserve figures available, it anticipates that the continued volatility in global oil prices during 2016 may continue to have an adverse impact on its reserves.

Expiration of contracts

The Company's contracts for the exploration and exploitation of its oil and natural gas properties are subject to set expiration dates. For example, Meta produces heavy crude oil from its Rubiales and Piriri contracts, which expired in June 2016 and were not extended by Ecopetrol. Upon termination of the Rubiales and Piriri contracts, any wells in production, and any buildings and other real estate possessions on the Rubiales Field reverted to Ecopetrol. During 2015, the Company's oil and gas sales derived from the Company's Rubiales and Piriri contracts represented 20.5% (including diluent) of the Company's consolidated oil and gas sales, and as of December 31, 2015, the Rubiales block (which includes the Rubiales and Piriri fields) accounted for 3% of the Company's net proved plus net probable heavy oil reserves. The Company may be unable to find alternative revenue sources to replace the revenue that it has lost upon the expiration of the contracts for the Rubiales and Piriri blocks. In addition, the contracts for the exploration and exploitation of the Orito, Neiva, Dindal, Rio Seco and Abanico blocks will expire on March 23, 2021, June 13, 2023, June 13, 2023, August 22, 2023, and October 11, 2024, respectively. Together these blocks represented 1.4% of the Company's consolidated total sales for the year ended December 31, 2015. Although the Company may want to extend its exploration and production contracts with Ecopetrol, ANH and Perupetro beyond their original expiration date, there is no assurance that either Ecopetrol, ANH, or Perupetro would agree to such extension or, if they do so agree, that they would agree to terms that are acceptable to the Company. If the contracts are terminated, any wells in production, buildings and other real estate possessions related to the fields subject to such contracts will revert to Ecopetrol, ANH, and Perupetro, as the case may be, without any additional compensation to the Company.

If the Company defaults on its obligations under the Company's technical evaluation or exploration and production contracts (including, without limitation, by failing to comply with the evaluation, exploration or production milestones set forth in those contracts), or under applicable rules and regulations, the Company may be subject to sanctions by the corresponding regulatory agencies, including warnings, fines, temporary suspension of the right to participate in auction processes, intervention, forfeiture or termination of the relevant contracts. The sanctions that the regulatory agencies may apply vary depending on the nature of the violation and take into account the magnitude of the damages caused to users. Any of the foregoing penalties may have a material adverse effect on the Company's business, financial condition, results of operations and on the Company's subsidiaries' ability to pay dividends or make other distributions to the Company and could therefore impair its ability to make payments under its debt or other obligations.

Interest rates

As at June 30, 2016, 21% of the Company's consolidated debt accrues interest at a floating rate, and therefore the Company is exposed to interest rate cash flow risk on floating interest rate bank debt due to fluctuations in market interest rates. In addition, the Company is exposed to variations in Colombian interest rate indices in respect of take-or-pay obligations under certain of the Company's transportation agreements.

Exploration and development

The exploration and development of oil and natural gas deposits involves a number of uncertainties and risks that even thorough careful 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 that are inherent to reserves such as hydrocarbon composition, associated non-hydrocarbon fluids and proximity of infrastructure as well as prevailing 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 labour and environmental protection issues.

It is also difficult to project the costs of implementing an exploratory drilling program due to inherent uncertainties of drilling in unknown formations, the costs associated with encountering various adverse drilling conditions such as over-pressured zones and tools lost in the drill hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. The individual impact generated by these factors cannot be predicted with any certainty but, once combined, may result in non-economical reserves.

If the Company's operations and/or investments in Colombia or in any of the other countries where it operates and/or has investments are disrupted and/or the economic integrity of these projects is threatened for unexpected reasons, the Company's business may experience a setback. These unexpected events may be due to technical difficulties, operational difficulties that impact the production, transport or sale of the Company's products, geographic and weather conditions, business reasons or otherwise.

In addition, the Company will remain subject to the 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. If exploration costs exceed the Company's estimates, or if exploration efforts do not produce results which meet expectations, the Company's future exploration efforts may not be commercially successful, which could adversely impact the Company's ability to generate future revenues from its operations.

Production growth uncertainty

To the extent that the Company succeeds in discovering additional oil and/or natural gas reserves, these reserves may not achieve the production levels the Company projects or be available in sufficient quantities to be commercially viable. On a long-term basis, the Company's viability depends on its ability to find or acquire, develop and commercially produce additional oil and gas reserves. Without the addition of reserves through exploration, acquisition or development activities, the Company's reserves and production will decline over time as reserves are produced and as its contracts expire. The Company has previously experienced declines in its average daily total oil and gas production from fields operated by the Company and may continue to experience further declines in the future. The Company's near-term strategy of reducing capital expenditures and exploration activities may result in a decline in its reserves. The Company's future reserves will depend not only on its ability to develop then-existing properties, but also on its ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas it develops and to effectively distribute the Company's production into its markets.

There are risks associated with the Company's business and operations that may result in production growth uncertainty, which include the following: (i) the expiration of joint venture and operating contracts, including the Rubiales and Piriri contracts which expired 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; (iv) access to sufficient capital to fund exploration activities; and (v) undue delays in obtaining environmental permits.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While the Company may obtain liability insurance in an amount which is expected to be adequate to cover any such adverse conditions, 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 the Company's financial condition. While the Company will endeavor to effectively manage these conditions, it cannot be assured of doing so optimally, and the Company will not be able to eliminate them completely in any case. Therefore, these conditions could diminish the Company's revenue and cash flow levels and result in the impairment of its oil and natural gas interests.

Operating hazards and risks

Oil and gas drilling and producing operations at the Company's 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, earthquakes, hurricanes, floods 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 defence 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 oil and gas wells, formations, production facilities or other properties; 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 and 2013, the Company acquired direct and indirect interests in the offshore drilling operations in: (i) Block Z-1, Peru; (ii) the Santos, Foz do Amazonas and Pará-Maranhão Basins, Brazil; and (iii) Guyana through its equity interest in CGX. The Company's offshore drilling activities involve greater risk of mechanical problems than its onshore operations.

Although the Company maintains 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, the policies 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.

Necessary facilities

Oil and natural gas exploration and production activities are dependent on the availability of drilling and related equipment, transportation, power and technical support in the particular areas where these activities will be conducted, and the Company's access to these facilities may be limited. To the extent that the Company conducts its activities in remote areas, required facilities may not be proximate to its operations, which will increase its expenses. Demand for such limited equipment and other facilities or access restrictions may affect the availability of such equipment to the Company and may delay exploration and production activities. The quality and reliability of necessary facilities may also be unpredictable, and the Company may be required to make efforts to standardize its facilities, which may entail unanticipated costs and delays. Shortages and/or the unavailability of necessary equipment or other facilities will impair the Company's activities, either by delaying its activities, increasing its costs or otherwise.

Decommissioning costs

The Company may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines that it uses for production of oil and gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as "decommissioning." If decommissioning is required before economic depletion of the Company's properties, or if its estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time, it may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair the Company's ability to focus capital in other areas of its business.

Compulsory minimum work programs

Government contracts such as exploration and production agreements require that minimum investments be made as a condition to maintaining the rights under the agreements. It is common for such agreements to require that penalties be paid if the contractual right is to be returned to the government before the designated minimum work program is completed. As of June 30, 2016, the Company has certain minimum work program commitments that include, but are not limited to, U.S.$47.6 million and U.S.$144.6 million for the remainder of 2016 and for 2017, respectively. If the Company fails to satisfy the minimum investments required by its exploration and production agreements, the Company could be subject to significant monetary penalties equal to 100% of the minimum work program commitment.

Operating costs

Exploration, development, production, marketing (including distribution costs) and regulatory compliance costs (including taxes) substantially impact the net revenues the Company derives from the oil and natural gas that it produces. These costs are subject to fluctuations and variation, and the Company may not be able to predict or control these costs. If these costs exceed the Company's expectations, this may adversely affect the Company's results of operations. In addition, the Company may not be able to earn net revenue at its predicted levels, which may impact the Company's ability to satisfy its obligations.

Failure to obtain additional capital

The Company expects that its cash balances and cash flow from operations will be sufficient to provide a limited amount of working capital, and the revenues generated from the Company's properties in Colombia will be sufficient to fund its operations development plan. The Company will require additional capital to continue to operate its business, to expand its exploration and production programs to additional properties (including meeting minimum exploration requirements under the Company's contracts and licenses), and to undertake future acquisitions, if any.

There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The Company's ability to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as its business performance. The 2008 financial crisis resulted in severe economic uncertainty and resulting illiquidity in capital markets, which increases the risk that additional financing will only be available on terms and conditions unacceptable to us, or not at all. In addition, the recent significant downturn in global oil prices affected the Company's business and made access to capital more difficult, and even impossible. In particular, the Company's ability to incur indebtedness is significantly restricted through October, 2018. In addition, the Company is subject to restrictions on its ability to incur additional indebtedness under the Exit LC Facility, which if not met, could be grounds for acceleration of the Company's indebtedness.

The Company also has restrictions under the Exit Notes from obtaining additional debt for a period of two years from issuance subject to certain exceptions. Furthermore, the Amended Articles include special majority board approval requirements related to the issuance of equity or debt until the date of the annual general meeting of Shareholders of the Company held in 2019.

Failure to obtain such financing on a timely basis could cause the Company to forfeit its interests in certain properties, miss certain business opportunities and reduce or terminate its operations or contracts. Furthermore, the inability to obtain capital may damage the Company's reputation and credibility with industry participants in the event it cannot close previously announced transactions.

Delays in obtaining licences

Exploration and development activities are subject to numerous licensing requirements, relating mainly to the environment. In the recent past, the Company and other oil and gas companies in Colombia have experienced significant delays from Colombian authorities with respect to the issuance of such licences. Unanticipated licensing delays can result in significant delays and cost overruns in the exploration and development of blocks and could affect the Company’s financial condition and results of operations. The Company cannot assure that these delays will not continue or worsen in the future.

Global financial conditions

In recent years, global financial conditions have been subject to increased volatility and numerous commercial and financial enterprises have either gone into bankruptcy or creditor protection or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by subprime 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 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 may impact the Company.

Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, commercial banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially.

Banks have been adversely affected by the worldwide economic crisis and have severely curtailed existing liquidity lines, increased pricing and introduced new and tighter borrowing restrictions to corporate borrowers, leaving extremely limited access to new facilities or new borrowings. 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.

Oil and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, actions of the Organization of the Petroleum Exporting Countries and the ongoing global credit and liquidity concerns.

These factors have impacted, and may in the future continue to impact, the Company’s ability to obtain equity, debt or bank financing on terms commercially reasonable to the Company, or at all. In effect, the significant reduction in oil prices since the second half of 2014 has adversely affected the Company’s ability to obtain such forms of financing and the value of its equity securities. 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. If these increased levels of volatility and market turmoil continue, the Company’s operations could be adversely impacted and the trading price of its securities could continue to be adversely affected. In addition, certain of the Company’s customers could be unable to pay the Company in the event that they are unable to access the capital markets to fund their business operations.

Competition

The oil and natural gas industry is competitive in all its phases. Other oil and gas companies will compete with the Company by bidding for exploration and production licences and other properties and services that the Company will need to operate its business in the countries in which the Company operates. Additionally, other companies engaged in the Company’s line of business may compete with the Company from time to time in obtaining capital from investors. Competitors include larger, foreign-owned companies, which, in particular, may have access to greater resources than the Company, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. 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.

Ability to attract and retain qualified personnel

The Company's success will depend in large measure on the ability, expertise, judgment, discretion, integrity and good faith of the Company's management and other personnel in conducting the business of the Company. The loss of any of the Company's executive officers or key employees, their inability to continue to serve as such or the Company's inability to attract suitably qualified staff could materially adversely impact the Company's business. The Company may also experience difficulties in certain jurisdictions in its efforts to obtain suitably qualified staff and to retain staff that are willing to work in that jurisdiction.

The Company's success depends on the ability of its management and employees to interpret market and geological data successfully and to interpret and respond to economic, market and other business conditions in order to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. The Company has sought to and will continue to ensure that management and any key employees are appropriately compensated; however, their services cannot be guaranteed. If the Company is unable to attract and retain key personnel, its business may be adversely affected. The Company's current financial difficulties, and the corresponding need to reduce administrative expenses, may adversely affect its ability to hire and retain employees.

Managing growth

The Company's strategy envisions expanding its business. If the Company fails to effectively manage its growth, its financial results could be adversely affected. Growth may place a strain on the Company's management systems and resources. The Company must continue to refine and expand its business development capabilities, its systems and processes and its access to financing sources. As the Company grows, it must continue to hire, train, supervise and manage new employees. The Company cannot assure that it will be able to:

- expand the Company's systems effectively, efficiently or in a timely manner;
- allocate the Company's human resources optimally;
- identify and hire qualified employees or retain valued employees; or
- incorporate effectively the components of any business that the Company may acquire in its effort to achieve growth.

If the Company is unable to manage its growth and its operations, the Company's financial results could be adversely affected by inefficiency, which could diminish its profitability.

Transportation costs

To sell the oil and natural gas that the Company is able to produce, it must make arrangements for transportation, storage and distribution to the market. The industry depends on trucking, ocean-going vessels, 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 to the market. Disruptions of these transportation services because of weather-related problems, strikes, lockouts, delays, terrorist acts 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.

Furthermore, future instability in the countries in which the Company operates and may operate in the future, weather conditions or natural disasters, actions by companies doing business in those countries, labor disputes, terrorist acts or actions taken by the international community may impair the transportation and distribution of oil and/or natural gas and in turn diminish the Company's financial condition or ability to maintain the Company's operations. The Company experienced significant labour unrest in the recent past which had affected its output and had resulted in higher operating costs. In addition, attacks on Colombian pipelines by rebels have previously led to increases in the Company's transportation costs.

Labour disruptions

In July, September and October 2011, the Company experienced labour unrest, including work stoppages at the Company's Rubiales, Piriri and Quifa fields, which resulted in some damage to property as well as a 24-hour production stoppage in July 2011 and a 48-hour stoppage in September 2011. 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, Piriri and Quifa fields for the purpose of causing a labour disruption. The Company knows that the individuals were not the Company's employees and the Company believes that they were not employees of the Company's contractors. The Colombian authorities sent additional police and soldiers to the Company's fields to guarantee the protection of the Company's assets, personnel and continuity of production. The work stoppages resulted in an aggregate loss of net production of approximately 491,933 bbl. The agreements reached with these contracted 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 the Company's labour costs.

On August 12, 2015, Meta engaged in labour negotiations with USO over proposed changes to the collective bargaining agreement with USO. These labour negotiations ended on August 31, 2015, without an agreement. The Colombian Ministry of Labor issued a declaration on November 10, 2015 in which it dismissed all complaints alleged by the USO and confirmed Meta's compliance with its obligations under the USO collective bargaining agreement.

In addition, following the expiration of the Rubiales and Piriri contracts in 2016, the Company may experience labour unrest as a result of a reduction in its work force arising from its winding down of operations at these fields.

Other companies operating oil and gas fields in Colombia have also experienced labour unrest. As of the date hereof, the Company has not experienced any labour unrest as a result of its decision to reduce its work force in an effort to reduce costs. The Company cannot provide assurances that it will not experience further labour unrest in the future.

Customer base

The Company actively limits the total exposure to individual client counterparties and holds a trade credit insurance policy for indemnification for losses from non-collection of trade receivables related to local sales in Colombia, but not for international sales. As at December 31, 2015, the Company's largest credit exposure in accounts receivables to a single party, an international client, was for U.S.$39 million, or 23% of trade accounts receivables, and as at June 30, 2016, was for U.S.$15.7 million, or 37.7% of trade accounts receivables outstanding at such date. If the Company suffers a significant loss resulting from the non-payment of a trade receivable that is not fully insured in the local market, or if the insurer of such event is not solvent, the Company could be required to divert funds from capital investment or other uses towards covering its liability for such events.

In addition, the Company's domestic oil and natural gas sales in Colombia are made to Ecopetrol, a state-owned oil company. While oil and natural gas prices in Colombia are related to international market prices, lack of competition for sales of oil and natural gas may diminish prices and depress the Company's financial results.

Currently, the Company in the process of commencing legal proceedings against a customer, QV Trading LLC, in respect of overdue accounts receivable in the amount of approximately U.S.$16 million for the sale of oil in August 2015. The Company cannot assure investors that it will be successful in collecting any part of this receivable.

Litigation and other proceedings

The nature of the Company's business exposes it to litigation relating to labour, health and safety matters, environmental matters, regulatory, tax and administrative proceedings, governmental investigations, arbitration, and contractual claims and disputes. The Company is subject to risks related to litigation, arbitration and administrative proceedings that could adversely affect the Company's business and financial performance in the event of an unfavourable ruling. Litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome among other matters. In the past, the Company has been subject to proceedings or investigations of actual or potential litigation. Although the Company has established provisions as it deems necessary, the amounts that it reserves could vary significantly from any amounts the Company actually pays due to the inherent uncertainties in the estimation process. The Company cannot be certain that the proceedings described under the heading entitled "Legal Proceedings" or other legal proceedings will not materially affect the Company's business.

Environmental factors

All phases of the Company's operations are subject to environmental regulation in the countries in which it operates. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures, and a breach may result in the imposition of fines and penalties, some of which may be material.

Environmental legislation is evolving in a manner that the Company expects may result in stricter standards and enforcement, increased fines and liability and potentially increased capital and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. The application of environmental laws to the Company's business may cause the Company to curtail its production or increase the costs of its production, development or exploration activities.

In addition, the Company's exploration, development and production activities will require certain permits and licences 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 licences and permits that 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. Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. The Company's properties may be subject to unforeseen title claims, including, among others, claims by indigenous communities. While the Company intends to make appropriate inquiries into the title of properties and other development rights it acquires, title defects may exist. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title and interest in and to the properties to which the title defects relate.

Foreign currency exchange rates

The Company sells its oil production mainly in the international markets under agreements that are denominated in U.S. dollars and foreign currencies. Many of the operational and other expenses the Company incurs are paid in the local currency of the countries where the Company conducts its operations. The Company's production is primarily invoiced in U.S. dollars. As a result, the Company may be exposed to translation risk when local currency financial statements are translated to U.S. dollars, the Company's functional currency.

Exchange rates between the Colombian peso and U.S. dollar have fluctuated significantly in the past and may do so in the future. The Peruvian nuevos soles have also fluctuated significantly in the past as compared to the U.S. dollar.

As currency exchange rates fluctuate, translation of the statements of income of international businesses into U.S. dollars will affect comparability of revenues and expenses between periods.

Production concentrated in one geographic area

The majority of the Company's producing properties and leases are geographically concentrated in the Llanos Basin in eastern Colombia. As a result of this concentration, the Company may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by significant governmental regulation, transportation capacity constraints, curtailments of production, natural disasters, interruption of transportation of gas produced from the wells in these basins, guerrilla activities or other events that impact this area.

Corruption

The Company's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. To prevent any form of corruption or bribery, the Company has policies in place that include 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.

Enforcement of civil liabilities

Substantially all of the assets of the Company are located outside of Canada, and certain directors and officers of the Company are residents 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.

Repatriation of earnings

A significant portion of the Company's revenue-generating operations is 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.

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 that the Board of Directors may consider appropriate in the circumstances. Although the Company has paid dividends to its Shareholders in the past, given the current lower oil price environment, the Board of Directors decided to suspend the payment of dividends on the Common Shares as of the first quarter of 2015. For further details, see the heading entitled "General Development of the Business – Historical Overview – Corporate Securities Matters – Dividends" and "Dividends."

Upon implementation of the Plan, the provisions of the Exit Notes and the Exit LC Facility may 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.

Technology

The Company relies on technology, including geologic and seismic interpretation and economic models, to develop its reserve estimates and to guide its exploration, development and production activities. The Company is required to continually enhance and update its technology to maintain its efficacy and to avoid obsolescence. The costs of doing so may be substantial and may be higher than the costs that the Company anticipates for technology maintenance and development. If the Company is unable to maintain the efficacy of its technology, its ability to manage its business and to compete may be impaired. Further, even if the Company is able to maintain technical effectiveness, the Company's technology may not be the most efficient means of reaching its objectives, in which case the Company may incur higher operating costs than it would if the Company's technology was more efficient.

Strategic relationships

The Company's ability to successfully bid on and acquire additional properties, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements will depend on developing and maintaining effective working relationships with industry participants and on the Company's ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. These realities are subject to change and may impair the Company's ability to grow.

To develop the Company's business, the Company may use the business relationships of its management to enter into strategic relationships, which may take the form of joint ventures with other private parties or with local government bodies or contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that the Company will use in its business. The Company may not be able to establish these strategic relationships or, if established, the Company may not be able to maintain them. In addition, the dynamics of its relationships with strategic partners may require the Company to incur expenses or undertake activities the Company would not otherwise be inclined to in order to fulfill its obligations to these partners or maintain its relationships. If the Company's strategic relationships are not established or maintained, its business prospects may be limited, which could diminish the Company's ability to conduct its operations.

As a result of the Company's recent financial hardship, it has had to prioritize high yield over low yield investments. This has resulted in strained relationships with certain of the Company's partners in Brazil, Guatemala and Papua New Guinea, as the Company has had to seek to renegotiate contractual terms or sought to terminate the Company's contractual relationships. In some cases, the Company's financial hardship has caused the Company to default under certain commercial contracts with joint venture partners and suppliers, and the Company has sought to compromise some of its counterparties' contractual claims in the restructuring proceeding. Although the Company deemed these actions to be necessary in order to ensure the viability of the Company and the consummation of the restructuring, the Company may suffer reputational damage as a result of these actions, which could have an adverse effect on our business and our ability to grow. See "Risk Factors – Contingent Obligations."

Contingent obligations

The Company is subject to certain contingencies, which, if they were to occur, could have a material adverse effect on the Company's business, results of operations and financial condition.

Certain of the Company's commercial agreements include provisions that require us, upon the occurrence of certain specific events, to contribute capital, repurchase shares from our partners, suffer dilution or provide financial guarantees. Some of these events have already occurred but the Company's counterparties have not yet exercised their rights. If any of these contingencies were to occur and/or if the Company's counterparties were to demand the exercise of their rights, the Company may not have the ability to raise the funds necessary to finance such contingent obligations. In addition, such occurrences and exercises would likely have a material adverse effect on the Company's business results, operations and financial condition.

The following are the Company's most significant contractual contingencies:

Puerto Bahia capital contribution in the event of cost overruns or revenue shortfalls. Through certain of the Company's subsidiaries, the Company has have agreed to contribute up to an additional U.S.$130.0 million of equity plus 2% per annum and plaintiff's costs and expenses to Puerto Bahia in the event of certain cost overruns or revenue shortfalls. See "General Development of the Business – Historical Overview – Investments."

IFC put option for its Pacific Infrastructure shares. IFC has a put option to sell its Pacific Infrastructure shares to the Company. This put option is exercisable at the discretion of IFC and solely in the event that: (i) the Company violates certain representations and covenants (relating principally to criminal offenses, sanctionable practices, environmental compliance, insurance and the furnishing of information) under the transaction documents related to IFC's investment in Pacific Infrastructure, or (ii) Pacific Infrastructure has not conducted an initial public offering by December 1, 2019. The put price is set at the amount that would give IFC the greater of the market value of the shares or 15% annual return on their investment.

IFC put options for its Pacific Midstream shares. IFC has a put option to sell its Pacific Midstream shares to the Company in the event that the Company violates certain representations and covenants (relating principally to criminal offenses, sanctionable practices, environmental compliance, insurance and the furnishing of information) under the transaction documents related to IFC's investment in Pacific Infrastructure. The put price is set at the amount that would give IFC the greater of the market price or 15% annual return on their investment.

In addition, pursuant to the Pacific Midstream shareholders agreement, Pacific Midstream Holding has an option, exercisable at the discretion of IFC and solely in the event that (i) Bicentenario Pipeline is non-operational for six consecutive months and (ii) as a result the take or pay contracts to which Bicentenario is a party with any of the Company's affiliates or Ecopetrol's affiliates is terminated, to require the Company to purchase Pacific Midstream's interest in Bicentenario. The option price is an amount equal to U.S.$280.0 million, reduced by (i) the amount of any cash dividends paid by Bicentenario to Pacific Midstream (U.S.$45.4 million as of June 30, 2016), and (ii) any repayments by Bicentenario to Pacific Midstream of existing shareholders' subordinated loans (U.S.$42.5 million plus accrued interest as of June 30, 2016).

Standby Letter of Credit or Early Termination Payment to OCENSA. The Company may be required to deliver a standby letter of credit or make an early termination payment to OCENSA if the Company's waivers with respect to its credit ratings are not extended. See "General Development of the Business – Historical Overview – Financings, Credit Facilities and Lines of Credits – Ratings Downgrades."

Additional information regarding these contingencies and others, including legal disputes can be found under the heading entitled "Legal Proceedings."

Dilution of equity interest in Pacific Infrastructure

The Company's equity interests in Pacific Infrastructure may be diluted if the OLECAR Project is not completed by October 31, 2016. Pursuant to the OLECAR Warrant Agreements, IFC and certain of its affiliates are entitled to exercise warrants for shares of Pacific Infrastructure in the event that the OLECAR Project is not completed by October 31, 2016. The Company does not anticipate that the project will be completed by such date, if at all. Therefore, unless the Company is able to renegotiate the relevant terms of the warrant agreement with IFC, the Company will likely be diluted from its current 41.79% ownership of the capital stock of Pacific Infrastructure to 39.24 %. Further details can be found under the heading entitled "General Developments – Historical Overview – Investments."

Integration risk

The Company's future success will depend to some extent on the success of its management in integrating the operations, technologies and personnel of any acquired companies. The Company's failure to achieve such integration could result in its failure to realize some or all of the anticipated benefits of any acquisitions and could impair the Company's results of operations, profitability and financial results. In addition, the integration of the operations, technologies and personnel of future acquisitions into the Company may result in unanticipated operational problems, expenses, liabilities and diversion of Company management's attention.

Risks Related to Operations in Colombia and the Company's Other Markets

Economic and political developments in countries in which the Company operates

The Company's projects are located in emerging market countries such as Colombia, Peru, Guyana, Guatemala and Belize; consequently, the Company is dependent upon these countries' respective economic and political developments. As a result, the Company's business, financial position and results of operations may be affected by the general conditions of these economies, economic instabilities, price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting these countries, over which the Company has no control. In addition, the Company's exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the oil and gas industry.

In the past, these countries have experienced periods of weak economic activity and deterioration in economic conditions. The Company cannot assure that such conditions will not return or that such conditions will not have a material adverse effect on its business, financial condition or results of operations.

The Company's financial condition and results of operations may also be affected by changes in the political climate in these countries to the extent that such changes affect the nation's economic policies, growth, stability or regulatory environment. 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, wealth taxes, expropriation of property, environmental legislation and site safety. There can be no assurance that the governments of the countries where the Company operates and has investments will continue to pursue business friendly and open-market economic policies or policies that stimulate economic growth and social stability. Any changes in these economies or the respective governments' economic policies, in particular as they relate to the oil and gas industries, may have a negative impact on the Company's business, financial condition and results of operations.

Any of these factors, as well as volatility in the markets, may adversely affect the value of the securities of the Company.

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 undergoes continuous review and change, such as the Colombian tax reforms of 2013 and 2014, which resulted in new corporate tax rates for Colombian source income of 34% for 2014, 39% for 2015, 40% for 2016, 42% for 2017 and 43% for 2018. The Colombian corporate tax rate will be reduced to 34% on January 1, 2019. In addition, the Colombian Congress introduced a new wealth tax assessed on net equity at a rate of 1.15%, 1.00% and 0.40% as at January 1, 2015, 2016, and 2017, respectively. Such legislative changes may have an adverse impact on the Company's operations.

According to the Colombian Government, a new tax reform bill will be approved by Colombia's Congress before the end of 2016. The terms and conditions of this proposed tax reform are currently unknown.

Economic growth in Colombia

According to the Ministry of Finance and Public Credit, in 2015 Colombia's GDP grew by 3.1% in real terms. It continues to be one of the highest performing economies in the Latin American region. However, emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are in general more susceptible to destabilization resulting from domestic and international developments.

A significant decline in the economic growth of any of Colombia's major trading partners, such as the United States, as well as a decline in the prices of the commodities on which Colombia heavily depends for its foreign exchange could have a material adverse impact on Colombia's balance of trade and adversely affect Colombia's economic growth. The United States is Colombia's largest export market. A decline in United States demand for imports could have a material adverse effect on Colombian exports and Colombia's economic growth. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors, Colombia could be adversely affected by negative economic or financial developments in other emerging market countries. Colombia has been adversely affected by such contagion effects on a number of occasions, including following the 1997 Asian financial crisis, the 1998 Russian financial crisis, the 1999 devaluation of the Brazilian real, the 2001 Argentine financial crisis, the 2008 global economic crisis and the recent European debt crisis. Similar developments can be expected to affect the Colombian economy in the future.

The price of oil also plays an important role in the economy of Colombia. Income from commodities exports has become in the last few years a significant part of the fiscal accounts of Colombia, be it through royalties or taxes. The recent significant decrease in global oil prices has had and continues to have an adverse effect on Colombia's economy.

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Colombia. In addition, there can be no assurance that these events will not adversely affect Colombia's economy and its industries.

Guerrilla activity in South America

Colombia is home to South America's largest and longest running insurgency, and during the 50-year course of armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both funded by the drug trade, Colombia has experienced significant social upheaval and criminal activity relating to drug trafficking. Insurgents have attacked and kidnapped civilians, and violent guerrilla activity exists in many parts of the country. In recent years, the government and FARC had been negotiating an agreement to end the conflict. On October 2, 2016, the agreement was submitted to a national plebiscite for approval but was rejected by Colombian voters by a narrow margin (50.2%). It is expected that a national unity negotiation program, incorporating the opposing parties, will be implemented in a possible renegotiation of the peace deal. The FARC publicly stated after the plebiscite vote that they will maintain negotiations in an effort to reach a feasible peace agreement. Any terrorist activity in Colombia may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

In addition, on March 31, 2016 the National Liberation Army ("**ELN**"), together with the Colombian government made official the commencement of a public phase of dialogue and negotiation between such parties. Nevertheless, continued armed and terrorist actions by this insurgent group have impeded advances in the negotiation process.

During 2015, there was an increase in the attacks by rebels against oil and gas infrastructure in Colombia. These attacks were focused in the regions of Arauca, Caquetá, and Putumayo, departments where the FARC, ELN and the Popular Liberation Army maintain a greater presence and influence. There were approximately 259, 141 and 80 attacks on Colombian pipeline infrastructure in 2013, 2014 and 2015 respectively.

In particular, the Caño Limon pipeline near Venezuela, which the Bicentenario Pipeline connects to, has been inoperative approximately 50% of the time due to these attacks. Disruptions in key pipelines, including the Bicentenario Pipeline, have previously reduced our revenue and increased our transportation costs, as we have had to use alternate methods of transportation, including trucking.

Since December 20, 2014, FARC declared a unilateral ceasefire which it has, with some exceptions, been complying. Reports issued by the Resource Center for Conflict Analysis-CERAC mention that offensive actions by the FARC decreased by 98% with respect to 2015**,** engagements with the security forces have decreased 91% and civilian deaths by 98%.

There have been 42 cases of kidnapping for ransom between January 2016 and May 2016, of which at least five cases (12%) have been attributed directly to the ELN. During the same period 1,853 cases of extortion have been reported, many with the alleged direct participation of FARC and ELN.

Between January and May 2016, there were 16 terrorist attacks against oil infrastructure, especially in Arauca and Norte de Santander. Ten of these attacks were against energy sector infrastructure in the regions of Arauca, Cauca, Norte de Santander, Antioquia and Valle and three against road infrastructure (roads and bridges) in Cauca, all directly attributed to ELN, as part of an offensive that seeks to condition the start of talks with the government.

In addition, criminal groups such as the "Usuga Clan" or "The Gulf Clan", continue to carry out criminal actions which impact security conditions in areas where extractive processes, especially mining, are undertaken.

Even in a scenario where a definitive peace agreement is reached with FARC and approved by the people of Colombia by means of a national plebiscite in the future, it is uncertain that security conditions will be optimal for extraction activities due to the presence of less significant illegal armed groups that operate in these regions.

The Shining Path, or *Sendero Luminoso*, is a terrorist organization active in Peru. While not as active as the Colombian terrorist groups, they too have attacked pipeline operators in the past.

The Company has security protocols in place to enable contingency plans in order to prevent damage to its infrastructure or to avoid its production from being compromised. It has agreements with military and police to supervise the areas of operation and private security forces to guarantee the safety of its installations. The Company also has whistleblower mechanisms in place so that community members can report beforehand if they gather knowledge about possible criminal activities against the Company's assets.

There can be no assurance that continuing attempts to reduce or prevent guerrilla activity will be successful or that guerrilla activity will not disrupt the Company's operations in the future. There can also be no assurance that the Company can maintain the safety of its operations and personnel in Colombia and Peru or that this violence will not affect the Company's operations in the future. Continued or heightened security concerns in these countries could also result in a significant loss to the Company.

Security risks

The Company's operations may be adversely affected by security incidents that 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 or has investments, including Colombia 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.

Local legal and regulatory systems in which the Company operates

The Company exists under the laws of the Province of British Columbia and is subject to Canadian laws and regulations. The jurisdictions in which the Company operates its exploration, development and production activities may have different or less developed legal systems than Canada or the United States, which may result in risks such as:

- effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being more difficult to obtain;

- a higher degree of discretion on the part of governmental authorities;

- the lack of judicial or administrative guidance on interpreting applicable rules and regulations;

- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and
- relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial systems to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for the Company's business. These licences and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

Less developed oil and gas industries in countries in which the Company operates

The oil and gas industry in Colombia and the rest of the countries where the Company operates is not as efficient or developed as the oil and gas industry in the United States or Canada. As a result, the Company's exploration and production activities may take longer to complete and may be more expensive than similar operations in United States or Canada. The availability of technical expertise, specific equipment and supplies may be more limited than in the United States or Canada. The Company expects that such factors will subject the Company's operations to economic and operating risks that may not be experienced in the United States or Canada.

Exchange controls

Foreign operations may require funding if their cash requirements exceed operating cash flow. To the extent that funding is required, there may be exchange controls limiting such funding or adverse tax consequences associated with such funding. In addition, taxes and exchange controls may affect the dividends that the Company receives from its foreign subsidiaries or branch offices of foreign subsidiaries. Exchange controls may prevent the Company from transferring funds abroad.

There can be no assurance that the governmental authorities of the countries where the Company operates will not require prior authorization or will grant such authorization for the Company's non-Canadian subsidiaries or branch offices of non-Canadian subsidiaries to make dividend payments to the Company, and there can be no assurance that there will not be a tax imposed with respect to the expatriation of the proceeds from the Company's foreign subsidiaries or branch offices of non-Canadian subsidiaries. The implementation of a restrictive exchange control policy, including the imposition of restrictions on the repatriation of earnings to foreign entities, could affect the Company's ability to engage in foreign exchange activities and could also have a material adverse effect on its business, financial condition and results of operations.

In particular, Colombian law provides that the Central Bank of Colombia may intervene in the foreign exchange market if the Colombian peso experiences significant volatility. Also, even though investment repatriation conditions are those in force on the date on which the corresponding investment is registered and the same may not be modified in any way that may be detrimental to the investor, the Central Bank of Colombia may limit on a temporary basis the remittance of dividends and reimbursement of investments whenever international reserves fall below an amount equal to three months' worth of imports. Since the creation of the current foreign exchange regime in 1991, such action has not been taken. However, the Company cannot provide assurance that the Central Bank of Colombia will not intervene in the future, and the Company may be temporarily unable to convert Colombian pesos to U.S. dollars.

Controls and regulations of the countries in which the Company operates

The oil and natural gas industry in Colombia and the other countries where 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 that are evolving in these countries, 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 it to abandon or delay the development of new oil and natural gas properties.

Recently, the Colombian Constitutional Court has developed a new legal precedent regarding prior consultation processes. In the ordinary course of business, the Ministry of Interior is the governmental entity entitled to certify the presence of indigenous communities in the areas of operations. If such presence is detected, the Ministry initiates a Prior Consultation Process between the communities, government and Company. Often times, the Ministry certifies that there is no presence of indigenous communities in the areas of operation and that therefore there is no need to initiate a prior consultation process.

Regardless of the former, the Constitutional Court has ordered several governmental and non-governmental entities, including businesses, to execute a prior consultation process in areas that do not have indigenous communities, but rather where there may be an "indirect impact" on indigenous reservoirs by operations. The Company has received two decisions of this nature. While the lower and superior courts ruled in favor of the Company, recognizing that there is no indigenous presence in the areas of operation, the Constitutional Court, as a second appeal jurisdiction, determined that there are indirect impacts.

Accordingly, during the month of March 2016, the Company was formally notified of the Colombian Constitutional Court's decision instructing the Company, the Ministry of Interior and the ANLA to suspend operations within two kilometers of the border of an indigenous community known as "Vencedor Piriri", encompassing a portion of Quifa Block. In the past, the Company has demonstrated that it has effectively met consultation process requirements in locations identified by the Ministry of Interior, pursuant to Colombian law. However, the Constitutional Court ruled that it should conduct a prior consultation process in an area that to the best of the Company's knowledge, as well as pursuant to official certifications by the Colombian Ministry of Interior, does not have the presence of an indigenous community, alleging indirect damages in the two kilometre border area. After the notification, the Company complied with the Constitutional Court´s decision and carried out the consultation process with the Vencedor Piriri community during April 2016. After reaching an agreement to compensate the activities described in the ruling, the Company notified the Court of its compliance and currently operations are in full force and effect. Towards the end of June 2016, the Company conducted a series of meetings with the aforementioned indigenous community to define the investment projects through the scope of the community's life plan and began their execution.

The same situation occurred in the Orito Incremental Production Block, where the Constitutional Court ruled against Ecopetrol, the Company, the Ministry of Interior, and the ANLA by stating that there was indigenous impact in areas outside their reservoir, specifically 1.6 kilometres from the indigenous reservoir limit. In the past, the Company has demonstrated that it has effectively met consultation process requirements in locations identified by the Ministry of Interior, pursuant to Colombian law. However, the Constitutional Court ruled that it should conduct a prior consultation process in an area that to the best of the Company's knowledge, as well as pursuant to official certifications by the Colombian Ministry of Interior, does not have the presence of an indigenous community, alleging indirect damages in an area 1.6 kilometres away from the border area. After the notification, the Company complied with the Constitutional Court´s decision and is currently carrying out the consultation process with the Alto Temblon community.

Seizure or expropriation of assets

Pursuant to Article 58 of the Colombian Constitution, the Colombian government can exercise its eminent domain powers in respect of the Company's assets in the event such action is required in order to protect public interests. According to Law 388 of 1997, eminent domain powers may be exercised through (i) an ordinary expropriation proceeding; (ii) an administrative expropriation; or (iii) as provided for in Article 59 of the Colombian Constitution, an expropriation for war reasons. In all cases, the Company would be entitled to a fair indemnification for the expropriated assets. As a general rule (with the exception of expropriation for reasons of war, in which case compensation may be quantified and paid later), compensation must be paid before the asset is effectively expropriated. However, indemnification may be paid in some cases years after the asset is effectively expropriated and the indemnification may be lower than the price for which the expropriated asset could be sold in a free market sale or the value of the asset as part of an ongoing business.

In the other countries where the Company operates or has investments, the state can also generally exercise eminent domain powers in respect of the Company's assets based on principles somewhat similar to those that apply in Colombia.

RESERVES DATA AND OTHER INFORMATION

The Company's reserves were evaluated by RPS, NSAI and D&M (each of which is an independent petroleum engineering consulting firm) and are effective December 31, 2015, in accordance with NI 51-101. RPS, NSAI and D&M are each independent qualified reserves evaluators appointed pursuant to NI 51-101.

2015 Reserves Reports

RPS prepared the reports: (i) dated March 11, 2016, effective December 31, 2015, entitled "Reserves Certification Report, Year End 2015, Quifa Field, South-West Region - Colombia"; (ii) dated March 14, 2016, effective December 31, 2015, entitled "Reserves Certification Report, Year End 2015, Cajua Sur Field, Llanos Basin- Colombia"; (iii) dated March 14, 2016, effective December 31, 2015, entitled "Reserves Certification Report, Year End 2015, Jaspe Field, Llanos Basin - Colombia"; (iv) dated March 14, 2016, effective December 31, 2015, entitled "Resources Certification Report, Year End 2015, Prospect D Field, Llanos Basin - Colombia"; (v) dated March 10, 2016, effective December 31, 2015, entitled "Reserves Certification Report, Year End 2015, Rubiales Field - Colombia"; (vi) the report dated March 10, 2016, effective December 31, 2015, entitled "Reserves Certification Report, Year End 2015, Rio Ariari Field, Llanos Basin - Colombia"; (vii) dated March 11, 2016, effective December 31, 2015, entitled "Reserves Certification Report, Year End 2015, Hamaca Field, Llanos Basin - Colombia"; and (viii) dated March 14, 2016, effective December 31, 2015, entitled "Reserves and Resources Certification Report, Year End 2015, Sabanero Field, Llanos Basin – Colombia."

NSAI prepared the report dated February 22, 2016, effective December 31, 2015, entitled "Estimates of Reserves and Future Revenue to the Pacific Stratus Energy S.A. Interest in Certain Oil Properties Located in Albacora and Corvina Fields Offshore Peru and in Blocks 131 and 192, Onshore Peru."

D&M prepared the reports: (i) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of the Guaduas Field in the Dindal and Rio Seco Blocks, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (ii) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of the Abanico Field in Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (iii) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of the Disa and Tucuso Fields in the Mapache Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (iv) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Cachicamo Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (v) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Casanare Este and Casimena Blocks, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (vi) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of the Canaguay Field in the Canaguaro Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (vii) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Corcel Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (viii) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Cravoviejo Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (ix) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Guatiquía Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (x) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Llanos 19 Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (xi) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of the Neiva Block in Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (xii) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of the Orito Field in Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (xiii) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Arrendajo Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (xiv) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Guama Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; (xv) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the La Creciente Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101"; and (xvi) dated February 12, 2016, effective December 31, 2015, entitled "Report as of December 31, 2015 on Reserves and Revenue of Certain Fields in the Cubiro Block, Colombia for Pacific Stratus Energy, Technical Report, NI 51-101."

Concurrently with the filing of the Company's annual information form dated March 18, 2016, the Company 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) one *Report on Reserves Data by Independent Qualified Reserves Evaluator* on Form 51-101F2 by each of RPS, NSAI and D&M; (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. These reports 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. Covenants in the Company's indentures, as well as in the 2014 Revolving Credit Facility, restrict the Company's ability to declare and pay dividends under certain circumstances. It is anticipated that upon implementation of the Plan, the provisions of the Exit Notes and the Exit LC Facility may restrict the Company's ability to declare and pay dividends.

Although the Company has paid dividends to its Shareholders in the past, given the current lower oil price environment and constraints on cash, the Board of Directors decided to suspend the payment of dividends on the Common Shares as of the first quarter of 2015 and did not pay any dividends as of June 30, 2016.

DESCRIPTION OF CURRENT CAPITAL STRUCTURE

It is anticipated that in connection with the Restructuring Transaction, the Amended Articles will become effective on the Implementation Date, which shall amend and restate the current articles of the Company. For further information, see the heading entitled "Proceedings under the CCAA – Governance and Management after Implementation of the Plan – Amended Articles."

The authorized capital of the Company currently 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 316,094,858 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 has 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.

Senior Notes

The Senior Notes are direct, unsecured, subordinated obligations of the Company. For further information regarding the Senior Notes, see "General Development of the Business – Historical Overview – Financings, Credit Facilities and Lines of Credit." In recent months, the Company entered various waivers and forbearance agreements with respect to the Senior Notes. See "Proceedings Under the CCAA

– Background to the Restructuring Transaction" and "Proceedings Under the CCAA - Impact of the Plan."

Under the terms of the respective indentures of the Senior Notes, the Company is required to maintain certain covenants, including: (1) an interest coverage ratio of greater than 2.5, and (2) a debt-to-EBITDA ratio of less than 3.5. The covenants do not apply during any period of time when the notes have an investment grade rating from at least two rating agencies. These financial covenants are incurrence covenants which, if breached, would restrict the Company from incurring additional indebtedness, but would not result in an event of default or acceleration of repayment.

If a change of control (as defined in the respective indentures) occurs at any time during which the respective Senior Notes remain outstanding, a holder of such shall be entitled to require the Company to repurchase all or any part of that holder's respective Senior Notes. No purchase in part shall reduce the outstanding principal amount of the respective Senior Notes held by any holder to below U.S.$100,000. The Company must offer a payment in cash equal to 101% of the aggregate principal amount of the respective Senior Notes repurchased plus accrued but unpaid interest and additional amounts, if any.

Pursuant to the terms and conditions of the various indentures, the Company may redeem any or all of the respective Senior Notes prior to the maturity date under certain situations including, but not limited to, optional redemptions as follows: (i) prior to and subsequent to December 12, 2016, for the 7.25% Senior Notes; (ii) March 28, 2018, for the 5.125% Senior Notes; (iii) January 26, 2017, for the 5.375% Senior Notes; and (iv) January 19, 2020, for the 5.625% Senior Notes and for tax redemptions.

Pursuant to the terms and conditions of the respective indentures, if the Company dissolves or winds up, the principal amount of all Senior Notes together with all accrued interest thereon shall become and be immediately due and payable.

As of the date hereof, Moody's has withdrawn from providing the Company with a rating, while the Company's Standard and Poor's and Fitch credit ratings remain unchanged (being a rating of D and C, respectively).

The claims of holders of the Senior Notes will be fully settled and extinguished upon implementation of the Plan. See "Proceedings Under the CCAA - Impact of the Plan."

Shareholder Rights Plan

On April 4, 2015, the Board of Directors approved a new shareholder protection rights plan agreement (the "**2015 Rights Plan**") entered into between the Company and Equity Financial (replacing a rights plan put in place in 2012, which expired at the annual meeting of shareholders in 2015). The purpose of the 2015 Rights Plan was to encourage an offeror either to make a Permitted Bid (as defined in the 2015 Rights Plan) without approval of the Board of Directors, having terms and conditions designed to meet the objectives of the 2015 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 TSX accepted notice for filing of the 2015 Rights Plan, subject to standard conditions including ratification of the 2015 Rights Plan by the Shareholders. The 2015 Rights Plan was subsequently confirmed by the Shareholders at the Company's 2015 annual and special meeting. A copy of the 2015 Rights Plan has been filed and is available on SEDAR at www.sedar.com.

Pursuant to the terms of the Plan, the 2015 Rights Plan will be terminated and the New Rights Plan will be implemented. See “Proceedings Under the CCAA – Capital Structure after Implementation of the Plan.”

MARKET FOR SECURITIES

Trading Price and Volume

<u>Common Shares</u>

The Common Shares were listed on the TSX until May 25, 2016 at which time they were delisted from the TSX and are listed, but suspended from trading, on the BVC as of April 19, 2016. The TSX has conditionally accepted the Common Shares for listing on the TSX upon the implementation of the Plan. Listing is subject to the Company meeting certain standard requirements of the TSX.

The following table sets out the high and low trading prices of the Common Shares for the periods indicated, as reported by the TSX. The trading history below should not be used as an indication of the trading prices or volume of the Company’s common shares in the future.

Period (2016)	**High**	**Low**	**Trading Volume**
April 1-18	$1.63	$0.64	87,966,932
March	$1.68	$0.83	94,058,463
February	$1.35	$1.33	21,219,566
January	$1.75	$0.81	55,669,253
	High	**Low**	**Trading Volume**
Period (2015)			
December	$2.80	$0.99	54,714,218
November	$2.66	$1.70	23,617,580
October	$3.84	$2.46	28,625,233
September	$4.40	$2.89	31,970,109
August	$4.65	$2.55	48,187,263
July	$5.53	$2.75	74,925,851
June	$6.03	$4.53	32,189,648
May	$6.38	$4.09	122,569,043
April	$4.38	$2.54	109,681,402
March	$3.85	$2.55	90,786,365
February	$5.41	$3.03	95,330,426
January	$7.44	$2.75	68,551,222

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

Period (2016)	**High**	**Low**	**Trading Volume**
April 1-April 18	3,715	1,370	19,465,969
March	4,075	1,515	16,148,706
February	3,180	1,400	5,256,859
January	3,965	1,070	7,789,844
Period (2015)	**High**	**Low**	**Trading Volume**
December	6,500	2,560	3,697,869

Period (2015)	High	Low	Trading Volume
November	5,730	4,000	2,919,198
October	8,400	5,220	5,236,175
September	10,300	6,700	3,768,565
August	10,720	7,160	5,045,745
July	11,600	6,000	6,806,576
June	12,380	9,600	2,499,166
May	12,980	8,000	15,320,438
April	8,770	5,100	17,827,684
March	7,750	5,280	7,698,730
February	10,280	5,450	17,421,424
January	15,000	5,260	15,437,488

Senior Notes

The Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on its Euro MTF market as follows: (i) 7.25% Senior Notes are referenced as "PacificRubEnerg 7,25% 12/12/2021" and commenced trading on December 12, 2011; (ii) 5.125% Senior Notes are referenced as "PacificRubEnerg 5,125% 28/03/2023" and commenced trading on March 28, 2013; (iii) 5.375% Senior Notes are listed as "PacificRubEnerg 5,375% 26/01/2019" and commenced trading on November 26, 2013; and (iv) 5.625% Senior Notes are listed as "PacificRubEnerg 5,625% 19/01/2025" and commenced trading on September 25, 2014.

The trading activity for the Senior Notes during 2015 or the first six months of 2016, as reported by the Luxembourg 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.

DIRECTORS AND OFFICERS

Directors and Officers of the Company

As of October 17, 2016, the directors and executive officers of the Company (as a group) owned, or exerted direction or control over, a total of 1,590,957 Common Shares, representing approximately 0.5% of the Company's total issued and outstanding Common Shares on a non-fully diluted basis and prior to the Implementation Date.

The information is given below with respect to each of the current directors and executive officers of the Company. It is anticipated that in connection with the Restructuring Transaction, the current directors of the Company shall be deemed to have resigned and the New Board of Directors shall be deemed to have been appointed. See "Proceedings Under the CCAA – Governance and Management after Implementation of the Plan – New Board of Directors."

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 hereof.

Name, Municipality of Residence and Current Position with the Company	Director Since	Present Principal Occupation or Employment (including all officer positions 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]
Serafino Iacono[2][7] Panama City, Panama Executive Co-Chairman, Director	January 23, 2008	Co-Chairman of the Board of Directors since January 23, 2008, and 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., CGX and US Oil Sands Inc.	1,253,975
Miguel de la Campa[2] Panama City, Panama Executive Co-Chairman, Director	January 23, 2008	Co-Chairman of the Board of Directors since January 23, 2008, and Co-Chairman of the board of Pacific Stratus from August 21, 2006 to January 23, 2008. Mr. de la Campa is also a director of Gran Colombia Gold Corp.	Nil
Ronald Pantin[2][6][7][10] Panama City, Panama Chief Executive Officer, Director	May 22, 2007	Chief Executive Officer of the Company since May 2007. Mr. Pantin is also a director of CGX.	215,250
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 E&P 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, including 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 Sportsat, a firm operator of a national T.V. channel and producers of content for television, Conalvìas S.A, a construction company, Metro S.A., a transport company, Saulcoop, health services provider and Bancoldex Ltda., a development bank. Mr. Lopez is a member of board of directors for the Corporate University of Colombia ("Universidad Empresarial de Colombia").	38,000
Hernan Martinez[3][4][5][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 has also served as President of International Colombia Resources Corporation, President of Atunec S.A., President, 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 Caribbean Resources. Mr. Martinez currently sits on the board of directors of Caribbean Resources, and previously was a director of various private and public companies, including Interconexion Electrica S.A. ESP, Transmision Electrica S.A., Inversura S.A., ISAGEN Energia Productiva, Cart Escopetorl, and CB Gold Inc. 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.	19,960
Dennis Mills[3][4][5][8]	February 13, 2012	Mr. Mills was Vice Chairman and Chief Executive Officer of	Nil

Name, Municipality of Residence and Current Position with the Company	Director Since	Present Principal Occupation or Employment (including all officer positions 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]
Toronto, Canada Director		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 the 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 Canada. Mr. Mills was the Senior Policy Advisor to the Cabinet Committee on Communications (from 1980-1984), Advisor to the Minister of Energy (from 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 (from 1980-1984). Mr. Mills also sits on the board of directors of CGX.	
Francisco Solé Bogotá, Colombia Director	February 13, 2012	Mr. Solé is currently a member of the board of directors of Mapfre Seguros Generales de Colombia, S.A., Colombia Mapfre Seguros Vida, S.A., Chairman of the board of Editorial Planeta Colombiana, S.A. and the Chamber of Commerce Hispano-Colombian, corresponding member of the Colombian Academy of Language, general director of Empresas de Inversiones, Rasma, S.A.S. and Andina Media de Inversiones, S.A.S. From March 2015 to December 2015, he was a member of the board of directors of Banco Santander de Negocios Colombia, S.A. From 1989 to 2012, Mr. Solé has served Grupo Planeta, a Spanish publishing and media company, in various capacities including President of the Andean corporate area, editorial director general for Latin America, vice president of El Tiempo (Media Communication) and member of the boards of El Tiempo (Media), CEET TV, Channel 3 TV Colombia and COO in Spain. From 1985-1989 he was Director of Administration and General Director for Eastern Lubricants Spain -LUDESA (Refinery) and formerly CIBA-GEIGY - Novartis (Chemical & Pharmaceutical), occupying various positions including section head of the Department of Costs and head of the Logistics Division of Gran Consumo.	Nil
Monica de Greiff[3][4][5][6] Bogotá, Colombia Director	August 23, 2015	Currently, Ms. De Greiff is the President of the Bogotá Chamber of Commerce since March 10, 2013; President of Grupo Energía de Bogotá (Energy Group of Bogota) from February 9 2009 to February 9 2013; Bogota's Secretary of Economic Development since January 16 2008 to February 8 2009; and Board Member of the United Nations Global Compact since 2011.	Nil
Carlos Perez[10] Bogotá, Colombia Chief Financial Officer	N/A	Chief Financial Officer of the Company since June 18, 2007.	3,000
Luis Andres Rojas Bogotá, Colombia Chief Operating Officer		Chief Operating Officer of the Company since May 29, 2014. Senior Vice President, Production of the Company from January 2008 to May 2014. Chief Operating Officer of the Company from May 2007 to January 2008.	Nil
Jairo Lugo	N/A	PhD Geologist with more than 35 years' experience, Corporate	17,000

Name, Municipality of Residence and Current Position with the Company	Director Since	Present Principal Occupation or Employment (including all officer positions 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]
Bogotá, Colombia Corporate Vice President, Exploration		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 to 2002, G&G Manager for PDVSA-CVP 1998 to 2000, and various exploration geologist positions from 1979 to 1998 for PDVSA.	
Luis Pacheco Bogotá, Colombia Corporate Vice President, Strategy & IT	N/A	Corporate Vice President, Strategy & IT of the Company since 2008. Dr. Pacheco has over 30 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 (1980). 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
Peter Volk[10] Toronto, Ontario Canada General Counsel & Executive VP, Communications, North America	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.	36,372

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) Mr. Mills is the lead independent director.
(10) Messrs. Pantin, Perez and Volk will be senior officers of the Company after emergence from CCAA.

Corporate Cease Trade Orders

Except as described below, 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.

Hernan Martinez, a director of the Company, is a director and the Executive Chairman of Caribbean Resources in which he was subject to a management cease trade order (since lifted) due to Caribbean Resources' default in filing its annual financial statements and management's discussion and analysis, and certifications for the period ending December 31, 2014, which were due to be filed on April 30, 2015, as required under National Instrument 51-102 – *Continuous Disclosure Obligations*. Such documents were subsequently filed with the applicable securities regulators on June 15, 2015. However, the company continued to be under a management cease trade order due to its default in filing its interim financial statements and management's discussion and analysis, and certifications for the period ending March 31, 2015, which were due to be filed on June 15, 2015 and were subsequently filed on June 29, 2015.

Corporate Bankruptcies

Except as disclosed herein, 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

Except as disclosed herein, 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 that 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.

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 any of their respective associates or affiliates, has any material interest in any transactions or any proposed transactions that has materially affected or will materially affect the Company or any of its subsidiaries.

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. All material transactions of the Company are put out for public tender by the Company. The bidder that best meets the requirements of the public tender will be selected by the Company. If the bidder selected by the Company is a related party, the transaction will be further reviewed by the NBOC, as described below.

On May 31, 2012, the Board of Directors created the NBOC to review and approve related party transactions. The NBOC is comprised of the following independent directors: Hernan Martinez (Chair), and Dennis Mills. 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 reviews the business rationale for each transaction and compares the terms and conditions of the proposed transaction with those of unrelated parties. The NBOC ensures that the transaction is in compliance with applicable securities laws and the Company's debt covenants and, after consideration for what is in the best interest of the Company, will provide its recommendation to the board to either proceed or not proceed with the transaction. The Company will continue to maintain the NBOC and continue to review and consider any future related party transactions in accordance with applicable corporate and securities laws.

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.

All directors who are related in a particular transaction, as determined by independent legal counsel, recuse themselves from discussion at meetings of the Board of Directors or any committee thereof and from voting in their capacity as directors of the Company on any matter to be approved by the board relating to the transaction.

Blue Pacific Assets Corp.

Miguel de la Campa and Serafino Iacono, both of whom are officers and directors of the Company, Laureano von Siegmund, an executive officer of the Company, and José Francisco Arata, a former officer and director of the Company who resigned in August 2015, control, or provide investment advice to, the holders of 77% of the shares of Blue Pacific, a British Virgin Islands corporation.

Office Lease

In June 2007, the Company entered into a 5-year lease agreement with the Colombian branch of Blue Pacific for administrative office space in one of its Bogota, Colombia locations. Monthly rent expense of U.S.$87,000 was payable to Blue Pacific under this agreement.

In 2009 and 2011, the lease was amended to include additional space in Bogota for a 10-year term with a monthly rent of U.S.$0.5 million and assignment of the lessor to an entity controlled by Blue Pacific. Effective January 1, 2014, Blue Pacific ceased to be a party to the lease agreements upon sale of the office space and assigning the rights under these agreements to a third party that is not related to the Company.

As of the date hereof, the lease agreement covers an aggregate of 12,260 square metres of office space and has a term that expires on January 1, 2021. During the year ended December 31, 2013, the Company made a lease payment of U.S.$6.8 million, to an entity controlled by Blue Pacific. In 2014, the entity controlled by Blue Pacific transferred its interest in the lease agreement to a third party.

The Company also had a lease agreement (which was terminated in 2015) for an office in Caracas, Venezuela for U.S.$6,000 per month. The office space was 50% owned by a family member of an executive officer of the Company (Laureano von Siegmund) and was sold to a third party in 2015. During the years ended December 31, 2013, 2014, and 2015, the Company made annual lease payments of U.S.$0.06 million, U.S.$0.07 million and U.S.$0.063 million, respectively, under the lease agreement. During the first six months of 2016, no payments were made under the lease agreement for the office.

Air Transportation Services

Blue Pacific provides the Company with passenger air transport services on an as-needed basis and as such, the Company paid U.S.$0.1 million in 2013 and U.S.$0.2 million in 2014 for these services.

Proeléctrica

As of June 30, 2016, the Company has a 21.09% indirect interest in Interamerican Energy Corp. (formerly Pacific Power) ("**Interamerican Energy**"), a company in which Blue Pacific currently owns 5%. Interamerican Energy owns 100% of Proeléctrica, a private Colombia-based 90-megawatt electric utility company. 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 Proeléctrica's gas-fired plant. The Company recorded revenues of U.S.$31.5 million, U.S.$13.4 million, U.S.$9.3 million and U.S.7.7 million in 2013, 2014, 2015, and the first six months of 2016, respectively, from such agreements. The Company had trade accounts receivables of, U.S.$0.2 million, U.S.$7.5 million, U.S.$12.3 million and U.S.$1.2 million as of December 31, 2013, 2014 and 2015, and as at June 30, 2016, respectively, from Proeléctrica.

In October 2012, the Company and Ecopetrol entered into two agreements to build, own, manage, and transfer power generation assets for the Rubiales field to Genser Power. On March 1, 2013, these contracts were assigned to TermoMorichal SAS, the company created to perform the agreements, in which Interamerican Energy has a 51% indirect interest. Total commitment under these agreements is U.S.$229.7 million over ten years. In April 2013, the Company and Ecopetrol entered into another agreement with Genser-Proeléctrica (a joint venture of between Proelectrica and Genser Power Inc. which is 51% owned by Interamerican Energy) to acquire additional assets for a total commitment of U.S.$57 million over 10 years. At the end of the Rubiales Association Contract in June 2016, the Company's obligations thereunder along with the power generation assets were transferred to Ecopetrol. During the years ended December 31, 2013, 2014 and 2015 and as at June 30, 2016, the Company made payments of U.S.$Nil, U.S.$14.5 million, U.S.$30.6 million and U.S.$Nil respectively, under these agreements. As at the June 30, 2016, December 31, 2015, and December 31, 2014, the Company had an advance of U.S.$Nil, U.S.$3.3 million and U.S.$7.6 million, respectively. During the year ending December 31, 2015, U.S.$2.5 million was expensed in relation to power generation (U.S.$Nil in 2014). The Company had accounts payable of U.S.$4 million, U.S.$3.6 million, and U.S.$5.9 million, due to Genser for the six months ended June 30, 2016, and as at December 31, 2015, and December 31, 2014, respectively.

In October 2013, Meta entered into connection agreements and energy supply agreements with Proeléctrica for the supply of power to the oil fields in the Llanos basin. The connection agreements authorize Meta and Agro Cascada S.A.S. to use the connection assets of Petroelectrica for power supply at the Quifa and Rubiales fields. The agreement commenced on November 1, 2013 and operates for 13 years. During the years ended December 31, 2014 and 2015, and the six months ended June 30, 2016, the Company made payments of U.S.$69.1 million, U.S.$46.3 million, and U.S.$15.3 million, respectively, under this agreement.

Under the energy supply agreements, Proeléctrica provides electricity to Meta for power supply at the Quifa and Rubiales fields, with payments to be calculated monthly on a demand-and-deliver basis. The term of the agreement is until December 31, 2026. The aggregate estimated energy supply agreements is for 1.5 million kilowatts.

On May 5, 2014, Meta provided a guarantee in favour of XM Compania de Expertos en Mercados S.A. on behalf of Proeléctrica guaranteeing obligations pursuant to an energy supply agreement in the aggregate amount of approximately U.S.$16.7 million. To ensure that Meta would not be liable for any obligations beyond the Company's pro-rata share of Proeléctrica pursuant to the exercise of the guarantee, there is a promissory note in place between Meta and Proeléctrica. The cost of the guarantee was paid entirely by Proeléctrica.

In December 2014, the Company entered into a new contract with Genser Power Inc. related to the operations and maintenance of the power generation facility located in the Sabanero Field.

On December 11, 2015, the Company and the other shareholders of Interamerican Energy, including Proenergy Corp., a subsidiary of Interamerican Energy, entered into a share purchase agreement with the Interamerican Energy Purchasers for the sale of 70% of the shares of Interamerican Energy. As part of the transaction, the Company agreed to sell 4% of the Company's 24.9% equity interest in Interamerican Energy to the Interamerican Energy Purchasers for approximately U.S.$5 million. As a result of the sale, the Company currently owns approximately 21.09% and Proenergy Corp. currently owns approximately 5% of Interamerican Energy. Associated Ventures Corp., one of the Interamerican Energy Purchasers, is controlled by Alejandro Betancourt, a former director of the Company until April 26, 2016.

For further information see the heading entitled "Historical Overview – Proelectrica Investment" and "Historical Overview – Interamerican Energy."

Pacific Infrastructure

On April 19, 2010, the Company paid U.S.$3.5 million to purchase a 9.4% interest in Pacific Infrastructure, a company engaged in infrastructure development, from Interamerican Energy, which was 38.1% owned at that time by Blue Pacific. Subsequently, through various transactions with unrelated parties the Company has acquired a total interest of 56.9% in Pacific Infrastructure for a total cash consideration of approximately U.S.$140 million. Blue Pacific and Orinoquia Holdings Corp. (a company controlled by director Miguel de la Campa) held the minority interests in Pacific Infrastructure, and certain officers of the Company have individual shareholdings. In November 2013, IFC purchased U.S.$90 million of equity in the capital of Pacific Infrastructure, effectively reducing the Company's position in Pacific Infrastructure from 56.9% to 46.8%. In December 2013, IFC purchased an additional U.S.$60 million of equity, which further reduced the Company's position in Pacific Infrastructure from 46.8% to approximately 41.7%. As the principal shareholder of Pacific Infrastructure and an indirect sponsor of the port facility in Cartagena Bay in Colombia, the Company has entered into certain contractual arrangements with Puerto Bahía and the IFC that may indirectly benefit Blue Pacific and other unrelated minority shareholders of Pacific Infrastructure.

In December 2012, Meta entered into a take-or-pay agreement with Sociedad Puerto Bahia, a company that is wholly owned by Pacific Infrastructure. Pursuant to the terms of the agreement, Sociedad Puerto Bahia will provide for the storage, transfer, loading and unloading of hydrocarbons at its port facilities. The contract term commenced in 2014 and will continue for seven years, renewable in one-year increments thereafter. These contracts may indirectly benefit Blue Pacific and other unrelated minority shareholders of Pacific Infrastructure. During 2015, the Company advanced U.S.$28.6 million (U.S.$Nil as of June 30, 2016) to Sociedad Puerto Bahia of which U.S.$10.9 million was expensed during 2015 in relation to services received.

As at June 30, 2016, the Company has a demand loan receivable outstanding to Pacific Infrastructure for U.S.$72.4 million (U.S.$72.4 million as at December 31, 2015, and U.S.$71.4 million as at December 31, 2014). The loans are guaranteed by Pacific Infrastructure's pipeline project and bear interest at ranges from LIBOR + 2% to 7% per annum. Interest income of U.S.$2.6 million was recognized during the six months ended June 30, 2016 with respect to the loan. The Company had accounts receivable of U.S.$2.4 million as at June 30, 2016, U.S.$0.5 million for the year ended December 31, 2015, and U.S.$1 million for both 2013 and 2014 from Pacific Infrastructure. In addition, the Company received U.S.$2.6 million during the six months ended June 30, 2016, U.S.$3.7 million during 2015 and U.S.$1.3 million during 2014 from Pacific Infrastructure with respect to contract fees for advisory services and technical assistance in the construction of the Olecar Pipeline. As at June 30, 2016 and as of December 31, 2015, the Company had accounts payable of U.S.$1.6 million and U.S.$0.5 million, respectively, to Pacific Infrastructure.

Ronald Pantin, Serafino Iacono, Miguel de la Campa (all directors and officers of the Company), Laureano von Siegmund and Federico Restrepo (officers of the Company), and José Francisco Arata, a former officer and director of the Company until August 2015, are on the board of directors of Pacific Infrastructure. Blue Pacific holds a minority interest in Pacific Infrastructure and certain other directors and officers of the Company are individual shareholders.

For further information see the heading entitled "Historical Overview – Port Investment."

Blue ACF

In October 2012, the Company entered into an agreement and consent with Caribbean Resources, Blue ACF, Alpha and an unrelated party whereby the Company acquired from Caribbean Resources a right to a 5% equity interest in Blue ACF for cash consideration of U.S.$5 million. Blue ACF is a company engaged in developing colloidal fuels with its major shareholder being Alpha, which is controlled by Blue Pacific. As part of the purchase, Caribbean Resources has also assigned the Company the right to acquire up to an additional 5% equity interest in Blue ACF for an additional investment of up to U.S.$5 million. As of June 30, 2016, the Company has approximately a 9.63% equity interest in Caribbean Resources. In addition, it has an indirect equity interest of 9.84% in Caribbean Resources though its 21.09% ownership of Interamerican Energy, which in turn has a 46.66% equity interest in Caribbean Resources. The Company has not acquired any additional equity in Blue ACF.

Transportadora del Meta S.A.

On June 29, 2010, the Company entered into a three-year transportation agreement with Transmeta, a crude oil transportation company, which is 50% indirectly owned by Germán Efromovich, a former director of the Company who resigned on August 31, 2015, and which provides crude oil transportation services to the Company. On June 29, 2013, the agreement expired and subsequently, on September 1, 2013, the Company entered into a new transportation agreement for substantially the same services. The Company paid U.S.$34 million, U.S.$7.8 million, U.S.$3.1 million, and U.S.$0.9 million to Transmeta in 2013, 2014 and 2015, and for the six month period ended June 30, 2016, respectively, for crude oil transportation services.

When the Company acquired Meta in July 2007 as part of the Petro Rubiales acquisition, Meta had receivables from Transmeta relating to financings. As of December 31, 2013, 2014 and 2015, and for the period ended June 30, 2016, receivables relating to this obligation were U.S.$1.5 million, U.S.$1.1 million, U.S.$0.8 million and U.S.$0.7 million, respectively. The Company also has accounts payable of U.S.$1.7 million, U.S.$0.9 million, and U.S.$0.4 million to Transmeta as at December 31, 2013, 2014 and 2015, respectively, and U.S.$0.9 million as of June 30, 2016.

Transmeta was a related party of the Company until August 31, 2015.

Loans and Severance Payments to Directors and Employees

The Company provides loans to its directors and employees for education, relocation, medical services and the purchase of homes or automobiles. The Company's advances are generally interest-free and repayments are automatically withdrawn from the employee's pay over a 48-month period. The amount of the loan or advance may not exceed three times the employee's monthly salary (five times in the case of managers). The Company has also subsidized half of the interest payments that its directors and employees make on their home loans. At December 31, 2013, 2014 and 2015, and as at June 30, 2016, the Company has U.S.$0.45 million, U.S.$0.9 million, U.S.$0.5 million, and U.S.$0.4 million in loans outstanding, respectively, to one of the Company's executive directors (Serafino Iacono) and four of the Company's current officers (Carlos Perez, Luis Andres Rojas, Francisco Bustillos and Jairo Lugo) as well as two former officers (Luciano Biondi and Marino Ostos, both of whom resigned from the Company subsequent to June 30, 2016).

During August 2015, the Company agreed to pay U.S.$8.3 million as severance to a former director and officer, Jose Francisco Arata, which included U.S.$5.5 million cash paid during the year ended December 31, 2015, U.S.$1.4 million paid in the three months ended March 31, 2016, and U.S.$1.4 million payable as at June 30, 2016. In addition, his deferred stock unit entitlement was paid in kind with the Common

Shares held in treasury on a one-time-basis, for a total of approximately 1.3 million Common Shares. The Company also made a payment in kind of 183,155 Common Shares, 100,000 Common Shares and 224,186 Common Shares to Victor Rivera, Miguel Rodriguez and Neil Woodyer, respectively, as settlement for their DSU entitlement upon their departure from the Company.

Helicol Air Transportation Services

The Company has entered into air transportation services agreements with Helicol S.A.S., a company controlled by Germán Efromovich, one of the Company's former directors who resigned from the Board on August 31, 2015. Pursuant to the agreement, Helicol S.A.S. uses helicopters to transport personnel to remote sites that are not easily accessed by plane or other forms of transportation. The Company has paid U.S.$2.7 million, U.S.$14.9 million, U.S.$15.4 million and U.S.$5.8 million for the period ended June 30, 2016, and in 2013, 2014 and 2015, respectively, for these services. The Company had accounts payable of U.S.$2.5 million in 2013, U.S.$2.8 million in 2014, U.S.$1.7 million in 2015, and U.S.$2.2 million for the six month period ended June 30, 2016.

Helicol was a related party of the Company until August 31, 2015.

Oleoducto de los Llanos Orientales S.A.

On May 19, 2010, the Company entered into a pipeline take-or-pay agreement with ODL, a company in which Pacific Midstream (a majority owned subsidiary of the Company) currently holds a 35% interest. The contract provided for crude oil transport services by ODL. The Company paid U.S.$122.6 million in 2013, U.S.$165 million in 2014, U.S.$108.5 million in 2015, and U.S.$51.4 million during the six months ended June 30, 2016 under this agreement and had accounts payable of U.S.$7.4 million in 2013, U.S.$Nil as at December 31, 2014, U.S.$13.1 million in 2015, and U.S.$11.5 million as at June 30, 2016.

In 2011, the Company entered into an arrangement with ODL whereby the Company agreed to provide administrative services and rentals of equipment and machinery to ODL. In connection with this contract, the Company has received U.S.$1.2 million in 2013, U.S.$2.6 million in 2014, U.S.$2.9 million in 2015, and U.S.$0.2 million as at June 30, 2016, and has accounts receivable of U.S.$0.1 million in 2013, U.S.$0.4 million in 2014, U.S.$0.1 million in 2015, and U.S.$0.1 million as at June 30, 2016.

Oleoducto Bicentenario de Colombia

In 2011, the Company, along with other shareholders of Bicentenario, entered into a loan agreement with Bicentenario, a company in which the Company currently holds a 27.4% interest. Pursuant to the agreement, the Company will make subordinated loans to Bicentenario for up to U.S.$160.3 million. The principal of the subordinated loan will be repaid in 10 equal semi-annual installments starting in 2025. The loans carry an annual interest rate of 7.32% with semi-annual interest payments. The money will be used to build the Bicentenario Pipeline. During 2015, the Company repaid U.S.$42 million relating to the loans. As such, the loans outstanding to the Company under this agreement are nil as at June 30, 2016 and December 31, 2015 (U.S.$42 million in 2014 and U.S.$42 million in 2013). Interest income of U.S.$Nil was realized as at June 30, 2016 (U.S.$1.3 million in 2015, U.S.$2.7 million in 2014 and U.S.$2.2 million in 2013). Interest of U.S.$Nil was paid on the loans during the six months ended June 30, 2016 (U.S.$2.1 million during the year ended December 31, 2015 and U.S.$5.9 million in 2014), and capital of U.S.$42 million was paid on the loans during 2015, and U.S.$Nil during the six months ended June 30, 2016.

In 2011, the Company entered into an arrangement with Bicentenario whereby the Company agreed to provide administrative services and rentals of equipment and machinery to Bicentenario. Pursuant to this contract, the Company has received U.S.$Nil as at December 31, 2015 and U.S.$Nil for the six months ended June 30, 2016 (U.S.$0.6 million in 2014 and U.S.$0.7 million in 2013).

During the six month period ended June 30, 2016, the Company paid U.S.$79.4 million (U.S.$155.6 million in 2015, U.S.$174.4 million in 2014 and U.S.$37.9 million in 2013) to Bicentenario for crude oil transport services under a pipeline take-or-pay agreement.

Additionally, as at June 30, 2016, the Company has advanced U.S.$87.9 million (U.S.$87.9 million in 2015 and U.S.$87.9 million in 2014) to Bicentenario as a prepayment of transport tariffs, which will be amortized against the barrels transported now that Bicentenario is operational.

As of December 31, 2015, the Company has trade accounts receivable from Bicentenario of U.S.$3.7 million (U.S.$0.4 million in 2015 and U.S.$13.7 million in 2014) representing a short term advance.

For further information see the heading entitled "Historical Overview – Bicentenario Pipeline" and "Pipelines – Operating Pipelines – Bicentenario Pipelines."

Charitable Foundations

The Company has established two non-profit charitable foundations in Colombia, PAYE Foundation (formerly called Pacific Rubiales Foundation) and the Foundation for Social Development of Available Energy. Both foundations have the objective of advancing social and community development projects in the country. For the years 2013, 2014 and 2015, and the six month period ended June 30, 2016, the Company has contributed U.S.$68.2 million, U.S.$43.7 million, U.S.$15.3 million, and U.S.$5.3 million to these foundations, respectively. The Company has also advanced U.S.$0.4 million to the PAYE as of June 30, 2016 and as of December 31, 2015 (U.S.$5 million in 2014 and U.S.$8.7 million in 2013), and has accounts payable of U.S.$0.6 million as at June 30, 2016 (U.S.$3.2 million in 2015, U.S.$8.7 million in 2014 and U.S.$0.5 million in 2013). Three of the Company's directors (Ronald Pantin, Serafino Iacono, and Miguel de la Campa) and an officer of the Company (Federico Restrepo) sit on the board of directors of the PAYE Foundation.

Intercompany Loan

On July 2, 2014, the Company made a U.S.$120 million loan to Proeléctrica de los Llanos Ltd. Surcusal Colombia, of which U.S.$103.3 million remains outstanding as of June 30, 2016. This loan accrues interest at LIBOR plus 2%. This loan was made to prepay an existing finance lease and allow Proeléctrica de los Llanos Ltd. Surcusal Colombia to obtain its own credit facility; however, due to the low oil price environment, it has not been able to obtain adequate financing and this loan remains outstanding.

Pacific Green Energy Corp.

As of June 30, 2016 the Company had accounts payable of U.S.$1.9 million (U.S.$1.9 million as of December 31, 2015) outstanding to Pacific Green Energy Corp. ("**Pacific Green**") with respect to contributions made previously by Pacific Green to the Promotora Agricola, an agricultural project associated with the Company's operations in the Llanos Basin. Pacific Green's contributions to the project are expected to be capitalized in the near term. A minority interest in Pacific Green is held by two executive directors and one officer of the Company (Serafino Iacono, Miguel de la Campa and Laureano von Siegmund).

Alfa Joint venture

Alfa, one of the Company's largest shareholders, owns a 51% working capital interest in Block Z-1 in Peru (the Company owns the remaining 49%). During the three and six months ended June 30, 2016, the Company received cash of U.S.$10.9 million and U.S.$22.9 million respectively in accordance with its joint operations obligation associated with its 49% interest in Block Z-1 in Peru. In addition, the Company had accounts receivable of U.S.$Nil under the joint operation agreement from ALFA.

CGX

On February 29, 2016, the Company agreed to provide CGX with a bridge loan of up to U.S.$2 million at an interest rate of 2% per annum and payable within 12 months of the first draw down. As at June 30, 2016, the amount CGX had drawn down from the bridge loan was U.S.$1.3 million.

In October 2014, the Company extended a bridge loan to CGX of $7.5 million with an interest rate of 5%, as at June 30, 2016 the full amount is still outstanding. In November 2015, CGX issued convertible debentures to the Company in an amount of U.S.$1.5 million with a conversion price of $0.335; as at June 30, 2016 the Company has not converted the debentures.

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 are not currently expected to have a material impact on the Company's business, financial position or results of operations.

Except as disclosed below, there are no legal proceedings pending or known by the Company to which it is a party or in respect of which any of the properties of the Company are subject that are anticipated to be material to the Company and its subsidiaries taken as a whole. In the summary provided below, the Company has provided the estimates with respect to each claim where such an estimate is available; however, the estimates provided are not indicative of the probability of the final outcome.

Disputes with Local Authorities in Colombia	
Tax Disputes with DIAN – IVA	As disclosed in the Company's interim financial statements for the three and six months ended June 30, 2016 (the "**Q2 Financial Statements**"), the Company is currently undergoing a review by the Colombian tax authority ("**DIAN**") with respect to reassessment by the DIAN of several value-added tax ("**IVA**") declarations on the basis that the volume of oil produced and used for internal consumption at certain fields in Colombia should have been subject to IVA. On February 24, 2016, the DIAN released a general ruling to a third party, which concluded that the internal consumption of oil produced does not create an IVA obligation.

	The potential amount of this claim is approximately U.S.$63.2 million, including interest, of which the Company believes U.S.$22 million should be assumed by other companies that share interests in these contracts.
Tax Disputes with DIAN – Special Tax Benefits	As disclosed in the Q2 Financial Statements, the DIAN is currently reviewing certain income tax deductions of the Company with respect to the special tax benefit for qualifying petroleum assets as well as other exploration expenditures. The potential amount of this claim is approximately U.S.$63 million, including interest.
ANH Disputes	As disclosed in the Q2 Financial Statements, the Company is in a dispute with the ANH relating to the interpretation of a high-price PAP clause under a number of exploration contracts with ANH. The Company and the ANH are in arbitration for the Corcel Block regarding the differences in interpretation of the high-price PAP clause. The Company believes it has a strong position with respect to the high participation based on: (i) the legal interpretation of the contracts; and (ii) the technical data available supporting the Company's view that the Corcel Block is comprised of eight independent structures. The arbitration was suspended through part of 2015 and proceedings recommenced in late 2015 with a first hearing held in December 2015. The process is now in the evidence collection phase. The potential amount of this claim is approximately U.S.$194 million, plus interest of approximately U.S.$41 million. The Company is also in discussions with ANH with respect to another block which has a similar PAP clause; however, no arbitration proceeding has been commenced. The potential amount relating to this block is approximately U.S.$99 million, plus interest of approximately U.S.$14 million.
Contractual Contingent Liabilities	
IFC Put Option for Pacific Midstream Shares	The IFC has a put option to sell its Pacific Midstream shares to the Company in the event that the Company violates certain representations and covenants (relating principally to criminal offenses, sanctionable practices, environmental compliance, insurance and the furnishing of information) under the transaction documents related to IFC's investment in Pacific Infrastructure. The put price is set at the amount that would give IFC the greater of the market price or 15% annual return on their

	investment or approximately U.S.$251 million.
Agreement among shareholders of Pacific Midstream	Pursuant to the Pacific Midstream shareholders' agreement, Pacific Midstream Holding has an option, exercisable at the discretion of IFC and solely in the event that (i) Bicentenario Pipeline is non-operational for six consecutive months and (ii) as a result of the take or pay contracts to which Bicentenario is a party with any of the Company's affiliates or Ecopetrol's affiliates being terminated, to require the Company to purchase Pacific Midstream's interest in Bicentenario. The option price is an amount equal to U.S.$280.0 million, reduced by (i) the amount of any cash dividends paid by Bicentenario to Pacific Midstream (U.S.$45.4 million as of June 30, 2016), and (ii) any repayments by Bicentenario to Pacific Midstream of existing shareholders' subordinated loans (U.S.$42.5 million plus accrued interest as of June 30, 2016).
Puerto Bahia Off-take Agreement	The Company's wholly-owned subsidiary, Meta, has entered into an off-take agreement with Sociedad Puerto Bahía pursuant to which the Company has committed to ship certain predetermined volumes of oil and gas via the port and, through Pacinfra Holding Ltd. and Pacific Infrastructure. In addition, the Company has agreed to contribute additional equity financing to Sociedad Puerto Bahía in the event of certain cost overruns or revenue shortfalls. The amount of this equity financing in Sociedad Puerto Bahía is up to U.S.$130 million plus interest of 2% per annum and plaintiff's costs and expenses to Sociedad Puerto Bahía.
Dilution of Equity Interest in Pacific Infrastructure	The Company's equity interests in Pacific Infrastructure may be diluted if the Olecar Project is not completed by October 31, 2016. Pursuant to the OLECAR Warrant Agreements dated November 7, 2013 entered into in connection with IFC's acquisition of its interest in Pacific Infrastructure, the IFC and certain of its affiliates are entitled to exercise warrants for shares of Pacific Infrastructure in the event that the Olecar Project is not completed by October 31, 2016. The OLECAR Warrants are exercisable in the event that the Olecar Project fails to reach completion by such exercise date. The OLECAR Warrants expire on the earlier of (i) January 1, 2021, and (ii) the Olecar Project completion date. If the OLECAR Warrants are exercised, it is estimated that the participation interest of Pacinfra Holding Ltd. in Pacific Infrastructure would be reduced from 41.79% to 39.24%. The Company expects the OLECAR Warrants to be exercised.

Breach of Minimum Credit Rating Requirement in Assignment Agreement with Transporte Incorporado	The Company entered into an assignment agreement with Transporte Incorporado, an entity owned by the Darby Private Equity Fund, pursuant to which the Company is required to maintain a minimum credit rating of B1 (Moody's). The Company breached this requirement in December 2015 and January 2016 when Moody's downgraded the Company's credit rating. As a result of the downgrade and in accordance with the assignment agreement, upon giving notice to the Company, Transporte Incorporado would have the right to early-terminate the assignment agreement and the Company would be required to pay an amount determined in accordance with the agreement, estimated at U.S.$110 million. The Company expects to receive ratings upgrades post-emergence which will significantly reduce the likelihood of a continued default of this agreement. In addition, the Company and Transporte Incorporado are currently negotiating an extension of the previously granted waiver with respect to Transporte Incorporado's contractual right to terminate the assignment agreement in respect of any future credit rating downgrades until March 31, 2019. The Company expects to receive such waiver prior to the Implementation Date. In addition, Transporte Incorporado maintains a unilateral put right under the assignment agreement that is available from April 2018 until March 2019 The ("**Put Period**"). If the put right is exercised, the Company would be required to pay Transporte Incorporado an estimated amount of U.S.$63 million at the commencement of the Put Period or U.S.$47 million by the end of the Put Period.
Breach of Minimum Credit Rating Requirement in Crude Oil Transport Agreement with OCENSA	The Company, through its subsidiaries Meta and Petrominerales Colombia Corp., entered into separate crude oil transport agreements with OCENSA for future transport capacity. Pursuant to the terms of these transport agreements, the Company is required to maintain minimum credit ratings of BB- (Fitch) and B1 (Moody's). This requirement was breached in December 2015 and January 2016 when Moody's downgraded the Company's credit rating. As a result of the downgrades, OCENSA has the right to require the Company to provide (i) a standby letter of credit in an amount equal to U.S.$91.3 million; or (ii) evidence of at least U.S.$137 million of equity or U.S.$109.6 million of working capital within 60 days of receiving a notice of breach by OCENSA. If the Company fails to provide the standby letter of credit, OCENSA may accelerate the take-or-pay obligations in an amount equal to approximately U.S.

	\$820 million representing all of the take-or-pay obligations. The Company expects to receive ratings upgrades post-emergence which will significantly reduce the likelihood of a continued default of this agreement.
Rubiales and Quifa Blocks – Water Disposal Issue	The Company is involved in a dispute involving the ANLA, the Ministerio de Minas y Energia, Meta and Ecopetrol. The plaintiffs argue water disposal from the production of oil causes seismic activity which affects the areas around the Company's Rubiales and Quifa Blocks. A hearing for conciliation was scheduled for September 26, 2016 but Ecopetrol has requested its suspension.
Quifa Block – Indigenous Claims	On February 23, 2016, the Constitutional Court of Colombia ruled that certain operations in the Quifa Block must be suspended until previous consultation activities are commenced and carried out with a nomadic indigenous community that appears to have settled in the vicinity of the Block. The Company has suspended operation as required and presented a closing plan to the authorities and finished the prior consultation ordered within the time provided.
Inversiones Sol del Sur/Transporte & Marketing Forex Contingency	The issue is whether the change in the registration of the foreign investment was made in a timely manner after the sale of the Company's interst in the OCENSA Pipeline to Transporte Incorporado was effected. Regarding this issue, the Colombian Central Bank has sent inquiries; however, no investigations or actual threatened litigation exists.
Blue Marine Arbitration	On July 15, 2016, the Company terminated its services agreement with Blue Marine for use of its barge for the transport of the Company's crude oil from the production site in Peru, to the point of delivery located at Talara Port. This transport agreement with Blue Marine entitled the Company to terminate the agreement if their services were interrupted during 30 consecutive days. In accordance with the agreement, the Company terminated its relationship with Blue Marine and engaged the services of a third party for the transport of the Company's crude oil. Blue Marine has initiated arbitration claiming the conditions for termination violated contractual provisions. Blue Marine's claims are estimated at a value of U.S.\$19.5 million.
Orito Ruling	Ecopetrol and Petrominerales were notified of the Colombian Constitutional Court´s judgment T-359/15 requesting that the Company suspend drilling and related operations on both the Orito 196 and Orito 197 wells, until a prior consultation process is conducted with the

	AWÁ de Alto Temblón community. Ecopetrol (as operator of the field) proceeded to suspend production operations at the aforementioned wells. Once the prior consultation is completed, the Company will be able to continue with operations as usual.

For additional information concerning the Company's contingencies, please see the section entitled "Commitments and Contingencies" in the Management Discussion & Analysis dated August 12, 2016 for the three months ended June 30, 2016.

Ecopetrol

The Company and Ecopetrol have had a disagreement over the interpretation as to how production from the Quifa SW region of the Quifa Block should be split in certain circumstances. On September 27, 2011, the Company agreed to begin an arbitration process to clarify the interpretation. On March 13, 2013, an arbitration panel delivered a ruling in favour of Ecopetrol, but stated that it did not have the authority to enforce the ruling against the Company. On June 28, 2013, the Company filed a request for annulment of the arbitration panel's decision with the *Consejo de Estado* (Colombia's supreme court for administrative matters), which was denied in February 2014.

On April 15, 2013, the Company began to deliver to Ecopetrol its share of the daily net production from the Quifa SW region calculated in accordance with the arbitration decision, as well as an additional 6,500 bbl/d beginning in July 2013, to make up for the shortfall between what the Company effectively delivered and what the ruling ordered (a shortfall that totaled 1,651,844 bbl of oil for the period from April 3, 2011, to April 15, 2013). By March 2014, the Company had delivered all outstanding amounts of oil to Ecopetrol and the matter is now settled with no further obligations of the Company in respect to this matter.

SFC Reviews

The governmental body responsible for regulating Colombian securities markets and issuers is the SFC, and one of the powers of the SFC has is to impose a "requirement" on an issuer, obliging it to make public disclosure on whatever matter the SFC has deemed "relevant" or material.

As well, the SFC requires the appointment of a Legal Representative for each of its listed companies. Under Colombian law, Colombian entities act through their Legal Representatives and, accordingly, the Legal Representative, rather than the issuer, may be personally subjected to reviews by and, possibly, sanctions from, the SFC for actions of the issuer. Over the past two and a half years, Peter Volk, in his capacity as Legal Representative of the Company before the SFC has been the subject of two SFC reviews (collectively, the "**SFC Reviews**") relating to purported violations of SFC "requirements" concerning disclosure to the Colombian market. No similar administrative or regulatory reviews exist in Canada.

The Company and Mr. Volk have submitted evidence that the actions complained of in both SFC Reviews were executed in compliance with applicable Canadian securities and were not undertaken by Mr. Volk personally or for any personal reason or benefit. Notwithstanding this evidence, on September 5, 2016, the SFC rendered a decision under one of the SFC Reviews fining Mr. Volk approximately U.S.$100,000 and suspending him from acting as the Legal Representative of the Company before the SFC for a period of six months, effective September 24, 2016. The Company and Mr. Volk are appealing this decision. No decision has yet been rendered in the other SFC Review, which the Company and Mr. Volk are vigorously defending.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada through its offices in Toronto, Ontario.

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 Series 2 Dip Note Indenture in connection with the issuance of the Series 2 Dip Notes (for further information see the heading entitled "Proceedings Under the CCAA – The CCAA Process – Debtor-in-Possession Financing");

(b) the DIP L/C Facility in connection with the debtor-in-possession financing (for further information see the heading entitled "Proceedings Under the CCAA – The CCAA Process – Debtor-in-Possession Financing");

(c) the Note Purchase Agreement in connection with the issuance of the Series 1 Dip Notes and the Warrants (for further information see the heading entitled "Proceedings Under the CCAA – The CCAA Process – Debtor-in-Possession Financing");

(d) the Warrant Indenture in connection with the issuance of the Warrants (for further information see the heading entitled "Proceedings Under the CCAA – The CCAA Process – Debtor-in-Possession Financing");

(e) the Support Agreement in connection with the Restructuring Transaction (for further information see the heading entitled "Proceedings Under the CCAA – The CCAA Process");

(f) the 7.25% Indenture in connection with the issuance of the 7.25% Senior Notes (for further information see the heading entitled "General Development of the Business – Historical Overview – Financing, Credit Facilities and Lines of Credit");

(g) the 2015 Rights Plan (for further information see the heading entitled "Description of Capital – Shareholder Rights Plan");

(h) the 5.125% Indenture in connection with the issuance of the 5.125% Senior Notes (for further information see the heading entitled "General Development of the Business – Historical Overview – Financing, Credit Facilities and Lines of Credit");

(i) the 5.375% Indenture in connection with the issuance of the 5.375% Senior Notes (for further information see the heading entitled "General Development of the Business – Historical Overview – Financing, Credit Facilities and Lines of Credit");

(j) the 5.625% Indenture in connection with the issuance of the 5.625% Senior Notes (for further information see the heading entitled "General Development of the Business – Historical Overview – Financing, Credit Facilities and Lines of Credit");

(k) the 2014 Revolving Credit Facility (for further information see the heading entitled “General Development of the Business – Historical Overview – Credit Facilities & Lines of Credit”);

(l) the HSBC Term Facility (for further information see the heading entitled “General Development of the Business – Historical Overview – Credit Facilities & Lines of Credit”);

(m) the Bank of America Credit Facility (for further information see the heading entitled “General Development of the Business – Historical Overview – Credit Facilities & Lines of Credit”);

(n) the Bladex Credit Facility (for further information see the heading entitled “General Development of the Business – Historical Overview – Credit Facilities & Lines of Credit”);

(o) the Put Option Agreement (for further information see the heading entitled “General Development of the Business – Historical Overview – Dispositions of Interests - Pacific Midstream – Sale of Partial Interests in ODL and Bicentenario Pipelines and PEL Transmission Assets” and “Risk Factors – Contingent Obligations”;

(p) Put Option Agreement dated November 7, 2013 among Pacific Infrastructure, the Company, Blue Pacific Investments Group Ltd., IFC, IFC African, Latin American and Caribbean Fund, LP and IFC Global Infrastructure Fund, LP (for further information see heading entitled General Development of the Business – Historical Overview – Investments – Port Investments”);

(q) the Olecar Warrant Indenture (for further information see the heading entitled “General Development of the Business – Historical Overview – Investments – Port Investments” and “Risk Factors – Contingent Obligations”); and

(r) Shareholder Rights Plan Agreement between Pacific Exploration & Production Corporation and Computershare Investor Services Inc. (for further information see the heading entitled “Proceedings under the CCAA – Capital Structure after Implementation of the Plan – Rights Plan.”

INTERESTS OF EXPERTS

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

To management’s knowledge, as of the date hereof, none of the independent petroleum experts, RPS, NSAI or D&M, nor the designated professionals of each of RPS, NSAI or D&M, directly or indirectly owned any of the outstanding Common Shares or other securities of the Company. No director, officer or employee of RPS, NSAI or D&M 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

Upon the completion of the Plan, the Audit Committee will be comprised of the following three directors of the Company: Raymond Bromark (Chairman), Ellis Armstrong and Barry Larson. 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 require 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.

Raymond Bromark is a certified public accountant and retired partner of PricewaterhouseCoopers LLP where he served for almost 40 years. Mr. Bromark joined PwC's staff in Chicago in 1967 and was later transferred to the National Office (New York) in 1977. Afterwards, he was appointed to the Boston Office (1983) and in 1990 he was selected as Deputy Vice Chairman of Auditing and Business Advisory Services (ABS) for the firm. From 1994 through 2000, he was the Global Engagement Partner responsible for reporting on E.I. DuPont de Nemours and Company's financial statements. During the five years prior to his retirement in 2006, he led the PricewaterhouseCoopers Professional, Technical, Risk and Quality Group. Mr. Bromark was a member of the board of World Color Press (commercial and industrial printing) from 2009 to 2010 when the company merged into another company. He currently serves as Director and Chair of the Audit Committee for YRC Worldwide Inc. (a transportation service provider), Tesoro Logistics GP LLC (an operator, developer and acquirer of crude oil, refined products and natural gas logistics assets), and CA Inc. (a leading provider of information technology management software and solutions). Mr. Bromark earned a BSc degree in Business Management from Quincy University and is a Member of the American Institute of Certified Public Accountants. He is also a member of the National Association of Corporate Directors' (NACD) Audit Committee Chair Advisory Group.

Ellis Armstrong is a chartered engineer with over 35 years international oil and gas industry with BP in Argentina, Colombia, Venezuela, Trinidad, Alaska and the North Sea. He held senior strategy, commercial, technical and operational roles with BP and was also the Chief Financial Officer for the group's global exploration and production business. Dr. Armstrong is an independent director of Lamprell plc, Interoil Plc and Lloyds Register Group, a leading international risk assurance firm. Dr. Armstrong has a BSc and PhD in Civil Engineering from Imperial College, and a Master's degree in Business Administration from Stanford Business School.

Barry Larson has over 40 years of oil and gas industry experience, 21 of which have been with operations at the international level. Early in his career he worked fourteen years for Wintershall Canada as a Drilling and Production Superintendent. From 1994 until 1998 he was stationed in Argentina with Chauvco Resources International, where he received extensive operating experience first as a Drilling Manager, as Manager of Operations, and later as Vice President of Operations. From August 1999 to May 2004, Mr. Larson was co-founder and Vice President of Aventura Energy Inc., a company with operations in Argentina as well as in Trinidad & Tobago. Afterwards, he joined Petro Andina Resources Inc. where he served from 2005 to 2009 as Vice President of Operations and Chief Operating Officer. After its takeover by Parex Resources Inc., he held the same position for the company during seven years until retiring in 2016. Mr. Larson holds a Diploma in Hydrocarbon Engineering Technology from the Northern Alberta Institute of Technology and is currently a member of the Board of Madalena Energy Inc. (TSXV – MDN).

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

The Company 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 that 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 years 2013 to 2015 (in U.S.$):

		2013	**2014**	**2015**
1.	Audit Fees[(1)]	$3,196,923	$3,313,000	$2,453,000
2.	Audit-Related Fees[(2)]	$911,000	$359,000	$15,000
3.	Tax Fees[(2)]	$1,832,126	$936,000	$234,000
4.	All Other Fees	-	-	-
	Total	**$5,940,046**	**$4,608,000**	**$2,702,000**

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 2013 to 2015 have been converted to U.S.$ using the closing exchange rate for each year. 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 14, 2015. Additional financial information is provided in the audited annual financial statements and management's discussion and analysis for the year ended December 31, 2015 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 EXPLORATION & PRODUCTION CORPORATION

(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 director[1].

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.

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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 judgment.

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;

      i. review with the external auditors, upon completion of their audit:

      ii. contents of their report;

      iii. scope and quality of the audit work performed;

      iv. adequacy of the Corporation's financial and auditing personnel;

v. co-operation received from the Corporation's personnel during the audit;

vi. internal resources used;

vii. significant transactions outside of the normal business of the Corporation;

viii. significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and

ix. the non-audit services provided by the external auditors;

f) discuss with the external auditors the quality and the acceptability of the Corporation's accounting principles;

g) implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management; and

h) 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.