PACIFIC RUBIALES ENERGY CORP.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2013

DATED: MARCH 13, 2014

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ABBREVIATIONS AND DEFINITIONS

bbl	barrels	MMboe	million barrels of oil equivalent
bbl/d	barrels per day	Mcf	thousand cubic feet
Bcf	billion cubic feet	Mcf/d	thousand cubic feet per day
boe	barrels of oil equivalent	MMBtu	million British thermal units
boe/d	barrels of oil equivalent per day	MMcf	million cubic feet
Btu	British thermal units	MMcf/d	million cubic feet per day
COP	Colombia pesos	NGL	natural gas liquids
DWT	Dead weight tonnage	Psi	pounds per square inch
km	Kilometres	Psia	pounds per square inch absolute
km^2	Square Kilometres	Psig	pounds per square inch gauge
m	metres	R$	Brazilian Real
m^2	square metres	Tcf	trillion cubic feet
m^3	cubic metres	U.S.$	United States dollars
Mbbl	thousand barrels	WI	working interest
MMbbl	million barrels		
Mboe	thousand barrels of oil equivalent		

NOTE: Disclosure provided herein that is expressed in barrels of oil equivalent (boe) is derived by converting natural gas to oil in the ratio of five thousand seven hundred cubic feet (Mcf) of natural gas to one barrel (bbl) of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 5.7 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this Annual Information Form, the Company has expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy for those properties located in Colombia. Properties outside of Colombia use a conversion ratio of 6.0 Mcf: 1 bbl.

GLOSSARY OF TERMS

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

Non-Technical Terms

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

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

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

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

"2011 Senior Notes" has the meaning given to such term under the heading entitled "Historical Overview – 2009 Senior Notes Exchange Offer."

“2012 Rights Plan” has the meaning given to such term under the heading entitled “Description of Capital Structure – Shareholder Rights Plan.”

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

“Alpha” means Alpha Ventures Finance Inc.

“Alvopetro” means Alvopetro Energy Ltd.

“Agro Cascada” means Agro Cascada S.A.S.

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

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

“ANLA” means the Autoridad Nacional de Licencias Ambientales, Colombia.

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

“Annual Information Form” means this Annual Information Form dated March 13, 2014 in respect of the fiscal year that ended December 31, 2013.

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

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

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

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

“Bicentenario” means Oleoducto Bicentenario de Colombia.

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

“Blue ACF” means Blue Advance Colloidal Fuels Corp.

“Blue Pacific” means Blue Pacific Assets Corp.

“BOA Agreement” has the meaning given to such term under the heading entitled “Historical Overview – Credit Facilities & Lines of Credit.”

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

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

“BPZ” means BPZ Resources Inc.

“BSW” means basic sediment water.

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

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

“C&C Energia” means C&C Energia Ltd.

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

“Canacol” means Canacol Energy Ltd.

“CGX” means CGX Energy Inc.

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

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

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

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

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

“D&M” means DeGolyer and MacNaughton.

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

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

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

“DJSI North America” means the Dow Jones Sustainability North America Index.

“DTF” means the weighted average of the interest rates on 90 day certificates of deposits offered by banks and financial institutions in Colombia.

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

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

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

“E&P” means exploration and production.

“EIA” means environmental impact assessment.

“EITI” means the Extractive Industries Transparency Initiative.

“ELE” means ELE Financial S.A.

“EPC” means engineering, procurement and construction.

“Equity Financial” means Equity Financial Trust Company.

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

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

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

“FEED” means front-end engineering and design.

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

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

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

“HOA” has the meaning given to such term under the heading entitled “Historical Overview – Liquefied Natural Gas Sales Contract.”

“Hocol” means Hocol S.A.

“IFC” means International Finance Corporation.

“InterOil” means InterOil Corporation.

“Kappa” means Kappa Energy Holdings Ltd.

"Kappa Acquisition" has the meaning given to such term under the heading entitled "Historical Overview – Kappa Acquisition and Offering and Early Conversion of Debentures."

"Kappa Agreement" has the meaning given to such term under the heading entitled "Historical Overview – Kappa Acquisition and Offering and Early Conversion of Debentures."

"Karoon" means Karoon Gas Australia Ltd.

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

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

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

"Lando" means Lando Industrial Park, S.A.

"LNG" means liquefied natural gas.

"M&P Colombia" means Maurel & Prom Colombia B.V.

"March 2013 Indenture" has the meaning given to such term under the heading entitled "Historical Overview – March 2013 Senior Notes Financing Due 2023."

"March 2013 Senior Notes" has the meaning given to such term under the heading entitled "Historical Overview – March 2013 Senior Notes Financing Due 2023."

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

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

"MME" means the Colombian Ministry of Mines and Energy.

"NBOC" means the New Business Opportunities Committee of the Board of Directors.

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

"November 2013 Indenture" has the meaning given to such term under the heading entitled "Historical Overview – November 2013 Senior Notes Financing Due 2019."

"November 2013 Senior Notes" has the meaning given to such term under the heading entitled "Historical Overview – November 2013 Senior Notes Financing Due 2019."

"NSAI" means Netherland, Sewell & Associates, Inc.

"OAM" means Oleoducto del Alto Magdalena.

“OCENSA” means Oleoducto Central S.A.

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

“ODC” means Oleoducto de Colombia S.A.

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

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

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

“OGD” means Guaduas-La Dorada pipeline.

“OOIP” means original oil in place.

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

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

“Pacific Green” means Pacific Green Energy Corp.

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

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

“Pacific Midstream” means Pacific Midstream Holding Corp.

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

“Pacific Stratus” means Pacific Stratus Energy Colombia Corp.

“Pacific Stratus Energy” means Pacific Stratus Energy Corp.

“Pacinfra” means Pacinfra Holding Ltd.

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

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

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

“PEL” means the Petroelectrica electrical power transmission line.

“Petro Rubiales” means Petro Rubiales Corp.

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

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

“PetroMagdalena” means PetroMagdalena Energy Corp.

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

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

“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 “Historical Outlook – Petrominerales Acquisition.”

“Petromont” means Petrolera Monterrico S.A. Sucursal Colombia.

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

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

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

“Platino Energy” means Platino Energy Corp.

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

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

“PPL” means a petroleum production licence.

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

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

"Premier" means Premier Oil Plc.

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

"Proagricola" means Promotora Agricola de los Llanos.

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

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

"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.

"RBL Facility" means the U.S.$250 million senior secured revolving reserves-based credit facility entered into by the Company with BNP Paribas, Caylon, Banco Davivienda, Banco de Bogota, Bancolombia, Banco de Occidente and WestLB AG during the second quarter of 2009.

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

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

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

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

"Rubiales Field" means the Company's producing oil field located within the Rubiales and Piriri concessions.

"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.

"STAR" has the meaning given to such term under the heading entitled "Historical Overview – STAR Project."

"TEA" means Technical Evaluation Agreement.

"Tethys" means Tethys Petroleum Company Inc.

"TOG" means Trayectoria Oil & Gas.

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

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

"TSXV" means the TSX Venture Exchange (including any predecessor exchange thereto).

"U.S. Dollar Facility" has the meaning given to such term under the heading entitled "Historical Overview –Credit Facilities & Lines of Credit."

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

Technical Terms

"API" means the American Petroleum Institute gravity measure of petroleum liquid compared to water.

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

"DRA" means drag-reducing agents.

"ESP" means Electro-Submersible Pump.

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

"Natural gas" 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.

"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 interests" means the percentage of participation within a specified area for the exploration and/or production of hydrocarbons.

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

FORWARD-LOOKING INFORMATION

This Annual Information Form may contain or incorporate by reference information that constitutes "forward-looking information" or "forward-looking statements" (collectively, "**Forward-Looking Information**") within the meaning of the applicable securities legislation, which involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this Annual Information Form, such information uses words such as "may," "will," "expect," "believe," "plan," "intend" and other similar terminology. This forward-looking information reflects current expectations regarding future events and operating performance and speaks only as of the date of this Annual Information Form. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. 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:

- 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; 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:

- future prices for oil and natural gas;
- future currency and interest rates;
- the Company's ability to generate sufficient cash flow from operations and access existing credit facilities and capital markets to meet its future obligations;

- the regulatory framework representing taxes and environmental matters in the countries in which the Company conducts its business; and
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

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

- volatility in market prices for oil and natural gas;
- the potential for the return of conditions that persisted during the recent global financial crisis and economic downturn;
- liabilities inherent in oil and gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands, and skilled personnel;
- incorrect assessments of the value of acquisitions 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;
- 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."

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

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

GENERAL MATTERS

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

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

EXCHANGE RATE INFORMATION

United States Exchange Rate Information

The following table sets out: (1) the rate of exchange for one Canadian dollar in U.S. dollars in effect at the end of each of the periods set out immediately below; (2) the high and low rate of exchange during those periods; and (3) the average rate of exchange for those periods, each based on the noon spot rate as published on the Bank of Canada's website. On March 12, 2014, the noon nominal rate for one Canadian dollar in U.S. dollars as published by the Bank of Canada was CDN$1.00 = U.S$0.8983.

	High	**Low**	**Average**	**End of Period**
Years ended December 31,				
2013	1.0164	0.9348	0.9710	0.9402
2012	1.0299	0.9599	1.0004	1.0051
2011	1.0583	0.9430	1.0111	0.9833

Colombia Exchange Rate Information

The following table sets out: (1) the rate of exchange for one Canadian dollar in Colombian pesos (COP) in effect at the end of each of the periods set out immediately below; (2) the high and low rate of exchange during those periods; and (3) the average rate of exchange for those periods, each based on the noon spot rate as published on the Bank of Canada's website. On March 12, 2014, the noon nominal rate for one Canadian dollar in Colombian pesos as published by the Bank of Canada was CDN$1.00 = COP 1,838.2353

	High	**Low**	**Average**	**End of Period**
Years ended December 31,				
2013	1,879.6992	1,751.3135	1,814.1577	1,814.8820
2012	1,893.9394	1,718.2131	1,797.4277	1,776.1989
2011	1,968.5039	1,792.1147	1,867.2044	1,904.7619

INFORMATION CONCERNING THE COMPANY

Name, Address and Incorporation

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

The Company was incorporated under the laws of the Province of British Columbia on April 10, 1985 under the name Agincourt Explorations Inc. On September 13, 1995, the Company changed its name to AGX Resources Corp. The Company was continued as a corporation 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 RHL completed on the same date, the Company changed its name to Petro Rubiales Energy Corp. The Company subsequently acquired the remaining 25% interest in RHL in November 2007.

On January 23, 2008, the Company completed the acquisition of Pacific Stratus 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, pursuant to the Plan of Arrangement, under which Pacific Stratus shareholders received 9.5 pre-Consolidation Common Shares for every Pacific Stratus Energy share held at closing. 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 "**Consolidation**") by issuing one Common Share for every six Common Shares then outstanding.

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

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

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 23, 2013 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 issued by the Registrar of Companies, B.C. For further information, see the heading entitled "General Development of the Business – Historical Overview – Petrominerales Acquisition."

The Common Shares trade on the TSX, the BVC and as Depository Receipts on the BOVESPA; the March 2013 Senior Notes and November 2013 Senior Notes are listed on the Luxembourg Stock Exchange and trade on its Euro MTF market.

Intercorporate Relationships

The following chart illustrates the principal subsidiaries of the Company, together with the jurisdiction of incorporation of each company and the percentage of voting securities beneficially owned or over which control or direction is exercised by the Company as at December 31, 2013.

The subsidiaries of the Company not set out below each accounted for: (i) less than 10% of the Company's consolidated assets as at December 31, 2013; and (ii) less than 10% of the Company's consolidated revenues for the fiscal year ended December 31, 2013. In aggregate, the remaining subsidiaries accounted for less than 20% of each of (i) and (ii) described above.

Pacific Rubiales Energy Corp.
(British Columbia, Canada)

100%
C&C Energia Holding SRL (Barbados)

100%
PetroMagdalena Energy Corp. (British Colombia, Canada)

6.5%
Platino Energy Corp. (Alberta, Canada)

100%
Pacinfra Holding Ltd. (BVI)

100%
Pacific Midstream Holding Corp. (Panama)

100%
Petrominerales Ltd. (Calgary, Canada)

100%
Major International Oil S.A. (Panama)

100%
Pacific Rubiales International Holdings S.A.R.L. (Luxemburg)

64.38%
CGX Energy Inc. (Ontario, Canada)

99.9%
PRE-PSIE Cooperatief U.S. (Netherands)***

0.01%

100%
Pacific Stratus International Energy Ltd. (British Columbia, Canada)

13.78%
Pacific Coal Resources Ltd. (British Colombia, Canada)

100%
Grupo C&C Energia (Barbados) Ltd. (Barbados)

100%
C&C Energia Llanos Ltd. (Bermuda)

100%
C&C Energia Llanos (Colombia Branch)

41.65%
Pacific Infrastructure Ventures (BVI)

35%
ODL Finance S.A. (Panama)

100%
Petroelectrica de los Llanos S.A. (Panama)

100%
Petro Rubiales Corp. (Colombian Branch)

100%
Major International Oil, S.A. (Colombian Branch)

100%
Pacific Rubiales PNG Ltd. (Papua, New Guinea)

100%
Rubiales Holdings Corp. (Switzerland)

99.998%
0.0019%
Pacific Brasil Exploracao e Producao de Oleo e Gas Ltda (Brazil)

49.999%
Maurel & Prom Colombia B.V. (Netherlands)

100%
Maurel & Prom Colombia B.V. (Colombian Branch)

24.9%
Pacific Power Generation Corp. (antes Ronter Inc.) (Panama)

100%
Pacific OBC Corp. (Panama)

Pacific OBC 1 Corp. (Panama)

Pacific OBC 2 Corp. (Panama)

Pacific OBC 3 Corp. (Panama)

18.25%
4.71%
4.71%
4.71%
0.5%
Oleoducto Bicentario de Colombia S.A.S. (Colombia)

100%
Meta Petroleum Corp. (Switzerland)

100%
Meta Petroleum Corp. (Colombian Branch)

50%
50%
Pacific & Rubiales Energy Trading Corp. (Panama)

100%
Pacific Stratus Energy Colombia Corp. (Panama)

100%
Pacific Stratus Energy Colombia Corp. Sucursal Colombia (Colombia)

GENERAL DEVELOPMENT OF THE BUSINESS

Pacific Rubiales, a Canadian company and producer of natural gas and crude oil, owns 100% of Meta, which operates the Rubiales, Piriri and Quifa heavy oil fields in the Llanos Basin, and 100% of Pacific Stratus, which operates the La Creciente natural gas field in the northwestern area of Colombia. The Company also holds a 50% interest in the CPE-6 block, which is part of the same heavy oil belt that includes the Rubiales and Quifa fields. Pacific Rubiales has also acquired 100% of Petrominerales Ltd, which owns light and heavy oil assets in Colombia and oil and gas assets in Peru, 100% of PetroMagdalena Energy Corp., which owns light oil assets in Colombia, and 100% of C&C Energia Ltd., which owns light oil assets in the Llanos Basin. In addition, the Company has a diversified portfolio of assets beyond Colombia, which includes producing and exploration assets in Peru, Guatemala, Brazil, Guyana and Papua New Guinea.

During 2013, the Company had average net production after royalties and internal consumption in Colombia and Peru of 129,386 boe/d (311,177 boe/d total field production), with working interests in 94 blocks in Colombia, Peru, Brazil, Guatemala, Belize, Guyana and Papua New Guinea.

Historical Overview

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

Acquisitions

Maurel & Prom Colombia

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

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

On September 6, 2013, the Company and M&P Colombia signed a purchase and sale agreement whereby the Company acquired the remaining 50.001% participating interest in the Sabanero block. This transaction was approved by the ANH on December 26, 2013.

Kappa Acquisition and Offering and Early Conversion of Debentures

On September 3, 2008, the Company acquired 100% of Kappa (a Colombian oil and gas exploration and production company) for U.S.$170.4 million in cash and acquisition costs of U.S.$2.7 million (the "**Kappa Acquisition**") pursuant to a purchase and sale agreement dated July 4, 2008 (the "**Kappa Agreement**") between the Company and each shareholder of Kappa.

Financing for the Kappa Acquisition was provided through an offering of $220 million principal amount of 8% convertible unsecured subordinated debentures (the "**Debentures**") due August 29, 2013, which were convertible into Common Shares. An over-allotment option was exercised by the underwriters in connection with the offering to purchase an additional $20 million principal amount of Debentures at the same offering price. The Debentures were issued under an indenture dated August 28, 2008 between the Company and Equity Financial (the "**Debenture Indenture**").

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

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

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

On August 29, 2013, the Company repaid $2.7 million, being the balance of the Debentures.

Portofino Acquisition

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

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

In a separate agreement, the Company agreed to pay Canacol cash consideration of U.S.$3.7 million to assume operatorship of the block. Pacific Rubiales will be transferred operatorship of the block following the drilling of the next four wells. The government and regulatory approvals required to become a party to the respective petroleum licence were obtained in July 2013. The right of the Company to become the operator of the block has not yet been triggered under the contract. Once triggered, the Company will seek the relevant approvals required to do so.

During the fourth quarter of 2013, Canacol, the block operator, drilled the Tachuelo-1x stratigraphic well. The well reached total depth at 2,462 feet on December 8, 2013, and recovered a core of 122 feet. The well did not show the presence of a hydrocarbon column in the evaluated intervals, so the well was plugged and abandoned.

PetroMagdalena Acquisition

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

C&C Energia Acquisition

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

The acquisition of C&C Energia closed on December 31, 2012. Pursuant to the C&C Arrangement Agreement, on closing of the acquisition each common share of C&C Energia was exchanged for 0.3528 common shares of Pacific Rubiales, one common share of a new exploration company named Platino Energy and $0.001. As part of the transaction, Pacific Rubiales retained a 6.5% equity interest in Platino Energy.

Acquisition of Interest in Belize

On February 15, 2013, the Company acquired from several private investors a 100% equity interest in the company BCH International Inc. (10% of the shares of BCH International Inc. are held in escrow and will be delivered to the Company two years after closing of the transaction), which holds the block formerly known as La Democracia block (previously known as Blocks 6 and 15) located in Belize for a total of $1.5 million cash and an overriding royalty. The block is operated under a production sharing agreement and is located in the central part of Belize with a total area of 638,520 acres. The Company is targeting new exploration and development opportunities similar to those identified in the Caribbean trend and the Yucatan Province.

During the fourth quarter of 2013, the Company's exploration efforts included the completion of the contracting of the 650 km 2D survey, and contracting activities for surface geology, sample analysis and surface geochemistry were under way. The Company acquired 2,500 km of aeromagnetic and aerogravity data. The EIA (for restricted areas within the seismic survey coverage) is 60% done and is expected to be completed during the first quarter of 2014.

Petrominerales Acquisition

On November 28, 2013, the Company completed the acquisition of Petrominerales pursuant to a plan of arrangement and 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 consist of Petrominerales' Brazilian assets, which were segregated from Petrominerales along with

$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 has 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 includes 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 Rubiales, Quifa and CPE-6 blocks and is located approximately 80 and 200 km southwest of CPE-6 and Rubiales/Quifa fields respectively. The Rio Ariari block is strategic to the Company's core expertise in heavy oil development in Colombia.

Also acquired were oil pipeline interests in Colombia (5% in OCENSA Pipeline and 9.65% in the Bicentenario Pipeline). On December 20, 2013, the Company entered into an agreement to sell its 5% interest in the OCENSA Pipeline for a total cash consideration of US$385 million to a consortium led by Darby Private Equity, the private equity arm of Franklin Templeton. The transaction includes 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 has 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. Management expects to use the cash received in connection with the sale to pay down certain debt incurred by the Company in connection with the Petrominerales Acquisition, reducing the acquisition cost to approximately $1.3 billion and significantly improving the acquisition metrics. The transaction is expected to close in the first quarter of 2014.

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 have an annual coupon rate of 2.625%, and (b) convertible debentures maturing on June 12, 2017 that have an annual coupon rate of 3.25%. The offer enabled the bond holders to either (i) purchase the outstanding debentures at an offer price of 100% of the principal amount of the debentures held plus accrued interest, or (ii) convert the debentures pursuant to the relevant issuing agreement. As at December 31, 2013, the Company paid U.S.$262.8 million to the bondholders.

Exploration 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 Guarna block, in which the Company is the operator and has a 100% working interest. This discovery demonstrates the upside potential of both the Guama block and the Lower Magdalena basin where the Company has a large exploration acreage position. It also validates the geophysical seismic model being used to successfully identify these condensate-rich gas accumulations.

The Company's planned exploration activities for 2014 for the blocks in the Lower Magdalena Valley and Cesar Rancheria Basins include drilling seven exploratory wells and the acquisition, processing and interpretation of approximately 404 km of 2D seismic data.

New Offshore Exploration Blocks Awarded

On May 15, 2013, the Company, through its wholly-owned subsidiary, Pacific Brasil Exploração e Produção de Óleo e Gás Ltda, 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 FZA-M-90 block and has a 35% participating interest; Premier has a 35% participating interest, and PRE 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. The award includes a signature bonus payable to the ANP of R$54.1 million (U.S.$27 million).

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. The award includes a signature bonus of R$10.1 million (U.S.$5 million) for Block PAMA-M-265 and R$70.4 million (U.S.$35 million) for Block PAMA-M-337, payable to the ANP.

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.

Approval of Participating Interest in Peru

On June 27, 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. Following regulatory approval, the Company has initiated preparations for an exploratory well in the Block, and is planning to start in early 2014.

During the fourth quarter of 2013, the Company finished the river-bound move of the drilling rig to the Fortuna – 1X well site which has as an exploration target of the Cretaceous limestones and sands, and a planned TD of 3,859 m or 12,659 feet. As of December 31, 2013, the well was starting to rig-up and it is expected to spud during the first quarter of 2014.

Pipelines

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.

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

In addition, ODL is pursuing a project involving an extension of the existing pipeline and a new 85 km, 30inch diameter pipeline between Cusiana and Araguaney. This will allow the connection of the ODL Pipeline to the Bicentenario Pipeline. Once this project is in operation, oil production from the Company's blocks in the Llanos Basin will have access to the export terminal of Coveñas through the existing Caño Limón pipeline. Engineering and environmental permits for the extension of the ODL Pipeline started in late 2011. As of December 31, 2013, the Company was continuing to prepare studies in accordance with the requirements for the environmental licence.

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. By December 2013, the Cusiana facility had processed approximately 2.3 MMbbl of diluent and had pumped to the OCENSA pipeline approximately 43.4 MMbbl of diluted crude oil. This operation has contributed to significantly reducing transportation and blending costs for the Company.

For the twelve months ended December 31, 2013, the ODL Pipeline transported a total of 88 MMbbl and 34.73% of this volume corresponds to the Company's crude oil share.

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

Bicentenario Pipeline

In December 2010, the Company 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 acquisition of C&C Energia and Petrominerales, respectively, such that the Company now holds a 43.03% equity interest. Bicentenario is a special purpose company promoted by Ecopetrol, which has a 55.97% interest in the company. The remaining 1% interest is owned by other oil producers operating in Colombia. Bicentenario will be responsible for the financing, design, construction and operation of Colombia's newest oil pipeline transportation system, which will run from Araguaney, in the Casanare Department of central Colombia, to the Coveñas Export Terminal in the Caribbean.

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

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 and the first cargo finished loading on November 2, 2013. By year end, at the Coveñas terminal, two tanks with capacity of 600,000 bbls each were ready for manual operation and the overall construction progress for Phase 1 reached 88.7%. As at the end of 2013, approximately 3.4 MMbbl had been pumped through the system.

The start-up of this pipeline is an important milestone in reducing the Company's crude oil and transportation costs.

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."

Proposed Sale of 40% Interest in ODL and Bicentenario Pipelines

Pacific Midstream, which currently holds the Company's ODL and Bicentenario Pipeline interests as well as the PEL electrical power transmission line assets, is in the process of partially spinning out a close to 40% interest to a third party. Indicative offers of approximately $400 million have been received and the Company now expects to complete the sale during the third quarter of 2014, generating cash while maintaining the cost reduction and energy security benefits of the infrastructure assets.

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 Rubiales and Quifa fields, among others in Colombia, and take advantage of drainage patterns already used in the present primary recovery process.

In March 2011, the Company and Ecopetrol agreed to advance the STAR project in the Quifa SW field as a preliminary step to expanding the technology in the future. This pilot test is being executed under the existing terms and conditions of the Quifa Contract.

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

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

In September 2013, the Company received independent reports relating to the progress of the STAR project. The reports include estimates of the Original Oil In Place ("**OOIP**") for the project, which combined with the accumulated production from the area since the inception of the project allows the Company to estimate that at least a doubling of the recovery factor has been achieved since commencement of air injection in February 2013. These results represent an important inflection point in the path to successful commercial application of STAR in one of Colombia's most important heavy oil fields. In addition, using STAR technology, the Company has been able to reduce the cumulative water-oil ratio by approximately 31% in comparison with the entire Quifa field. This is considered an important issue in terms of water treatment and in handling cost reduction.

Based on the pilot results, the Company planned on converting two or three contiguous well clusters in the pilot test area that are currently producing on primary flow to STAR as the first stage of a commercial

project. At the end of 2013, two flow lines from contiguous wells were operational. The production capacity installed is 20 Mbbl/d total fluid.

Additionally, the Company has initiated planning for an extension of the STAR Project in the Quifa SW field once it receives the required approval from the ANH.

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 specifically recognizes: (1) the synchronized system of oil production using the combustion process, employing in-situ measurement, monitoring and control of operational conditions in real time and distance; and (2) the use of a numerical model intelligent well/subsurface system to monitor and control the progress of the combustion front and fluids; critical to successful application of STAR. 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.

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

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

In 2010 the Company incorporated Petroelectrica, which is responsible for the design, construction and operation of a new power transmission line of 230 kilovolts that will connect the Rubiales and Quifa fields to Colombia's national energy grid. Petroelectrica is a strategic piece of infrastructure for the Company as it will assist in the development of the Rubiales, 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.

As at December 2013, the power transmission line and the Rubiales substation achieved mechanical completion. The Quifa substation was 41% completed. In the last quarter of 2013, ANLA granted an environmental licence for the substations at Jagüey and Corocora.

On January 20, 2014, the Company announced that it had commenced start-up and energizing of its PEL. The transmission line will supply up to 192 megawatts per hour to two booster pumping stations at the ODL Pipeline, as well as substations at the Rubiales and Quifa fields. The PEL line operations have started with power supply to Rubiales and Quifa field and are expected to be fully commissioned by mid-2014 once the substations at the ODL Pipeline are complete. The Company has invested approximately U.S.$230 million in the construction of PEL, which is 100% owned by the Company and is being held by Pacific Midstream, a 100% wholly owned entity.

The Company expects this project to reduce production costs at the Rubiales and Quifa fields by significantly lowering the electrical energy costs for oil production, currently generated by burning more expensive imported diesel fuel and oil from field production. Cost savings are estimated at approximately U.S.$100 million per year upon full commissioning.

The Company plans to use PEL to supply the energy required to run its new CPE-6 and other future heavy oil field developments in the southern Llanos basin. Additionally, the project has the important benefit of reducing greenhouse gas emissions by an estimated 180,000 tonnes per year.

Investments

Proelectrica Investment

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

In December 2012, the Company invested approximately U.S.$5 million in Pacific Power as a result of cash calls made on investors. During 2013, Pacific Power issued new shares to certain shareholders and the Company invested an additional U.S.$5 million to maintain its equity interest at 24.9%.

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

Port Investment

In 2011, the Company acquired a 5.83% equity interest (in addition to the then existing 4% equity interest) in Pacific Infrastructure as a result of two separate share purchase agreements with third party sellers. The aggregate cost for this additional interest was U.S.$7,287,500.

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

On August 6, 2013, the Company announced a new strategic partner, IFC, in its investment in Pacific Infrastructure. Pursuant to the investment, IFC invested U.S.$150 million into Pacific Infrastructure. IFC's investment will be used to develop Pacific Infrastructure's key assets, which include Puerto Bahía and OLECAR. Puerto Bahía is a greenfield liquids import-export terminal with a 3.3 MMbbl storage and cargo handling facility located on the bay of Cartagena, one of the largest trade hubs in Latin America. The OLECAR pipeline project is a 130 km, 30inch crude oil pipeline with an initial transportation capacity of 300 Mbbl/d that will connect Puerto Bahía's facilities with Colombia's principal crude export terminal in Coveñas, ensuring the uninterrupted supply of crude oil for export. These assets will reduce both bottlenecks and the dependence on a single export terminal and facilitate increased access to international markets.

Puerto Bahía will be developed in three phases: (i) 1.7 MMbbl of oil and petroleum product storage capacity, a berthing position for vessels of up to 80K DWT, a truck loading/unloading station with a capacity of up to 30 Mbbl/d and a fixed bridge; (ii) additional storage capacity of up to 3 MMbbl, an additional berthing position for vessels of up to 150K DWT and barge handling facilities with a capacity

of up to 45 Mbbl/d; and (iii) a liquids terminal with capacity of up to 4 MMbbl, a multi-purpose terminal handling bulk materials, containers and a berthing platform with a length of 300 m to handle dry materials.

During 2012, the environmental licence, the port concession and the free trade zone permits were granted. Designs and engineering were completed during the first half of 2013. As of December 31, 2013, construction of Phase 1 reached 37.6% completion.

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 $370 million for the construction of the Puerto Bahía. The first disbursement from the debt facility is expected in the first quarter of 2014.

In addition to Puerto Bahía, Pacific Infrastructure is also developing the OLECAR pipeline, which will connect Puerto Bahía to the oil pipeline hub at the port of Coveñas, ensuring the uninterrupted supply of crude oil for export. The OLECAR project includes: (i) a pumping station at Coveñas with a capacity of 300 Mbbl/d; (ii) a 130 km, 30-inch diameter pipeline; and (iii) bidirectional connections between the Cartagena Refinery, the second largest refinery in Colombia, and Puerto Bahía.

As of the date hereof, environmental permits for the OLECAR pipeline have been granted by ANLA and right-of-way negotiations are in progress. Long-lead items' purchase orders have been placed, including pipe and main pumps and the EPC company has been selected. The project's progress is at 18%.

The Company currently holds a 41.65% equity interest in Pacific Infrastructure.

Pacific Infrastructure's assets are strategic to the Company's plans to substantially increase its oil production and export sales from Colombia over the next three years 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 growing exports.

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 October 29, 2011, the Company purchased 5,842,000 common shares in the capital of CGX at a price of $0.70 per common share for an aggregate investment of $41,104,000. CGX is a Canadian-based oil and gas exploration company focused on the exploration for oil in the Guyana/Suriname Basin, an area that is ranked second in the world for oil and gas prospectivity by the United States Geological Service.

On May 28, 2012, the Company purchased an additional 8,571,428 units of CGX at $0.35 per unit for an aggregate investment of $30 million. At the same time, the Company entered into a technical services agreement with CGX whereby Pacific Rubiales agreed to provide technical assistance to CGX in respect of its operations. In addition, the Company acquired an option to participate in each of the next wholly owned commitment wells to be drilled on the Corentyne and Annex offshore PPLs in Guyana by funding 50% of the exploration well costs and certain seismic costs, in exchange for a 33% interest in the respective PPLs.

On April 26, 2013, the Company purchased an additional 35,000,000 units of CGX at a price of $0.10 per unit for an aggregate price of $35 million pursuant to a private placement financing. Each unit consists 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 holds 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.

In connection with the Company's investments, the Company has rights to three exploration licences in the Guyana Basin (two offshore blocks, Corentyne & Demerara, and one onshore block, Berbice) spanning13,500 km² in a large highly prolific frontier basin with important resource potential. During the fourth quarter of 2013, 3,500 km² of 3D seismic data was reprocessed. This data will be used to evaluate the prospectivity of the three licence areas and to select locations for three exploration wells, which form part of the licence contract commitment. The first well is expected to be spud no later than the first quarter of 2015.

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

The Company entered into a farm-in agreement on July 30, 2012 with InterOil relating to its acquisition of a 10.0% net (12.9% gross) participating interest in Petroleum Prospecting 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**").

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

On January 24, 2013, the Minister of Petroleum & Energy approved the acquisition of the participating interest by the Company in the PPL 237, and on December 4, 2013 the same Ministry granted the Petroleum Retention Licence PRL-39 which had been previously requested by all parties to the PPL237 with respect to the Triceratops structure. The Company is exploring options to divest itself of this investment.

Karoon Farm-In Agreement

On September 18, 2012, the Company reached an agreement (the "**Karoon Farm-In 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, and also has as 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, Pacific Rubiales must carry up to the first U.S.$70 million in costs for the Bilby well and contribute 35% of all costs thereafter.

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 as well as an exploration well to test a satellite trap west of Kangaroo. The Operator, Karoon Petróleo & Gás Ltda., expects to commence drilling during the second half of 2014, subject to rig availability. Two confirmed wells are planned, including an up-dig appraisal of the 2013 Kangaroo-1 discovery and an exploration well on the undrilled Kangaroo West prospect.

The Company's planned exploration activities for 2014 for these blocks include the drilling of three exploratory wells.

Agreements

Liquefied Natural Gas Sales Contract

On November 5, 2013, the Company and Gazprom Marketing & Trading Limited executed a non-binding Heads of Agreement ("**HOA**") for the negotiation of a five-year sale and purchase agreement for approximately 0.5 million tonnes per year of LNG FOB Colombia (Caribbean Sea) beginning in the second quarter of 2015. The HOA includes the key commercial terms of the sale and purchase agreement, which the companies will negotiate on an exclusive basis within the next nine months. As agreed under the HOA, the Company will procure an LNG Floating Storage Unit of a minimum size of 138,000 m^3. The Company will source the feed gas for this project from the La Creciente field, which will then be transported to the LNG Floating Storage Unit via the La Creciente gas pipeline once completed.

Licences and Permits

Quifa Environmental Permit

On March 22, 2013, the Company received environmental permits from the ANLA for the expansion of activities in the Quifa hydrocarbon exploration area. These environmental permits will allow Pacific Rubiales to further develop the Quifa SW field, achieve cost optimizations, and explore and develop the exploration area.

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

On August 6, 2013, the Company was granted an environmental licence by the Colombian environmental authority, ANLA, to increase water injection at the Rubiales field by an additional 1 MMbbl/d to achieve a target level of approximately 220,000 bbl/d gross total field production by the end 2013, increasing from the 210,159 bbl/d gross total field production (70,495 bbl/d net production after royalties) achieved during the first quarter of 2013.

On November 1, 2013, the Company was notified of the issuance of the environmental licences from the ANLA required to advance the Company's planned exploration and development activities in both the CPE-6 and Guama E&P blocks in Colombia. Once the environmental licence is in full force and effect, the Company will be able to continue its exploration activities and production test wells as well as advance the CPE-6 block to first production, which is expected during 2014. This block represents the first major step out from the Rubiales/Quifa SW field area while supporting the Company's plans to significantly increase its production over the next four years.

The CPE-6 licence is a 'global environmental licence,' which will allow for exploration and future development on the block. During November and December of 2013, the Company drilled one exploration well and obtained production flow tests from existing wells. During 2014, the Company plans to drill up to 19 additional wells, including two exploration wells and 17 appraisal and development wells. The Company and its partner will begin activities as soon as logistical, partner and permit approvals allow.

The Guama environmental licence allows the Company to advance this block into its development phase. It provides the Company with authorization to drill up to 20 development wells and for the construction of production facilities. The Company has already made a number of important exploration discoveries on the block and expects it will provide additional natural-gas feedstock for its strategic LNG export project, which is advancing to commercial start-up at the end of next year.

Financings, Credit Facilities and Lines of Credits

2009 Senior Notes Financing

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

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

In 2010, the Company successfully solicited consents to amend the indenture relating to the 2009 Senior Notes to provide the Company with needed flexibility to invest in minority equity investments in joint venture entities that are engaged in any business that is related, ancillary or complementary to the business of the Company, and to provide guarantees of the indebtedness of such entities. In connection with the consent solicitation process, the Company paid each noteholder who validly delivered consent prior to July 14, 2010, U.S.$2.50 for each U.S.$1,000 in principal amount of 2009 Senior Notes.

In 2011, the 2009 Senior Notes were exchanged into 2011 Senior Notes.

2009 Senior Notes Exchange Offer

On December 5, 2011, the Company commenced an offer to exchange its 2009 Senior Notes (the "**Exchange Offer**") and a solicitation of consents to proposed amendments to the 2009 Note Indenture

(the "**Consent Solicitation**", and together with the Exchange Offer, the "**Exchange Offer and Consent Solicitation**"). The purpose of the Exchange Offer was to amend the covenant package of the 2009 Senior Notes and to diversify the maturity profile of the Company's then-existing debt by extending the maturity of the 2009 Senior Notes until 2021, which is the maturity of the Company's 2011 senior unsecured notes bearing a rate of 7.25% (the "**2011 Senior Notes**").

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

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

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

As of December 31, 2013, the aggregate principal amount of 2011 Senior Notes outstanding was U.S.$1.012 billion.

For more information about the 2009 Senior Notes see the heading entitled "Historical Overview – 2009 Senior Notes Financing."

2011 Senior Notes Financing

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

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

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

On December 3, 2013, the Company re-opened the 2011 Senior Notes to issue an additional U.S.$300 million in 2011 Senior Notes pursuant to a supplemental indenture dated December 3, 2013.

As at December 31, 2013, the aggregate principal amount of the 2011 Senior Notes outstanding was U.S.$1.012 billion.

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

March 2013 Senior Notes Financing Due 2023

On March 28, 2013, the Company closed an offering of U.S.$1 billion senior unsecured notes (the "**March 2013 Senior Notes**"). The March 2013 Senior Notes are governed by an indenture (the "**March 2013 Indenture**") which sets out the principal terms of the notes. The March 2013 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. The notes are senior unsecured, rank equal in right of payment with all of our existing and future senior unsecured debt, and mature on March 28, 2023.

The March 2013 Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on its Euro MTF market.

The March 2013 Senior Notes have been assigned ratings of BB+ by Fitch Ratings and Standard & Poor's Corporation, and Ba2 by Moody's Investors Services.

As of December 31, 2013, the aggregate principal amount of the March 2013 Senior Notes outstanding was U.S.$1 billion.

For further details regarding the March 2013 Senior Notes, see the heading entitled "Description of Capital Structure – March 2013 Senior Notes."

November 2013 Senior Notes Financing Due 2019

On November 26, 2013, the Company closed an offering of U.S.$1.3 billion senior unsecured notes (the "**November 2013 Senior Notes**"). The November 2013 Senior Notes are governed by an indenture (the "**November 2013 Indenture**"), which sets out the principal terms of the notes. The November 2013 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 November 2013 Senior Notes will mature on January 26, 2019.

The November 2013 Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on its Euro MTF market.

The November 2013 Senior Notes have been assigned ratings of BB+ by Fitch Ratings and Standard & Poor's Corporation, and Ba2 by Moody's Investors Services.

As at December 31, 2013, the aggregate principal amount of the November 2013 Senior Notes outstanding was U.S.$1.3 billion.

For further information regarding the November 2013 Notes, see the heading entitled "Description of Capital Structure – November 2013 Senior Notes."

Credit Facilities & Lines of Credit

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

U.S. Dollar Facility, the "**Revolving Credit Facilities**"), with a syndicate of Colombian lenders and Sociedad Fiduciaria Bogotá, S.A., as administrative agent.

The Revolving Credit Facilities have an interest rate determined in accordance with the ratings assigned to the Company's senior debt securities by Standard & Poor's Ratings Group, Moody's and Fitch Inc. Based on the Company's credit rating as at December 31, 2013, the interest rate was LIBOR + 2.75% under the U.S. Dollar facility and DTF + 2.25% under the Colombian Peso Facility. In addition, the Company is required to pay commitment fees of 0.95% on the unutilized portion under the U.S. Dollar Facility and 0.40% under the Colombian Peso Facility of any outstanding commitments under the two facilities.

As at December 31, 2013, the Company had drawn down U.S.$400 million on the U.S. Dollar Facility. The U.S.$282 million equivalent remained available under the Colombian Peso Facility and was not drawn down during the year. Both facilities remain fully committed to their maturity in 2015.

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 Itau facility has since been fully repaid with a new U.S.$109 million short-term credit facility from Bank of America (described below).

On May 2, 2013, the Company entered into a U.S.$109 million Credit and Guaranty Agreement with Bank of America, N.A. (the "**BOA Agreement**") as lender. Proceeds from this facility were used in part to repay the entire U.S.$100 million outstanding on the Itau credit facility described above. This loan has a maturity of 44 months from the date of the loan and an interest rate of LIBOR + 1.5%.

The Company maintains, from time to time, working capital facilities with several banks. As of December 31, 2013, these are with Citibank, N.A., Bank of America, N.A., JPMorgan Chase Bank, N.A. and Mercantil Commerce Bank, N.A. The terms of these loans are generally less than a year. As at December 31, 2013, the Company had U.S.$270 million in borrowings outstanding under these working capital facilities and the interest rates have a range between LIBOR + 0.95% and LIBOR + 1.25%.

As at December 31, 2013, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of U.S.$480.3 million.

Corporate & Securities Matters

Dividends

On March 30, 2012, a quarterly cash dividend of U.S.$0.11 per common share was paid to shareholders of record as of March 22, 2012, and on March 26, 2013, to shareholders of record as of March 18, 2013. This quarterly dividend was also paid to holders of BDRs of record as of March 13, 2013.

On June 3, 2013, the Company announced its intention to increase its quarterly cash dividend to US$0.165 per common share (representing a 50% increase on a per share basis) and paid: (i) on June 28, 2013 to shareholders of record as of June 20, 2013 and to holders of BDRs of record as of June 17, 2013; (ii) on September 30, 2013 to shareholders of record as of September 20, 2013 and to holders of BDRs of record as of September 17, 2013; and (iii) on December 20, 2013 to shareholders of record as of December 12, 2013 and to holders of BDRs of record as of December 9, 2013.

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

BDR Listing

In December 2011, the Company received approval from the *Comissão de Valores Mobiliários*, the Brazilian regulatory entity in charge of supervising public issuers, and the BOVESPA for the trading on the Brazilian Stock Exchange of BDRs representing the Common Shares. Pacific Rubiales is the first Canadian company to have BDRs listed on the Brazilian Stock Exchange.

Other than enabling investors to buy and sell the BDRs in Brazil in Brazilian Reais, the listing will not result in any changes to the rights and entitlements of the holders of the Company's shares, irrespective of whether they purchase their shares through the TSX, BVC, or BOVESPA.

The BDRs began trading at the opening of market on February 2, 2012 under the symbol "PREB."

Normal-Course Issuer Bids – Common Shares

On April 6, 2011, the Company filed a notice of intention to commence a normal-course issuer bid with the TSX to purchase for cancellation up to 11,598,513 Common Shares of the Company through the TSX and BVC. Daily purchases were limited to 442,322 Common Shares, other than block purchase exceptions. Management of the Company determined the actual number of Common Shares to be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Purchases made pursuant to the bid were made in the open market through the facilities of the TSX and BVC and the price that the Company paid for any such Common Shares was the market price at the time of the acquisition.

The bid commenced on August 29, 2011, and remained open until April 7, 2012. The Company purchased zero Common Shares pursuant to such normal-course issuer bid.

On April 29, 2013, the Company filed a notice of intention to commence a normal-course issuer bid with the TSX to purchase for cancellation up to 31,075,887 Common Shares of the Company through the standard facilities of the exchanges on which the Common Shares are listed. Daily purchases are limited to 240,239 Common Shares, other than block purchase exceptions. Management of the Company will determine the actual number of Common Shares to be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Purchases made pursuant to the bid will be made in the open market through the standard facilities of the exchange on which the Common Shares are listed and the price that the Company will pay for any such Common Shares will be the market price at the time of the acquisition. All purchases will be made in accordance with the requirements of the TSX, the BVC and BOVESPA.

The second bid commenced on May 1, 2013, and will remain open until April 30, 2014 or when the Company has purchased the maximum number of shares permitted under the bid. As of the date hereof, the Company has purchased 11,103,850 Common Shares pursuant to such normal-course issuer bid.

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 of the Company 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 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 holders of record of Common Shares in the capital of the Company 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 for that notice to be in proper written form.

Outlook

The Company will continue to implement its growth strategy through 2014 by expanding its resource and reserve base and developing its production and transport capacity. The outlook for 2014 includes:

- an expectation to grow net production 15 – 25% (approximately 148 to 162 Mboe/d) from 2013;
- total capital expenditures, excluding acquisitions, of approximately U.S.$2.5 billion, largely driven by development drilling, exploration and production facilities in Colombia and Peru. The capital program is expected to be funded by internally generated cash flow in an expected WTI oil price environment of U.S.$90-U.S.$95;
- exploration expenditures of $700 million, including the drilling of an additional 46 exploration wells, seismic data acquisition and early facilities. In the total drilling program, approximately four exploration wells are targeting high-impact prospects, including the Company's exploration wells in Colombia;
- U.S.$900 million to drill a planned 366 gross (207.2 net) development wells (excluding workovers), a significant increase over 2013 with activity driven by development of the Cajua field, on-going infill drilling in the Quifa SW and Rubiales fields, stepped-up light oil development in the Cubiro Block in Colombia and a significant program of development drilling in Block Z-1 in Peru;
- U.S.$580 million in the development of facilities and infrastructure, with approximately 75% directed to the Company's core producing Rubiales, Quifa SW, Cajua and Sabanero heavy oil fields. The remaining 25% will be allocated for the planned development of the CPE-6 Block as well as other mostly light oil field development in Colombia; and
- as a result of the global environmental licence received for the CPE-6 Block, the Company plans to drill nine gross (4.5 net) exploration wells and 16 gross (8 net) development wells and obtain production flow tests from existing wells during 2014.

DESCRIPTION OF THE BUSINESS

Summary

The Company, which commenced generating revenues on July 16, 2007 with the closing of the RHL Acquisition, is involved in the exploration, development and production of certain oil and natural gas interests, primarily located in the Republic of Colombia, and to a lesser extent, in Peru, Guatemala, Brazil, Papua New Guinea, Guyana 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. The combination of its current production assets with the substantial upside of its exploration assets has allowed the Company to emerge in the last few years as a premier exploration and production player in the sub-Andean basin.

The Company strives to enhance shareholder value through the acquisition, exploration and development of highly prospective oil and gas exploration areas. As part of its business strategy, the Company continues to analyze various projects to diversify its portfolio, principally in Latin America.

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

Contract/Licence	Location	Area In Acres, Net ('000)	Pacific Rubiales' Working Interest	Operator	Status
Colombia:					
Rubiales	Llanos	35	40%	Meta	Production
Pirirí	Llanos	31	50%	Meta	Production
Quifa	Llanos	226	60%	Meta	Exploration/ Production
CPE-6	Llanos	296	50%	Meta	Exploration
Sabanero	Llanos	108	100%	Meta	Exploration/ Production
Cravoviejo	Llanos	47	100%	Grupo C&C	Exploration/Evaluation/ Production
Cubiro	Llanos	2,548	57.13% - 70%(1)	Pacific Stratus	Evaluation/ Production
Guama	Lower Magdalena	184	100%	Pacific Stratus	Exploration
La Creciente	Lower Magdalena	37	100%	Pacific Stratus	Exploration/ Production
Casanare Este	Central Llanos	43	100% (2)	Petrominerales	Exploration/Production
Rio Ariari	Llanos Heavy Oil	514	100%(2)	Petrominerales	Production/Exploration
Peru:					
Block Z-1	Tumbes/Talara	362	49%	BPZ Resources, Inc.	Exploration/Production

Notes:

(1) The Company's subsidiary, Pacific Stratus, has a 100% interest in the licence for this block. However, Latin America Enterprise Fund Managers L.L.C. has 39.5%, 30.0% and 42.8% participation interests in the three subdivisions of this field, respectively, pursuant to certain agreements we have entered into with such company.

(2) Working interest production is subject to an 8% royalty payable to the Colombian government.

Oil and Gas Production

The Company's average net production after royalties and internal consumption in 2013 in Colombia and Peru totaled 129,386 boe/d (311,177 boe/d total field production).

For further information, see “Material Oil and Natural Gas Contracts and Properties”.

Colombia

In Colombia, the Company’s average net production totaled 128,031 boe/d after royalties and internal consumption (308,411 boe/d total field production). Net production in Colombia increased by approximately 32% year-over-year, driven by more than 169 development wells drilled mainly in the Rubiales field, 76 development wells at the Quifa SW field, 10 wells at the Cajua field and 49 wells in other producing fields. Additionally, there was an increase in the capacity of production facilities at the Rubiales and Quifa fields. Net production at Rubiales and Quifa increased 15% while the La Creciente natural gas field decreased by 1% as compared to 2012. Net production also increased as a result of a licence modification for the water disposal in the Rubiales field (received in August 2012), which allowed for the injection of an additional 400,000 barrels of water per day. Finally, net production after royalties contributed by the PetroMagdalena, C&C Energia and Petrominerales acquisitions during 2013 totaled 6,380 boe/d (total field production of 11,602 boe/d), 11,426 bbl/d (total field production of 12,467 bbl/d) and 2,077 bbl/d (total field production of 2,332 bbl/d) respectively, representing 15% of the total net production after royalties which contributed to the increase in net production in Colombia in 2013.

During the fourth quarter of 2013, net production after royalties and field consumption averaged 133,069 boe/d (total gross field 313,416 boe/d). This volume is higher by 25% as compared to the same period of 2012.

Heavy Oil – Rubiales/Piriri and Quifa fields

The Rubiales and Quifa fields are the Company’s main assets and the Rubiales field continues to be one of Colombia’s fastest growing production fields.

During 2013, total gross production at the Rubiales field averaged 208,763 bbl/d and during the fourth quarter of 2013, the average was 204,308 bbl/d. The production from the Rubiales field is transported through the ODL Pipeline to the Monterrey station and the OCENSA station at Cusiana, where the diluted crude oil is then transported through the OCENSA Pipeline system to the export terminal port of Coveñas on the Caribbean coast as part of the Castilla crude stream (18.5° API Colombian commercial grade).

During the first quarter of 2010, the Company obtained the declaration of commerciality for the Quifa SW field, which is now one of the Company’s most important producing properties. The average total gross production of the Quifa field for 2013 was 55,031 bbl/d.

During 2013, the Company continued to be one of the largest operators drilling horizontal wells in Colombia. Throughout the year, the Company drilled 169 development wells at the Rubiales field and 76 development wells at the Quifa SW field.

Other Oil

The Company holds a 100% interest in M&P Colombia, which owns 100% of the Sabanero Block. Average total gross production at the Sabanero block was 1,103 bbl/d in 2013.

In 2012, the Company acquired PetroMagdalena and C&C Energia, which expanded the Company’s light and medium oil production in Colombia. Average total gross production in 2013 at the Cubiro and Arrendajo blocks was 8,854 bbl/d and 1,759 bbl/d, respectively.

Average total gross production in 2013 at the Cravoviejo and Casamare Este blocks was 9,545 bbl/d and 707 bbl/d, respectively.

Natural Gas

In 2013, the Company continued its project to improve its facilities for handling and treating gas in La Creciente, which allowed for a stable average total gross production of approximately 10,761 MMcf/d.

Peru

During 2013, the Company's average net production in Peru, after royalties and internal consumption, totaled 1,355 boe/d.

Block Z-1

Production from Peru corresponds to the 49% participating share of production attributable to the Company from Block Z-1. Net production after royalties for 2013 from Block Z-1 was 1,355 bbl/d (total gross field production of 2,766 bbl/d) and net production for the fourth quarter of 2013 attributed from Block Z-1 averaged 1,244 bbl/d (total gross field 2,539 bbl/d).

On February 11, 2014, BPZ, the Company's partner in the producing offshore Block Z-1 announced that the average gross production had reached approximately 5,425 bbl/d (total net field production of approximately 2,765 bbl/d), representing a 114% increase (104% on a net production basis) as compared to the average production reported for the fourth quarter of 2013.

The Company acquired a direct 49% participating interest in the block as the result of a transaction with BPZ that received Peruvian governmental approval on December 12, 2012, but was effective as of January 1, 2012.

Exploration

The Company's exploration portfolio currently covers 7,024,031 hectares (17,356,760 acres), and it remains the largest portfolio of any independent oil and gas company in Colombia, second only to the state-owned Ecopetrol. The Company expanded its portfolio in 2012 by acquiring an interest in twenty-four blocks in Colombia through the Company's acquisition of PetroMagdalena, C&C Energia and the farm-in transaction involving the Portofino block. 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 2013, and as part of its exploration drilling campaign, the Company drilled a total of 34 wells with a success rate of 68%. This exploration drilling campaign resulted in new discoveries in the CPE-6, Quifa, Sabanero, Arrendajo, Cravoviejo, Cachicamo, Casanare Este, Cubiro, Yamy, La Creciente and Casimena blocks in Colombia, in the 131 block in Peru, and in the Karoon blocks in Brazil.

During the fourth quarter of 2013, the Company continued with its exploration activities in Colombia, Peru, Brazil, Guatemala, Belize, and Guyana. The exploration drilling campaign included 11 exploration wells (including stratigraphic and appraisal wells), all of which were drilled in Colombia. In addition, the Company finished the acquisition of 12,500 km of 2D seismic in Guyana and 2,361 km of aeromagnetic and aerogravimetric survey data in Colombia.

Total net exploration expenditure for 2013 was U.S.$593 million, which went towards exploration activities including drilling, seismic and other geophysical activities in Colombia, Peru, Brazil, Guatemala, Belize and Guyana, of which U.S.$144.4 million was for the fourth quarter of 2013. For further information see the heading entitled “Exploration Properties.”

Commercial Activity

During 2013, oil and gas volumes totaled 134,612 boe/d, representing an increase of 24% year over year, mainly driven by the significant increase in oil production. During 2013, the Company sold a total volume of 49.14 MMboe of crude oil and natural gas, of which 44.83 MMbbl of crude oil (91%) corresponded to exports. Oil and gas sales totaled U.S.$4,627 million during 2013, an increase of U.S.$742 million (19%) from U.S.$3,885 million in 2012. The following table highlights the average daily crude oil and gas produced and the trading volume sold as well the respective realized and international prices for 2012 and 2013:

	Average Volume of Sales (in boe/d)			
	Year ended December 31		Three months ended December 31	
Colombia and Peru	**2013**	**2012**	**Q4 2013**	**Q4 2012**
Oil	120,002	93,141	129,547	107,392
Gas	10,787	10,902	10,918	11,031
Trading	3,832	4,937	3,399	1,718
Total barrels sold (in boe/d)	134,621	108,980	143,864	120,141
Prices				
Oil realized price $/bbl	99.05	102.94	95.54	99.83
Gas realized price $/boe	37.27	42.19	32.69	43.80
Trading realized price $/bbl	101.40	114.62	99.11	100.66
Combined realized price Oil and Gas $/boe (excluding trading)	93.95	96.58	90.66	94.61
WTI NYMEX ($/bbl)	98.05	94.15	97.61	88.23
BRENT ICE ($/bbl)	108.70	111.68	109.35	110.13
Regulated Gas Price ($/MMBTU) (1)	5.81	5.90	5.65	6.04
Henry Hub average Natural Gas Price ($/MMbtu)	3.73	2.83	3.85	3.54

Notes:

(1) The domestic natural gas sale price is reference to MRP for gas produced in La Guajira field. The MRP is modified every six months based on the previous half-year variation of the US Gulf Coast Residual Fuel No. 6 1.0% sulphur, Platts.

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. 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. For further details regarding this risk factor see "Risk Factors – Competition."

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, Belize and Papua New Guinea is subject to environmental laws and regulations. Compliance with such obligations and requirements can mean significant expenditures and/or may constrain the Company's operations in the applicable jurisdiction. Breach of environmental obligations could lead to suspension or revocation of requisite environmental 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

As of the date hereof, the Company has 30 employees at its head office in Toronto, Canada, and approximately 2,594 employees in its project offices and field offices throughout Colombia. At its project offices in Lima, Peru, the Company has 205 employees, and the Company also has 17 employees in Houston, Texas, and 31 employees in Calgary, Alberta.

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 Papua New Guinea. The Company has an interest in 95 blocks in total, comprised of 74 blocks in Colombia, 9 blocks in Peru, 2 blocks in Guatemala, 8 blocks in Brazil, 1 block in Papua New Guinea, and 1 block in Belize.

Social and Environmental Policies

The Company has established guidelines and management systems to comply with the laws and regulations of Colombia and other countries in which it operates. During 2009, Meta and PSIE received certification of their environmental, health and safety management systems under ISO 9001, ISO 14001 and OHSAS 18001 standards. Additionally, during 2013, Meta and PSIE received certification in energy efficiency under ISO 50001 and both subsidiaries continue to be in compliance for all certifications. In 2013, the Company also obtained certification under ISO 50001 for energy efficiency. These management systems are developed to comply with applicable international health, safety, environmental and quality regulations and global performance standards.

The Company devotes significant time and resources to comply with the commitments made in its sustainability model. The Company has dedicated employees responsible for all matters affecting its stakeholders, principally the environment and local communities. While the Company endeavours to meet all of its environmental obligations, it cannot guarantee that it has and will be in compliance at all times. Nonetheless, management believes that operations are in substantial compliance with all material environmental laws and regulations, and the Company 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.”

To better manage potential environmental and social risks, the Company has developed an engagement policy to enforce its commitment to transparent relations with its stakeholders. Furthermore, it has created a specific protocol for each stakeholder that dictates basic guidelines for engagement. During the last quarter of 2013, the Company advanced the creation of protocols for engagement with communities and ethnic groups. In 2014, the Company will purse the implementation of these protocols.

In line with its commitment to respect and promote human rights and minimize potential human rights risks in its operations, the Company has trained over 400 direct and indirect employees in the Company’s security department. This training complies with the guidelines of the Colombian Mining and Energy Committee on Human Rights and Security, of which the Company is part. Additionally, the Company’s Colombian security department has been working with the Colombian Petroleum Association and the Ministry of National Defence, Department of Critical Infrastructure Protection on the development of security standards adapted for the hydrocarbon sector. The security department of the Company has also teamed up with local security committees in the departments in Colombia in which the Company operates (Meta, Casanare) creating dynamic security procedures regarding prevention in operations.

The Company has a social investment framework to execute its resources within the areas of education, competitiveness, institutional strengthening and solidarity investments. This framework helps the Company track the level of impact of these investments on its overall goals to increase the wellbeing of communities and contribute to Colombia’s development and efforts to alleviate extreme poverty. The Company’s social responsibility staff members are present in the various municipalities where the Company operates in order to determine the community’s needs and formulate the Company’s programs to meet the requirements of each particular area. The Company has been involved in the provision of educational and health supplies, the building of schools and funding of hospitals, and the sponsorship of other local, cultural, sporting and other organizations and events. In an effort to involve the Company’s employees in its social ventures, the Company created the “Agents of Change” volunteer program, which focuses on women as key actors in the development of their communities. During 2013, over 83 volunteers from different areas of the Company took part in training 15 chief-of-household mothers who are living in conditions of extreme poverty in certain neighbourhoods in Bogota. After the training with the volunteers and other institutional allies, the mothers obtained a donation from the Company to start

their respective small businesses and thus far have shown promising financial results. The Company will repeat this model in 2014 and will be expanding the pool of beneficiaries.

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 one of the first signatories of the "Business for Peace" initiative promoted by the Global Compact. Business for Peace aims to expand and deepen private-sector action in support of peace in the workplace, marketplace and local communities. This initiative will assist the Company in implementing responsible business practices aligned with the Global Compact's ten principles in conflict-affected and high-risk areas and catalyze action to advance peace. 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.

Pacific Rubiales was the first company to implement the EITI standards in Colombia and is committed to taking a leading role in the implementation of EITI in Colombia by collaborating with all stakeholders within the EITI. In Canada, which is an EITI-supporting country, as well as Peru and Guatemala, which are EITI candidate countries, Pacific Rubiales is committed to actively supporting EITI processes. In 2012, the Board of Directors appointed a Sustainability Committee at a managerial and board level to assist in carrying out the Company's corporate sustainability policies, including environmental, social, health, safety and ethical matters, which is responsible for advising the Board of Directors, committees of the Board of Directors and executive management on such matters. The Company also has a Gender Committee dedicated to the promotion of best practices relating to gender equality. During 2013, this committee created a gender policy and an action plan that will help the Company close gaps and break paradigms associated with the role of women in the industry and move towards more balanced gender relations.

In 2012, the Company entered the STOXX® Global ESG Index for the third year in a row. According to Sustainalytics' environmental, social and governance analysis, the Company ranks among the top 10 per cent of the oil, gas, coal, and consumable fuels peer group. It notes that the Company has demonstrated strong policies and management systems to mitigate the risks associated with operating in high-risk countries. Also, the Company has received the following recognition for its achievements in sustainability and corporate social responsibility: (i) World Finance (London) awarded Pacific Rubiales recognition as the "Most Sustainable Oil & Gas Company" in Latin America; (ii) an award from the RS and *Corporación Calidad* magazine for its contribution to sustainable development through holistic

management; (iii) silver and gold medals for our environmental responsibility, awarded by the Fundacion Siembra Colombia; (iv) a prize for the "Best Oil & Gas Producer in Corporate Social Responsibility 2012" awarded by Capital Finance International; (v) the award for excellence and innovations in corporate training by the international organization Corporate University Xchange (CorpU); and (vi) Women Together granted Pacific Rubiales with an award in recognition of its efforts towards human rights, social and environmental responsibility and ethical corporate standards. Finally, the Company became one of the two Latin American companies selected as winners of the award "Pioneros de la Inversión Social 2012" (pioneers of social investment), launched by the Secretary of Principles for Social Investment during the Corporate Sustainability Forum in 2012, "Rio+20."

The Company was selected for inclusion in the DJSI North America effective September 23, 2013. Although this is the Company's first inclusion in the financial index, the Company obtained the highest score in occupational health and safety practices of all assessed companies in the world. Additionally, the Company achieved the highest scores in social impact on communities, corporate governance, and environmental practices, thereby demonstrating the Company's commitment to its stakeholders. DJSI North America, which was established in 2005, tracks North American companies that are leaders in corporate social responsibility using rigorous indicators in the areas of corporate, economic, environmental and social performance.

During 2013, the Company consolidated its shared-value strategy and implemented a series of projects that will allow it to become a reference in the industry relating to solving social and environmental problems by promoting the competitiveness and profitability of the business. Among these are projects that optimize the use of water as a residue of the operations, fortify local providers and increase worker productivity.

The Company has qualified for inclusion in the Sustainability Yearbook for 2014. Every year since 2004, the Sustainability Yearbook has listed the world's most sustainable companies in each industry as determined by their score in RobecoSAM's annual Corporate Sustainability Assessment. To be included in the yearbook, companies must be within the top 15% of their industry and they must also achieve a score within 30% of the best-performing company in their industry. The Sustainability Yearbook is fully aligned with the Global Industry Classification System, the most widely used system in the financial industry.

For further details regarding the Company's sustainability policies, please see the Company's Sustainability Report, the newest version of which will be available on the Company's website at www.pacificrubiales.com in May 2014.

MATERIAL OIL AND NATURAL GAS CONTRACTS AND PROPERTIES

The following describes the Company's principal oil and gas contracts, properties and areas under evaluation as of December 31, 2013. Readers are cautioned that any estimates of reserves and future net revenue for individual properties disclosed in this Annual Information Form may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.

Producing Properties

The Company holds direct and indirect interests in certain hydrocarbon-producing properties in Colombia and Peru through its wholly owned subsidiaries, pursuant to certain agreements with Ecopetrol, the ANH

and farm-in agreements with third parties. The material producing properties and contracts are described below.

<u>Colombia</u>

Rubiales and Piriri Contracts

The Company holds an interest in the Rubiales and Piriri contracts pursuant to a 40% interest in a Participation Risk Contract and a 50% interest in an Association Contract, contracts known as the Rubiales Contract and the Piriri Contract, respectively. The combined area of the Rubiales and Piriri contracts is approximately 68,000 acres on a net basis and currently consists of 809 producing wells.

The Rubiales and Piriri contracts were originally entered into in July 1988 and have a maximum term of 28 years, depending on the results of exploration activities. As a result, the Rubiales and Piriri Contracts expire in June 2016. Upon termination of these contracts, any wells in production, any buildings and other real estate possessions in the Pirirí and Rubiales blocks will revert to Ecopetrol.

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

The Company has expanded its facilities to address its expanded production, and the Company's major production facilities' expansion in the Rubiales field has been completed. The Central Processing Facility (CPF-1), which was completed in 2009, has a crude oil capacity of 130,000 bbl/d and 1,100,000 bbl/d of water treatment. In November 2010, the Company started operations of the Central Processing Facility (CPF-2) with a nominal crude oil capacity of 70,000 bbl/d. The Company has added a new water treatment facility at CPF-2 to handle an incremental volume of 1,000,000 bbl/d of water. To support the growth in production, the Company has also expanded its infrastructure by building new well cluster facilities, one 32,000-bbl storage tank, two DAF units with capacities of 40,000 and 60,000 bbl, respectively, 22 new electrical power sub-stations, 12.7 km of new roads, 13.1 km of flow lines ranging 10 inches to 24 inches in diameter and 11.1 km of electrical distribution network, as well as improving the Company's truck loading capacity and expanding the Company's water injection capacity to 80,000 bbl/d.

The average total gross production of the Rubiales/Piriri field for the fourth quarter of 2013 was 204,308 bbl/d and the average total gross production throughout 2013 was 208,763 bbl/d.

Quifa Contract

The Company holds a 60% interest (which may change monthly as a function of the PAP formula as described herein) in the Quifa Contract, relating to a property known as the Quifa block, which covers approximately 226,000 acres, on a net basis (the "**Quifa Contract**"). The Quifa lock almost completely surrounds the Rubiales block, exhibiting many of the same pressure characteristics as Rubiales. The

Company divides the block into three producing regions: Quifa SW, Cajua and Quifa North. The Quifa contract was entered into on December 22, 2003, amended on May 25, 2005 and expires in December 2031.

During the first quarter of 2010, the Company obtained the declaration of commerciality for the Quifa SW field, which is now one of the Company's most important producing properties.

The Company currently has 233 producing wells for Quifa SW and 65 producing wells for Cajua, and the Company's facilities currently have the capacity to process 75,000 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 the fourth quarter of 2013, exploration activity for the Quifa block included the drilling of 20 producing wells for Quifa SW and 10 producing wells for Cajua. The Company plans to increase its processing infrastructure and its flow lines and plans to progressively increase production levels at Quifa to replace the output of the Rubiales field once the Rubiales and Pirirí contracts terminate in June 2016.

The average total gross production of this field during the fourth quarter of 2013 was 55,348 bbl/d and the average total gross production throughout 2013 was 55,031 bbl/d.

During the third quarter of 2012, Ecopetrol accepted the commerciality of the Cajua field, which is located in the Quifa block. The average total gross production for the Cajua field was 4,304 bbl/d in the fourth quarter of 2013 and 3,838 bbl/d throughout 2013.

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 in certain circumstances and the Company agreed to begin an arbitration process to clarify the interpretation. On March 13, 2013, an arbitration panel delivered a ruling in favor 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), who delivered its decision in February 2014, denying the appeal. 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). As of the date hereof, the Company has delivered all outstanding amounts of oil to Ecopetrol. For further information see the heading entitled "Legal Proceedings."

La Creciente Contract

Pacific Stratus, the Company's wholly owned subsidiary, holds a 100% interest (subject to adjustment by Ecopetrol based on the benchmark price of natural gas) in an agreement (the "**La Creciente Contract**") with the ANH relating to the La Creciente natural gas field, a 37,000-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) five exploration phases totaling 65 months; (ii) 2 to 4 years for an evaluation phase; and (iii) a 24-year exploitation phase, with the exploitation phase extendable for an additional 10 years or its economic limit.

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

To capitalize on better prices in the domestic market, in early 2009 the Company began bilateral negotiations with Gecelca S.A. E.S.P. and Promotora de Energía Electrica de Cartagena & Cía. S.C.A. E.S.P. for the natural gas volumes the Company had to offer. The Company subsequently entered into take-or-pay and interruptible supply agreements for a total of 60 MMcf/d from 2009 to 2015, 29 MMcf/d from 2016-2017 and 14 MMcf/d for 2018. In 2013, the Company partnered with Exmar N.V., a gas transporting company, to develop a liquefied natural gas project in northern Colombia with natural gas from the La Creciente field. The Company plans to continue to develop its proven reserves in the La Creciente field with the objective of reaching production levels of 64.8 MMcf/d by 2015.

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

The Company currently has six producing wells on this property and a production potential of 100 MMcf/d based on these six producing wells. The Company is working with Promigas, the operator of the system, to remove the current transportation bottleneck of 65 MMcf/d. The Company has completed 92% of the project to increase the process capacity to 100 MMcf/d at La Creciente station.

The average gas production of this field for the fourth quarter of 2013 was 10,820 MMcf/d and the average production throughout 2013 was 10,761 MMcf/d.

Cubiro Contract

In connection with the PetroMagdalena Acquisition, the Company acquired a 100% working interest in the Cubiro exploration and production contract with the ANH, which relates to the exploration and development of the Cubiro block located in Orocué, San Luis de Palenque y Trinidad, Departamento de Casanare, Colombia. The Cubiro block covers approximately 2,701 net acres in the Llanos Basin. The Cubiro block produces light crude oil and there are currently 43 active wells: 41 oil producers and 2 water injectors.

The Company has granted participation interests to Latin America Enterprise Fund Managers L.L.C. of 30.0%, 39.5% and 42.8% in the three subdivisions of this block, respectively. The contract, which was entered into in October 2004, provides for an initial exploration period of six years, extendable under certain circumstances, and a 24-year production period. Several commercial areas have been declared and are in production. The Company will continue with further exploration and drilling activities for the remainder of 2014.

The average total gross production of this field for the fourth quarter of 2013 was 10,281 bbl/d and the average total gross production throughout 2013 was 8,854 bbl/d.

Cravoviejo Block

In connection with the C&C Energia Acquisition, the Company has a 100% working interest in the Cravoviejo contract to explore and develop the Cravoviejo block, located in the Llanos Basin and covering approximately 48,839 net acres.

There are currently 41 active wells on the Cravoviejo Block: 35 oil producers and 6 water injectors. The Cravoviejo block's light and medium crude oil production is transported by truck and is marketed by Ecopetrol, among other buyers.

The Cravoviejo contract was entered into in May 2005 and provides for an initial exploration period of six years, extendable under certain circumstances, and a 24-year production period. The Company is currently in an extended exploration period for four years. At the same time, several commercial areas have been declared and are in production.

On April 27, 2013, the exploitation area of Carrizales field (in the Cravoviejo block) reached five million barrels of accumulated production of oil, activating the ANH rights on additional production participation share due to high prices pursuant to the E&P Cravoviejo contract. According to the contract terms, this additional participation share from Carrizales field is payable either in cash or in kind, and has been accounted for as part of the operating cost for this field.

On July 2, 2013, the Company reached an agreement with TOG to modify the terms and conditions of the 5% royalty in favour of TOG with respect to the Cravoviejo block. Pursuant to this agreement, the royalty is now a fixed monthly fee and will terminate in November 2015. As part of the transaction, the Company will transfer 100% of its participating interest (subject to governmental approval, as applicable) in the Yamu, Cerrito, Carbonera and Catguas blocks, all located in Colombia. The transaction is expected to be completed prior to April 2014.

The average total gross production of this field for the fourth quarter of 2013 was 9,629 bbl/d and the average total gross production throughout 2013 was 9,545 bbl/d.

The Company will continue with further exploration and drilling activities for the remainder of 2014.

Peru

Block Z-1

The Company has a 49% participation interest in the exploration and production contract for block Z-1, which includes the Corvina and Albacora fields located in the offshore Tumbes Basin in Peru. The remaining 51% interest is held by BPZ. The contract, which was awarded in November 2001 and became effective on January 30, 2002, provides for a 30-year production period for oil and a 40-year production period for gas from the effective date.

Block Z-1 produces light (32°API) and medium (24°API) crude oil in a proportion of approximately 23% / 77%. There are currently 16 active wells: 11 oil producers, 2 water injectors and 5 gas injectors (including 2 double completed wells). The block Z-1's light crude oil production is transported by ship.

In the fourth quarter of 2013, two exploration wells were approved for drilling, one in the Delfin Prospect in Block Z-1 and one in the Fortuna 1 Well in Block 116. Both projects have received environmental permission and the Fortuna 1 Well is currently being drilled.

The average total gross production of this field for the fourth quarter of 2013 was 2,539 bbl/d. The average total gross production for this field throughout 2013 was 2,766 bbl/d.

Exploration Properties

Exploration is playing an increasingly important role in the Company's activities in Colombia, Peru, Brazil, Guyana, Papua New Guinea, 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 Colombian government other than costs agreed upon in each contract.

During 2013, total net exploration expenditure was approximately U.S.$593 million with exploration activities consisting of drilling, seismic and other geophysical activities in Colombia, Peru, Brazil, Guatemala, Belize and Guyana, of which U.S.$144.4 million were for the fourth quarter of 2013. For further information, see the heading entitled "Exploration Properties."

The principal properties that are subject to the Company's exploration and production contracts and TEAs in Colombia are described below.

Ecopetrol Contracts

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

Quifa Contract

The Company holds a 60% interest in the Quifa Contract relating to a property known as the Quifa block. During the first quarter of 2010, the Company accomplished the commitments for the last phase of the exploratory program, and in April 2010, the Company obtained the declaration of commerciality for the Quifa SW field. In May 2010, Ecopetrol, who holds the remaining 40% working interest, approved the extension of the exploratory program for two additional years. The Quifa block covers an area of 234,254 km^2 surrounding the Rubiales field, located in the Puerto Gaitan area within the Meta Department in Colombia.

The Company is currently in the exploration and production period of the Quifa contract. During the exploration period and through the drilling of the second well, the Company is responsible for all exploration risks and costs. Currently, the exploration risks and costs are split 70% / 30% between Meta and Ecopetrol, respectively. The Company has the right to operate the block during the term of the Quifa contract, with operating expenses split 70% / 30% between the Company and Ecopetrol. Production after payment of legal royalties is distributed 60% to the Company and 40% to Ecopetrol. Ecopetrol has a right to an additional participation in production once the accumulated production of the Quifa block exceeds 5,000 Mbbl.

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

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

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

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

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

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

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

API grade produced	Po USD$/bbl
< 10º and ≤ 15º	$40
< 15º and ≤ 22º	$28
< 22º and ≤ 29º	$27
< 29	$26

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

The PAP Formula may also be triggered in respect of gaseous hydrocarbons five years after a producing gas field has been declared commercial ; however, the Company does not currently expect the Quifa block to yield significant gas resources. 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 repay its debt in July 2013 with 6,500 barrels per day of crude oil. Please see "Legal Proceedings" for further information.

During the fourth quarter of 2013, the Company drilled four exploration wells and continued with the acquisition of 721 km^2 of 3D seismic survey in the northwestern portion of the block. The QFN-D-1X exploration well, located in the prospect "QFN-D" of north Quifa, showed 21 feet of net pay and is considered a new oil discovery for this prospect. At this time the well is under an extended production test. This well, together with QFE-S-1X, which was drilled during the third quarter of 2013, confirms the hydrocarbon potential in these areas. The Company is currently preparing an appraisal drilling campaign to evaluate and confirm the extension of these discoveries.

ANH Contracts

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

La Creciente Block

Pacific Stratus, the Company's wholly owned subsidiary, holds a 100% interest in the La Creciente Contract. The La Creciente Contract covers five consecutive exploration phases that ended on January 18, 2010. At that point, two additional 2-year exploration phases were requested and approved, with commitments of one exploratory well each. The first of these additional phases expired in January 2012.

On November 6, 2013, the exploration well LCH-1X in the La Creciente block reached total depth of 11,552 feet. The well, drilled on the "H" prospect, flowed gas at less than 2 MMcf/d from the Ciénaga de Oro sands. A subsequent sidetrack, directionally drilled to investigate the western flank of the new "H" discovery, was in progress by December 31, 2013.

Also in 2013, the LCI-1XST exploration well produced 9.4 MMcf/d on short-term tests through a 18/6 inch choke in the Ciénaga de Oro sands, thus confirming the prospect "I" gas discovery. A subsequent test of Porquero Medio sands tested wet. The well was completed as a suspended gas producer, waiting on tie-in to the La Creciente facilities.

Guama

On April 10, 2007, the Company was awarded a 100% interest in the 74,346-hectare Guama block located in the Lower Magdalena Valley Basin in the north of Colombia.

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

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

On September 23, 2013, the Company received the Global Environmental Licence from the Colombian environmental authority, the ANLA. This Licence allows the Company to advance the Guama block into its development phase. The Licence provides the Company with authorization to drill up to 20 development wells and the construction of production facilities.

During the fourth quarter of 2013, the Company carried out the planned well stimulation and tests on Capure-1X, obtaining after-frac gas condensate and oil from three zones in the Miocene Porquero sand reservoir, which resulted in the fourth discovery in the area.

CPE-6

In September 2008, and as part of the Heavy Oil Round, the CPE-6 Block TEA (technical evaluation contract) was awarded to a joint venture made up of the Company (50%) and Talisman (Colombia) Oil & Gas Ltd. (50%), with the Company as operator. The CPE-6 Block has an area of 593,000 acres and is located to the southwest of the Rubiales field and the Quifa Block.

During 2013, the Company established its first two producing wells on the CPE-6 Block. The Company will be moving a third rig into the CPE-6 Block in early 2014 and plans to drill 15 exploration and appraisal wells and 35 development wells during the year. The Company is in the process of moving modular production equipment into the block to accommodate the expected early production

For further information, see "General Development of the Business – Environmental Licences for the CPE-6, Guama E&P Blocks and Rubiales Field."

As of year-end 2013, the Company had successfully drilled one exploration well and one appraisal well.

In 2013, the CPE-6-1X exploration well was drilled at a total depth of 3,318 feet in the Hamaca prospect, targeting the basal sand unit of the Carbonera Formation. 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. The well was open-hole completed in the net pay interval and tested at an average flow rate of 222 bbl/d of 10.8°API with 27.6% water cut by year-end.

The CPE6-H2 appraisal well was drilled approximately 3.8 km northeast of the CPE-6-1X 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, 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. With the drilling of the CPE-6-1X exploration well, the Company has fulfilled the work commitments for the first phase of this E&P contract.

As of December 31, 2013, the average production at the CPE-6 Block was 185 bbl/d and 101 bbl/d of 9.8°API with 27.6% and 56% water cut, respectively.

Casanare Este Block

Through the Petrominerales Acquisition, the Company has a 100% working interest in the Casanare Este Block, which covers approximately 43,294 acres and is located near a number of producing oil fields in the Llanos Basin and directly south of Castor. The block is governed by an ANH contract that was signed on June 2, 2005, and is currently in its first two-year post-exploration period.

During the fourth quarter of 2013, the Company drilled two appraisal wells at the Curito discovery. The Curito-2 well was drilled to a total depth of 10,201 feet, and petrophysical evaluation indicated 18.3 feet of net pay in the C7. The well was completed in the C7 Formation and has produced an average of 1,903 bbl/d of 34.5°API oil with an average water cut of 36%. The Curito-3 well was drilled to a depth of 10,421 feet. Petrophysical evaluation indicated 7.7 feet of net pay in the C7 Formation. The well was completed in the C7 formation and since November 18, 2013 has produced an average of 2,685 bbl/d of 34.5°API oil with an average water cut of 21%.

Rio Ariari

In connection with the Petrominerales Acquisition, the Company has a 100% working interest in the Rio Ariari Block, which covers approximately 514,426 net acres and is located in Colombia's Llanos Basin. This interest is subject to an exploration contract between Petrominerales and the ANH.

The Company's current exploration licence for the Rio Ariari Block allows for the Company to continue exploration and production testing in 2014, leading to development in 2015. The Company expects to move one drill rig onto the Rio Ariari Block by early 2014.

During the fourth quarter of 2013, in the Rio Ariari Block, the Mochelo Sur-1HZ well was drilled to a vertical depth of 5,095 feet and with a 3,004-foot horizontal leg. The well was open-hole completed and has initially tested at rates over 400 bbl/d of 9 °API oil. The well is waiting on results from other wells in the area to decide on further extended testing using a higher volume electrical submersible pump.

The average net production of this block throughout 2013 was 154 bbl/d.

Cravoviejo Block

In connection with the C&C Energia Acquisition, the Company has a 100% working interest in the Cravoviejo contract to explore and develop the Cravoviejo Block, located in the Llanos Basin and covering approximately 69,068 net acres.

During the fourth quarter of 2013, the Gemar-2 well reached total depth at 9,300 feet. The well found five and four feet of potential pay in the Gacheta and the Carbonera C5 formations, respectively. The well was completed in the C5 sand with an ESP and 395 bbl/d with a BSW of 8%.

PIPELINES

The Company has interests in several operating pipelines as well as pipelines under construction. 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

On January 2, 2008, the Company signed a memorandum of understanding with Ecopetrol for the construction and operation of the ODL Pipeline through a special purpose company, ODL, owned 65% by Ecopetrol and 35% by Pacific Rubiales. The ODL pipeline was built for the transport of the heavy crude oil the Company produces from the Rubiales oil field to the Monterrey Station in the Casanare province, which is an integral part of Colombia's oil transport system and is connected with the OCENSA Pipeline system.

The ODL pipeline project was a key element of the Company's plan for the expansion of the Rubiales oil field, and has allowed the Company to develop the fields to their current levels and to substantially decrease transportation costs.

For the twelve months ending December 31, 2013, the ODL Pipeline transported a total of 88 MMbbl and 34.72% of this volume corresponds to the Company's crude oil share.

Beginning in 2014, ODL changed its business model from cost centre to profit centre. Under the new business model, the shipper will pay a regulated tariff while maintaining its ownership capacity in the pipeline.

For further information, see “Historical Overview - ODL Pipeline.”

The OCENSA Pipeline

During the last quarter of 2009, the Company entered into two agreements with OCENSA in order to secure firm transport capacity for its production from the Rubiales field. 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 conjunction with this agreement, the Company entered into a related transportation contract to regulate the operating aspects of transporting oil through the OCENSA system. Under this contact, the Company will deliver its production to OCENSA at either the Cusiana station or the El Porvenir station and pump it through to the Coveñas terminal. The Company will pay the transportation tariff set by the Ministry of Mines and Energy of Colombia for each segment of the OCENSA Pipeline.

The agreements with OCENSA are designed to ensure the transportation of the Company’s share of production from the Rubiales field until the expiration of the contract in June 2016 as well as allow for the optimization of the use of diluents for substantial savings in the Company’s transportation cost.

The OAM Pipeline

Through its acquisition of Pacific Stratus, the Company acquired 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 246 miles from Tenay to Vasconia and has a capacity of 110,000 bbl/d. Currently, crude oil production is transported via the OAM pipeline to Vasconia and from Vasconia to the Coveñas terminal via the OCENSA 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 out of capacity at preferential rates.

The OGD Pipeline

Also through its acquisition of Pacific Stratus, the Company has acquired a 90.6% working interest in the OGD pipeline through a joint venture agreement with Cimarrona LLC. The OGD is a 10-inch diameter pipeline that runs approximately 39 miles from the Company’s production facilities at the Guaduas field to the OAM pipeline at La Dorada 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 from the Dindal-Rio Seco blocks to the OAM pipeline using all available capacity.

The ODC Pipeline

Also through its acquisition of Pacific Stratus, the Company acquired 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 300 miles 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 into capacity and up to 30,000 bbl/d out of capacity at preferential rates, provided that the other owners have availability.

Bicentenario Pipeline

In December 2010, the Company 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 acquisition of C&C Energia and Petrominerales respectively, such that the Company now holds a 43.03% equity interest in the Bicentenario Pipeline. Bicentenario is a special-purpose entity promoted by Ecopetrol, who has a 55.97% interest in the company, with the remaining 1% interest owned by other oil producers operating in Colombia. Bicentenario will be responsible for the financing, design, construction and eventual operation of the pipeline, which will run from Araguaney in the Casanare Department in central Colombia to the Coveñas export terminal in the Caribbean.

The new pipeline will eventually add 450,000 bbl/d to the capacity of the existing pipeline systems, connecting the Eastern Llanos Basin to export markets. The project includes a new pipeline from Araguaney Station to Coveñas export terminal. Total extension of this new pipeline is estimated to be 976 km with different sections of 30-, 36- and 42-inch diameter line. The startup of this pipeline is an important milestone in reducing the Company's crude oil transportation costs.

Phases 0 and 1 required an aggregate investment of U.S.$1.9 billion, excluding financing costs. The shareholders of Bicentenario contributed 30% equity and the remainder of the finance was obtained through project financing with local banks.

Operations started on November 1, 2013, and as at December 31, 2013, approximately 3.4 MMbbl had been pumped through the system.

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

Pipelines in Construction

La Creciente Gas Pipeline

On April 26, 2011, the Company partnered with Exmar N.V., a gas transportation company, to develop a liquefied natural gas project in northern Colombia. This project includes the construction of an 84-km natural gas onshore pipeline from La Creciente to Tolú and a 3.9-km offshore pipeline from the shore to a liquefied natural gas floating plant for the transportation of up to 100 MMcfd from the La Creciente field. This project would allow the Company to take advantage of current high gas prices in the international markets and further diversify its portfolio by selling into Panama, Aruba and the island of San Andres, Colombia.

As of December 2013, basic and detailed engineering for the gas pipeline and the offshore jetty was 97% complete. A port concession for the LNG terminal has been granted, pending environmental licencing

permits for the subsea line. As of the date of this report, the process to select the EPC contractor is ongoing and purchase orders for long-lead items have been placed, including one for the pipeline.

Cartagena to Coveñas Pipeline (OLECAR)

The Company currently holds a 41.65% equity interest in Pacific Infrastructure, which is developing a new crude oil and products terminal and port in Cartagena, as well as a new pipeline that will link Coveñas with Cartagena in the Caribbean region. The OLECAR pipeline will ensure the uninterrupted supply of crude oil for export, which includes: (i) a pumping station at Coveñas with a capacity of 300 Mbbl/d, (ii) a 30-inch diameter, 130-km pipeline, and (iii) a bi-directional connection between Cartagena Refinery and Puerto Bahía.

As of the date hereof, the project has a progress of 18% with CONCOCAR Consortium being selected as the EPC company. Environmental permits for the OLECAR pipeline have been granted by the ANLA and right-of-way negotiations are currently in progress. In addition, long-lead items' purchase orders have been placed, including pipe and main pumps.

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.

Fluctuating Prices

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

Prices varied considerably throughout 2008, and beginning in August 2008, the price of oil decreased significantly, concurrent with the downturn in the global economy. From 2008 to present, the price of WTI crude oil has ranged 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 March 3, 2014, the price of WTI crude oil was U.S.$105.34 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.

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'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) joint venture and operating contract expiries, including the Rubiales and Piriri contracts which will expire in June 2016; (ii) high competition for attractive reserves and resources acquisitions; (iii) limitations on oil recovery, including water production increases and environmental permitting delays relating to water disposal; and (iv) the Company's ability to solve the problems related to obtaining environmental permits.

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

Exploration and Development

The exploration and development of oil and natural gas deposits involve a number of uncertainties that even thorough evaluation, experience and knowledge of the industry cannot eliminate. It is impossible to guarantee that the exploration programs on the Company's properties will generate economically recoverable reserves. The commercial viability of a new hydrocarbon pool is dependent upon a number of factors which are inherent to reserves such as hydrocarbon composition, associated non-hydrocarbon fluids and proximity of infrastructure as well as 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. The Company will remain subject to normal risks inherent to the oil and natural gas industry such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations.

Global Financial Conditions

Global financial conditions may be subject to high volatility which could result, as they have in the past, in numerous commercial and financial enterprises either going into bankruptcy or creditor protection or having had to be rescued by governmental authorities. In recent years, access to public financing has been negatively impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets, massive investment losses by banks with resultant recapitalization efforts and a deterioration in the global economy. More recently, the European debt crisis has affected equity investor sentiment and, if it worsens, could also affect worldwide credit markets, which might impact the Company. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions can cause 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, with extremely limited access to new facilities or for new borrowers. These factors, if they were to reoccur, could negatively impact the Company's ability to access liquidity needed for the Company's business in the longer term.

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

In addition, certain of 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.

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 property, natural resources and equipment, pollution or other environmental damage, unplanned production outage, cleanup responsibilities, regulatory investigation and penalties, increased public interest in the Company’s operational performance and suspension of operations.

In 2012, the Company acquired direct and indirect interests in the offshore drilling operations in: (i) Block Z-1, Peru; (ii) the Santos, 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. The Company plans to continue to seek new offshore properties and to drill in similar environments.

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

Security Risks

The Company's operations may be adversely affected by security incidents 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, including Colombia, Papua New Guinea and Guyana. A significant security incident could result in the deferral of or termination of Company activity within the impacted areas of operations, thus adversely impacting execution of the Company's business strategy, which could adversely affect the Company's financial position, results of operations and cash flows.

Reserves Estimates

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

Transportation Costs

Disruption in or increased costs of transportation services could make oil and natural gas a less competitive source of energy or could make the Company's oil and natural gas less competitive than other sources. The industry depends on trucking, ocean-going vessels, and pipeline facilities to deliver shipments, and transportation costs are a significant component of the total cost of supplying oil and natural gas; currently, the Company transports, via pipeline and trucks (to a certain extent), its production from the Rubiales field, its primary source of revenue. Disruptions of these transportation services

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

Disruptions in Production

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

Exploration and development activities are subject to numerous licencing 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 licencing 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.

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. 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 which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The exploration, development and production activities of the Company will require certain permits and 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 which the Company may require to carry out exploration and development of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Additional Funding Requirements

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

Political Risk

The Company's projects are located in numerous countries, and consequently the Company will be subject to certain risks including currency fluctuations and possible political or economic instability. Exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry. Colombia was home to South America's largest and longest-running insurgency, and over the past two decades has experienced significant social upheaval and criminal activity relating to drug trafficking. While the situation has improved dramatically in recent years, there can be no guarantee that the situation will not again deteriorate. Any increase in kidnapping and/or terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations. Additionally, the perception that matters have not improved in Colombia may hinder the Company's ability to access capital in a timely or cost-effective manner. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and site safety.

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

Labour Disruptions

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

In October 2011, a group of unknown individuals entered the Rubiales and Quifa fields for the purpose of causing a labour disruption. These individuals were not the Company's employees or the employees of the Company's contractors. The Colombian authorities sent additional police and soldiers to the

Company's fields to guarantee the protection of our assets, personnel and continuity of production. In 2011, these work stoppages resulted in an aggregate loss of net production of approximately 491,933 bbl. The agreements reached with these 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.

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

Health Hazards and Personal Safety Incidents

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

Title Matters

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

Dividends

Any payments of dividends on the Common Shares will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors that the Company's Board of Directors may consider appropriate in the circumstances. While the Board of Directors intends to continue paying a quarterly cash dividend in the amount of U.S.$0.165 per Common Share, the continued payment of any dividends is strictly dependent on the financial position of the Company and as such, is not guaranteed. For further details, see the heading entitled "Historical Overview – Dividends" and "Dividends."

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

Dependence on Management

The Chief Executive Officer, President, Co-Chairmen and senior officers of the Company are critical to its success. In the event of the departure of the Chief Executive Officer or a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors, but there can be no

assurance of such success. If the Company is not successful in attracting and retaining qualified personnel, the efficiency of its operations could be affected, which could have a material, adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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

Ability to Attract and Retain Qualified Personnel

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

Changes in Legislation

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

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

Corruption

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

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

Litigation

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

Repatriation of Earnings

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

Enforcement of Civil Liabilities

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

Competition

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

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, to cover such decommissioning costs 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.

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 our expectations, this may adversely affect our 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.

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.

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, 2013, our largest credit exposure in accounts receivables to a single party, an international client, was for U.S.$95.4 million, or 21% of trade accounts receivables. 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.

RESERVES DATA AND OTHER INFORMATION

The Company's reserves were evaluated by Petrotech, RPS, NSAI, and D&M, each an independent petroleum engineering consulting firm, and are effective December 31, 2013, in accordance with NI 51-101. Petrotech, RPS, NSAI and D&M are each independent qualified reserves evaluators appointed pursuant to NI 51-101.

2013 Reserves Reports

RPS prepared the following reserves reports: (i) the report dated February 14, 2014, effective December 31, 2013, entitled "Reserves Certification Report for the Rubiales Field, Colombia, Meta Petroleum Corp."; and (ii) the report dated February 14, 2014, effective December 31, 2013, entitled "Reserves Certification Report, Year-End 2013, Quifa Field, Southwest Region, Colombia, Meta Petroleum Corp."

Petrotech prepared the report dated February 18, 2014, effective December 31, 2013, entitled "Evaluation of the Proved & Probable Reserves of Pacific Rubiales Energy Corp. in 16 Blocks in Colombia and 2 Blocks in Peru for Year-Ending 2013."

NSAI prepared the report dated February 19, 2014, effective December 31, 2013, 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."

D&M prepared the report dated February 17, 2014, effective December 31, 2013, entitled "Appraisal Report as of December 31, 2013 on Certain Properties in Colombia for Petrominerales Colombia Ltd., Executive Summary."

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

DIVIDENDS

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

In 2013, the Company paid an average quarterly dividend in cash in the amount of U.S.$0.15 per Common Share and currently pays dividends quarterly at a rate of U.S.$0.165 per Common Share. In the aggregate, approximately U.S.$195.76 million was paid to holders of Common Shares in 2013. To date, approximately U.S.$452.9 million has been paid to shareholders of the Company in dividends.

Pacific Rubiales confirms that all dividends paid to shareholders in 2013 were "eligible dividends" pursuant to the provisions of the *Income Tax Act* (Canada). Furthermore, it is expected that all dividends paid in 2014 and subsequent years will be eligible dividends for such purposes.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares ("**Preferred Shares**") without par value. As of the date hereof, there are 314,750,358 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.

2011 Senior Notes

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

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

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

If a change of control (as defined in the 2011 Senior Note Indenture) occurs at any time during which any 2011 Senior Notes remain outstanding, a holder of a 2011 Senior Note shall be entitled to require the Company to repurchase all or any part of that holder's 2011 Senior Notes. No purchase in part shall reduce the outstanding principal amount of the 2011 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 2011 Senior Notes repurchased plus accrued but unpaid interest and additional amounts, if any.

Pursuant to the terms and conditions of the 2011 Senior Note Indenture, the Company may redeem any or all of the 2011 Senior Notes prior to the maturity date under certain situations including, but not limited to, optional redemptions prior to and subsequent to December 12, 2016 and tax redemptions.

Pursuant to the terms and conditions of the 2011 Senior Note Indenture, if the Company dissolves or winds up, the principal amount of all 2011 Senior Notes together with all accrued interest thereon shall become and be immediately due and payable.

On December 5, 2011, the Company commenced an offer to exchange its 2009 Senior Notes, whereby the maturity of the 2009 Senior Notes was extended until 2021, which is the maturity of the Company's 2011 Senior Notes. As of December 16, 2011, the U.S.$336.4 million aggregate principal amount of the 2009 Senior Notes was validly tendered and accepted in exchange for 2011 Senior Notes. At the Expiration Date, the Exchange Offer resulted in the U.S.$358.5 million aggregate principal amount of the 2009 Senior Notes being validly tendered and accepted in exchange for 2011 Senior Notes, representing approximately 80% of the total outstanding 2011 Senior Notes. For further details regarding the 2009 Senior Notes see the heading entitled "Historical Overview – 2009 Senior Notes Exchange Offer."

On December 3, 2013, the Company re-opened the 2011 Senior Notes to issue an additional U.S.$300 million in 2011 Senior Notes pursuant to a supplemental indenture dated December 3, 2013.

As of December 31, 2013, the aggregate principal amount of 2011 Senior Notes outstanding was U.S.$1.012 billion.

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

March 2013 Senior Notes

On March 28, 2013, the Company closed the issuance of U.S.$1 billion of March 2013 Senior Notes. The March 2013 Senior Notes are direct, unsecured, subordinated obligations with interest payable in arrears at a rate of 5.125% on March 28 and September 28 of each year commencing on September 28, 2013.

The March 2013 Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Under the terms of the notes, the Company is required to maintain: (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. The Company was compliant with the covenants during the period.

If a change of control (as defined in the March 2013 Senior Note Indenture) occurs at any time during which any March 2013 Senior Notes remain outstanding, a holder of a March 2013 Senior Note shall be entitled to require the Company to purchase all or any part of the holder's March 2013 Senior Notes. No purchase in part shall reduce the outstanding principal amount of the March 2013 Senior Notes held by any holder to below U.S.$100,000. The Company must offer a cash payment equal to 101% of the aggregate principal amount of March 2013 Senior Notes repurchased plus accrued but unpaid interest and additional amounts, if any.

Pursuant to the terms and conditions of the March 2013 Senior Note Indenture, the Company may redeem any or all of the March 2013 Senior Notes prior to the maturity date under certain situations including, but not limited to, optional redemptions prior to and subsequent to March 28, 2018 and tax redemptions.

Pursuant to the terms and conditions of the March 2013 Senior Note Indenture, if the Company dissolves or winds up, the principal amount of all March 2013 Senior Notes together with all accrued interest thereon shall become and be immediately due and payable.

As at December 31, 2013, the aggregate principal amount of the 2013 Senior Notes outstanding was U.S.$1 billion.

For further details regarding the March 2013 Senior Notes see the headings entitled "Historical Overview – March 2013 Senior Notes."

November 2013 Senior Notes

On November 26, 2013, the Company closed the issuance of $1.3 billion of November 2013 Senior Notes. The November 2013 Senior Notes are direct, unsecured, subordinated obligations with interest payable in arrears at a rate of 5.375% on July 26 and January 26 of each year commencing January 26, 2014.

The November 2013 Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Under the terms of the notes, the Company is required to maintain: (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.

If a change of control (as defined in the November 2013 Senior Note Indenture) occurs at any time during which any November 2013 Senior Notes remain outstanding, a holder of a November 2013 Senior Note shall be entitled to require the Company to purchase all or any part of the holder's November 2013 Senior Notes. No purchase in part shall reduce the outstanding principal amount of the November 2013 Senior Notes held by any holder to below US$100,000. The Company must offer a cash payment equal to 101% of the aggregate principal amount of November 2013 Senior Notes repurchased plus accrued but unpaid interest and additional amounts, if any.

Pursuant to the terms and conditions of the November 2013 Senior Note Indenture, the Company may redeem any or all of the November 2013 Senior Notes prior to the maturity date under certain situations, including, but not limited to, optional redemptions prior to and subsequent to January 26, 2017 and tax redemptions.

Pursuant to the terms and conditions of the November 2013 Senior Note Indenture, if the Company dissolves or winds up, the principal amount of all November 2013 Senior Notes together with all accrued interest thereon shall become and be immediately due and payable.

As of December 31, 2013, the aggregate principal amount of the November 2013 Senior Notes outstanding was $1.3 billion.

For further details regarding the November 2013 Senior Notes, see the headings entitled "Historical Overview – November 2013 Senior Notes Financing Due 2012."

Shareholder Rights Plan

On March 9, 2009, the Board of Directors approved a shareholder protection rights plan agreement (the "**2009 Rights Plan**") entered into between the Company and Equity Financial as rights agent. The purpose of the 2009 Rights Plan was to encourage an offeror either to make a Permitted Bid (as defined in

the 2009 Rights Plan) without approval of the Board of Directors, having terms and conditions designed to meet the objectives of the 2009 Rights Plan, or to negotiate the terms of an offer with the Board of Directors. Failure to do either creates the potential for substantial dilution of the offeror's position. The 2009 Rights Plan was to continue in force until the annual meeting of shareholders in 2012.

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

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

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The Common Shares are listed on the TSX under the trading symbol "PRE" and on the BVC under the Trading symbol "PREC." The closing price of the Common Shares on the TSX on March 12, 2014 was $16.28.

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

Period (2013)	High	Low	Trading Volume
December	$20.03	$18.07	18,943,095
November	$22.60	$18.79	27,238,138
October	$22.95	$20.30	19,627,053
September	$21.85	$19.09	22,271,270
August	$21.85	$18.86	17,967,664
July	$18.43	$17.55	19,756,910
June	$23.43	$18.15	17,956,370
May	$22.10	$19.68	17,385,591
April	$21.80	$19.15	17,285,954
March	$25.94	$20.82	24,445,647
February	$25.31	$23.06	16,175,536
January	$23.81	$21.92	31,194,537

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 (2013)	High	Low	Trading Volume
December	36,400	33,020	5,759,564
November	41,000	34,700	15,674,795
October	41,880	37,140	12,965,982
September	40,120	35,820	16,702,341
August	39,180	34,800	7,035,664
July	38,980	32,000	8,818,043
June	41,900	33,300	8,828,533
May	40,800	35,000	8,920,254
April	39,200	34,400	11,635,214
March	45,680	37,120	10,147,193
February	44,400	41,500	8,403,459
January	42,080	39,500	9,099,510

BDRs

BDRs, representing Common Shares, are traded on the BOVESPA under the symbol "PREB." The following sets out high and low trading prices of the BDRs for the periods indicated, as reported by the BOVESPA in the Brazilian Real. Other than as set out below, there was no trading activity for the BDRs during 2013.

Period (2013)	High	Low	Trading Volume
March	R$50.62	R$49.76	200
February	R$49.02	R$47.95	700

Debentures

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

Period (2013)	High	Low	Trading Volume
September*	N/A	N/A	N/A
August	$160.00	$160.00	855
July	$146.00	$143.50	230
June	$169.78	$147.61	790
May	$170.00	$169.00	780

Period (2013)	High	Low	Trading Volume
April	$170.00	$155.01	780
March	$205.00	$175.00	490
February	$200.00	$185.00	500
January	$185.00	$177.00	220

*Debentures expired August 29, 2013.

2011 Senior Notes

The 2011 Senior Notes are listed on the Luxembourg Stock Exchange as "PacificRubEnerg 7.25% 11-21 12/12s ne" and commenced trading on December 12, 2011. The trading activity for these notes during 2013, as reported by the Luxembourg Stock Exchange, is insufficient to provide meaningful trading data for the purposes of this Annual Information Form.

March 2013 Senior Notes

The March 2013 Senior Notes are listed on the Luxembourg Stock Exchange as "PacificRubEnerg 5.125% 13-23 28/09s ne" and commenced trading on March 28, 2013. The trading activity for these notes during 2013, as reported by the Luxembourg Stock Exchange, is insufficient to provide meaningful trading data for the purposes of this Annual Information Form.

November 2013 Senior Notes

The November 2013 Senior Notes are listed on the Luxembourg Stock Exchange as "PacificRubEnerg 5.375% 13-19 26/01s ne" and commenced trading on November 26, 2013. The trading activity for these notes during 2013, 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, other than the following:

Date of Sale	Type of Security	Number of Securities	Exercise/Conversion Price	Expiry Date
January 28, 2013	Stock Options	6,218,500	$23.26	January 28, 2018
February 7, 2013	Stock Options	75,000	$24.10	February 7, 2018
February 8, 2013	Stock Options	767,500	$24.32	February 8, 2018
November 15, 2013	Stock Options	152,500	$19.21	November 15, 2018

DIRECTORS AND OFFICERS

Directors and Officers of the Company

As at December 31, 2013, the directors and executive officers of the Company (as a group) owned, or exerted direction or control over, a total of 10,990,524 Common Shares, representing 3.49% of the Company's total issued and outstanding Common Shares on a non-fully diluted basis.

The information is given below with respect to each of the current directors and executive officers of the Company. The term of office of each director expires at the end of the May 31, 2014 annual meeting of shareholders.

The following table sets forth the name, municipality of residence of each director and executive officer of the Company, as well as such individual's position within the Company, principal occupation within the five (5) preceding years and number of Common Shares beneficially owned by each such director or executive officer. Information as to residence, principal occupation and Common shares owned is based upon information furnished by the person concerned and is as at December 31, 2013.

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) Panama City, Panama Executive Co-Chairman, Director	January 23, 2008	Co-Chairman of the Board of the Company 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., Pacific Coal, CGX Energy and US Oil Sands Inc.	1,099,585
Miguel de la Campa(2)(5) Caracas, Venezuela Executive Co-Chairman, Director	January 23, 2008	Co-Chairman of the Board of the Company since January 23, 2008; Co-Chairman of the Board of Pacific Stratus from August 21, 2006 to January 23, 2008. Mr. de la Campa is also a director of Gran Colombia Gold Corp., Pacific Coal, CGX Energy and US Oil Sands Inc.	1,936,165
Ronald Pantin(2) Bogotá, Colombia Chief Executive Officer, Director	May 22, 2007	Chief Executive Officer of the Company since May 2007. Mr. Pantin is also a director of Pacific Coal and CGX Energy.	1,142,584
José Francisco Arata(2)(6)(7) Bogotá, Colombia President, Director	January 23, 2008	President of the Company since January 23, 2008; Chief Executive Officer and director of Pacific Stratus from August 21, 2006 to January 23, 2008. Mr. Arata is also a director of Pacific Coal and CGX.	1,185,823
German Efromovich Quito, Ecuador Director	June 16, 2007	Entrepreneur and director of Synergy Group of Companies, which is involved in ship and drilling rig leasing and manufacturing, oil production and aviation services. Mr. Efromovich is also a director of Avianca.	5,247,084(9)

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]
Augusto Lopez Bogotá, Colombia Director	April 30, 2008	Mr. Lopez is an electrical engineer, a designation obtained through the Sociedad Antioqueña de Ingenieros in Colombia, and holds an Electrical Engineering Degree from Universidad Pontificia Bolivariana. Mr. Lopez is a director of Pacific Rubiales and has held the position since April 2008. Mr. Lopez has worked for over 40 years in various capacities and in various industries in South America and Europe, 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 Petroamerica Oil Corp., Gran Colombia Gold Corp., and of Sportsat, a firm operator of a national T.V channel and producers of content for television.	38,000
Victor Rivera[5][6][7][8] Bogotá, Colombia Director	February 16, 2010	Mr. Rivera is a civil engineer with a master's degree from Colorado School of Mines (USA) in Petroleum Engineering with over 39 years of experience in Colombia, the United States, Europe and the Far East hydrocarbon exploration and production sector, having served as President and Chief Executive Offier of Hocol S.A. for a number of years as well as "High Commissioner for the Protection of Energy Infrastructure" for the Colombian government.	12,600
Miguel Rodriguez[3][4][5][8][9] Pully, Switzerland Director	April 30, 2008	Mr. Rodriguez is a business consultant. He was a Professor of Economics, Instituto de Estudios Superiores de Administración (IESA), Caracas, from 1984-2006; Dean, Faculty of Economics and Social Sciences, Universidad Santa María, from 2002-2004; Chairman, Astra Fund (Davos Group) from 2005-2006; Chairman, Incofin, Inc. (Davos Group) from 1997-2006; and President of MRConsultores and Incofin, Inc., 1995-2006. Mr. Rodriguez is also a director of Pacific Coal and Endeavour.	11,547
Neil Woodyer[4] Monte Carlo, Monaco Director	February 22, 2008	Mr. Woodyer was the founding partner of Endeavour Group in 1988. He is Chief Executive Officer to Endeavour Mining and is responsible for implementing the corporation's strategic growth plan and co-ordinating and directing the entire management and professional team. Mr. Woodyer has over thirty years of experience in the mining sector developing, implementing and financing strategic growth plans.	Nil

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]
Hernan Martinez[3][6][7][8] Barranquilla, Colombia Director	May 31, 2011	Mr. Martinez has served as the Colombian Minister of Mines and Energy from July 2006 to August 2010 and has also served as President of International Colombia Resources Corporation, President of Atunec S.A., President and Chief Executive Officer of Exxon Mobil Colombia S.A., and Manager of Corporate Planning for Esso Colombiana S.A. Mr. Martinez is also Executive Chairman of Pacific Coal. Mr. Martinez currently sits on the board of directors of CB Gold Inc., and previously was a director of various private and public companies, including Interconexion Electrica S.A. ESP, Transmision Electrica S.A., Inversura S.A., and ISAGEN Energia Productiva, and was also Chairman of Cart Escopetorl. Mr. Martinez has also served as Council President and Representative of the President of Colombia at the National Hydrocarbons Agency. Mr. Martinez is also a director of Gran Colombia Gold Corp.	9,000
Dennis Mills[3][5][8] Toronto, Canada Director	February 13, 2012	Mr. Mills was Vice Chairman and Chief Executive Officer of MI Developments Inc. from 2004 to 2011, and a Vice-President at Magna International from 1984 to 1987. Mr. Mills served as a Member of Parliament in Canada's federal parliament from 1988 to 2004. While a Member of Parliament, Mr. Mills was Parliamentary Secretary to the Minister of Industry from 1993 to 1996, the Parliamentary Secretary to the Minister of Consumer and Corporate Affairs from 1993 to 1995 and the Chair of the Committee studying the Industry of Sport in Canada. Mr. Mills was the Senior Policy Advisor to the Cabinet Committee on Communications (1980-1984), Advisor to the Minister of Energy (1980-1981), Senior Advisor to the Minister of Multiculturalism (1980), and Senior Communications Advisor to the Prime Minister of Canada, The Right Honourable Pierre Elliott Trudeau (1980-1984). Mr. Mills also sits on the board of directors of CGX Energy.	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)]
Francisco Solé[(4)] Bogotá, Colombia Director	February 13, 2012	Mr. Solé has served Grupo Planeta, a Colombian publishing and media company, in various capacities since 1989, and currently he is a member of the board of directors of this group in Colombia. Mr. Solé is also on the board of directors for Mapfre Seguros Generales de Colombia, S.A., and Mapfre Colombia Vida Seguros, S.A. He is an advisor to the General Directorate of Telemark Spain and General Director of Empresas de Inversiones Rasma, S.A.S. and Andina Media de Inversiones, S.A.S. Mr. Solé has been corporate president for the Andean area of Grupo Planeta, vice president of El Tiempo Publishing House and member of the Board of Directors for CEET TV, El Tiempo Publishing House and Canal 3 Televisión in Colombia. From 1985-1989 he was General Director and Director of Administration at the oil refining company Lubricantes del Este de España (LUDESA) in Spain. He has also been Department Head, Accountant and Section Chief in the department of cost accounting at Novartis, a chemical and pharmaceutical company.	Nil
Carlos Perez Bogotá, Colombia Chief Financial Officer	N/A	Chief Financial Officer of the Company since June 18, 2007.	40,670
Eduardo Lima Panama City, Panama Senior Vice President, Projects Development	N/A	Senior Vice President, Projects Development of the Company since January 23, 2008. Senior Vice President Business Development of the Company from June 2007 to January 2008.	57,402
Luis Andres Rojas Bogotá, Colombia Senior Vice President, Production	N/A	Senior Vice President, Production of the Company since January 23, 2008. Chief Operating Officer of the Company from May 2007 to January 2008.	40,257
Marino Ostos Bogotá, Colombia Senior Vice President, New Business Areas	N/A	Senior Vice President, New Business Areas of the Company since January 23, 2008. Chief Operating Officer of Pacific Stratus from August 2006 to October 2007. President Colombian Operations of Pacific Stratus from May 2006 to May 2007. President and Chief Executive Officer of Pacific Stratus from October 2004 to August 2006. Principal of Estudios de Ingenieria Geologica LITOS C.A. from December 1999 to October 2004. Mr. Ostos is also a director of CGX.	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)]
Jairo Lugo Bogotá, Colombia Senior Vice President, Exploration	N/A	PhD Geologist with more than 35 years experience, Senior Vice President, Exploration of the Company since January 23, 2008. Executive Vice President, Exploration of Pacific Stratus from October 2004 to January 2008. Director of Exploration of Arauca Energy Group from April 2003 to October 2004. Exploration coordinator for PDVSA 2000-2002, G&G Manager for PDVSA-CVP 1998-2000, and various exploration geologist positions from 1979-1998 for PDVSA.	Nil
Daniel Loureiro Caracas, Venezuela Senior Vice President, Geosciences	N/A	Senior Vice President, Geosciences of the Company since January 23, 2008. Corporate Vice President, New Business of Pacific Stratus from September 2005 to January 2008.	Nil
William Mauco Bogotá, Colombia Senior Vice President, Trading	**N/A**	Senior Vice President, Trading of the Company since June 23, 2008. An electronics engineer with 38 years of experience in the oil and gas industry, mainly with PDVSA in which he held several senior positions, including Strategic Planning Manager of that company's Downstream Division, Commercial Director of PDVSA and Managing Director of PDVSA's Financial Investment affiliate (SOFIP). Mr. Mauco was also President of the board of Deltaven, Vice President of Corporacion Venezolana del Petroleo, and a board member of PDVSA's joint ventures: Nynas of Sweden, Isla Refinery in Curacao and Bonaire Petroleum Corporation. He joined Enron Venezuela as Vice President of New Business Development, and Trigeant Petroleum in the USA as Marketing Director. He also worked for the International Oil Trading Company as Vice President of Business Development until he joined Pacific Rubiales.	15,000
Luis Pacheco Bogotá, Colombia Senior Vice President, Planning & IT	N/A	Senior Vice President, Planning of the Company since 2008. Dr. Pacheco has over 27 years of experience in the energy industry, including 17 years in the Venezuelan oil industry. While in PDVSA, he held a number of senior positions including Managing Director of BITOR and Executive Director for Corporate Planning. He holds a Ph.D. degree in Mechanical Engineering from the Imperial College, University of London (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
Chris LeGallais Calgary, Alberta, Canada Senior Vice President,	N/A	Senior Vice President, Investor Relations of the Company since September 2, 2011. Vice President of Investor Relations from 2003 to August 2011 and Manager of Exploration Business Planning and Risk/Reserve Assessment at Talisman Energy Inc.	1,000

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)]
Investor Relations		from 1998 to 2002.	
Peter Volk Toronto, Ontario Canada General Counsel	N/A	General Counsel of the Company since January 23, 2008 and Secretary of the Company from January 2008 to May 2012. Previously General Counsel and Secretary of Pacific Stratus from October 26, 2004 to January 23, 2008.	32,407

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. Rodriguez is the lead independent director.

Corporate Cease Trade Orders

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

Corporate Bankruptcies

No director or executive officer, or a shareholder holding a sufficient number of securities in the capital of the Company to affect materially the control of the Company, is or within ten years prior to the date hereof, has been a director or executive officer of any company, that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered

important to a reasonable investor making an investment decision.

Personal Bankruptcies

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

Conflicts of Interest

There are potential conflicts of interest to which the directors or officers of the Company may be subject in connection with the operations of the Company. All of the directors and officers are engaged in and will continue to be engaged in corporations or businesses 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

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: Miguel Rodriguez (Chair), Dennis Mills, Victor Rivera and Hernan Martinez. The NBOC is apprised of related-party transactions prior to implementation, engages independent legal counsel as needed, and meets *in camera* to deliberate. The NBOC 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'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 of the Board 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.

José Francisco Arata, Miguel de la Campa and Serafino Iacono, who are all officers and directors of the Company, control, or provide investment advice to, the holders of 65% of the shares of Blue Pacific, a British Virgin Islands corporation. Laureano von Siegmund, who is also an officer of the Company, controls, or provides investment advice to, holders of 13% of the shares of Blue Pacific.

Office Lease

In June 2007, the Company, as lessee, entered into a 5-year lease agreement with Blue Pacific, as lessor, to lease administrative office space in Bogota, Colombia, at an initial monthly rent of U.S.$17,500, adjustable every year for variations in the Colombian consumer price index, or "IPC".

The Company entered into several amendments to the lease agreement on March 1, 2009, Aril 30, 2009 and January 1, 2011 to, among other things, provide for additional office space owned by Blue Pacific, and provide for an additional 12,260 m^2 of office space in Bogota (owned by Palmare Properties, S.A. ("**Palmare**"), a wholly owned subsidiary of Blue Pacific) for a 10-year term.

Accordingly, during 2013, the Company was leasing two properties, one from Blue Pacific and one from Palmare, being approximately 2,450 m^2 from Blue Pacific and 12,260 m^2 from Palmare. The monthly rent is approximately U.S.$80,000 payable to Blue Pacific, and U.S.$420,000 payable to Palmare.

Pursuant to the amended lease agreements, the Company is required to pay value-added tax on the leases and the leases are adjustable every year for variations in the IPC plus 3%.

During the years ended December 31, 2013, the Company had payments of U.S.$5.84 million, under the lease agreements.

Proeléctrica

The Company has a 24.9% indirect interest in Pacific Power (formerly Ronter, Inc.), a company in which Blue Pacific currently owns 31.49%. Pacific Power owns 100% of Proelectrica, a private Colombia-based 90-megawatt electric utility company. The Company has entered into several take-or-pay agreements and

interruptible gas sales and transport agreements. Pursuant to these agreements, the Company supplies gas from La Creciente natural gas field to Proeléctrica's gas-fired plant. The Company recorded revenues of U.S.$31.5 million as of December 31, 2013 from these agreements.

In October 2012, the Company and Ecopetrol entered into two Build, Own, Manage, and Transfer agreements with Genser-Proelectrica to acquire certain power generation assets for the Rubiales field. Genser-Proelectrica is a joint venture between Proelectrica and Genser Power Inc., which is 51% owned by Pacific Power. On March 1, 2013, these agreements were assigned to TermoMorichal SAS, the company created to perform these agreements, of which Pacific Power has a 51% indirect interest. The 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-Proelectrica to acquire additional assets for a total commitment of U.S.$57 million over ten years. At the end of the Rubiales Association Contract in 2016, the Company's obligations along with the power generation assets will be transferred to Ecopetrol. As of December 2013, these assets were under construction and the Company paid cash advances of U.S.$9.4 million. The Company has accounts payable of U.S.$0.4 million under these agreements as of December 31, 2013.

In October 2013, Meta and Agro Cascada (a wholly owned subsidiary of Pacific Rubiales) 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 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 thirteen years. The aggregate estimated value of the connection agreements is U.S.$0.8 million.

Under the energy supply agreements, Proelectrica 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 value of the energy supply agreements is U.S.$1.5 million.

For further information see the heading entitled "Historical Overview – Proelectrica Investment."

Pacific Infrastructure

On April 19, 2010, Petro Rubiales Corp. (now Pacific Midstream), a wholly owned subsidiary of the Company, paid U.S.$3.5 million to acquire a 9.4% interest in Pacific Infrastructure, a company engaged in infrastructure development, which was at that time 38.1% owned by Blue Pacific. Since then, through various transactions with unrelated parties and capital contributions, Pacific Midststream acquired a total interest of 56.9% in Pacific Infrastructure for a total cash consideration of approximately U.S.$140 million. This interest was subsequently transferred to Pacinfra. Blue Pacific, through Kieber Ltd., held a 28.73% interest in Pacific Infrastructure. At the end of 2013 and in early 2014, IFC and its affiliates purchased U.S.$150 million of equity in the capital of Pacific Infrastructure, reducing Pacinfra's equity interest in Pacific Infrastructure to 41.65% and Blue Pacific's interest to 20.91%.

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 will commence in 2014 and run for seven years, renewable in one-year increments thereafter. These contracts may indirectly benefit Blue Pacific and other unrelated minority shareholders of Pacific Infrastructure.

For further information see the heading entitled "Historical Overview – Port Investment."

Pacific Coal

During 2010, the Company acquired a 19.05% interest in Pacific Coal, a company then controlled by Blue Pacific that engages in development of asphaltite and coal assets, for U.S.$24 million. During 2011, the Company invested an additional U.S.$30.1 million in Pacific Coal as part of the second round of capital raising during its going-public process, but the Company's interest has since dropped to 13.3% on a non-diluted basis. Miguel de la Campa, Jose Francisco Arata and Ronald Pantin are directors of the Company and also directors of Pacific Coal. Peter Volk is the General Counsel for the Company and is also the General Counsel of Pacific Coal.

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

Blue ACF

In October 2012, the Company entered into an agreement and consent with Pacific Blue ACF, Alpha, and an unrelated party whereby the Company acquired from Pacific Coal a right to a 5% equity interest in Blue ACF for US$5 million. Blue ACF is a company engaged in developing colloidal fuels and is currently 100% owned by Alpha, which is controlled by Blue Pacific. As part of the purchase, Pacific Coal 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 December 31, 2013, the Company has not acquired any additional equity in Blue ACF.

Pacific Green Energy Corp.

In February 2012, through the Company's wholly owned subsidiary Major, the Company acquired 51% of the common shares of Proagricola from Pacific Green for U.S.$2,550. The Company indirectly holds a 26.7% interest in Pacific Green. As part of the purchase, Major and Pacific Green also entered into a shareholders' agreement whereby Major agreed to contribute 11,944 hectares of land neighbouring the Rubiales Field and Pacific Green agreed to contribute COP$6,302,121,654 to Proagricola for the cultivation of African palm trees in such lands. This project will use water disposed from the Company's oil and gas facilities for the cultivation of these trees.

General and Administrative Support and Office Space Services

The Company has entered into cost-share agreements relating to general and administrative support and office space expenses in Toronto, Canada with Gran Colombia Gold Corp., a Canadian gold mining company, Pacific Coal and CGX (the latter two during times when they were not subsidiaries of the Company). Serafino Iacono, Miguel de la Campa, Ronald Pantin, Jose Francisco Arata, Hernan Martinez, Augusto Lopez and Miguel Rodriguez, all directors of the Company, are also directors of one of more of the above-mentioned entities. Peter Volk, the Company's General Counsel, is also an executive officer of each of these entities, except CGX. The Company received cost reimbursements of U.S.$0.1 million in 2013 under these agreements.

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 that is 50% indirectly owned by German Efromovich, who is also a

director of the Company. On June 29, 2013 the agreement expired and subsequently, on September 1, 2013 the Company entered into a new transportation agreement for the substantially the same services. Pursuant to the contract, Transmeta provides crude oil transportation to the Company. The Company paid U.S.$34 million 2013 for services under the agreement. In addition, the Company has accounts payable of U.S.$1.7 million as at December 31, 2013.

When the Company acquired Meta in July 2007 as part of the Petro Rubiales acquisition, Meta had a receivable from Transmeta relating to financings. As of December 31, 2013, receivables relating to this obligation were U.S.$1.5 million.

Petroleum Aviation Services S.A.S.

The Company has entered into aircraft transportation agreements with Petroleum Aviation, a company controlled by German Efromovich, who is also a director of the Company. Pursuant to the agreement, Petroleum Aviation owns and operates airplanes that provide transportation to the Rubiales fields. The Company paid U.S.$14.3 million in 2013 for these services. As of December 31, 2013, the Company had accounts payable to Petroleum Aviation of U.S.$2.5 million.

Loans and Advances to Directors and Employees

The Company provides loans and advances 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 or director's pay. The amount of the loan or advance generally may not exceed three months' salary of the director or employee, but can be as high as six months' salary. The Company also subsidizes half of the interest payments that its directors and employees make on their home loans. As at December 31, 2013 the Company had U.S.$0.5 million in loans and advances outstanding, respectively, to directors and employees.

Helicol Air Transportation Services

The Company has entered into an air transportation services agreement with Helicol S.A.S., a company controlled by German Efromovich, who is also a director of the Company. 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.$0.6 million in 2013 for these services.

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 wholly owned subsidiary of the Company) holds a 35% interest. The contract provided for crude oil transport services by ODL. The Company paid U.S.$122.6 million in 2013 under this agreement and has accounts payable of U.S.$7.4 million as at December 31, 2013.

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 and has accounts receivable of U.S.$0.1 million as at December 31, 2013.

Oleoducto Bicentenario de Colombia

In 2011, the Company entered into a loan agreement with Bicentenario, a company in which Pacific Midstream holds a 32.4% interest. Pursuant to the agreement, the Company will make subordinated loans

to Bicentenario for up to $237.3 million, of which U.S.$42.6 million has been made as of December 31, 2013. 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. The loans outstanding to the Company under this agreement are U.S.$42 million as at December 31, 2013. Interest income of U.S.$2.2 million was realized in the year ending December 31, 2013.

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.$0.7 million as at December 31, 2013. As at December 31, 2013, the Company has accounts receivable from Bicentenario of U.S.$77.5 million.

Additionally, the Company has advanced U.S.$90 million to Bicentenario as prepayment of transport tariff, which will be amortized against the barrels transported once Bicentenario becomes operational. The advance is included in the accounts receivable as of December 31, 2013.

For further information see the heading entitled “Historical Overview – Bicentenario Pipeline” and “Pipelines – Operating Pipelines – Bicentenario Pipelines.”

Charitable Foundations

The Company has established two charitable foundations in Colombia, being the Pacific Rubiales Foundation and Vichituni Foundation (acquired as a part of the Petrominerales Acquisition) with the objective of advancing social and community development projects in the country. The Pacific Rubiales Foundation is operated by Ronald Pantin, Jose Francisco Arata, Miguel de la Campa, Serafino Iacono and Federico Restrepo. During 2013, the Company contributed U.S.$68.2 million to these foundations.

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.

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 favor 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). As of the date hereof, the Company has delivered all outstanding amounts of oil to Ecopetrol. As a result of the arbitration decision, the Company's net production from the Quifa SW region has been reduced by an amount equal to approximately 3,000 bbl/d based on December 2013 gross production levels.

PetroMagdalena – Class Action Lawsuit

A class action lawsuit was filed against PetroMagdalena in May 2011 for a claim of $50 million for negligent misrepresentation and unjust enrichment during the time that the company was a listed public company in Canada. A settlement agreement was reached in November 2013 upon receipt of approval by the Ontario Superior Court of Justice. The final settlement amount was $9 million, an amount within the limits of the Corporation's D&O insurance policy, and has been paid as of December 31, 2013.

ANH

Petrominerales has a dispute with the ANH relating to the interpretation of the Corcel Exploration and Production contract, or "Corcel Contract," entered into between Petrominerales and the ANH on June 2, 2005. The Corcel Contract requires Petrominerales to make a high-price participation payment to the ANH once an Exploitation Area has cumulatively produced five million or more barrels of oil. The high-price participation payment equals 30% of the price received above certain threshold prices, based on the oil quality produced.

ANH's position is that Exploitation Areas under the Corcel Contract should be combined for the purposes of determining when the high-price participation payment is payable. As combined production from all of the Corcel Exploitation Areas has exceeded five million barrels of oil, the ANH asserts that Petrominerales is required to make high-price participation payments with respect to the Corcel block production from April 2009 onwards. As a result, the ANH has claimed an additional high-participation payment of U.S.$178 million and related interest costs of U.S.$70 million covering the period up to December 31, 2013. The ANH has applied the highest legally authorized delinquent interest rate on Colombian peso liabilities to their claim, resulting in an interest rate estimated at over 20%.

Petrominerales' position is that the Corcel Contract provides that the high-price participation is required for each individual Exploitation Area, once it has cumulatively produced five million or more barrels of oil. As a result, Petrominerales initiated arbitration proceedings as provided for in the Corcel Contract. In addition, Petrominerales disagrees with the interest rate used by the ANH for their interest claim. Petrominerales' interpretation of the Corcel Contract is that the high-price participation payment is a U.S. dollar-denominated payment, and consequently, the Corcel Contract states that the interest rate on late payments should be three month LIBOR plus 4%. The arbitration proceedings are currently suspended until July 27, 2014. The Company and the ANH are currently in discussion to further understand the differences in interpreting the Corcel Contract and expects to have a resolution of this dispute at the latest by mid-2015. The Company believes that resolution of this dispute will be in its favour. Had Petrominerales applied the ANH's interpretation of the high-price participation payment, Petrominerales' 2013 royalty rate would have been 17% compared to the recorded rate of 14%.

For further details with respect to legal proceedings, please see the Company's audited consolidated financial statements for the years ended December 31, 2013, dated March 10, 2014.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

(a) the 2011 Indenture in connection with the issuance of the 2011 Senior Notes (for further information see the heading entitled "Historical Overview – 2011 Senior Notes Financing");

(b) the 2012 Rights Plan (for further information see the heading entitled "Description of Capital – Shareholder Rights Plan");

(c) the Colombian Peso Facility (for further information see the heading entitled "Historical Overview – Credit Facilities & Lines of Credit");

(d) the PetroMagdalena Arrangement Agreement (for further information see the heading entitled "Historical Overview – PetroMagdalena Acquisition");

(e) the Normal Course Issuer Bid filed with the TSX (for further information see the heading entitled "Historical Overview – Normal Course Issuer Bids – Common Shares");

(f) the 2013 Indenture in connection with the issuance of the March 2013 Senior Notes (for further information see the heading entitled "Historical Overview – March 2013 Senior Notes Financing Due 2023");

(g) November 2013 Indenture in connection with the issuance of the November 2013 Senior Notes (for further information see the heading entitled "Historical Overview – November 2013 Senior Notes Financing Due 2019");

(h) the C&C Arrangement Agreement between the Company and C&C Energia (for further information see the heading entitled "Historical Overview – C&C Energia Acquisition"); and

(i) the Petrominerales Arrangement Agreement among the Company, Petrominerales and 1774501 Alberta Ltd (for further information see the heading entitled "Historical Overview – Petrominerales Acquisition").

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 Institute of Chartered Accountants of British Columbia. 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, Petrotech, RPS, NSAI, or D&M, nor the designated professionals of each of Petrotech, 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 Petrotech, 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

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

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

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

Mr. Martinez has served as the Colombian Minister of Mines and Energy from July 2006 to August 2010 and he has also served as President of International Colombia Resources Corporation, President of Atunec S.A., President and Chief Executive Officer of Exxon Mobil Colombia S.A., and Manager of Corporate Planning for Esso Colombiana S.A. Mr. Martinez also has extensive experience with public company boards, as he is also a director of CB Gold Inc. and Gran Colombia Gold Corp. as well as Executive Chairman and director of Pacific Coal.

Audit Committee Oversight

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

Pre-Approval Policies and Procedures

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

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

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

External Auditor Service Fees (By Category)

The following are the aggregate fees incurred by the Company for services provided by its external auditors during fiscal years 2011 to 2013 (in U.S.$):

	2011	2012	2013
1. Audit Fees	$2,907,000	$2,133,000	$3,196,923
2. Audit-Related Fees[1]	$325,000	$256,000	$911,000
3. Tax Fees[2]	$513,200	$2,456,000	$1,832,126
4. All Other Fees	-	-	-
Total	$**3,745,200**	$**4,845,000**	**$5,940,046**

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 2011 to 2013 have been converted to U.S.$ using a December 31, 2011 spot exchange rate. Colombian fees are typically agreed to in U.S.$ and are billed in Colombian Pesos using the current exchange rate.

ADDITIONAL INFORMATION

Additional information about the Company, including, but not limited to, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under the Company's stock option plan is contained in the management information circular of the Company dated April 25, 2013. Additional financial information is provided in the audited annual financial statements and management's discussion and analysis for the year ended December 31, 2013 and the unaudited interim financial statements. This information and other pertinent information regarding the Company can be found on SEDAR at www.sedar.com.

APPENDIX "A"

AUDIT COMMITTEE CHARTER

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

PACIFIC RUBIALES ENERGY CORP.

(the "Corporation")

A. PURPOSE

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

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board, each of which shall be an independent 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;

   f) review with the external auditors, upon completion of their audit:

      i. contents of their report;

      ii. scope and quality of the audit work performed;

      iii. adequacy of the Corporation's financial and auditing personnel;

      iv. co-operation received from the Corporation's personnel during the audit;

v. internal resources used;

vi. significant transactions outside of the normal business of the Corporation;

vii. significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and

viii. the non-audit services provided by the external auditors;

g) discuss with the external auditors the quality and the acceptability of the Corporation's accounting principles;

h) implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management; and

i) oversee the work of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting.

3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:

a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;

b) review and discuss with the Chief Corporate Auditor (the "CCA") the CCA's annual risk assessment of the adequacy and effectiveness of the Corporation's internal control process, the CCA's report to the Committee on the results of the annual audit plan and the status of the audit issues, and the CCA's recommendations regarding improvements to the Corporation's controls and processes;

c) review and approve the internal audit plan;

d) review significant internal audit findings and recommendations, and management's response thereto; and

e) annually review with the Corporation's legal counsel any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;

b) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

c) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

5. The Committee is also charged with the responsibility to:

a) review the Corporation's quarterly financial statements and related financial information, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto before such information is publicly disclosed;

b) review and approve the financial sections of:

i. the annual report to shareholders;

ii. the annual information form, if required;

iii. annual and interim management's discussion and analysis;

iv. prospectuses;

v. news releases discussing financial results of the Corporation; and

vi. other public reports of a financial nature requiring approval by the Board,

vii. and report to the Board with respect thereto before such information is publicly disclosed;

c) ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in item 5(b) above, and periodically assess the adequacy of such procedures;

d) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;

e) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

f) review and report on the integrity of the Corporation's consolidated financial statements;

g) establish procedures for:

i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;

i) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

j) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information;

k) review annually and recommend updates to this Charter of the Committee and receive approval of changes from the Board;

l) review the minutes of any audit committee of subsidiary companies of the Corporation; and

m) perform other functions consistent with this Charter, the Corporation's articles and governing law, as the Committee or the Board deems necessary or appropriate.

6. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

D. CURRENCY OF CHARTER

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