CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE		**March 31, 2022**		December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**362,103**	$	378,338
Accounts receivable	**5**		**239,566**		182,149
Prepaids and other current assets			**25,247**		12,166
Crude oil inventory	**6**		**—**		1,385
			626,916		574,038
Deferred tax asset			**6,875**		6,859
Goodwill			**73,452**		73,452
Exploration and evaluation	**7**		**159,082**		120,501
Property, plant and equipment	**8**		**1,057,511**		1,009,371
		$	**1,923,836**	$	1,784,221
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**256,527**	$	201,285
Derivative financial instruments	**18**		**—**		471
Current income tax payable			**77,030**		39,812
Current portion of decommissioning and environmental liabilities	**12**		**6,675**		6,690
			340,232		248,258
Lease obligation	**9**		**6,070**		4,512
Cash settled share-based compensation liabilities	**14**		**10,606**		14,322
Decommissioning and environmental liabilities	**12**		**49,014**		48,264
Deferred tax liability			**76,799**		75,174
			482,721		390,530
Shareholders' equity					
Share capital	**13**		**717,652**		731,713
Contributed surplus			**20,365**		24,530
Retained earnings			**703,098**		637,448
			1,441,115		1,393,691
		$	**1,923,836**	$	1,784,221

Commitments (note 20)

See accompanying Notes to the Consolidated Interim Financial Statements

Approved by the Board:

"signed"
Paul Wright
Director

"signed"
Bob MacDougall
Director

Consolidated Statements of Comprehensive Income (unaudited)

(thousands of United States dollars, except per share amounts)	NOTE	For the three months ended March 31, 2022	2021
Oil and natural gas sales	**10**	**$ 413,616**	$ 222,058
Royalties		**(83,145)**	(25,571)
Revenue		**330,471**	196,487
Expenses			
Production		**29,334**	24,416
Transportation		**14,342**	14,438
Purchased oil		**10,400**	2,583
General and administrative		**11,995**	8,848
Equity settled share-based compensation expense	**13**	**306**	898
Cash settled share-based compensation expense	**14**	**11,256**	9,504
Depletion, depreciation and amortization	**8**	**34,268**	29,161
Foreign exchange loss (gain)		**5,223**	(4,235)
		117,124	85,613
Finance (income)	**11**	**(624)**	(213)
Finance expense	**11**	**3,816**	1,653
Net finance expense		**3,192**	1,440
Income before income taxes		**210,155**	109,434
Income tax expense			
Current tax expense		**55,896**	22,276
Deferred tax expense		**1,609**	39,698
		57,505	61,974
Net income and comprehensive income for the period		**$ 152,650**	$ 47,460
Basic net income per common share	**15**	**$ 1.29**	$ 0.37
Diluted net income per common share	**15**	**$ 1.29**	$ 0.36

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Changes in Equity (unaudited)

For the three months ended March 31, (thousands of United States dollars)	**2022**	2021
Share capital		
Balance, beginning of period	**$ 731,713**	$ 763,372
Issuance of common shares under share-based compensation plans	**9,458**	19,116
Repurchase of shares	**(23,519)**	(17,602)
Balance, end of period	**717,652**	764,886
Contributed surplus		
Balance, beginning of period	**24,530**	43,228
Share-based compensation	**306**	898
Options and RSUs exercised	**(4,471)**	(8,976)
Balance, end of period	**20,365**	35,150
Retained earnings		
Balance, beginning of period	**637,448**	533,878
Net income for the period	**152,650**	47,460
Repurchase of shares	**(73,885)**	(42,506)
Dividends	**(13,115)**	—
Balance, end of period	**703,098**	538,832
	$ 1,441,115	$ 1,338,868

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Cash Flows (unaudited)

(thousands of United States dollars)	NOTE	For the three months ended March 31, 2022	2021
Operating activities			
Net income		**$ 152,650**	$ 47,460
Add (deduct) non-cash items			
Depletion, depreciation and amortization	**8**	**34,268**	29,161
Non-cash finance expense	**11**	**1,168**	718
Equity settled share-based compensation expense	**13**	**306**	898
Cash settled share-based compensation expense	**14**	**11,256**	9,504
Deferred tax expense		**1,609**	39,698
Unrealized foreign exchange loss (gain)		**3,266**	(2,826)
Loss on settlement of decommissioning liabilities	**12**	**965**	356
Net change in non-cash working capital	**16**	**(14,881)**	3,173
Cash provided by operating activities		**190,607**	128,142
Investing activities			
Property, plant and equipment expenditures	**8**	**(83,868)**	(38,515)
Exploration and evaluation expenditures	**7**	**(38,630)**	(1,077)
Net change in non-cash working capital	**16**	**17,407**	3,125
Cash (used in) investing activities		**(105,091)**	(36,467)
Financing activities			
Issuance of common shares under equity-settled plans	**13**	**4,987**	10,140
Common shares repurchased	**13**	**(97,404)**	(60,108)
Dividends	**13**	**(13,115)**	—
Payments on lease obligation	**9**	**(69)**	(243)
Cash (used in) financing activities		**(105,601)**	(50,211)
(Decrease) increase in cash for the period		**(20,085)**	41,464
Impact of foreign exchange on foreign currency-denominated cash balances		**3,850**	(2,272)
Cash, beginning of period		**378,338**	330,564
Cash, end of period		**$ 362,103**	$ 369,756

Supplemental Disclosure of Cash Flow Information (note 16)
See accompanying Notes to the Consolidated Interim Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended March 31, 2022
(Tabular amounts in thousands of United States dollars, unless otherwise stated. Amounts in text are in United States dollars unless otherwise stated.)

1. Corporate Information

Parex Resources Inc. and its subsidiaries ("Parex" or "the Company") are in the business of the exploration, development, production and marketing of oil and natural gas in Colombia.

Parex Resources Inc. is a publicly traded company, incorporated and domiciled in Canada. Its registered office is at 2400, 525-8th Avenue S.W., Calgary, Alberta T2P 1G1. The Company was incorporated on August 17, 2009, pursuant to the Business Corporations Act (Alberta).

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 11, 2022.

2. Basis of Presentation and Adoption of International Financial Reporting Standards ("IFRS")

a) Statement of compliance

The condensed interim consolidated financial information for the three months ended March 31, 2022 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 11, 2022, the date of approval by the Board of Directors.

b) Basis of measurement

The condensed interim consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and share-based compensation transactions which are measured at fair value. The methods used to measure fair values are discussed in note 4 - Determination of Fair Values.

c) Use of management estimates, judgments and measurement uncertainty

The timely preparation of the condensed interim consolidated financial statements requires that management make estimates and use judgment (including those affected by and related to the future effects of the COVID-19 pandemic) regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the condensed interim consolidated financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2021.

3. Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2021.

4. Determination of Fair Values

The methods used in the determination of fair value, for financial and non-financial assets and liabilities have not changed from the previous financial year. Refer to note 4 of the December 31, 2021 consolidated financial statements for details concerning determination of fair values.

5. Accounts Receivable

		March 31, 2022		December 31, 2021
Trade receivables	**$**	**236,481**	$	179,799
Value added taxes (VAT)		**3,085**		2,350
	$	**239,566**	$	182,149

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is $3.1 million as at March 31, 2022 (December 31, 2021 - $2.4 million) and is recoverable within one year. All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Crude Oil Inventory

		March 31, 2022		December 31, 2021
Crude oil inventory	**$**	**—**	$	1,385

Crude oil inventory consists of crude oil in transit at the balance sheet date and is valued at the lower of cost using the weighted average cost method and net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude oil to its existing condition and location.

7. Exploration and Evaluation Assets

Cost		
Balance at December 31, 2020	**$**	**79,365**
Additions		65,082
Changes in decommissioning liability		3,054
Exploration and evaluation impairment		(27,000)
Balance at December 31, 2021	**$**	**120,501**
Additions		38,630
Changes in decommissioning liability		(49)
Balance at March 31, 2022	**$**	**159,082**

Exploration and Evaluation ("E&E") assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. Additions of $38.6 million for the three months ended March 31, 2022 represent the Company's share of costs incurred on E&E assets during the period.

There were no indicators of exploration and evaluation impairment in the period ended March 31, 2022.

At March 31, 2022 and December 31, 2021 the Company did not have any E&E assets in Canada.

8. Property, Plant and Equipment

	Canada		Colombia		Total
Cost					
Balance at December 31, 2020	**$**	**8,165**	**$**	**2,434,900**	**$ 2,443,065**
Additions		471		211,682	212,153
Right-of-use-asset addition (non-cash)		3,250		—	3,250
Changes in decommissioning and environmental liability		—		12,132	12,132
Balance at December 31, 2021	**$**	**11,886**	**$**	**2,658,714**	**$ 2,670,600**
Additions		566		83,302	83,868
Right-of-use-asset addition (non-cash)		1,832		—	1,832
Changes in decommissioning and environmental liability		—		(3,629)	(3,629)
Balance at March 31, 2022	**$**	**14,284**	**$**	**2,738,387**	**$ 2,752,671**
Accumulated Depreciation, Depletion and Amortization					
Balance at December 31, 2020	**$**	**5,450**	**$**	**1,534,716**	**$ 1,540,166**
Depletion and depreciation for the year		189		120,549	120,738
Depreciation - Right of Use Asset		658		—	658
DD&A included in crude oil inventory costing		—		(333)	(333)
Balance at December 31, 2021	**$**	**6,297**	**$**	**1,654,932**	**$ 1,661,229**
Depletion and depreciation for the period		99		34,015	34,114
Depreciation - Right of Use Asset		154		—	154
DD&A included in crude oil inventory costing		—		(337)	(337)
Balance at March 31, 2022	**$**	**6,550**	**$**	**1,688,610**	**$ 1,695,160**
Net book value:					
As at December 31, 2020	$	2,715	$	900,184	$ 902,899
As at December 31, 2021	$	5,589	$	1,003,782	$ 1,009,371
As at March 31, 2022	**$**	**7,734**	**$**	**1,049,777**	**$ 1,057,511**

In the three months ended March 31, 2022 property, plant and equipment ("PPE") additions of $83.9 million mainly relate to drilling costs in Colombia at blocks LLA-34, Cabrestero, Fortuna, and Boranda and facility costs at Block LLA-34 and VIM-1.

For the three months ended March 31, 2022 future development costs of $410.4 million (three months ended March 31, 2021 - $396.1 million) were included in the depletion calculation for development and production assets. For the three months ended March 31, 2022 $2.3 million of general and administrative costs (three months ended March 31, 2021 - $2.6 million) have been capitalized in respect of development and production activities during the current period.

At March 31, 2022 there were no indicators of impairment noted, or indicators requiring a reversal of previously recorded impairments.

9. Lease Obligation

The Company has the following future commitments associated with its office lease obligation:

	March 31, 2022	December 31, 2021
Balance, beginning of period	**$ 5,079**	$ 2,570
Additions	**1,832**	—
Interest expense	**9**	7
Lease payments	**(78)**	(748)
Modifications	**—**	3,250
Balance, end of period	**6,842**	5,079
Current portion of lease obligations	**(772)**	(567)
Non-current portion of lease obligations	**$ 6,070**	$ 4,512

During the three months ended March 31, 2022, the Company has included an addition for the office lease where the Company has signed a new agreement for additional space. During the year ended December 31, 2021, the Company had included a modification for an office lease where the Company had signed a new agreement to extend the term of the existing lease.

The consolidated statements of comprehensive income for the three months ended March 31, 2022 includes expenses related to leases as follows: $9 thousand (three months ended March 31, 2021 - $2 thousand) of interest expense related to the lease obligation, $0.2 million (three months ended March 31, 2021 - $0.2 million) of depreciation for right-of-use assets, $0.1 million (three months ended March 31, 2021 - $0.1 million) of non-lease components associated with the office lease obligation and $0.4 million (three months ended March 31, 2021 - $0.3 million) related to short-term and low value leases.

Total cash outflows related to the office lease obligation were $0.4 million for the three months ended March 31, 2022 (three months ended March 31, 2021 - $0.6 million).

10. Revenue

The Company's oil and natural gas production revenue is determined pursuant to the terms of its crude oil sales agreements. The transaction price for crude oil and natural gas is based on the benchmark commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity prices are based on market indices that are determined primarily on a monthly basis.

The Company's oil and natural gas revenues by product are as follows:

	For the three months ended March 31,	
	2022	2021
Crude oil	**$ 406,430**	$ 216,407
Natural gas	**7,186**	5,651
Oil and natural gas sales	**$ 413,616**	$ 222,058

At March 31, 2022, receivables from contracts with customers, which are included in accounts receivable, were $236.5 million (December 31, 2021 - $179.8 million).

11. Net Finance Expense

	For the three months ended March 31,	
	2022	2021
Bank charges and credit facility fees	**$ 778**	$ 577
Accretion on decommissioning and environmental liabilities	**1,492**	946
Interest and other income	**(624)**	(213)
Right of use asset interest	**9**	2
Loss on settlement of decommissioning liabilities	**965**	356
Expected credit loss provision (recovery)	**(130)**	(228)
Other	**702**	—
Net finance expense	**$ 3,192**	$ 1,440

	For the three months ended March 31,	
	2022	2021
Non-cash finance expense	**$ 2,133**	$ 1,074
Cash finance expense, net	**1,059**	366
Net finance expense	**$ 3,192**	$ 1,440

12. Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2020	$ 38,210	$ 12,901	$ 51,111
Additions	3,353	3,776	7,129
Settlements of obligations during the year	(8,311)	(1,183)	(9,494)
Loss on settlement of obligations	1,136	—	1,136
Accretion expense	2,279	1,345	3,624
Change in estimate - inflation and discount rates	(1,345)	2,754	1,409
Change in estimate - costs	6,068	580	6,648
Foreign exchange (gain)	(4,660)	(1,949)	(6,609)
Balance, December 31, 2021	$ 36,730	$ 18,224	$ 54,954
Additions	991	1,891	2,882
Settlements of obligations during the period	(1,453)	(76)	(1,529)
Loss on settlement of obligations	965	—	965
Accretion expense	834	658	1,492
Change in estimate - inflation and discount rates	(4,574)	(2,084)	(6,658)
Change in estimate - costs	153	(55)	98
Foreign exchange loss	2,327	1,158	3,485
Balance, March 31, 2022	**$ 35,973**	**$ 19,716**	**$ 55,689**
Current obligation	(5,733)	(942)	(6,675)
Long-term obligation	**$ 30,240**	**$ 18,774**	**$ 49,014**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company’s internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company’s net ownership in wells drilled as at March 31, 2022, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company’s decommissioning liability is approximately $92.2 million as at March 31, 2022 (December 31, 2021 – $88.0 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.6% and an inflation rate of 5% were used in the valuation of the liabilities (December 31, 2021 – 9.3% risk-free discount rate and a 5% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $5.7 million (December 31, 2021 – $5.7 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $26.0 million as at March 31, 2022 (December 31, 2021 – $25.9 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.6% and an inflation rate of 5% were used in the valuation of the liabilities (December 31, 2021 – 9.3% risk-free discount rate and a 5% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $0.9 million (December 31, 2021 – $1.0 million) that is classified as a current obligation.

13. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2020	130,872,676	$	763,372
Issued for cash – exercise of options, RSUs and PSUs	2,261,550		14,509
Allocation of contributed surplus – exercise of options, RSUs and PSUs	—		20,419
Repurchase of shares	(12,868,562)		(66,587)
Balance, December 31, 2021	120,265,664	$	731,713
Issued for Cash - exercise of options and RSUs	572,403		4,987
Allocation of contributed surplus – exercise of options and RSUs	—		4,471
Repurchase of shares	(4,425,000)		(23,519)
Balance, March 31, 2022	**116,413,067**	**$**	**717,652**

The Company has authorized an unlimited number of voting common shares without nominal or par value.

In the three months ended March 31, 2022, a total of 572,403 options and RSUs were exercised for proceeds of $5.0 million (year ended December 31, 2021 - 2,261,550 options, RSUs and PSUs were exercised for proceeds of $14.5 million). Also in the three months ended March 31, 2022, the Company repurchased 4,425,000 common shares pursuant to its Normal Course Issuer Bid at a cost of $97.4 million (average cost per share of Cdn$26.89).

For the year ended December 31, 2021, the Company repurchased 12,868,562 common shares pursuant to its Normal Course Issuer Bid at a cost of $218.5 million (average cost per share of Cdn$21.25). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

On July 7th, 2021 the Company announced the Board of Directors approved the initiation of a dividend program with respect to its common shares pursuant to which the Company expects to pay a regular quarterly cash dividend. The quarterly dividend is expected to be paid in each of March, June, September and December of each year. Dividends paid for the three months ended March 31, 2022 were $13.1 million (Cdn$0.14 per share) to shareholders on record as of March 15, 2022.

b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's officers and certain employees to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 5% of the number of common shares issued and outstanding. The stock options vest over a three-year period and expire five years from the date of grant.

	Number of stock options	Weighted average exercise price Cdn$/option
Balance, December 31, 2020	2,062,461	17.17
Granted	197,470	21.68
Exercised	(1,153,117)	15.87
Forfeited	(111,682)	19.11
Balance, December 31, 2021	995,132	19.36
Granted	168,211	27.04
Exercised	(364,981)	17.26
Balance, March 31, 2022	**798,362**	**21.94**

Stock options outstanding and the weighted average remaining life of the stock options at March 31, 2022 are as follows:

	Options outstanding				Options vested			
Exercise price Cdn$	Number of options	Weighted average remaining life (years)		Weighted average exercise price Cdn$/option	Number of options	Weighted average remaining life (years)		Weighted average exercise price Cdn$/option
$18.24 - $18.64	114,059	0.95	$	18.52	110,467	0.86	$	18.53
$18.65 - $21.37	165,968	1.90	$	19.15	149,968	1.88	$	18.96
$21.38 - $21.92	170,777	3.86	$	21.65	50,941	3.86	$	21.65
$21.93 - $22.41	173,802	2.87	$	22.18	106,824	2.87	$	22.18
$22.42 - $28.39	173,756	4.83	$	26.90	1,848	3.99	$	22.64
	798,362	**3.03**	**$**	**21.94**	**420,048**	**2.11**	**$**	**20.01**

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the three months ended March 31,	**2022**	2021
Risk-free interest rate (%)	**1.55**	0.38
Expected life (years)	**4**	4
Expected volatility (%)	**48**	47
Forfeiture rate (%)	**3**	3
Expected dividend yield (%)	**2.18**	—

The weighted average fair value at the grant date for the three months ended March 31, 2022 was Cdn$10.50 per option (three months ended March 31, 2021 - Cdn$7.92 per option). The weighted average share price on the exercise date for options exercised in the three months ended March 31, 2022 was Cdn$25.92 (three months ended March 31, 2021 - Cdn$22.07).

c) Restricted share units

The Company has in place a restricted share unit plan pursuant to which the Company may grant restricted shares to certain employees. The restricted shares vest at 33% on each of the first, second and third anniversaries of the grant date and expire five years from date of grant.

In 2019 the Company put in place a new Cash or Share settled RSU/PSU plan ("CosRSU") and the 2019 awards were issued pursuant to the CosRSU plan.

	Number of RSU's	Weighted average exercise price Cdn$/RSU
Balance, December 31, 2020	1,025,359	0.01
Exercised	(680,943)	0.01
Cancelled/Forfeited/Expired	(5,500)	0.01
Balance, December 31, 2021	338,916	0.01
Exercised	(207,422)	0.01
Cancelled/Forfeited/Expired	(12,402)	0.01
Balance, March 31, 2022	**119,092**	**0.01**

RSUs outstanding and the weighted average remaining life of the RSUs at March 31, 2022 are as follows:

	RSUs outstanding		RSUs vested	
Exercise price Cdn$	Number of RSUs	Weighted average remaining life (years)	Number of RSUs	Weighted average remaining life (years)
0.01	119,092	0.87	119,092	0.87

The fair value of each RSU granted is based on the market price of Parex shares on the date of issuance. For the three months ended March 31, 2022 and 2021 a weighted average forfeiture rate of 3% was applied.

d) Equity settled share-based compensation

		For the three months ended March 31, 2022		2021
Option expense	$	**306**	$	320
Restricted and performance share units expense		**—**		578
Total equity settled share-based compensation expense	**$**	**306**	$	898

14. Cash Settled Share-Based Compensation Plans

a) Share appreciation rights ("SARs")

Parex Colombia has a SARs plan that provides for the issuance of SARs to certain employees of Parex Colombia. The plan entitles the holders to receive a cash payment equal to the excess of the market price of the Company's common shares at the time of exercise over the grant price. SARs vest over a three-year period and expire five years from the date of grant. The SARs liability cannot be settled by the issuance of common shares.

	Number of SARs	Weighted average exercise price Cdn$/SAR
Balance, December 31, 2020	338,290	15.84
Exercised	(318,529)	15.79
Forfeited	(14,025)	16.69
Balance, December 31, 2021	5,736	16.43
Exercised	(5,736)	16.43
Balance, March 31, 2022	**—**	**—**

Obligations for payments of cash under the SARs plan are accrued as compensation expense over the vesting period based on the fair value of SARs, subject to appreciation limits specified in the plan. The fair value of SARs is measured using the Black-Scholes pricing model at each reporting date based on weighted average pricing assumptions noted below:

For the three months ended March 31,	**2022**	2021
Risk-free interest rate (%)	**—**	0.22
Expected life (years)	**—**	0.9
Expected volatility (%)	**—**	47
Share price ($/Cdn)	**25.65**	22.41
Expected dividend yield (%)	**—**	—

As at March 31, 2022 the total SARs liability accrued is $nil (December 31, 2021 - $24 thousand, all of which was classified as current in accordance with the three-year vesting period).

b) Deferred share units ("DSUs")

The Company has in place a deferred share unit plan pursuant to which the Company may grant deferred shares to all non-employee directors. The deferred share units vest immediately and are settled in cash upon the retirement of the non-employee director from the Parex Board. The value of the DSUs at the exercise date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the exercise date. DSUs can only be redeemed following departure from the Company in accordance with the terms of the DSU Plan. The DSUs liability cannot be settled by the issuance of common shares.

	Number of DSU's
Balance, December 31, 2020	217,145
Granted[1]	38,383
Balance, December 31, 2021	255,528
Granted[1]	1,374
Balance, March 31, 2022	**256,902**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The fair value at the grant date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the grant date. There were no DSUs granted during the three months ended March 31, 2022 and 2021.

Given the DSUs vest immediately, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately based on the fair value of the DSU. As at March 31, 2022, the total DSUs liability accrued is $5.3 million (December 31, 2021 - $4.4 million) all of which is classified as long-term in accordance with the terms of the DSU plan.

c) Cash settled restricted share units ("CRSUs")

Parex Colombia has a CRSUs plan that provides for the issuance of CRSUs to certain employees of Parex Colombia. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise. CRSUs vest over a three-year period and are exercised at the vest date. The CRSUs liability cannot be settled by the issuance of common shares.

	Number of CRSUs
Balance, December 31, 2020	875,701
Granted(1)	430,227
Exercised	(449,594)
Forfeited	(37,405)
Balance, December 31, 2021	818,929
Granted(1)	301,180
Exercised	(374,136)
Forfeited	(1,320)
Balance, March 31, 2022	**744,653**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The weighted average fair value at the grant date for three months ended March 31, 2022 was Cdn$27.34 per CRSU (three months ended March 31, 2021 - Cdn$21.88 per CRSU).

Obligations for payments of cash under the CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at March 31, 2022, the total CRSUs liability accrued is $5.1 million (December 31, 2021 - $8.9 million) of which $1.2 million (December 31, 2021 - $2.6 million) is classified as long-term in accordance with the three-year vesting period.

d) Cash or Share Settled Restricted Share Units and Performance Share Units ("CosRSU and CosPSU")

In 2019 Parex put in place a new cash or share settled RSU/PSU incentive plan in order to reduce the issuance of treasury shares to settle long-term incentives. This new plan replaced the equity settled RSU/PSU plan. This plan provides for the issuance of RSUs and PSUs to certain employees of Parex Canada. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise or the employee can elect to receive the award in Parex common shares. CosRSUs and CosPSUs vest over a three-year period and are exercised at the vest date.

CosRSU:

	Number of CosRSUs
Balance, December 31, 2020	1,046,021
Granted(1)	646,882
Exercised	(425,588)
Forfeited	(70,983)
Balance, December 31, 2021	1,196,332
Granted(1)	479,726
Exercised	(488,079)
Balance, March 31, 2022	**1,187,979**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

CosPSU:

	Number of CosPSUs
Balance, December 31, 2020	433,700
Granted(1)	292,800
Exercised	(2,794)
Forfeited	(22,705)
Balance, December 31, 2021	701,001
Granted(1)	225,260
Granted by performance factor	146,232
Exercised	(372,716)
Forfeited	(2,004)
Balance, March 31, 2022	**697,773**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

As at March 31, 2022, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the three months ended March 31, 2022 was Cdn$27.36 per CosRSU and CosPSU (three months ended March 31, 2021 - Cdn$21.90 per CosRSU and CosPSU.)

Pursuant to the cash or share settled restricted share unit and performance share unit plan, the Company has granted cash or share settled performance share units to certain employees. The CosPSUs vest three years after the grant date. CosPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to CosPSUs eligible to vest at the end of the performance period. In March 2022 the board of directors approved a multiplier of 1.64X be applied to the 2019 CosPSU grant resulting in 146,232 CosPSU's issued.

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at March 31, 2022, the total CosRSUs and CosPSUs liability accrued is $13.8 million (December 31, 2021 - $22.7 million) of which $4.1 million (December 31, 2021 - $7.4 million) is classified as long-term in accordance with the three-year vesting period.

e) Cash settled share-based compensation

	For the three months ended March 31,	
	2022	2021
SARs (recovery) expense	**$ (30)**	$ 467
DSUs expense	**918**	882
CRSUs expense	**994**	1,615
CosRSUs and CosPSUs expense	**9,374**	6,540
Total cash settled share-based compensation expense	**$ 11,256**	$ 9,504
Cash payments made upon exercise in the period	**$ 25,706**	$ 12,585

15. Net Income per Share

a) Basic net income per share

	For the three months ended March 31, 2022	2021
Net income		
Net income for the purpose of basic net income per share	**$ 152,650**	$ 47,460
Weighted average number of shares for the purposes of basic net income per share (000s)	**118,541**	129,715
Basic net income per share	**$ 1.29**	$ 0.37

b) Diluted net income per share

	For the three months ended March 31, 2022	2021
Net income		
Net income used to calculate diluted net income per share	**$ 152,650**	$ 47,460
Weighted average number of shares for the purposes of basic net income per share (000s)	**118,541**	129,715
Dilutive effect of stock options, RSUs and PSUs on potential common shares	**177**	1,141
Weighted average number of shares for the purposes of diluted net income per share (000s)	**118,718**	130,856
Diluted net income per share	**$ 1.29**	$ 0.36

For the three months ended March 31, 2022, 171,908 stock options (three months ended March 31, 2021 - 476,009) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

16. Supplemental Disclosure of Cash Flow Information

a) Net change in non-cash working capital

	For the three months ended March 31, 2022	2021
Accounts receivable	**$ (57,417)**	$ 1,872
Prepaids and other current assets	**(13,081)**	(2,014)
Oil inventory	**1,385**	(1,340)
Accounts payable and accrued liabilities	**73,505**	9,369
Depletion related to oil inventory	**(337)**	307
Decommissioning and environmental liabilities	**(1,529)**	(1,896)
Net change in non-cash working capital	**$ 2,526**	$ 6,298
Operating	**$ (14,881)**	$ 3,173
Investing	**17,407**	3,125
Net change in non-cash working capital	**$ 2,526**	$ 6,298

b) Interest and taxes paid

	For the three months ended March 31, 2022	2021
Cash interest paid	**$ —**	$ —
Cash income taxes paid	**$ —**	$ —

17. Capital Management

The Company's strategy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain the confidence of investors and capital markets.

Parex has a senior secured credit facility which as at March 31, 2022 had a borrowing base in the amount of $200.0 million (December 31, 2021 - $200.0 million). The credit facility is intended to serve as a means to increase liquidity and fund cash needs as they arise. As at March 31, 2022, $nil (December 31, 2021 - $nil) was drawn on the credit facility.

The Company has also provided a general security agreement to Export Development Canada ("EDC") in connection with the performance security guarantees that support letters of credit provided to the Colombian National Hydrocarbon Agency ("ANH") related to the exploration work commitments on its Colombian concessions (see note 20 - Commitments). This performance guarantee facility has a limit of $150.0 million (December 31, 2021 - limit of $150.0 million) of which $12.5 million (December 31, 2021 - $11.6 million) is utilized at March 31, 2022. At March 31, 2022, there is an additional $39.4 million (December 31, 2021 - $36.3 million) of letters of credit that are provided by select Latin American banks on an unsecured basis.

As at March 31, 2022, the Company's net working capital surplus was $286.7 million (December 31, 2021 - $325.8 million), of which $362.1 million is cash.

Parex has the ability to adjust its capital structure by drawing on its existing secured credit facility and making adjustments to its capital expenditure, share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity and the credit facility. As at March 31, 2022 shareholders' equity was $1,441.1 million (December 31, 2021 - $1,393.7 million).

18. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized on the consolidated balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity. The fair value of the revolving credit facility is equal to its carrying amount as the facility bears interest at floating rates and the credit spreads within the facility are indicative of market rates.

a) Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money do not meet their obligations. The Company assesses the financial strength of its joint venture partners and oil marketing counterparties in its management of credit exposure.

The Company for the three months ended March 31, 2022 had the majority of its oil sales to 10 counterparties. The accounts receivable balance as at March 31, 2022 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At March 31, 2022, there were no accounts receivable past due (December 31, 2021 - $nil).

None of the Company's receivables are impaired at March 31, 2022. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's $200.0 million credit facility at March 31, 2022 was $nil.

The following are the contractual maturities of financial liabilities at March 31, 2022:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 242,125	—	—	—	$ 242,125
Current income tax payable	77,030	—	—	—	77,030
Lease obligation	772	6,070	—	—	6,842
Cash settled equity plans payable	13,630	10,605	—	—	24,235
Total	**$ 333,557**	**16,675**	**—**	**—**	**$ 350,232**

The following are the contractual maturities of financial liabilities at December 31, 2021:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 179,502	—	—	—	$ 179,502
Current income tax payable	39,812	—	—	—	39,812
Lease obligation	567	4,512	—	—	5,079
Cash settled equity plans payable	21,687	14,322	—	—	36,009
Total	**$ 241,568**	**18,834**	**—**	**—**	**$ 260,402**

c) Commodity price risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to the prices received for its oil production. Crude oil is sensitive to numerous worldwide factors, many of which are beyond the Company's control. Changes in global supply and demand fundamentals in the crude oil market and geopolitical events can significantly affect crude oil prices. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. The Company's oil production is sold under short-term contracts, exposing it to the risk of near-term price movements.

As at March 31, 2022, the Company had no outstanding commodity price risk management contracts.

d) Foreign currency risk

The Company is exposed to foreign currency risk as various portions of its cash balances are held in Canadian dollars (Cdn$) and Colombian pesos (COP$) while its committed capital expenditures are expected to be primarily denominated in US dollars.

The following is a summary of the foreign currency risk management contracts in place as at March 31, 2022:

Period Hedged	Reference	Currency Option Type	Amount USD	Strike Price COP
November 19, 2021 to April 19, 2022	COP	Costless Collar	$15,000,000	3,600-4,325
November 19, 2021 to June 21, 2022	COP	Costless Collar	$15,000,000	3,600-4,375

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three months ended March 31, 2022 and 2021:

	For the three months ended March 31, 2022	2021
Unrealized (gain) on foreign currency risk management contracts	**$ (471)**	$ —
Total	**$ (471)**	$ —

As at March 31, 2022, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Canadian dollar and COP against the US dollar would have decreased (increased) net income by approximately $6.1 million.

19. Segmented Information

The Company has foreign subsidiaries and the following segmented information is provided:

For the three months ended March 31, 2022 (unaudited)		Canada		Colombia		Total
Oil and natural gas sales	$	—	$	413,616	$	413,616
Royalties		—		(83,145)		(83,145)
Revenue		—		330,471		330,471
Expenses						
Production		—		29,334		29,334
Transportation		—		14,342		14,342
Purchased oil		—		10,400		10,400
General and administrative		7,413		4,582		11,995
Equity settled share-based compensation expense		306		—		306
Cash settled share-based compensation expense		10,292		964		11,256
Depletion, depreciation and amortization		253		34,015		34,268
Foreign exchange loss (gain)		(395)		5,618		5,223
		17,869		99,255		117,124
Finance (income)		(49)		(575)		(624)
Finance expense		277		3,539		3,816
Net finance expense		228		2,964		3,192
Income (loss) before taxes		(18,097)		228,252		210,155
Current tax expense		22		55,874		55,896
Deferred tax expense (recovery)		(16)		1,625		1,609
Net income (loss)	**$**	**(18,103)**	**$**	**170,753**	**$**	**152,650**
Capital assets (end of period)	$	7,734	$	1,208,859	$	1,216,593
Capital expenditures	$	566	$	121,932	$	122,498
Total assets (end of period)	$	197,987	$	1,725,849	$	1,923,836

For the three months ended March 31, 2021 (unaudited)		Canada		Colombia		Total
Oil and natural gas sales	$	—	$	222,058	$	222,058
Royalties		—		(25,571)		(25,571)
Revenue		—		196,487		196,487
Expenses						
Production		—		24,416		24,416
Transportation		—		14,438		14,438
Purchased oil		—		2,583		2,583
General and administrative		5,841		3,007		8,848
Equity settled share-based compensation expense		898		—		898
Cash settled share-based compensation expense		7,421		2,083		9,504
Depletion, depreciation and amortization		195		28,966		29,161
Foreign exchange (gain) loss		30		(4,265)		(4,235)
		14,385		71,228		85,613
Finance (income) expense		(69)		(144)		(213)
Finance expense		285		1,368		1,653
Net finance expense (income)		216		1,224		1,440
Income (loss) before taxes		(14,601)		124,035		109,434
Current tax expense		—		22,276		22,276
Deferred tax expense (recovery)		(1,272)		40,970		39,698
Net income (loss)	**$**	**(13,329)**	**$**	**60,789**	**$**	**47,460**
Capital assets (end of period)	$	2,583	$	989,526	$	992,109
Capital expenditures	$	63	$	39,529	$	39,592
Total assets (end of period)	$	115,999	$	1,434,442	$	1,550,441

In Colombia the majority of oil sales are with ten customers in the oil and gas industry and are subject to normal industry credit risks for both periods ending March 31, 2022 and 2021.

20. Commitments

a) Colombia

At March 31, 2022, performance guarantees are in place with the Colombian National Hydrocarbon Agency ("ANH") for certain blocks. The guarantees are in the form of issued letters of credit totaling $51.8 million (December 31, 2021 - $47.9 million) to support the exploration work commitments in respect of the 44 blocks in Colombia.

At March 31, 2022, Export Development Canada ("EDC") has provided the Company's bank with performance security guarantees to support approximately $12.5 million (December 31, 2021 - $11.6 million) of the letters of credit issued on behalf of Parex. EDC guarantees have been secured by a general security agreement issued by Parex in favour of EDC. At March 31, 2022, there is an additional $39.4 million (December 31, 2021 - $36.3 million) of letters of credit that are provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH are reduced from time to time to reflect completed work on an ongoing basis.

The value of the Company's exploration commitments as at March 31, 2022 in respect of the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements are estimated to be as follows:

2022	$	21,083
2023		267,453
2024		2,554
Thereafter		145,757
	$	**436,847**

b) Operating leases

In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations. The existing minimum lease payments for office space and accommodations at March 31, 2022 are as follows:

		Total	2022	2023	2024	2025	2026	Thereafter
Office and accommodations	$	8,935	1,932	1,311	1,108	970	826	2,788

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“MD&A”) of the financial condition and results of operations of Parex Resources Inc. (“Parex” or “the Company”) for the period ended March 31, 2022 is dated May 11, 2022 and should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the period ended March 31, 2022, as well as the Company’s audited consolidated annual financial statements for the year ended December 31, 2021. The unaudited condensed interim consolidated financial statements and the audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS” or “GAAP”) as issued by the International Accounting Standards Board.

Additional information related to Parex and factors that could affect the Company’s operations and financial results are included in reports on file with Canadian securities regulatory authorities, including the Company’s Annual Information Form dated March 1, 2022 (“AIF”), and may be accessed through the SEDAR website at www.sedar.com.

All financial amounts are in United States (US) dollars unless otherwise stated.

Company Profile

Parex is the largest independent oil and gas company in Colombia, focusing on sustainable, conventional production. Parex’s corporate headquarters are in Calgary, Canada, and the Company has an operating office in Bogotá, Colombia. Parex is a member of the S&P/TSX Composite ESG Index and its common shares trade on the Toronto Stock Exchange ("TSX") under the symbol PXT.

Abbreviations

Refer to the final page of the MD&A for commonly used abbreviations in the document. Refer to the Advisory on Forward-Looking Statements and Non-GAAP and Other Financial Measures Advisory.

References to crude oil or natural gas production in this MD&A refer to the light and medium crude oil and heavy crude oil and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

Three months ended March 31, 2022 (“first quarter" or "Q1”) Highlights

- Quarterly average oil and natural gas production was 51,688 boe/d (96% crude oil and 4% natural gas), an increase of 10% over the first quarter of 2021. Refer to "Consolidated Results of Operations" for production split by product type;
- Recognized net income of $152.7 million ($1.29 per share basic) compared to net income of $47.5 million ($0.37 per share basic) in the comparative quarter of 2021;
- Generated quarterly funds flow provided by operations ("FFO")* of $205.5 million ($1.73 per share basic**) compared to $125.0 million ($0.96 per share basic) in the comparative quarter of 2021;
- A total of $110.5 million was returned to shareholders in the first quarter through a Cdn$0.14 per common share dividend for a cost of $13.1 million, as well the repurchase of 4,425,000 common shares for a total cost of $97.4 million, representing 54% of FFO;
- Generated an operating netback** of $59.31/boe (2021 - $37.38/boe) and an FFO netback** of $43.73/boe (2021 - $29.98/boe) from an average Brent price of $97.90/bbl (2021 - $61.32/bbl).

* "Capital Management Measure" (as defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* (“NI 52-112”)), which is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. See “Non-GAAP and Other Financial Measures Advisory” for the composition of such measure, an explanation of how such measure provides useful information to a reader and the additional purposes for which management uses such measure, and a reconciliation of such financial measure to the most directly comparable IFRS measure disclosed in the Company's financial statements.
** "Non-GAAP ratio" (as defined in NI 52-112), which is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. See “Non-GAAP and Other Financial Measures Advisory” for the composition of such measure and an explanation of how such measure provides useful information to a reader and the additional purposes for which management uses such measure.

Financial Summary

(Financial figures in $'000s except per share amounts)	For the three months ended March 31, 2022	2021
Light Crude Oil and Medium Crude Oil (bbl/d)	**5,687**	8,131
Heavy Crude Oil (bbl/d)	**43,865**	36,948
Average oil production (bbl/d)(1)	**49,552**	45,079
Average conventional natural gas production (mcf/d)(1)	**12,816**	10,200
Average oil and natural gas production (boe/d)	**51,688**	46,779
Production split (% crude oil)	**96**	96
Realized sales price ($/boe)(7)	**86.24**	52.80
Operating netback ($/boe) (2)	**59.31**	37.38
Oil and natural gas sales	**413,616**	222,058
Funds flow provided by operations(8)	**205,488**	124,969
Per share – basic(2)(4)	**1.73**	0.96
Per share – diluted (2)(4)	**1.73**	0.96
Net income	**152,650**	47,460
Per share – basic(4)	**1.29**	0.37
Per share – diluted(4)	**1.29**	0.36
Dividends paid	**13,115**	—
Per share - Cdn$(4)(7)	**0.14**	—
Shares repurchased	**97,404**	60,108
Number of shares repurchased (000s)	**4,425**	3,502
Capital expenditures(3)	**122,498**	39,592
Free funds flow(3)	**82,990**	85,377
Total assets (end of period)	**1,923,836**	1,550,441
Working capital surplus (end of period)(5)(8)	**286,684**	341,686
Bank debt (end of period)(6)	**—**	—
Weighted average shares outstanding (000s)		
Basic	**118,541**	129,715
Diluted	**118,718**	130,856
Outstanding shares (end of period) (000s)	**116,413**	128,589

(1) Reference to crude oil or natural gas production in the above table and elsewhere in this MD&A refer to the light and medium crude oil and heavy crude oil and conventional natural gas, respectively, product types as defined in NI 51-101.
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP financial measure (as defined in NI 52-112), which is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure, an explanation of how such measure provides useful information to a reader and the additional purposes for which management uses such measure, and a reconciliation of such financial measure to the most directly comparable IFRS measure disclosed in the Company's financial statements.
(4) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(5) Working capital calculation does not take into consideration the undrawn amount available under the syndicated bank credit facility.
(6) Syndicated bank credit facility borrowing base of $200.0 million as at March 31, 2022.
(7) Supplementary Financial Measure (as defined in NI 52-112). See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.
(8) Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".

2022 Revised Corporate Guidance

To maximize shareholder value as well as reflect changes in the commodity price and industry environment, the Company's 2022 guidance, as originally announced on November 3, 2021, has been updated as follows:

2022F Corporate Guidance	Original	Updated
Capital Expenditures ($ Millions)(1)	$400-450	$525-575
Production (Average) (boe/d)	52,000-54,000	54,000-56,000
Exit Production (boe/d)	n/a	>60,000

(1) "Non-GAAP financial measure," which is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. See "Non-GAAP and Other Financial Measures Advisory."

The increase over the previous capital guidance at the midpoint is broken down in the below table, with the capital increase guided by our previously outlined long-term capital allocation framework. Most of the incremental capital is expected to be spent in the second half of 2022 and is expected to support Parex's second half 2022 and full year 2023 production, with the majority of capital directed towards operated activities.

2022F Capital Expenditure Guidance ($ Millions)(1)	
Previous Guidance (Midpoint)	$425
Short-Cycle Opportunistic Production Adds (Llanos)	$30
Acceleration of Infill Drilling and Waterflood Optimization (Llanos)	$55
Long-Lead Inventory Build	$40
Updated Guidance (Midpoint)	**$550**

(1) "Non-GAAP financial measure," which is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. See "Non-GAAP and Other Financial Measures Advisory."

With the accelerated Llanos investments, Parex expects 2022 production to increase approximately 2,000 boe/d at the midpoint to a range of 54,000 boe/d to 56,000 boe/d. By the fourth quarter of 2022, Parex expects to achieve record production with an exit rate in excess of 60,000 boe/d that will provide a strong foundation for 2023. At the midpoint of updated 2022 production guidance, Parex is now forecasting to grow production by 17% year-over-year and combined with the Company's planned share repurchases, is forecasting production per share growth of 29% year-over-year.

Consistent with prior commodity cycles, Parex actively adjusts its capital allocation to maximize shareholder value. The acceleration of infill drilling and waterflood optimization, which is an additional $55 million of capital, as well as adding $30 million of capital focused on increasing short-cycle activity on existing Southern Llanos fields, is to accelerate production of our reserves in the current high price environment as well as add additional reserves by achieving higher recovery factors.

Rising inflation as well as material and service cost increases are impacting operational costs industry wide. Parex has proactively worked to minimize the impact through previously securing rigs under long-term contracts, increasing critical organizational capabilities, as well as acquiring long-lead items for the foreseeable future. Long-lead inventory build represents roughly $40 million of additional capital and includes, but is not limited to, steel casing, compressors, and turbines. Parex is extremely well positioned to execute our program and in total currently expects these inflationary and industry cost increases to account for less than 4% of the revised 2022 capital expenditure guidance.

Return of Capital Update

- Parex' business strategy is focused on value creation and long-term returns to shareholders, with both the dividend and the share repurchases under its NCIB being important components. In the first quarter of 2022, Parex declared dividends totaling $13.1 million ($0.14 per share) compared to $nil in the same period of 2021 and repurchased 4,425,000 common shares at a cost of $97.4 million (average cost per share of Cdn$26.89) compared to 3,501,685 common shares at a cost of $60.1 million (average cost per share of Cdn$21.11) in the same period of 2021.
- During the three months ended March 31, 2022, Parex announced a 12% increase to its quarterly dividend, from $0.125 per share to $0.14 per share. This dividend increase was effective for Parex' first quarter 2022 dividend, paid on March 30, 2022, to shareholders of record on March 15, 2022. Parex also commenced its 2022 NCIB as noted above. Going forward, Parex plans to continue to deliver returns to shareholders through the combination of dividends and share repurchases under its NCIB.

Financial and Operational Results

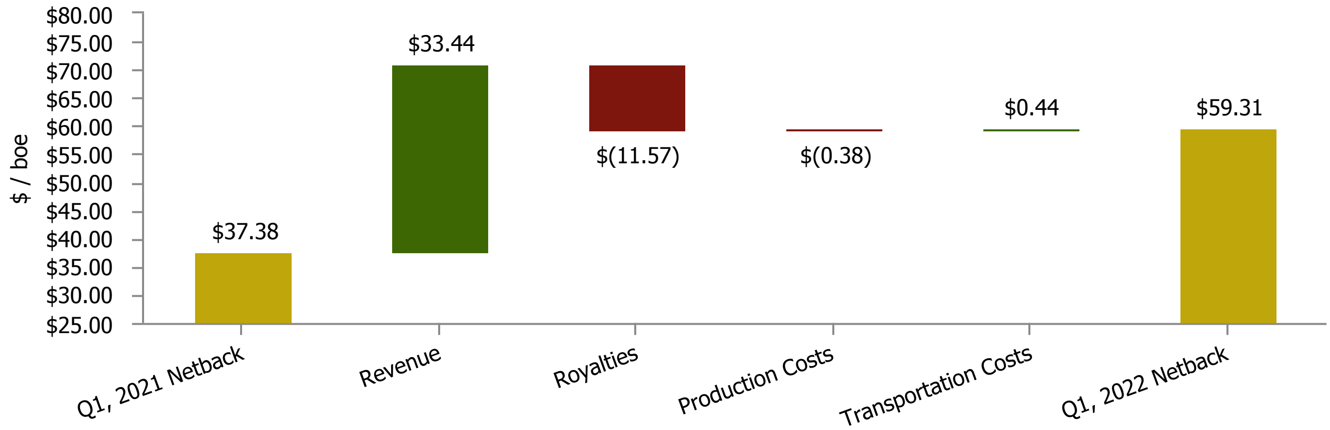
Consolidated Results of Operations

Parex' oil and gas operations are conducted in Colombia with head office functions conducted in Canada.

	For the three months ended March 31,	
	2022	2021
Average daily production		
Light Crude Oil and Medium Crude Oil (bbl/d)	**5,687**	8,131
Heavy Crude Oil (bbl/d)	**43,865**	36,948
Crude oil (bbl/d)	**49,552**	45,079
Conventional Natural Gas (mcf/d)	**12,816**	10,200
Total (boe/d)	**51,688**	46,779
Production split (% crude oil production)	**96**	96
Average daily sales of oil and natural gas		
Produced crude oil (bbl/d)	**50,070**	44,618
Overlifted crude oil (bbl/d)	**799**	—
Purchased crude oil (bbl/d)	**283**	409
Produced natural gas (mcf/d)	**12,816**	10,200
Total (boe/d)	**53,288**	46,727
Operating netback (000s)(1)		
Oil and natural gas sales	**$ 413,616**	$ 222,058
Royalties	**(83,145)**	(25,571)
Net revenue	**330,471**	196,487
Production expense	**(29,334)**	(24,416)
Transportation expense	**(14,342)**	(14,438)
Purchased oil	**(10,400)**	(2,583)
Operating netback	**$ 276,395**	$ 155,050
Operating netback (per boe)(3)		
Oil and natural gas sales(2)	**$ 86.24**	$ 52.80
Royalties(2)	**(17.70)**	(6.13)
Net revenue(2)	**68.54**	46.67
Production expense(2)	**(6.24)**	(5.86)
Transportation expense(2)	**(2.99)**	(3.43)
Operating netback(3)	**$ 59.31**	$ 37.38

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measures.
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".

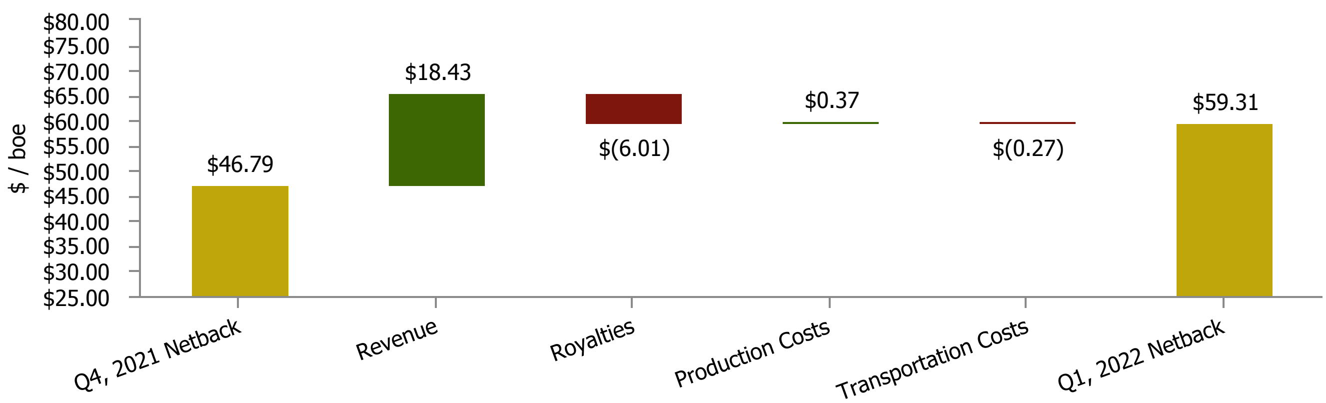
Change in Operating Netback by Component
Q1/21 vs. Q1/22



Overall, the Company's benchmark Brent crude oil price increased by $36.58/bbl, while revenue increased by $33.44/boe in the first quarter of 2022 as compared to the first quarter of 2021. The decrease in revenue relative to the Brent crude benchmark increase is mainly the result of weaker Vasconia crude oil pricing (and thereby a higher differential to Brent oil price) in the quarter as compared to the comparative period. Royalties increased by $11.57/boe as a result of higher crude oil benchmark prices in the quarter. Production costs increased by $0.38/boe mainly as a result of increased well workovers in the current quarter on Block LLA-34. Transportation costs decreased by $0.44/boe as a result of increased wellhead sales in the quarter.

Overall, the operating netback increased by $21.93/boe compared to a Brent benchmark crude price increase of $36.58/bbl.

Change in Operating Netback by Component
Q4/21 vs. Q1/22



In the first quarter of 2022, the Company's benchmark Brent oil price increased by $18.24/bbl, while revenue increased by $18.43/boe. The increase in revenue relative to the Brent crude oil benchmark increase is mainly the result of stronger Vasconia crude oil pricing (and thereby a lower differential to Brent oil price) in the quarter as compared to the comparative period. Royalties increased by $6.01/boe as a result of higher crude oil benchmark prices in the quarter. Production costs decreased by $0.37/boe mainly as a result of decreased well workovers in the current quarter on Block LLA-34. Transportation costs increased by $0.27/boe as a result of decreased wellhead sales in the quarter.

Overall, the operating netback increased by $12.52/boe compared to a Brent benchmark crude price increase of $18.24/bbl.

Oil and Natural Gas Sales

a) Average Daily Production and Sales Volumes (boe/d)

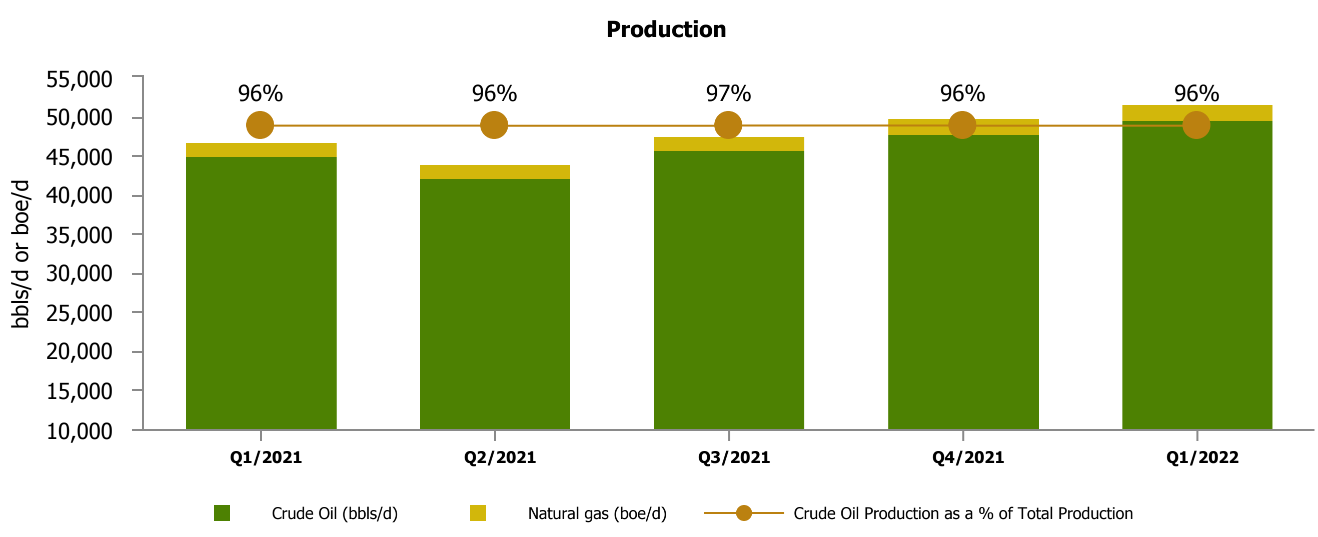
	For the three months ended March 31,	
	2022	2021
Block LLA-34	**32,350**	30,392
Southern Llanos	**13,121**	9,044
Northern Llanos	**3,012**	4,719
Magdalena Basin	**1,069**	924
Total Crude Oil Production	**49,552**	45,079
Natural gas production	**2,136**	1,700
Total Crude oil and natural gas production	**51,688**	46,779
Crude oil inventory draw (build)	**518**	(461)
Average daily sales of produced oil and natural gas	**52,206**	46,318
Overlifted oil	**799**	—
Purchased oil	**283**	409
Sales Volumes	**53,288**	46,727

Crude oil and natural gas production for the first quarter of 2022 averaged 51,688 boe/d, an increase of approximately 10% from the comparative first quarter of 2021 and an increase of approximately 4% compared to the fourth quarter of 2021.

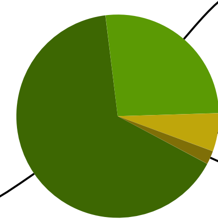
The increase in oil and natural gas production in the first quarter of 2022 compared to the first quarter of 2021 is mainly the result decreased downtime of production on Block LLA-34 and additional wells drilled on Block LLA-34, and on the Cabrestero block. Currently Parex has two drilling rigs for delineation and infill drilling since 2021 with the program to continue through 2022.

The increase in oil and natural gas production in the first quarter of 2022 compared to the fourth quarter of 2021 is mainly the result of production from additional wells drilled during the quarter on the Cabrestero block.

Oil and natural gas sales in the first quarter of 2022 were 53,288 boe/d compared to 46,727 boe/d for the first quarter of 2021. The increase in oil sales volumes was a result of the increase in oil and natural gas production, the crude oil inventory draw, and overlifted Ocensa pipeline volumes, partially offset by decreased purchased oil sales over the comparative period. The Company expects the overlift position will be eliminated by the end of the second quarter of 2022.



Production By Area
(Three Months ended March 31, 2022)



b) Crude Oil Reference and Realized Prices

Average price for the period	**Q1 2022**	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Brent ($/bbl)	**97.90**	79.66	73.23	69.08	61.32
Vasconia ($/bbl)	**93.78**	75.05	69.21	66.12	58.71
Brent/Vasconia crude (differential) ($/bbl)	**(4.12)**	(4.61)	(4.02)	(2.96)	(2.61)
Parex quality differential ($/bbl)	**0.19**	(0.04)	(0.04)	(0.07)	(0.20)
Parex wellhead sales discount ($/bbl)	**(7.73)**	(7.20)	(6.40)	(6.37)	(5.71)
Parex realized sales price ($/boe)(2)	**86.24**	67.81	62.77	59.68	52.80
Parex realized price (differential) to Brent crude ($/boe)	**(11.66)**	(11.85)	(10.46)	(9.40)	(8.52)
Parex transportation expense ($/boe)(1)(2)	**(2.99)**	(2.72)	(2.99)	(3.00)	(3.43)
Parex price differential and transportation expense ($/boe)	**(14.65)**	(14.57)	(13.45)	(12.40)	(11.95)

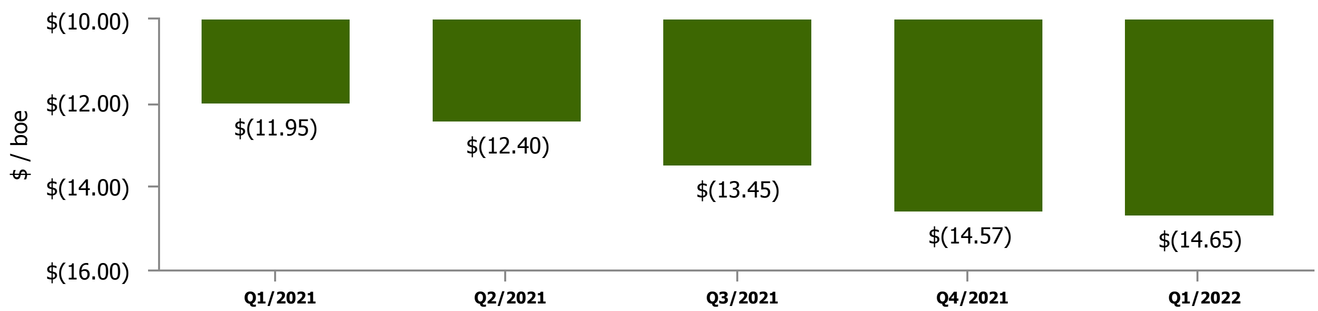
(1) See Transportation section below. Applies only to direct export cargo sales where Parex incurs the pipeline fees directly.
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.

During Q1 2022, the differential between Brent reference pricing and the Company's realized sale price was $11.66/boe. The differential to Brent crude during Q1 2022 decreased by $0.19/boe compared to the fourth quarter of 2021 where the differential was $11.85/boe as a result of the Brent/Vasconia differential decreasing to $4.12/bbl from $4.61/bbl in the prior Q4 2021 quarter. Parex' Colombian oil production is fully exposed to swings in the Vasconia differential to Brent (see below).

Differences between Parex' realized price and Vasconia crude price is mainly related to quality adjustments, wellhead sale marketing contracts, and timing of oil sales compared to quarter averages. The differential between Vasconia crude pricing and Brent crude pricing also affects Parex' realized sales price and is set in liquid global markets and therefore attributed to factors that are beyond the Company's control.

Parex realized price differential to Brent and Vasconia crudes can fluctuate period over period due to, among other factors, the type of sales contract and the accounting treatment for oil sold at the wellhead versus a direct export cargo sales contract.

Brent Realized Price Differential & Transportation Expense



c) Natural Gas Revenue and Realized Prices

	For the three months ended March 31,	
	2022	2021
Revenue (000's)[1]	**$ 7,186**	$ 5,651
Realized sales price ($/Mcf)[1]	**6.23**	6.16

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.

Parex natural gas revenues were $7.2 million for the three months ended March 31, 2022 compared to $5.7 million in the same period of 2021. The increase in natural gas sales from the prior period is related to increased natural gas volumes sold from Block LLA-32, the Capachos block, and the VIM-1 block.

d) Oil and Natural Gas Revenue

First quarter 2022 oil and natural gas revenue increased $191.6 million or 86% as reconciled in the table below to the first quarter of 2021:

($000s)	
Oil and natural gas revenue, three months ended March 31, 2021	**$ 222,058**
Sales volume of produced oil, an increase of 12% (5,452 bopd)	**26,216**
Sales volume of purchased oil, a decrease of 31% (126 bopd)	**(606)**
Oil sales price increase of 70%	**164,413**
Sales volume and price change of produced natural gas	**1,535**
Oil and natural gas revenue, three months ended March 31, 2022	**$ 413,616**

Oil and natural gas revenue increased in the three months ended March 31, 2022 compared to the same period in 2021 mainly due to the increase in world oil prices.

e) Crude Oil Inventory in Transit

As at March 31, ($000s)	**2022**	2021
Crude oil in transit	**$ —**	$ 3,255

As at March 31, 2022, the Company had 71.9 mbbls of crude oil overlift compared to 140.9 mbbls of crude oil inventory at March 31, 2021, which was injected into the Colombian pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at approximately $23/bbl at March 31, 2021 incurred in bringing the crude oil to its existing condition and location. The Company expects the overlift position at March 31, 2022 will be eliminated by the end of the second quarter of 2022.

A reconciliation of quarter to quarter crude oil inventory movements is provided below:

For the periods ended (mbbls)	**Mar. 31, 2022**	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021
Crude oil inventory in transit - beginning of the period	**46.6**	88.4	25.7	140.9
Oil production	**4,459.7**	4,387.1	4,206.4	3,826.7
Oil sales	**(4,603.7)**	(4,457.5)	(4,177.6)	(3,976.1)
Purchased oil	**25.5**	28.6	33.9	34.2
Crude oil inventory in transit (overlift) - end of the period	**(71.9)**	46.6	88.4	25.7
% of period production	**—**	1.1	2.1	0.7

Crude oil inventory build and (draw) from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export. The Company expects the overlift position will be eliminated by the end of the second quarter of 2022 and crude oil inventory in future periods to remain in line with normal historic levels of below 5% of period production.

f) Purchased Oil

	For the three months ended March 31,	
	2022	2021
Purchased oil expense ($000s)	**$ 10,400**	$ 2,583

Purchased oil expense for the three months ended March 31, 2022 was $10.4 million compared to $2.6 million for the 2021 comparative period and $2.5 million in the fourth quarter of 2021. Purchased oil expense has increased compared to the same period of 2021 mainly as a result of an accrual based upon the fair value of the overlift position with the Ocensa pipeline, an increase in oil blending operations, and an increase in purchases of partner crude from the Capachos block. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

Royalties

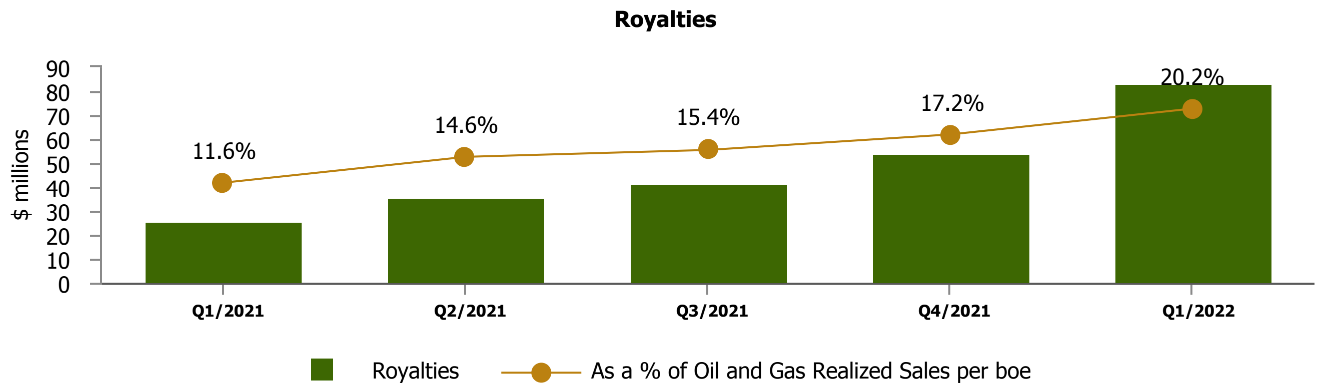
	For the three months ended March 31,	
	2022	2021
Royalties ($000s)	**$ 83,145**	$ 25,571
Per unit ($/boe)(1)	**17.70**	6.13
Percentage of sales(1)	**20.2**	11.6

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.

In the three months ended March 31, 2022 royalties as a percentage of sales were 20.2% compared to 17.2% during the three months ended December 31, 2021 and 11.6% for the 2021 comparative period. The increase in royalties as a percentage of sales in the quarter from the previous quarter ended December 31, 2021 is a result of higher benchmark WTI prices which are used in the high price share royalty ("HPR") calculation. Effectively higher realized WTI oil prices result in a higher royalty percentage realized. Benchmark WTI price for the three months ended March 31, 2022 were $95.17 compared to $77.31 during the three months ended December 31, 2021, and $58.13 for the 2021 comparative period.

The increase in royalty expense to $83.1 million in the three months ended March 31, 2022 compared to $25.6 million for the 2021 comparative prior year period is mainly a result of higher benchmark WTI prices used in the calculation of royalties.

For further information concerning the HPR please refer to the Company's AIF, which may be accessed through the SEDAR website at www.sedar.com.



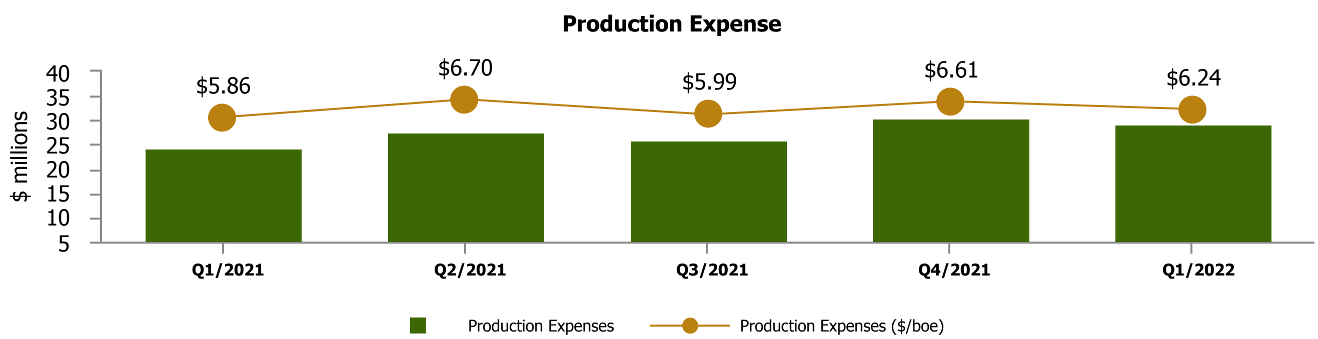
Production Expense

	For the three months ended March 31,	
	2022	2021
Production expense (000s)	**$ 29,334**	$ 24,416
Per unit ($/boe)(1)	**6.24**	5.86

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.

Production expense for the three months ended March 31, 2022 was $6.24/boe compared to $5.86/boe in the three months ended March 31, 2021. Production expense for the fourth quarter of 2021 was $6.61/boe.

The increase in production expense for the three months ended March 31, 2022 over the 2021 comparative period is mainly the result of increased well workovers on Block LLA-34 compared to the prior period and some smaller, more mature and higher cost oil fields brought back on stream in mid Q1 2021 that were voluntary shut-in during the second quarter of 2020 in response to the significant decline in world oil prices and ongoing uncertainty in market conditions resulting from the COVID-19 pandemic.



Transportation Expense

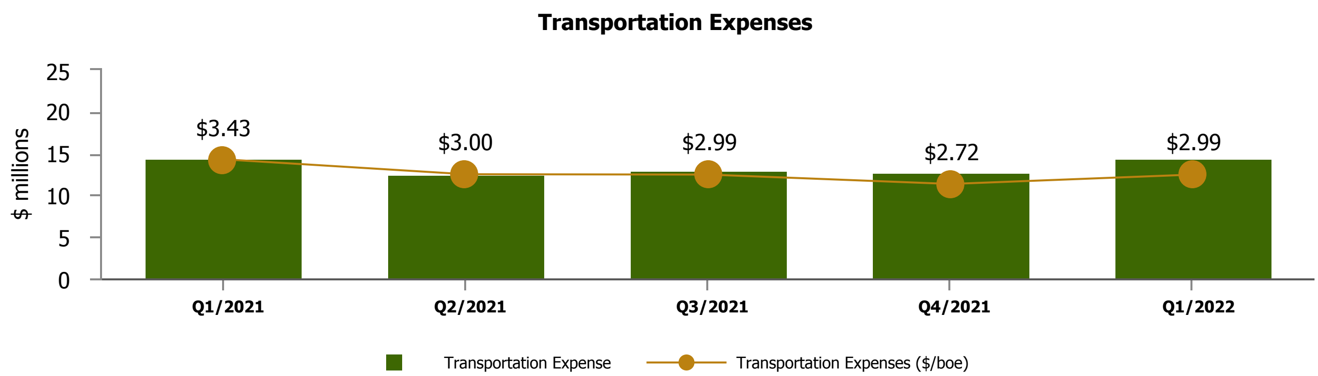
	For the three months ended March 31,	
	2022	2021
Transportation expense ($000s)	**$ 14,342**	$ 14,438
Per unit ($/boe)(1)	**2.99**	3.43

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.

For the three months ended March 31, 2022 the cost of transportation on a per boe basis was $2.99/boe compared to $2.72/boe in the fourth quarter of 2021 and decreased from the comparative period in 2021 of $3.43/boe. Transportation expense will fluctuate period over period due to the mix of sales contract types in force during the period.

The decrease from the comparative period of 2021 is mainly as a result of decreased crude cargo exports where Parex records the full cost of transport to the export point and a higher percentage of in-basin wellhead sales where Parex only records the price received at the field. In 2021 the Company also completed the pipeline tie-in at LLA-34 block and extended the infrastructure to the Cabrestero block in Q1 2022.

The combined transportation expense and price differential from Brent, on a per boe basis, has increased from the first quarter of 2021 and the fourth quarter of 2021. See "Crude Oil Reference and Realized Prices".



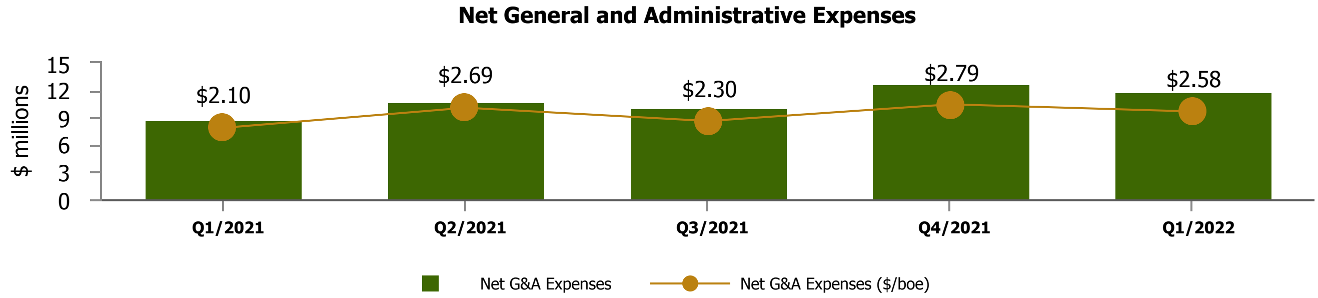
General and Administrative Expense ("G&A")

	For the three months ended March 31,	
(000s)	**2022**	2021
Gross G&A	**$ 14,910**	$ 12,086
G&A recoveries	**(638)**	(601)
Capitalized G&A	**(2,277)**	(2,637)
Total net G&A	**$ 11,995**	$ 8,848
Per unit ($/boe) (1)	**2.58**	2.10

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.

Net G&A was $12.0 million for the three months ended March 31, 2022 compared to $8.8 million for the same period in 2021. Gross G&A was $14.9 million for the three months ended March 31, 2022 (three months ended March 31, 2021 - $12.1 million). Gross and net G&A has increased mainly as a result of an increase in head count in the current year to manage the increased capital expenditure program. For the three months ended March 31, 2022, on a per boe basis, net G&A has increased 23% compared to the comparative period in 2021 mainly as result of increased staffing levels as noted above.

The Company's G&A expense is denominated in local currencies of Colombian peso ("COP") and Canadian dollar ("Cdn") which as they appreciate/depreciate have an impact on G&A expense. Refer to the "Foreign Exchange Sensitivity Analysis" for further information.



Share-Based Compensation

	For the three months ended March 31,	
($000s)	**2022**	2021
Equity settled share-based compensation expense	**$ 306**	$ 898
Cash settled share-based compensation expense	**11,256**	9,504
Total net expense	**$ 11,562**	$ 10,402

Share-based compensation expense was $11.6 million for the three months ended March 31, 2022 compared to a $10.4 million for the same period in 2021. The increase is primarily due to the increase in the Company's share price and its impact on cash-settled compensation as explained below.

Equity settled share-based compensation expense was $0.3 million for the three months ended March 31, 2022 compared to $0.9 million for the same period in 2021. Equity settled share-based compensation includes the Company's stock option plan and the restricted share unit ("RSU") plan pursuant to which RSUs and performance based RSUs ("PSUs") have been awarded up until 2019.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes share appreciation rights ("SARs"), cash settled restricted share units ("CRSUs"), cash or share settled restricted share units ("CosRSUs"), cash or share settled performance share units ("CosPSUs") and deferred share units ("DSUs"). For the three months ended March 31, 2022 there was an expense of $11.3 million related to cash settled incentive plans compared to $9.5 million for the same period in 2021. This increase in expense is mainly attributable to the increase in awards issued under the CosRSU and CosPSU incentive plans and the increase in Parex' share price. Parex share price increased to Cdn$25.65 at March 31, 2022 from Cdn$21.61 at December 31, 2021 compared to an increase in share price to Cdn$22.41 at March 31, 2021 from Cdn$17.52 at December 31, 2020.

Obligations for payments of cash under the Company's cash settled incentive plans are accrued as expense over the vesting period based on the fair value of the units as described in note 14 of the interim financial statements for the three months ended March 31, 2022. As at March 31, 2022, the total cash settled incentive plans liability accrued was $24.2 million (December 31, 2021 - $36.0 million).

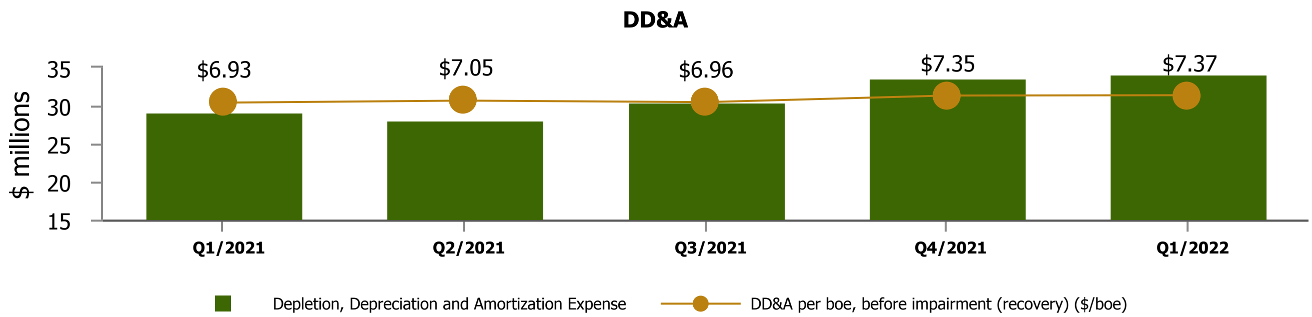
Cash payments to settle cash settled share-based compensation in the three months ended March 31, 2022 was $25.7 million compared to $12.6 million for the same period in 2021. The increase is mainly related to the first settlement of the CosPSUs vested in the first quarter of 2022.

Depletion, Depreciation and Amortization Expense ("DD&A")

	For the three months ended March 31,	
	2022	2021
DD&A expense (000s)	**$ 34,268**	$ 29,161
Per unit ($/boe)(1)	**7.37**	6.93

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.

First quarter 2022 DD&A was $34.3 million ($7.37/boe) compared to $29.2 million ($6.93/boe) for the same period in 2021. DD&A on a $/boe basis increased compared to the prior period mainly due to the increase in production over the prior period.



Foreign Exchange

	For the three months ended March 31,	
	2022	2021
Foreign exchange loss (gain)	**$ 5,694**	$ (4,235)
Foreign currency risk management contracts (gain)	**(471)**	—
Total foreign exchange loss (gain)	**$ 5,223**	$ (4,235)
Average foreign exchange rates		
USD$/CAD$	**1.27**	1.27
USD$/Colombian peso	**3,913**	3,553

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Canadian dollars and Colombian pesos ("COP"), as the Company's functional currency is the USD. The Company has exposure in Colombia and Canada on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies. The main drivers of foreign exchange gains and losses recorded on the consolidated statements of comprehensive income is the COP denominated income tax payable and tax withholdings receivable, accounts payable and accounts receivable. The timing of payment settlements, accruals and their adjustments have impacts on foreign exchange gains/losses.

For the three months ended March 31, 2022, the total foreign exchange loss was $5.2 million (three months ended March 31, 2021 – gain of $4.2 million). Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of comprehensive income.

The Company reviews its exposure to foreign currency variations on an ongoing basis and maintains cash deposits primarily in USD denominated deposits in Canada, Barbados, Bermuda and Colombia.

Foreign Exchange Sensitivity Analysis

Cost component	Estimated percent of cost denominated in local currency	$/boe Impact of change in local currency/$USD exchange rate: 10% appreciation of local currency	10% depreciation of local currency
Production expense	80%	$ 0.50	$ (0.50)
Transportation expense	80%	$ 0.24	$ (0.24)
G&A expense	100%	$ 0.26	$ (0.26)

The table above displays the estimated per boe impact of a change in Parex' local currencies and the effect on Parex' key cost components. The component impact in $/boe terms uses Q1 2022 per boe costs. This analysis ignores all other factors impacting cost structure including efficiencies, cost reduction strategies, cost inflation etc.

Net Finance Expense

	For the three months ended March 31, **2022**	2021
Bank charges and credit facility fees	**$ 778**	$ 577
Accretion on decommissioning and environmental liabilities	**1,492**	946
Interest and other income	**(624)**	(213)
Right of use asset interest	**9**	2
Loss on settlement of decommissioning liabilities	**965**	356
Expected credit loss provision (recovery)	**(130)**	(228)
Other	**702**	—
Net finance expense	**$ 3,192**	$ 1,440

	For the three months ended March 31, **2022**	2021
Non-cash finance expense	**$ 2,133**	$ 1,074
Cash finance expense, net	**1,059**	366
Net finance expense	**$ 3,192**	$ 1,440

Bank taxes and credit facility fees relate to bank taxes paid in Colombia and the standby fees related to the undrawn credit facility. The non-cash components of net finance expense include the accretion on decommissioning and environmental liabilities, loss on settlement of decommissioning liabilities, other and the expected credit loss provision (recovery) which has decreased in the first quarter of 2022 and 2021 due to the improvement in credit markets and ratings.

Risk Management

Management of cash flow variability is an integral component of Parex' business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board of Directors to establish risk management guidelines to be used by management. The risk exposure inherent in movements in the price of crude oil, fluctuations in the USD/COP exchange rate and interest rate movements are all proactively reviewed by Parex and as considered appropriate may be managed through the use of derivatives primarily with financial institutions that are members of Parex' syndicated bank credit facility. The Company considers these derivative contracts to be an effective means to manage and forecast cash flow.

Parex has elected not to apply IFRS prescribed "hedge accounting" rules and, accordingly, pursuant to IFRS the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity and foreign exchange forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the earnings for that period. As a result, earnings may fluctuate considerably based on the period-ending commodity and foreign exchange forward strip prices, in respect of any outstanding commodity or foreign exchange derivative contracts.

a) Risk Management Contracts - Brent Crude

At March 31, 2022 the Company had no crude oil risk management contracts in place.

b) Risk Management Contracts – Foreign Exchange

The Company is exposed to foreign currency risk as various portions of its cash balances are held in COP and Cdn to fund ongoing costs denominated in those currencies while its committed capital expenditures are primarily denominated in USD.

The following is a summary of the foreign currency risk management contracts in place as at March 31, 2022:

Period Hedged	**Reference**	**Currency Option Type**	**Amount USD**	**Strike Price COP**
November 19, 2021 to April 19, 2022	COP	Costless Collar	$15,000,000	3,600-4,325
November 19, 2021 to June 21, 2022	COP	Costless Collar	$15,000,000	3,600-4,375

As at March 31, 2022, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Cdn and COP against the USD would have decreased (increased) net income by approximately $6.1 million.

The table below summarizes the gain on the foreign currency risk management contracts:

	For the three months ended March 31,	
	2022	2021
Unrealized (gain) on foreign currency risk management contracts	**$ (471)**	$ —
Total	**$ (471)**	$ —

Income Tax

The components of tax expense for the three months ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Current tax expense	**$ 55,896**	$ 22,276
Deferred tax expense	**1,609**	39,698
Tax expense	**$ 57,505**	$ 61,974

Current tax expense in the first quarter of 2022 was $55.9 million as compared to $22.3 million in the prior year comparative period. The increase from the prior year comparative period is mainly a result of an increase in operating cash flows from the prior period.

Deferred tax expense for the three months ended March 31, 2022 was $1.6 million. The decrease in deferred tax expense from the comparative period is mainly related to the foreign exchange impact of the COP denominated tax basis, which has increased as a result of the appreciation of the COP to USD at the period end date compared to the previous period end date.

For 2022 the Company expects the effective tax rate on operating cash flow to be approximately 22-25% based on Brent crude prices averaging between $90-100/bbl in 2022.

The calculation of current and deferred income tax in Colombia is based on a number of variables which can cause swings in current and deferred income tax. These variables include but are not limited to the year-end producing reserves used in calculating depletion for tax purposes, the timing and number of dry hole write-offs permissible for Colombian tax purposes and currency fluctuations.

Capital Expenditures

For the three months ended March 31,	Colombia		Canada		Total	
($000s)	**2022**	2021	**2022**	2021	**2022**	2021
Acquisition of unproved properties	**$ 139**	$ —	**$ —**	$ —	**$ 139**	$ —
Geological and geophysical	**10,445**	167	**—**	—	**10,445**	167
Drilling and completion	**98,375**	28,982	**—**	—	**98,375**	28,982
Well equipment and facilities	**12,820**	10,355	**—**	—	**12,820**	10,355
Other	**153**	25	**566**	63	**719**	88
Total capital expenditures	**$ 121,932**	$ 39,529	**$ 566**	$ 63	**$ 122,498**	$ 39,592

Below is additional information related to capital expenditures in the period by key operating area:

	For the three months ended March 31,	
($000s)	**2022**	2021
Block LLA-34	**$ 26,556**	$ 22,823
Southern Llanos	**48,922**	7,126
Northern Llanos	**4,122**	1,112
Magdalena Basin	**42,332**	8,468
Canada - Corporate	**566**	63
Total capital expenditures	**$ 122,498**	$ 39,592

During the three months ended March 31, 2022 the Company incurred $122.5 million of capital expenditures compared to $39.6 million in the same period of 2021. During Q1 2022 the Company drilled 17 gross (12.40 net) wells, compared to drilling 9 gross (5.05 net) wells in the comparative period upon the re-activation of the development and exploration program. During Q1, 2022, total drilling and completion costs were $98.4 million of which the majority related to drilling, completion and capitalized workover costs at Block LLA-34, Cabrestero, Boranda, Fortuna and VIM-1 blocks.

Summary of Quarterly Results

Three months ended ($000s)		**Mar. 31, 2022**		Dec. 31, 2021		Sep. 30, 2021		Jun. 30, 2021
Average daily oil and natural gas production (boe/d)		**51,688**		49,779		47,496		43,900
Average realized sales price - oil ($/boe)(1)		**86.24**		67.81		62.77		59.68
Financial (000s except per share amounts)								
Oil and natural gas sales	**$**	**413,616**	$	315,327	$	272,481	$	247,318
Funds flow provided by operations(5)	**$**	**205,488**	$	168,261	$	152,713	$	131,602
Per share – basic(2)		**1.73**		1.39		1.24		1.03
Per share – diluted(2)		**1.73**		1.39		1.23		1.03
Net income	**$**	**152,650**	$	96,041	$	67,942	$	91,662
Per share – basic		**1.29**		0.80		0.55		0.72
Per share – diluted		**1.29**		0.79		0.55		0.72
Dividends	**$**	**13,115**	$	35,610	$	12,021	$	—
Per share - Cdn$(4)(6)		**0.140**		0.375		0.125		—
Capital Expenditures, excluding corporate acquisitions(1)	**$**	**122,498**	$	118,507	$	74,289	$	44,847
Total assets (end of period)	**$**	**1,923,836**	$	1,784,221	$	1,669,243	$	1,598,310
Working capital surplus (end of period) (2)(5)	**$**	**286,684**	$	325,780	$	349,694	$	352,188

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Working capital does not include the undrawn amount available on the credit facility.
(4) Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(5) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Three months ended ($000s)		Mar. 31, 2021		Dec. 31, 2020		Sep. 30, 2020		Jun. 30, 2020
Average daily oil and natural gas production (boe/d)		46,779		46,642		44,305		40,858
Average realized sales price - oil ($/boe)(1)		52.80		36.95		33.88		19.25
Financial (000s except per share amounts)								
Oil and natural gas sales	$	222,058	$	167,264	$	146,231	$	80,407
Funds flow provided by operations(5)	$	124,969	$	81,567	$	79,384	$	38,777
Per share – basic(2)		0.96		0.61		0.57		0.28
Per share – diluted(2)		0.96		0.60		0.57		0.27
Net income	$	47,460	$	56,192	$	27,619	$	19,290
Per share – basic		0.37		0.42		0.20		0.14
Per share – diluted		0.36		0.42		0.20		0.14
Dividends	$	—	$	—	$	—	$	—
Per share - Cdn$(4)(6)		—		—		—		—
Capital Expenditures, excluding corporate acquisitions(1)	$	39,592	$	46,932	$	17,756	$	5,310
Total assets (end of period)	$	1,550,441	$	1,541,081	$	1,548,484	$	1,533,377
Working capital surplus (end of period) (2)(5)	$	341,686	$	320,155	$	370,722	$	393,310

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Working capital does not include the undrawn amount available on the credit facility.
(4) Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(5) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Factors that Caused Variations Quarter Over Quarter

During the first quarter of 2022, production of 51,688 boe/d (consisting of 5,687 bbls/d light and medium crude oil, 43,865 bbls/d of heavy crude oil and 12,816 mcf/d of conventional natural gas) was an increase of 4% over the previous quarter ended December 31, 2021. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in volumes sold and realized prices. Working capital decreased to $286.7 million from $325.8 million at December 31, 2021. Dividends paid on common shares for the quarter were $13.1 million (Cdn$0.14 per common share).

During the fourth quarter of 2021, production of 49,779 boe/d (consisting of 6,376 bbls/d light and medium crude oil, 41,534 bbls/d of heavy crude oil and 11,214 mcf/d of conventional natural gas) was in excess of production for the previous quarter ended September 30, 2021. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in volumes sold and realized prices. Working capital decreased to $325.8 million from $349.7 million at September 30, 2021. Dividends paid on common shares for the quarter were $35.6 million (Cdn$0.375 per common share).

During the third quarter of 2021, production of 47,496 boe/d (consisting of 6,955 bbls/d light and medium crude oil, 38,949 bbls/d of heavy crude oil and 9,552 mcf/d of conventional natural gas) was in excess of production for the previous quarter ended June 30, 2021. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in realized prices and volumes sold. Working capital decreased to $349.7 million from $352.2 million at June 30, 2021. Dividends paid on common shares for the quarter were $12.0 million (Cdn$0.125 per common share).

During the second quarter of 2021, production of 43,900 boe/d (consisting of 5,881 bbls/d light and medium crude oil, 36,308 bbls/d of heavy crude oil and 10,266 mcf/d of conventional natural gas) was lower than production for the previous quarter ended March 31, 2021. Revenue and funds flow provided by operations were higher than the previous quarter mainly due to an increase in realized prices, partially offset by a decrease in volumes sold. Working capital increased to $352.2 million from $341.7 million at March 31, 2021.

During the first quarter of 2021, production of 46,779 boe/d (consisting of 8,131 bbls/d light and medium crude oil, 36,948 bbls/d of heavy crude oil and 10,200 mcf/d of conventional natural gas) was comparable to production for the previous quarter ended December 31, 2020. Revenue and funds flow provided by operations were higher than the previous quarter mainly due to an increase in realized prices. Working capital increased to $341.7 million from $320.2 million at December 31, 2020.

Please refer to "Financial and Operating Results" for detailed discussions on variations during the comparative quarters and to Parex' previously issued annual and interim MD&As for further information regarding changes in prior quarters.

Liquidity and Capital Resources

As at March 31, 2022 the Company had a working capital surplus of $286.7 million, excluding funds available under the credit facility, as compared to working capital surplus at December 31, 2021 of $325.8 million. The decrease in working capital is mainly a result of the acceleration of the Company's NCIB in the first quarter of 2022. Bank debt was $nil as at March 31, 2022, December 31, 2021 and March 31, 2021. The credit facility has a current borrowing base of $200.0 million (December 31, 2021 - $200.0 million). At March 31, 2022 Parex held $362.1 million of cash, compared to $378.3 million at December 31, 2021 and $369.8 million at March 31, 2021. The Company's cash balances reside in current accounts with chartered institutions, the majority of which are held on account in Canada, Barbados, Bermuda and Colombia in USD.

Parex' senior secured credit facility with a syndicate of banks has a current borrowing base of $200.0 million. Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants. Given there is $nil balance drawn on the facility as at March 31, 2022, the Company is in compliance with all covenants. The next annual review is scheduled to occur in April 2023.

Refer to note 20 - Commitments of the interim financial statements for the period ended March 31, 2022 for a description of the performance guarantee facility with Export Development Canada as well as the unsecured letters of credit.

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at March 31, 2022 the Company had 116,413,067 common shares outstanding compared to 120,265,664 at December 31, 2021 a decrease of 3.2%. At May 11, 2022 the common shares outstanding has been reduced to 115,125,983.

The Company has a stock option plan and RSU plan. The plans provide for the issuance of stock options and RSUs to the Company's officers, executive and certain employees to acquire common shares. In 2019, Parex created a new cash or share settled RSU and PSU plan. Under this new plan any employee who chooses share settlement will receive common shares of the Company purchased on the open market, hence there will be no new issuance of common shares from treasury under this new plan. Going forward, it is expected that only the grants under the Company's stock option plan and the exercise of previously issued RSUs will result in common shares issued from treasury.

As at May 11, 2022 Parex has the following securities outstanding:

	Number	%
Common shares	115,125,983	99 %
Stock options	793,646	1 %
Restricted share units	119,092	— %
	116,038,721	**100 %**

As of the date of this MD&A, total stock options and RSUs outstanding represent approximately 1% of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

In the normal course of business, Parex has entered into arrangements and incurred obligations that will affect the Company's future operations and liquidity. These commitments primarily relate to exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts or the Company can negotiate extensions of the exploration periods. The Company's exploration commitments are described in the Company's AIF under "Description of Business - Principal Properties". These obligations and commitments are considered in assessing cash requirements in the discussion of future liquidity.

In Colombia, the Company has provided guarantees to the Colombian National Hydrocarbon Agency ("ANH") which on March 31, 2022 were $51.8 million (December 31, 2021 - $47.9 million) to support the exploration work commitments on its blocks. The guarantees have been provided in the form of letters of credit for varying terms. Export Development Canada has provided performance security guarantees under the Company's $150.0 million (December 31, 2021 - $150.0 million) performance guarantee facility to support approximately $12.5 million (December 31, 2021 - $11.6 million) of the letters of credit issued on behalf of Parex at March 31, 2022. Also at March 31, 2022, there is an additional $39.4 million (December 31, 2021 - $36.3 million) of letters of credit that are provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH are reduced from time to time to reflect the work performed on the various blocks.

Exploration commitments were approximately $36.6 million higher at March 31, 2022 compared to December 31, 2021 due of 18 newly awarded exploration blocks in the Colombia bid round in December 2021.

The following table summarizes the Company's estimated undiscounted commitments as at March 31, 2022:

(000s)	**Total**	**<1 year**	**1 – 3 years**	**3 – 5 years**	**>5 years**
Exploration	$ 436,847	$ 21,083	$ 270,007	$ 145,757	$ —
Office and accommodations[1]	8,935	2,179	2,559	1,604	2,593
Decommissioning and Environmental Obligations	118,186	6,675	—	—	111,511
Total	**$ 563,968**	**$ 29,937**	**$ 272,566**	**$ 147,361**	**$ 114,104**

(1) Includes minimum lease payment obligations associated with leases for office space and accommodations.

Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2020	$ 38,210	$ 12,901	$ 51,111
Additions	3,353	3,776	7,129
Settlements of obligations during the year	(8,311)	(1,183)	(9,494)
Loss on settlement of obligations	1,136	—	1,136
Accretion expense	2,279	1,345	3,624
Change in estimate - inflation and discount rates	(1,345)	2,754	1,409
Change in estimate - costs	6,068	580	6,648
Foreign exchange (gain)	(4,660)	(1,949)	(6,609)
Balance, December 31, 2021	$ 36,730	$ 18,224	$ 54,954
Additions	991	1,891	2,882
Settlements of obligations during the period	(1,453)	(76)	(1,529)
Loss on settlement of obligations	965	—	965
Accretion expense	834	658	1,492
Change in estimate - inflation and discount rates	(4,574)	(2,084)	(6,658)
Change in estimate - costs	153	(55)	98
Foreign exchange loss	2,327	1,158	3,485
Balance, March 31, 2022	**$ 35,973**	**$ 19,716**	**$ 55,689**
Current obligation	(5,733)	(942)	(6,675)
Long-term obligation	**$ 30,240**	**$ 18,774**	**$ 49,014**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company’s internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company’s net ownership in wells drilled as at March 31, 2022, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company’s decommissioning liability is approximately $92.2 million as at March 31, 2022 (December 31, 2021 – $88.0 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.6% and an inflation rate of 5% were used in the valuation of the liabilities (December 31, 2021 – 9.3% risk-free discount rate and a 5% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $5.7 million (December 31, 2021 – $5.7 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company’s environmental liability is approximately $26.0 million as at March 31, 2022 (December 31, 2021 – $25.9 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.6% and an inflation rate of 5% were used in the valuation of the liabilities (December 31, 2021 – 9.3% risk-free discount rate and a 5% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $0.9 million (December 31, 2021 – $1.0 million) that is classified as a current obligation.

Decommissioning liabilities are considered critical accounting estimates. There are significant uncertainties related to decommissioning expenditures and the impact on the financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates. The main factors that can cause expected estimated cash flows in respect of decommissioning liabilities to change are:

- Changes in laws and legislation;
- Construction of new facilities;
- Change in commodity price;
- Change in the estimate of oil reserves and the resulting amendment to the life of reserves;
- Changes in technology; and
- Execution of decommissioning liabilities.

Advisory on Forward-Looking Statements

Certain information regarding Parex set forth in this MD&A, including assessments by the Company's management of the Company's plans and future operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent the Company's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex. In particular, forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to:

- Company's focus, plans, priorities and strategies;
- Parex' anticipated 2022 capital expenditure guidance, 2022 production guidance and 2022 exit production rate;
- Parex' expectations that the majority of its incremental capital expenditures is expected to be spent in the second half of 2022 and is expected to support Parex' 2022 and 2023 production;
- Parex' anticipated production growth and its expectation that it will achieve record production in 2022;
- that Parex will be responsive to changes in commodity prices and that its increased short-cycle activity, accelerated infill drilling and waterflood optimization is expected to maximize value for its shareholders;
- the focus of Parex' future activities;
- Parex' expectations of the amount of inflationary and industry cost increases accounted for its revised 2022 capital expenditure guidance;
- Parex' ability to create value and long-term returns to shareholders through dividends and share repurchases through its NCIB;
- the terms of Parex' future dividends;
- Parex' expectation that its overlift position will be eliminated by the end of the second quarter of 2022 and that crude oil inventory in future periods will remain in line with normal historical levels;
- allocation of 2022 planned capital expenditures;
- the expected key activities in Parex' capital expenditure program, including areas with development opportunities, the Company's focus on certain blocks in Colombia and the planned number of wells to be drilled;
- future growth opportunities;
- fluctuation in Brent/Vasconia crude differential;
- the amount and timing of payment of total decommissioning and environmental liability cost;
- the Company's expectations regarding the per boe and G&A expense impact caused by appreciation and depreciation of the COP;
- the effect of the COP/USD exchange rate on the variability of general and administrative, transportation, and production costs;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the use of derivatives primarily with financial institutions to manage movements in the price of crude oil, fluctuations in the USD/COP exchange rate and interest rate movements;
- that the Company will be able to manage and forecast cash flow through derivative contracts;
- Parex' anticipated effective tax rate on operation cash flow;
- terms of the Company's credit facility including the timing of the next borrowing base redetermination;
- terms of certain contractual obligations; and
- the Company's expectation that only the grants under the Company's stock option plan and the exercise of previously issued RSUs and PSUs will result in common shares issued from treasury.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; continued volatility in market prices for oil; the impact of the COVID-19 pandemic and the ability of Parex to carry on its operations as currently contemplated in light of the COVID-19 pandemic; the impact of significant declines in market prices for oil; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve and resource estimates; the production and growth potential of Parex' assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risk of failure to achieve the anticipated benefits associated with acquisitions; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; failure to meet expected production targets; risk that Parex does not have sufficient financial resources in the future to provide distributions to its shareholders; risk that the Board does not declare dividends in the future or that Parex dividend policy changes; the risks that inflationary and industry cost increases will account for more of its revised 2022 capital expenditure guidance than expected; the risk that Parex may not be responsive to changes in commodity prices, the risk that Parex's overlift position may not be eliminated by the end of the second quarter of 2022 and that crude oil inventory in future periods may be less than normal historic levels, that crude oil inventory in future periods will remain in line with normal historic levels; the risks discussed under "Risk Factors" in the Company's December 31, 2021 MD&A and under "Decommissioning and Environmental Liabilities" in this MD&A, and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and future commodity prices and royalty regimes; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil and conventional natural gas; (ii) the supply chain, including the Company's ability to obtain the equipment and services it requires; and (iii) the Company's ability to produce, transport and/or sell its crude oil and conventional natural gas; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to areas of the Company's operations and infrastructure; future exchange rates; the price of oil, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; royalty rates; future operating costs; the status of litigation; timing of drilling and completion of wells; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient financial resources to pay dividends and acquire its shares pursuant to its NCIB in the future; that Parex' increased short cycle and acceleration of infill drilling and waterflood optimization will maximize value for its shareholders; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

In addition, statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described can be profitably produced in the future. The recovery and reserve estimates of Parex' reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

Forward-looking statements and other information contained in this MD&A concerning the oil and natural gas industry in the countries in which it operates and the Company's general expectations concerning this industry are based on estimates prepared by Management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management has included forward looking information and the above summary of assumptions and risks related to forward-looking information in this MD&A in order to provide shareholders with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive there from. These forward-looking statements are made as of the date of this MD&A and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to: Parex' anticipated 2022 capital expenditure guidance; Parex' expectations of the effect of inflationary and industry cost increases on the revised 2022 capital expenditure guidance; Parex' expectations regarding the amount of 2022 annual FFO to be returned to shareholders; Parex' anticipated total decommissioning and environmental liability cost; and Parex' anticipated effective tax rate on operating cash flow; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change. The Company disclaims any intention or obligations to update or revise any financial outlook contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.

Distribution Advisory

The Company's future shareholder distributions, including but not limited to the payment of dividends and the acquisition by the Company of its shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to pay further dividends on the common shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith and any special dividends) or acquire shares of the Company will be subject to the discretion of the Board of Directors of Parex and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Company under applicable corporate law. Further, the actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that the Company will pay dividends or repurchase any shares of the Company in the future

Oil & Gas Matters Advisory

This report contains a number of oil and gas metrics, including operating netbacks and FFO netbacks. These oil and gas metrics have been prepared by management and do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide security holders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this report, should not be relied upon for investment or other purposes.

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

Non-GAAP and Other Financial Measures Advisory

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex' performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures used in this MD&A.

Non-GAAP Financial Measures

Adjusted EBITDA *is defined as net income (loss) before interest, taxes, depletion and depreciation and adjusted for other non-cash items, transaction costs and extraordinary and non-recurring items. Adjusted EBITDA is solely used in the calculation of the bank covenant and is not considered a key performance measure by Management.*

Capital Expenditures, *is a non-GAAP financial measure which the Company uses to describe it's capital costs associated with Oil and Gas expenditures. The measure considers both Property, plant and equipment expenditures and Exploration and evaluation asset expenditures which are items in the Company's statement of cash flows for the period.*

	For the three months ended March 31,	
($000s)	**2022**	2021
Property, plant and equipment expenditures	**$ 83,868**	$ 38,515
Exploration and evaluation expenditures	**38,630**	1,077
Total Capital expenditures	**$ 122,498**	$ 39,592

Free funds flow, *is a non-GAAP measure that is determined by funds flow provided by operations less capital expenditures. The Company considers free funds flow or free cash flow to be a key measure as it demonstrates Parex' ability to fund return of capital, such as the NCIB or dividends, without accessing outside funds and is calculated as follows:*

	For the three months ended March 31,	
($000s)	**2022**	2021
Cash provided by operating activities	**$ 190,607**	$ 128,142
Net change in non-cash working capital	**14,881**	(3,173)
Funds flow provided by operations	**$ 205,488**	$ 124,969
Capital expenditures, excluding corporate acquisitions	**122,498**	39,592
Free funds flow	**$ 82,990**	$ 85,377

Operating netback
The Company considers operating netback to be a key measure as they demonstrate Parex' profitability relative to current commodity prices. Parex calculates operating netback as oil and natural gas sales less royalties, production, and transportation expense.

Non-GAAP Financial Ratios

Basic and diluted funds flow provided by operations per share *is calculated by dividing funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. Parex presents basic and diluted funds flow provided by operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share.*

Funds flow provided by operations per boe or funds flow netback per boe*, is a non-GAAP ratio that includes all cash generated from operating activities and is calculated before changes in non-cash working capital, divided by produced oil and natural gas sales volumes. The Company considers funds flow netback to be a key measure as it demonstrates Parex' profitability after all cash costs relative to current commodity prices.*

Operating netback per boe
The Company considers operating netback per boe to be a key measure as they demonstrate Parex' profitability relative to current commodity prices. Parex calculates operating netback per boe as operating netback divided by the total equivalent sales volume including purchased and overlifted oil volumes for oil and natural gas sales price and transportation expense per boe and by the total equivalent sales volume and excludes purchased and overlifted oil volumes for royalties and production expense per boe.

Capital Management Measures

Funds flow provided by operations, *is a non-GAAP capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. A reconciliation from cash provided by operating activities to funds flow provided by operations is as follows:*

	For the three months ended March 31,	
($000s)	**2022**	2021
Cash provided by operating activities	**$ 190,607**	$ 128,142
Net change in non-cash working capital	**14,881**	(3,173)
Funds flow provided by operations	**$ 205,488**	$ 124,969

Working Capital Surplus, *is a non-GAAP capital management measure which the Company uses to describe its liquidity position and ability to meet its short term liabilities. Working Capital Surplus is defined as current assets less current liabilities:*

	For the three months ended March 31,	
($000s)	**2022**	2021
Current Assets	**$ 626,916**	$ 471,744
Current Liabilities	**340,232**	130,058
Working Capital Surplus	**286,684**	341,686

Supplementary Financial Measures

"Average realized sales price per boe" is comprised of total commodity sales from oil and natural gas production, as determined in accordance with IFRS, divided by the Company's total oil and natural gas sales volumes.

"Average realized natural gas price per Mcf" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas sales volumes.

"Current tax effective rate as a per cent of funds flow provided by operations" is comprised of current income tax expense, as determined in accordance with IFRS, divided by funds flow provided by operations.

"DD&A expense per boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"Dividends paid per share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"G&A expense per boe" is comprised of net G&A expense after recoveries and capitalization, as determined in accordance with IFRS, divided by the Company's total production.

"Net revenue per boe" is comprised of oil and natural gas sales per boe less royalties per boe.

"Oil and natural gas sales per boe" is determined by sales revenue excluding risk management contracts, as determined in accordance with IFRS, divided by total equivalent sales volume including purchased and overlifted oil volumes.

"Production expense per boe" is comprised of production expense, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased and overlifted oil volumes.

"Production per share growth" is comprised of the Company's total oil and natural gas production volumes divided by the weighted average number of basic shares outstanding, whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. Growth is determined in comparison to the comparative year.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased and overlifted oil volumes.

"Royalties as a percentage of sales" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales from production, excluding purchased oil volumes, as determined in accordance with IFRS.

"Transportation expense per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the total equivalent sales volumes including purchased and overlifted oil volumes.

Business Environment and Risks

Parex is exposed to various market and operational risks. For a discussion of these risks please refer to the Parex' MD&A for the year ended December 31, 2021 as filed on SEDAR at www.sedar.com or Parex' website at www.parexresources.com.

Internal Controls over Financial Reporting

There has been no change in Parex' internal controls over financial reporting ("ICFR") or disclosure controls and procedures ("DC&P) during the period covered by this MD&A that materially affected, or is reasonably likely to materially affect, its ICFR or DC&P.

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the three months ended March 31, 2022 other than normal course guarantees entered into in the form of letters of credit to support the exploration work commitments on its blocks. For further information refer to "Contractual Obligations, Commitments and Guarantees" section above and note 20 - Commitments in the unaudited condensed interim consolidated financial statements.

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity.

Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2021.

DIRECTORS

Wayne Foo
Chairman of the Board

Lisa Colnett

Sigmund Cornelius

Robert Engbloom

Bob MacDougall

Glenn McNamara

Imad Mohsen

Carmen Sylvain

Paul Wright

OFFICERS & SENIOR EXECUTIVES

Imad Mohsen
President and Chief Executive Officer

Eric Furlan
Chief Operating Officer

Kenneth Pinsky
Chief Financial Officer & Corporate Secretary

Katie Bernard
Vice President, New Ventures

Daniel Ferreiro
President, Parex Colombia & Country Manager

Ryan Fowler
Sr. Vice President, Exploration & Business Development

Michael Kruchten
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ABBREVIATIONS

Oil and Natural Gas Liquids

bbl(s)	barrel(s)
mbbls	one thousand barrels
bbl(s)/d or bopd	barrel(s) of oil per day
BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl
boe/d	barrels of oil equivalent per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day

Other

WTI	West Texas Intermediate
Brent	Brent Ice
Vasconia	Vasconia Crude
FFO	Funds flow provided by operations

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.