CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE		June 30, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**133,375**	$	419,002
Accounts receivable	**5**		**128,826**		117,958
Prepaids and other current assets			**56,307**		52,009
Crude oil inventory	**6**		**3,638**		4,633
			322,146		593,602
Deferred tax asset			**138,122**		110,908
Goodwill			**73,452**		73,452
Exploration and evaluation	**7**		**130,406**		115,745
Property, plant and equipment	**8**		**1,355,732**		1,255,395
Other long-term assets	**9**		**205,941**		165,271
		$	**2,225,799**	$	2,314,373
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**267,587**	$	306,762
Derivative financial instruments	**19**		**—**		1,278
Current income tax payable			**50,918**		193,854
Current portion of decommissioning and environmental liabilities	**13**		**6,598**		6,720
			325,103		508,614
Lease obligation	**10**		**5,949**		6,079
Cash settled share-based compensation liabilities	**15**		**12,123**		13,132
Decommissioning and environmental liabilities	**13**		**76,907**		46,572
Deferred tax liability			**—**		24,984
			420,082		599,381
Shareholders' equity					
Share capital	**14**		**671,437**		682,718
Contributed surplus			**19,104**		20,334
Retained earnings			**1,115,176**		1,011,940
			1,805,717		1,714,992
		$	**2,225,799**	$	2,314,373

Commitments (note 21)

See accompanying Notes to the Consolidated Interim Financial Statements

Approved by the Board:

"signed" Sigmund Cornelius 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 June 30, 2023	2022	For the six months ended June 30, 2023	2022
Oil and natural gas sales	11	**$ 328,178**	$ 448,255	**$ 656,911**	$ 861,871
Royalties		**(54,163)**	(103,223)	**(111,794)**	(186,368)
Revenue		**274,015**	345,032	**545,117**	675,503
Expenses					
Production		**44,422**	31,001	**86,181**	60,335
Transportation		**17,111**	13,828	**31,689**	28,170
Purchased oil		**1,647**	(4,768)	**3,067**	5,632
General and administrative		**15,402**	13,021	**29,371**	25,016
Impairment of exploration and evaluation assets	7	**55,021**	—	**55,021**	—
Equity settled share-based compensation expense	14	**256**	310	**525**	616
Cash settled share-based compensation expense	15	**7,241**	742	**17,523**	11,998
Depletion, depreciation and amortization	8	**45,627**	34,746	**87,579**	69,014
Foreign exchange loss (gain)		**(6,966)**	(15,182)	**3,300**	(9,959)
		179,761	73,698	**314,256**	190,822
Finance (income)	12	**(5,106)**	(1,432)	**(9,750)**	(2,056)
Finance expense	12	**4,253**	3,419	**7,957**	7,235
Net finance (income) expense		**(853)**	1,987	**(1,793)**	5,179
Income before income taxes		**95,107**	269,347	**232,654**	479,502
Income tax expense (recovery)					
Current tax expense		**39,157**	68,775	**79,062**	124,671
Deferred tax (recovery) expense		**(45,465)**	57,444	**(52,198)**	59,053
		(6,308)	126,219	**26,864**	183,724
Net income and comprehensive income for the period		**$ 101,415**	$ 143,128	**$ 205,790**	$ 295,778
Basic net income per common share	16	**$ 0.95**	$ 1.24	**$ 1.91**	$ 2.53
Diluted net income per common share	16	**$ 0.95**	$ 1.24	**$ 1.91**	$ 2.53

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Changes in Equity (unaudited)

For the six months ended June 30, (thousands of United States dollars)		**2023**		2022
Share capital				
Balance, beginning of period	**$**	**682,718**	$	731,713
Issuance of common shares under share-based compensation plans		**4,439**		10,932
Repurchase of shares		**(15,720)**		(37,465)
Balance, end of period	**$**	**671,437**	$	705,180
Contributed surplus				
Balance, beginning of period	**$**	**20,334**	$	24,530
Share-based compensation		**525**		616
Options and RSUs exercised		**(1,755)**		(5,272)
Balance, end of period	**$**	**19,104**	$	19,874
Retained earnings				
Balance, beginning of period	**$**	**1,011,940**	$	637,448
Net income for the period		**205,790**		295,778
Repurchase of shares		**(42,622)**		(111,636)
Dividends		**(59,932)**		(35,341)
Balance, end of period	**$**	**1,115,176**	$	786,249
	$	**1,805,717**	$	1,511,303

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 June 30, 2023	2022	For the six months ended June 30, 2023	2022
Operating activities					
Net income		**$ 101,415**	$ 143,128	**$ 205,790**	$ 295,778
Add (deduct) non-cash items					
Depletion, depreciation and amortization	**8**	**45,627**	34,746	**87,579**	69,014
Non-cash finance expense	**12**	**1,595**	2,241	**3,953**	3,409
Equity settled share-based compensation expense	**14**	**256**	310	**525**	616
Cash settled share-based compensation expense	**15**	**7,241**	742	**17,523**	11,998
Deferred tax (recovery) expense		**(45,465)**	57,444	**(52,198)**	59,053
Impairment of exploration and evaluation assets	**7**	**55,021**	—	**55,021**	—
Unrealized foreign exchange gain		**(10,815)**	(10,860)	**(1,823)**	(7,594)
Loss (gain) on settlement of decommissioning liabilities	**13**	**(33)**	45	**196**	1,010
Net change in non-cash working capital	**17**	**(191,454)**	16,987	**(221,905)**	2,106
Cash provided by (used in) operating activities		**(36,612)**	244,783	**94,661**	435,390
Investing activities					
Property, plant and equipment expenditures	**8**	**(82,999)**	(93,346)	**(166,223)**	(177,214)
Exploration and evaluation expenditures[1]	**7**	**(38,310)**	(32,894)	**(68,954)**	(59,939)
Other long-term assets expenditures, net of transfers[1]	**9**	**(20,903)**	(6,541)	**(40,670)**	(18,126)
Net change in non-cash working capital	**17**	**(12,208)**	(1,179)	**(575)**	16,228
Cash (used in) investing activities		**(154,420)**	(133,960)	**(276,422)**	(239,051)
Financing activities					
Issuance of common shares under equity-settled plans	**14**	**541**	673	**2,684**	5,660
Common shares repurchased	**14**	**(25,474)**	(51,697)	**(58,342)**	(149,101)
Dividends	**14**	**(30,101)**	(22,226)	**(59,932)**	(35,341)
Payments on lease obligation	**10**	**(173)**	(394)	**(343)**	(463)
Cash (used in) financing activities		**(55,207)**	(73,644)	**(115,933)**	(179,245)
(Decrease) increase in cash for the period		**(246,239)**	37,179	**(297,694)**	17,094
Impact of foreign exchange on foreign currency-denominated cash balances		**7,195**	(6,496)	**12,067**	(2,646)
Cash, beginning of period		**372,419**	362,103	**419,002**	378,338
Cash, end of period		**$ 133,375**	$ 392,786	**$ 133,375**	$ 392,786

[1] Certain comparative figures have been reclassified to conform with the current year's presentation as described in Note 2.

Supplemental Disclosure of Cash Flow Information (note 17)
See accompanying Notes to the Consolidated Interim Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2023
(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 August 2, 2023.

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 and six months ended June 30, 2023 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, 2022, 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 August 2, 2023, 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 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, 2022.

d) Change in presentation

Throughout 2022 Parex actively procured significant long-lead inventory and equipment to mitigate the risk of potential equipment shortages in the current high-price/high-demand environment. As the assets are used, they will be incorporated into the costs of the related exploration and evaluation ("E&E") and property, plant and equipment ("PP&E") projects. Due to this, the inventory balance has been reclassified from E&E assets to other long-term assets to reflect inventory expenditures separate from project expenditures until the material and equipment has been put into use.

The following items within the consolidated statements of cash flows were reclassified to conform to the current year's presentation:

Long-lead expenditures, formally included in Exploration and evaluation expenditures on the consolidated statement of cash flows have now been presented separately:

Consolidated Statements of Cash Flows (unaudited)		For the three months ended June 30, 2022		For the six months ended June 30, 2022
Exploration and evaluation expenditures, as previously presented	$	(39,435)	$	(78,065)
Reclassification to Other long-term asset expenditures, net of transfers		6,541		18,126
Exploration and evaluation expenditures, as currently presented	$	(32,894)	$	(59,939)

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, 2022 with the addition of the below Amendment to IAS 12 Income Taxes.

The Company has adopted the amendment to IAS 12 International Tax Reform - Pillar Two Model Rules in the interim period ending June 30, 2023. As a result, the Company has applied the exception to not recognize and disclose information about deferred tax assets and liabilities related to Pillar Two incomes taxes. This exception has been applied retrospectively but no adjustments to previously reported figures were reported.

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, 2022 consolidated financial statements for details concerning determination of fair values.

5. Accounts Receivable

		June 30, 2023		December 31, 2022
Trade receivables	**$**	**117,902**	$	113,176
Value added taxes (VAT)		**10,924**		4,782
	$	**128,826**	$	117,958

Trade receivables consist primarily of oil sale receivables related to the Company’s oil sales. VAT receivable is $10.9 million as at June 30, 2023 (December 31, 2022 - $4.8 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

		June 30, 2023		December 31, 2022
Crude oil inventory	**$**	**3,638**	$	4,633

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, 2021	**$**	**95,496**
Additions and transfers		122,273
Changes in decommissioning liability		1,370
Exploration and evaluation impairment		(103,394)
Balance at December 31, 2022	**$**	**115,745**
Additions and transfers		68,954
Changes in decommissioning liability		728
Exploration and evaluation impairment		(55,021)
Balance at June 30, 2023	**$**	**130,406**

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 and transfers of $69.0 million for the six months ended June 30, 2023 represent the Company's share of costs incurred on E&E assets during the period.

During the six months ended June 30, 2023, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets, primarily associated with the VIM-43 block wouldn't be recovered. The impairment review compared the carrying value of the assets to the recoverable amount which was determined to be $nil for these assets. It was determined that the impairment was $55.0 million which is recorded in the consolidated statements of comprehensive income for the period ended June 30, 2023.

At June 30, 2023 and December 31, 2022 the Company did not have any E&E assets in Canada.

8. Property, Plant and Equipment

		Canada		**Colombia**		**Total**
Cost						
Balance at December 31, 2021	**$**	**11,886**	**$**	**2,658,714**	**$**	**2,670,600**
Additions and transfers		2,078		387,901		389,979
Right-of-use-asset addition (non-cash)		1,832		1,100		2,932
Changes in decommissioning and environmental liability		—		3,384		3,384
Balance at December 31, 2022	**$**	**15,796**	**$**	**3,051,099**	**$**	**3,066,895**
Additions and transfers		525		165,698		166,223
Changes in decommissioning and environmental liability		—		21,480		21,480
Balance at June 30, 2023	**$**	**16,321**	**$**	**3,238,277**	**$**	**3,254,598**
Accumulated Depreciation, Depletion and Amortization						
Balance at December 31, 2021	**$**	**6,297**	**$**	**1,654,932**	**$**	**1,661,229**
Depletion and depreciation for the year		801		147,801		148,602
Depreciation - Right-of-use-asset		749		—		749
DD&A included in crude oil inventory costing		—		920		920
Balance at December 31, 2022	**$**	**7,847**	**$**	**1,803,653**	**$**	**1,811,500**
Depletion and depreciation for the period		483		86,677		87,160
Depreciation - Right-of-use-asset		382		37		419
DD&A included in crude oil inventory costing		—		(213)		(213)
Balance at June 30, 2023	**$**	**8,712**	**$**	**1,890,154**	**$**	**1,898,866**
Net book value:						
As at December 31, 2021	$	5,589	$	1,003,782	$	1,009,371
As at December 31, 2022	$	7,949	$	1,247,446	$	1,255,395
As at June 30, 2023	**$**	**7,609**	**$**	**1,348,123**	**$**	**1,355,732**

In the six months ended June 30, 2023 property, plant and equipment ("PPE") additions and transfers of $166.2 million mainly relate to drilling costs in Colombia at blocks LLA-34, Cabrestero, and LLA-26.

For the six months ended June 30, 2023 future development costs of $422.5 million (six months ended June 30, 2022 - $364.1 million) were included in the depletion calculation for development and production assets. For the six months ended June 30, 2023 $4.3 million of general and administrative costs (six months ended June 30, 2022 - $4.4 million) have been capitalized in respect of development and production activities during the current period.

At June 30, 2023 there were no indicators of impairment noted, or indicators requiring a reversal of previously recorded impairments.

9. Other Long-term Assets

The Company has other long-term assets in the form of long-lead material and equipment inventory, such as drill casing.

Cost		
Balance at December 31, 2021	**$**	**25,005**
Additions		186,080
Transfers to E&E and PP&E assets		(45,814)
Balance at December 31, 2022	**$**	**165,271**
Additions		70,639
Transfers to E&E and PP&E assets		(29,969)
Balance at June 30, 2023	**$**	**205,941**

10. Lease Obligation

		Canada		**Colombia**		**Total**
Balance at December 31, 2021	**$**	**5,079**	**$**	**–**	**$**	**5,079**
Additions		1,832		1,100		2,932
Interest expense		46		34		80
Lease payments		(729)		(36)		(765)
Foreign exchange (gain)		(449)		(43)		(492)
Balance at December 31, 2022	**$**	**5,779**	**$**	**1,055**	**$**	**6,834**
Interest expense		22		71		93
Lease payments		(361)		(75)		(436)
Foreign exchange loss		101		154		255
Balance at June 30, 2023	**$**	**5,541**	**$**	**1,205**	**$**	**6,746**
Current obligation		(788)		(9)	$	(797)
Long-term obligation	**$**	**4,753**	**$**	**1,196**	**$**	**5,949**

11. Oil and Natural Gas Sales

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

	For the three months ended June 30,				For the six months ended June 30,			
		2023		2022		**2023**		2022
Crude oil	**$**	**326,231**	$	441,480	**$**	**652,727**	$	847,910
Natural gas		**1,947**		6,775		**4,184**		13,961
Oil and natural gas sales	**$**	**328,178**	$	448,255	**$**	**656,911**	$	861,871

At June 30, 2023, receivables from contracts with customers, which are included in accounts receivable, were $117.9 million (December 31, 2022 - $113.2 million).

12. Net Finance (Income) Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Bank charges and credit facility fees	**$ 2,007**	$ 1,018	**$ 3,083**	$ 1,796
Accretion on decommissioning and environmental liabilities	**2,106**	1,363	**4,005**	2,855
Interest and other income	**(5,106)**	(1,432)	**(9,750)**	(2,056)
Right-of-use-asset interest	**48**	13	**93**	22
Loss (gain) on settlement of decommissioning liabilities	**(33)**	45	**196**	1,010
Expected credit loss (recovery) provision	**(547)**	886	**(92)**	756
Other	**672**	94	**672**	796
Net finance (income) expense	**$ (853)**	$ 1,987	**$ (1,793)**	$ 5,179

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Non-cash finance expense, net	**$ 1,562**	$ 2,286	**$ 4,149**	$ 4,419
Cash finance (income) expense, net	**(2,415)**	(299)	**(5,942)**	760
Net finance (income) expense	**$ (853)**	$ 1,987	**$ (1,793)**	$ 5,179

13. Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2021	$ 36,730	$ 18,224	$ 54,954
Additions	5,330	3,266	8,596
Settlements of obligations during the year	(2,871)	(822)	(3,693)
Loss on settlement of obligations	532	—	532
Accretion expense	3,663	2,144	5,807
Change in estimate - inflation and discount rates	(12,504)	(5,233)	(17,737)
Change in estimate - costs	13,733	162	13,895
Foreign exchange (gain)	(5,795)	(3,267)	(9,062)
Balance, December 31, 2022	$ 38,818	$ 14,474	$ 53,292
Additions	2,825	279	3,104
Settlements of obligations during the period	(324)	(432)	(756)
Loss on settlement of obligations	196	—	196
Accretion expense	2,781	1,224	4,005
Change in estimate - inflation and discount rates	14,005	4,085	18,090
Change in estimate - costs	(46)	1,060	1,014
Foreign exchange loss	1,972	2,588	4,560
Balance, June 30, 2023	**$ 60,227**	**$ 23,278**	**$ 83,505**
Current obligation	(5,576)	(1,022)	(6,598)
Long-term obligation	**$ 54,651**	**$ 22,256**	**$ 76,907**

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 June 30, 2023, 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 $181.7 million as at June 30, 2023 (December 31, 2022 – $147.6 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.7% and an inflation rate of 4.5% were used in the valuation of the liabilities (December 31, 2022 – 14.0% risk-free discount rate and a 3.5% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $5.6 million (December 31, 2022 – $5.5 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 $30.3 million as at June 30, 2023 (December 31, 2022 – $19.5 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.7% and an inflation rate of 4.5% were used in the valuation of the liabilities (December 31, 2022 – 14.0% risk-free discount rate and a 3.5% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $1.0 million (December 31, 2022 – $1.2 million) that is classified as a current obligation.

14. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2021	120,265,664	$	731,713
Issued for cash – exercise of options and RSUs	667,159		5,660
Allocation of contributed surplus – exercise of options and RSUs	—		5,424
Repurchase of shares	(11,820,533)		(60,079)
Balance, December 31, 2022	109,112,290	$	682,718
Issued for cash - exercise of options and RSUs	250,859		2,684
Allocation of contributed surplus – exercise of options and RSUs	—		1,755
Repurchase of shares	(3,168,800)		(15,720)
Balance, June 30, 2023	**106,194,349**	**$**	**671,437**

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

In the six months ended June 30, 2023, a total of 250,859 options and RSUs were exercised for proceeds of $2.7 million (year ended December 31, 2022 - 667,159 options and RSUs were exercised for proceeds of $5.7 million). Also in the six months ended June 30, 2023, the Company repurchased 3,168,800 common shares pursuant to its Normal Course Issuer Bid at a cost of $58.3 million (average cost per share of Cdn$24.10).

For the year ended December 31, 2022, the Company repurchased 11,820,533 common shares pursuant to its Normal Course Issuer Bid at a cost of $221.5 million (average cost per share of Cdn$24.08). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

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, 2021	995,132	19.36
Granted	172,103	27.01
Exercised	(409,187)	17.47
Balance, December 31, 2022	758,048	22.12
Granted	196,583	22.77
Exercised	(187,317)	19.19
Balance, June 30, 2023	**767,314**	**23.00**

Stock options outstanding and the weighted average remaining life of the stock options at June 30, 2023 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 - $21.29	85,260	0.74	$	19.41	83,464	0.70	$	19.43
$21.30 - $21.92	158,089	2.61	$	21.65	98,162	2.61	$	21.65
$21.93 - $22.71	155,279	1.66	$	22.20	153,430	1.65	$	22.19
$22.72 - $24.12	196,583	4.61	$	22.77	—	—	$	—
$24.13 - $28.39	172,103	3.62	$	27.01	57,355	3.62	$	27.01
	767,314	**2.95**	**$**	**23.00**	**392,411**	**1.97**	**$**	**22.17**

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 six months ended June 30,	**2023**	2022
Risk-free interest rate (%)	**3.37**	1.55
Expected life (years)	**4**	4
Expected volatility (%)	**48**	48
Forfeiture rate (%)	**3**	3
Expected dividend yield (%)	**5.65**	4.59

The weighted average fair value at the grant date for the six months ended June 30, 2023 was Cdn$5.97 per option (six months ended June 30, 2022 - Cdn$10.50 per option). The weighted average share price on the exercise date for options exercised in the six months ended June 30, 2023 was Cdn$23.20 (six months ended June 30, 2022 - Cdn$26.15).

c) Restricted share units

Pursuant to the restricted share unit plan, the Company had an RSU plan that provided grants of restricted share units to certain employees. The plan was extinguished during the first quarter of 2023 and was replaced with the CosRSU plan.

d) Equity settled share-based compensation

	For the three months ended June 30,				For the six months ended June 30,			
		2023		2022		**2023**		2022
Option expense	**$**	**256**	$	310	**$**	**525**	$	616
Total equity settled share-based compensation expense	**$**	**256**	$	310	**$**	**525**	$	616

15. Cash Settled Share-Based Compensation Plans

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

The Company has in place a Cash or share settled RSU/PSU incentive 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, 2021	1,196,332
Granted[(1)]	581,226
Exercised	(602,568)
Forfeited	(23,286)
Balance, December 31, 2022	1,151,704
Granted[(1)]	586,176
Exercised	(525,751)
Forfeited	(9,199)
Balance, June 30, 2023	**1,202,930**

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

CosPSU:

	Number of CosPSUs
Balance, December 31, 2021	701,001
Granted[(1)]	249,673
Granted by performance factor	146,232
Exercised	(372,716)
Forfeited	(2,004)
Balance, December 31, 2022	722,186
Granted[(1)]	304,158
Adjusted by performance factor	(19,468)
Exercised	(209,532)
Balance, June 30, 2023	**797,344**

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

As at June 30, 2023, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the six months ended June 30, 2023 was Cdn$22.77 per CosRSU and CosPSU (six months ended June 30, 2022 - Cdn$27.36 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 2023 the board of directors approved a multiplier of 0.93X be applied to the 2020 CosPSU grant resulting in 19,468 CosPSU's reduction. 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 June 30, 2023, the total CosRSUs and CosPSUs liability accrued is $16.7 million (December 31, 2022 - $17.1 million) of which $5.2 million (December 31, 2022 - $6.5 million) is classified as long-term 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, 2021	255,528
Granted(1)	44,237
Balance, December 31, 2022	299,765
Granted(1)	8,889
Exercised on board retirement	(15,000)
Balance, June 30, 2023	**293,654**

(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.

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 June 30, 2023, the total DSUs liability accrued is $5.9 million (December 31, 2022 - $4.5 million) of which $5.2 million (December 31, 2022 - $4.5 million) 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, 2021	818,929
Granted(1)	399,854
Exercised	(425,924)
Forfeited	(35,219)
Balance, December 31, 2022	757,640
Granted(1)	313,175
Exercised	(337,603)
Forfeited	(26,504)
Balance, June 30, 2023	**706,708**

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

The weighted average fair value at the grant date for six months ended June 30, 2023 was Cdn$22.92 per CRSU (six months ended June 30, 2022 - Cdn$27.34 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 June 30, 2023, the total CRSUs liability accrued is $6.0 million (December 31, 2022 - $6.8 million) of which $1.7 million (December 31, 2022 - $2.1 million) is classified as long-term in accordance with the three-year vesting period.

d) Cash settled share-based compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
CosRSUs and CosPSUs expense	**$ 5,264**	$ 786	**$ 12,647**	$ 10,160
DSUs expense (recovery)	**551**	(368)	**1,751**	550
CRSUs expense	**1,426**	324	**3,125**	1,318
SARs (recovery)	**—**	—	**—**	(30)
Total cash settled share-based compensation expense	**$ 7,241**	$ 742	**$ 17,523**	$ 11,998
Cash payments made upon exercise in the period	**$ 861**	$ 1,816	**$ 18,720**	$ 27,522

16. Net Income per Share

a) Basic net income per share

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Net income				
Net income for the purpose of basic net income per share	**$ 101,415**	$ 143,128	**$ 205,790**	$ 295,778
Weighted average number of shares for the purposes of basic net income per share (000s)	**106,830**	115,134	**107,507**	116,828
Basic net income per share	**$ 0.95**	$ 1.24	**$ 1.91**	$ 2.53

b) Diluted net income per share

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Net income				
Net income used to calculate diluted net income per share	**$ 101,415**	$ 143,128	**$ 205,790**	$ 295,778
Weighted average number of shares for the purposes of basic net income per share (000s)	**106,830**	115,134	**107,507**	116,828
Dilutive effect of stock options, RSUs and PSUs on potential common shares	**84**	122	**56**	131
Weighted average number of shares for the purposes of diluted net income per share (000s)	**106,914**	115,256	**107,563**	116,959
Diluted net income per share	**$ 0.95**	$ 1.24	**$ 1.91**	$ 2.53

For the three and six months ended June 30, 2023, 115,576 and 368,686 stock options (three and six months ended June 30, 2022 - 175,800 stock options) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

17. Supplemental Disclosure of Cash Flow Information

a) Net change in non-cash working capital

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Accounts receivable	**$ (29,378)**	$ (32,102)	**$ (10,868)**	$ (89,519)
Prepaids and other current assets	**(1,324)**	(3,869)	**(4,298)**	(16,950)
Oil inventory	**(2,149)**	(1,483)	**995**	(98)
Accounts payable and accrued liabilities	**(170,970)**	53,890	**(207,340)**	127,395
Depletion related to oil inventory	**642**	271	**(213)**	(66)
Decommissioning and environmental liabilities	**(483)**	(899)	**(756)**	(2,428)
Net change in non-cash working capital	**$ (203,662)**	$ 15,808	**$ (222,480)**	$ 18,334
Operating	**$ (191,454)**	$ 16,987	**$ (221,905)**	$ 2,106
Investing	**(12,208)**	(1,179)	**(575)**	16,228
Net change in non-cash working capital	**$ (203,662)**	$ 15,808	**$ (222,480)**	$ 18,334

b) Interest and taxes paid

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Cash interest paid	**$ —**	$ —	**$ —**	$ —
Cash income taxes paid	**$ 141,054**	$ 30,587	**$ 146,422**	$ 30,587

18. 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 June 30, 2023 had a borrowing base in the amount of $200.0 million (December 31, 2022 - $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 June 30, 2023, $nil (December 31, 2022 - $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 21 - Commitments). This performance guarantee facility has a limit of $150.0 million (December 31, 2022 - limit of $150.0 million) of which $9.4 million (December 31, 2022 - $9.4 million) is utilized at June 30, 2023. At June 30, 2023, there is an additional $132.9 million (December 31, 2022 - $119.7 million) of letters of credit that are provided by select Latin American banks on an unsecured basis.

As at June 30, 2023 the Company had a working capital deficit of $3.0 million, excluding funds available under the credit facility, as compared to working capital surplus at December 31, 2022 of $85.0 million.

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 June 30, 2023 shareholders' equity was $1,805.7 million (December 31, 2022 - $1,715.0 million).

19. 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 six months ended June 30, 2023 had the majority of its oil sales to three counterparties. The accounts receivable balance as at June 30, 2023 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 June 30, 2023, there were no accounts receivable past due (December 31, 2022 - $nil).

None of the Company's receivables are impaired at June 30, 2023. 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 June 30, 2023 was $nil.

The following are the contractual maturities of financial liabilities at June 30, 2023:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 250,340	—	—	—	$ 250,340
Current income tax payable	50,918	—	—	—	50,918
Lease obligation	797	5,949	—	—	6,746
Cash settled equity plans payable	16,450	12,123	—	—	28,573
Total	**$ 318,505**	**18,072**	**—**	**—**	**$ 336,577**

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

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities(1)	$ 292,062	—	—	—	$ 292,062
Current income tax payable	193,854	—	—	—	193,854
Lease obligation	755	6,079	—	—	6,834
Cash settled equity plans payable	15,223	13,132	—	—	28,355
Total	**$ 501,894**	**19,211**	**—**	**—**	**$ 521,105**

(1) Includes the liability for derivative financial instruments.

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 June 30, 2023, 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.

As at June 30, 2023, the Company had no foreign currency risk management contracts in place.

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three and six months ended June 30, 2023 and 2022:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Realized gain on foreign currency risk management contracts	**$ (4,831)**	$ —	**$ (4,831)**	$ —
Unrealized (gain) loss on foreign currency risk management contracts	**405**	—	**(1,278)**	(471)
Total	**$ (4,426)**	$ —	**$ (6,109)**	$ (471)

As at June 30, 2023, 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 $5.9 million.

20. Segmented Information

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

For the three months ended June 30, 2023	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 328,178	$ 328,178
Royalties	—	(54,163)	(54,163)
Revenue	—	274,015	274,015
Expenses			
Production	—	44,422	44,422
Transportation	—	17,111	17,111
Purchased oil	—	1,647	1,647
General and administrative	9,971	5,431	15,402
Impairment of exploration and evaluation assets	—	55,021	55,021
Equity settled share-based compensation expense	256	—	256
Cash settled share-based compensation expense	5,814	1,427	7,241
Depletion, depreciation and amortization	449	45,178	45,627
Foreign exchange (gain) loss	13	(6,979)	(6,966)
	16,503	163,258	179,761
Finance (income)	(1,230)	(3,876)	(5,106)
Finance expense	891	3,362	4,253
Net finance (income)	(339)	(514)	(853)
Income (loss) before taxes	(16,164)	111,271	95,107
Current tax expense	3,788	35,369	39,157
Deferred tax (recovery)	(1,339)	(44,126)	(45,465)
Net income (loss)	**$ (18,613)**	**$ 120,028**	**$ 101,415**
Capital assets (end of period)	$ 7,609	$ 1,478,529	$ 1,486,138
Capital expenditures	$ 267	$ 121,042	$ 121,309
Total assets (end of period)	$ 115,567	$ 2,110,232	$ 2,225,799

For the three months ended June 30, 2022	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 448,255	$ 448,255
Royalties	—	(103,223)	(103,223)
Revenue	—	345,032	345,032
Expenses			
Production	—	31,001	31,001
Transportation	—	13,828	13,828
Purchased oil	—	(4,768)	(4,768)
General and administrative	8,031	4,990	13,021
Equity settled share-based compensation expense	310	—	310
Cash settled share-based compensation expense	419	323	742
Depletion, depreciation and amortization	458	34,288	34,746
Foreign exchange (gain) loss	188	(15,370)	(15,182)
	9,406	64,292	73,698
Finance (income)	(311)	(1,121)	(1,432)
Finance expense	524	2,895	3,419
Net finance expense	213	1,774	1,987
Income (loss) before taxes	(9,619)	278,966	269,347
Current tax expense	3,763	65,012	68,775
Deferred tax expense	2,919	54,525	57,444
Net income (loss)	**$ (16,301)**	**$ 159,429**	**$ 143,128**
Capital assets (end of period)	$ 8,320	$ 1,262,496	$ 1,270,816
Capital expenditures	$ 1,044	$ 125,196	$ 126,240
Total assets (end of period)	$ 263,092	$ 1,823,315	$ 2,086,407

For the six months ended June 30, 2023	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 656,911	$ 656,911
Royalties	—	(111,794)	(111,794)
Revenue	—	545,117	545,117
Expenses			
Production	—	86,181	86,181
Transportation	—	31,689	31,689
Purchased oil	—	3,067	3,067
General and administrative	18,644	10,727	29,371
Impairment of exploration and evaluation assets	—	55,021	55,021
Equity settled share-based compensation expense	525	—	525
Cash settled share-based compensation expense	14,398	3,125	17,523
Depletion, depreciation and amortization	865	86,714	87,579
Foreign exchange loss (gain)	(125)	3,425	3,300
	34,307	279,949	314,256
Finance (income)	(3,310)	(6,440)	(9,750)
Finance expense	1,196	6,761	7,957
Net finance (income) expense	(2,114)	321	(1,793)
Income (loss) before taxes	(32,193)	264,847	232,654
Current tax expense	3,219	75,843	79,062
Deferred tax (recovery)	(221)	(51,977)	(52,198)
Net income (loss)	**$ (35,191)**	**$ 240,981**	**$ 205,790**
Capital assets (end of period)	$ 7,609	$ 1,478,529	$ 1,486,138
Capital expenditures	$ 525	$ 234,652	$ 235,177
Total assets (end of period)	$ 115,567	$ 2,110,232	$ 2,225,799

For the six months ended June 30, 2022	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 861,871	$ 861,871
Royalties	—	(186,368)	(186,368)
Revenue	—	675,503	675,503
Expenses			
Production	—	60,335	60,335
Transportation	—	28,170	28,170
Purchased oil	—	5,632	5,632
General and administrative	15,444	9,572	25,016
Equity settled share-based compensation expense	616	—	616
Cash settled share-based compensation expense	10,711	1,287	11,998
Depletion, depreciation and amortization	711	68,303	69,014
Foreign exchange (gain)	(207)	(9,752)	(9,959)
	27,275	163,547	190,822
Finance (income)	(360)	(1,696)	(2,056)
Finance expense	801	6,434	7,235
Net finance expense	441	4,738	5,179
Income (loss) before taxes	(27,716)	507,218	479,502
Current tax expense	3,785	120,886	124,671
Deferred tax expense	2,903	56,150	59,053
Net income (loss)	**$ (34,404)**	**$ 330,182**	**$ 295,778**
Capital assets (end of period)	$ 8,320	$ 1,262,496	$ 1,270,816
Capital expenditures	$ 1,610	$ 235,543	$ 237,153
Total assets (end of period)	$ 263,092	$ 1,823,315	$ 2,086,407

In Colombia the majority of oil sales are with three customers in the oil and gas industry and are subject to normal industry credit risks for the period ending June 30, 2023 (period ending June 30, 2022 - 10 customers).

21. Commitments

a) Colombia

At June 30, 2023, 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 $142.3 million (December 31, 2022 - $129.1 million) to support the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements in respect of the 44 blocks in Colombia.

At June 30, 2023, Export Development Canada ("EDC") has provided the Company's bank with performance security guarantees to support approximately $9.4 million (December 31, 2022 - $9.4 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 June 30, 2023, there is an additional $132.9 million (December 31, 2022 - $119.7 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 June 30, 2023 in respect of the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements are estimated to be as follows:

2023	$	22,184
2024		150,515
2025		72,047
2026		17,534
Thereafter		164,990
	$	**427,270**

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 June 30, 2023 are as follows:

		Total	2023	2024	2025	2026	2027	Thereafter
Office and accommodations	$	7,276	1,213	1,441	1,010	824	778	2,010

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 June 30, 2023 was prepared and approved by the Board of Directors of Parex (the "Board") and is dated August 2, 2023 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended June 30, 2023, as well as the Company's audited consolidated annual financial statements for the year ended December 31, 2022. 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 8, 2023 ("AIF"), and may be accessed through the SEDAR+ website at www.sedarplus.ca.

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

Company Profile

Parex is the largest independent oil and gas company in Colombia, focusing on sustainable, conventional production. Parex' 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 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*.

Three months ended June 30, 2023 ("second quarter" or "Q2") Highlights

- Quarterly average oil and natural gas production was 54,120 boe/d (99% crude oil and 1% natural gas), an increase of 6% from the second quarter of 2022. Refer to "Consolidated Results of Operations" for production split by product type. Production per share*** increased by 14% compared to the same quarter in the prior year, driven primarily by development drilling, and the reduction of outstanding shares via share repurchases under the Company's normal course issuer bid ("NCIB").
- Realized net income of $101.4 million ($0.95 per share basic) compared to net income of $143.1 million ($1.24 per share basic) in the comparative quarter of 2022. The Company recorded a $55.0 million impairment loss related to the VIM-43 block and associated Chirimoya exploration well.
- Generated quarterly funds flow provided by operations ("FFO")* of $154.8 million ($1.45 per share basic**) compared to $227.8 million ($1.98 per share basic) in the comparative quarter of 2022. FFO in the second quarter of 2023 was lower than the comparative period as a result of lower crude oil prices.
- A total of $55.6 million was returned to shareholders in the second quarter of 2023 through a Cdn$0.375 per common share regular quarterly dividend payment for a total cost of $30.1 million, as well as the repurchase of 1,259,600 common shares under the NCIB for a total cost of $25.5 million.
- Recorded an operating netback of $43.46/boe** (2022 - $65.66/boe**) and an FFO netback of $31.86/boe** (2022 - $50.12/boe**) from an average Brent price of $77.84/bbl (2022 - $111.98/bbl).
- Since 2017, Parex has returned over Cdn$1.2 billion to shareholders through share repurchases at an average cost per share of Cdn$20.61, in addition to approximately Cdn$240.5 million in dividends paid since putting in place a regular quarterly dividend in 2021.

* Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".
** Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
***Supplementary Financial Measure. See "Non-GAAP and Other Financial Measures Advisory".

2023 Corporate Guidance Update

On an annual basis, the temporary shut-ins at Capachos (50% W.I.) and delayed drilling operations at Arauca (50% W.I.) are estimated to have a combined impact on the Company's average production of roughly 3,100 boe/d (Capachos: 1,900 boe/d; Arauca: 1,200 boe/d). The Company was also affected by lower than expected production from its SOCA (Cabrestero (100% W.I.); LLA-34 (55% W.I.)) assets as a result of increased downtime. Parex is updating its 2023 annual average production guidance range from 57,000-63,000 boe/d to 54,000-57,000 boe/d to reflect the aforementioned temporary shut-ins and production impacts in SOCA. With normalized operations, Parex expects its Q4 2023 average production to exceed 60,000 boe/d.

Parex is also updating its 2023 capital expenditure(3) guidance to $450-475 million, which is being driven by standby costs associated with the shut-ins at Capachos (50% W.I.) and Arauca (50% W.I.) as well as increased spending at VIM-43 (100% W.I.).

Category	**2023 Guidance** (February 2, 2023)	**2023 Updated Guidance** (August 2, 2023)
Brent Crude Average Price ($/bbl)	$80	$80
Effective Tax Rate Estimate (%)(1)	25%	20%
Funds Flow Provided by Operations Netback ($/boe)(2)	$34.00	$35.00
FY Production Average (boe/d)	57,000-63,000	54,000-57,000
Capital Expenditures ($ millions)(3)	$425-475	$450-475
Funds Flow Provided by Operations ($ millions)(4)	$705-780	$690-730
Free Funds Flow ($ millions; midpoint)(3)	$295	$245

(1) Supplementary Financial Measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(4) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".

Financial Summary

(Financial figures in $'000s except per share amounts)	For the three months ended June 30, 2023	2022	For the six months ended June 30, 2023	2022
Light Crude Oil and Medium Crude Oil (bbl/d)	**7,982**	6,734	**7,551**	6,214
Heavy Crude Oil (bbl/d)	**45,644**	42,373	**44,545**	43,114
Average oil production (bbl/d)	**53,626**	49,107	**52,096**	49,328
Average conventional natural gas production (mcf/d)	**2,964**	12,216	**3,822**	12,516
Average oil and natural gas production (boe/d)	**54,120**	51,143	**52,733**	51,414
Production split (% crude oil)	**99**	96	**99**	96
Realized sales price ($/boe)(6)	**67.26**	98.22	**68.32**	92.08
Operating netback ($/boe) (1)	**43.46**	65.66	**44.35**	62.58
Oil and natural gas sales	**328,178**	448,255	**656,911**	861,871
Funds flow provided by operations(7)	**154,842**	227,796	**316,566**	433,284
Per share – basic(1)(3)	**1.45**	1.98	**2.94**	3.71
Per share – diluted (1)(3)	**1.45**	1.98	**2.94**	3.70
Net income	**101,415**	143,128	**205,790**	295,778
Per share – basic(3)	**0.95**	1.24	**1.91**	2.53
Per share – diluted(3)	**0.95**	1.24	**1.91**	2.53
Dividends paid	**30,101**	22,226	**59,932**	35,341
Per share - Cdn$(3)(6)	**0.375**	0.25	**0.75**	0.39
Share repurchases	**25,474**	51,697	**58,342**	149,101
Number of shares repurchased (000s)	**1,260**	2,686	**3,169**	7,111
Capital expenditures(2)	**121,309**	126,240	**235,177**	237,153
Other long-term asset expenditures	**20,903**	6,541	**40,670**	18,126
Free funds flow(2)	**33,533**	101,556	**81,389**	196,131
EBITDA(2)	**139,881**	306,080	**318,440**	553,695
Total assets (end of period)	**2,225,799**	2,086,407	**2,225,799**	2,086,407
Working capital (deficit) surplus (end of period)(4)(7)	**(2,957)**	311,496	**(2,957)**	311,496
Bank debt (end of period)(5)	**—**	—	**—**	—
Weighted average shares outstanding (000s)				
Basic	**106,830**	115,134	**107,507**	116,828
Diluted	**106,914**	115,256	**107,563**	116,959
Outstanding shares (end of period) (000s)	**106,194**	113,810	**106,194**	113,810

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(2) 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.
(3) 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.
(4) Working capital calculation does not take into consideration the undrawn amount available under the syndicated bank credit facility.
(5) Syndicated bank credit facility borrowing base of $200.0 million as at June 30, 2023.
(6) Supplementary Financial Measure (as defined in NI 52-112). See "Non-GAAP and Other Financial Measures Advisory" for the composition of such measure.
(7) Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".

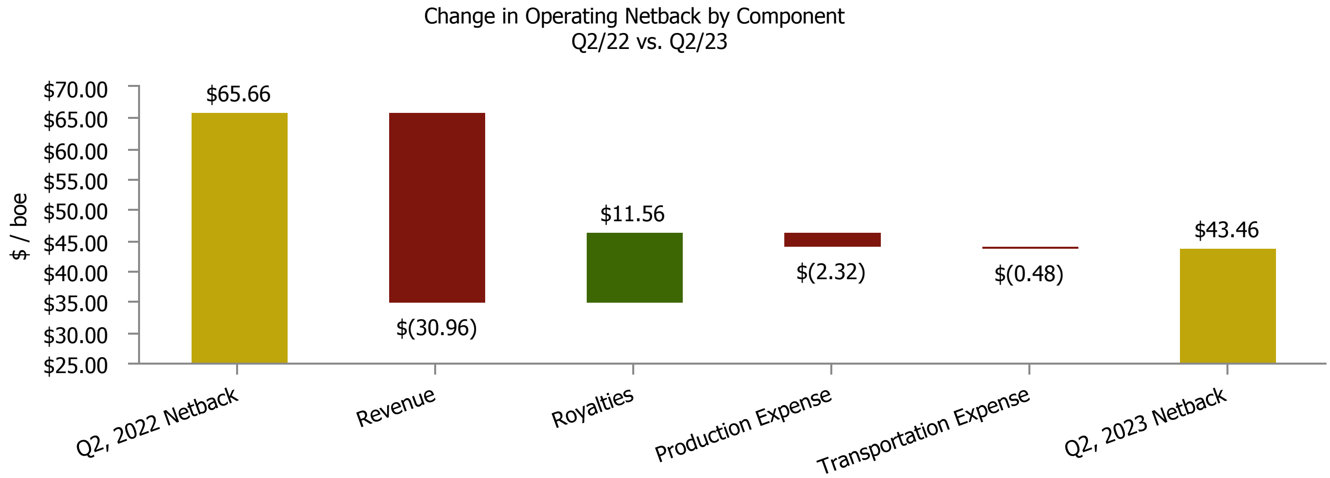
Financial and Operational Results

Consolidated Results of Operations

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

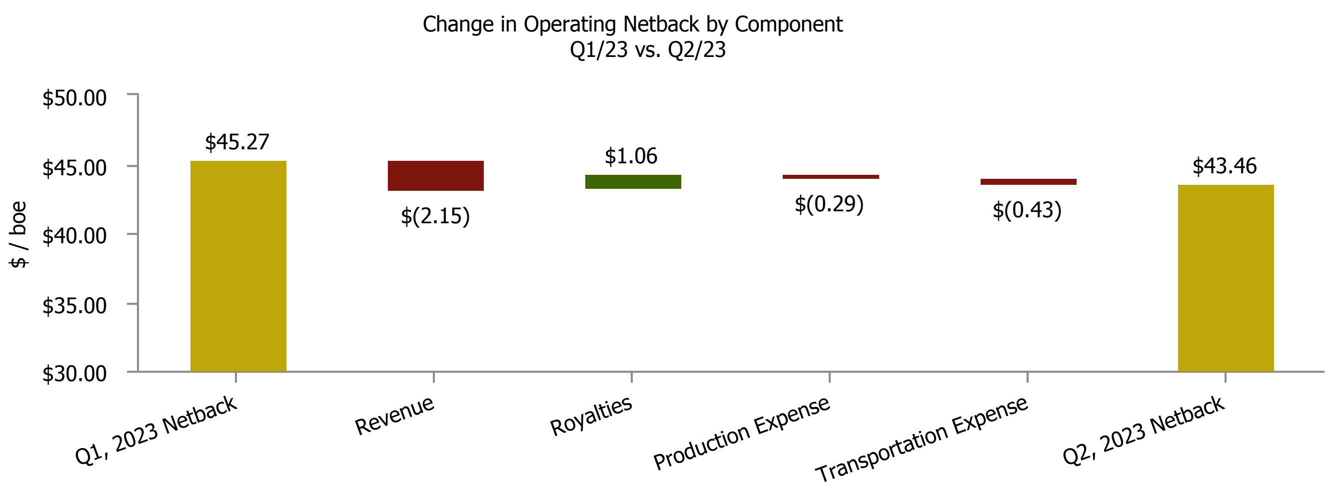
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	**7,982**	6,734	**7,551**	6,214
Heavy Crude Oil (bbl/d)	**45,644**	42,373	**44,545**	43,114
Crude Oil (bbl/d)	**53,626**	49,107	**52,096**	49,328
Conventional Natural Gas (mcf/d)	**2,964**	12,216	**3,822**	12,516
Total (boe/d)	**54,120**	51,143	**52,733**	51,414
Production split (% crude oil production)	**99**	96	**99**	96
Average daily sales of oil and natural gas				
Produced crude oil (bbl/d)	**52,907**	47,914	**52,281**	49,383
Purchased crude oil (bbl/d)	**216**	203	**206**	243
Produced natural gas (mcf/d)	**2,964**	12,216	**3,822**	12,516
Total (boe/d)	**53,617**	50,153	**53,124**	51,712
Operating netback (000s)(1)				
Oil and natural gas sales	**$ 328,178**	$ 448,255	**$ 656,911**	$ 861,871
Royalties	**(54,163)**	(103,223)	**(111,794)**	(186,368)
Net revenue	**274,015**	345,032	**545,117**	675,503
Production expense	**(44,422)**	(31,001)	**(86,181)**	(60,335)
Transportation expense	**(17,111)**	(13,828)	**(31,689)**	(28,170)
Purchased oil	**(1,647)**	4,768	**(3,067)**	(5,632)
Operating netback	**$ 210,835**	$ 304,971	**$ 424,180**	$ 581,366
Operating netback (per boe)(3)				
Oil and natural gas sales(2)	**$ 67.26**	$ 98.22	**$ 68.32**	$ 92.08
Royalties(2)	**(11.15)**	(22.71)	**(11.67)**	(20.01)
Net revenue(2)	**56.11**	75.51	**56.65**	72.07
Production expense(2)	**(9.14)**	(6.82)	**(9.00)**	(6.48)
Transportation expense(2)	**(3.51)**	(3.03)	**(3.30)**	(3.01)
Operating netback(3)	**$ 43.46**	$ 65.66	**$ 44.35**	$ 62.58

(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".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".



Overall, the Company's benchmark Brent crude oil price decreased by $34.14/bbl, while revenue decreased by $30.96/boe in the second quarter of 2023 as compared to the second quarter of 2022. The increase in revenue relative to the Brent crude benchmark decrease was mainly the result of a lower Vasconia differential due to less heavy crude oil available in the global market and higher realized sales price per boe resulting from decreased gas sales in the quarter as compared to the comparative period. Royalties decreased by $11.56/boe as a result of lower crude oil benchmark prices in the quarter. Production expense increased by $2.32/boe mainly as a result of temporarily shut-in production at the Capachos Block which carries a lower production expense per boe than other fields, in addition to a higher number of well workovers and maintenance in the quarter on Block LLA-34 and the Cabrestero Block. Transportation expense in the quarter increased by $0.48/boe as a result of decreased wellhead sales compared to the second quarter of 2022.

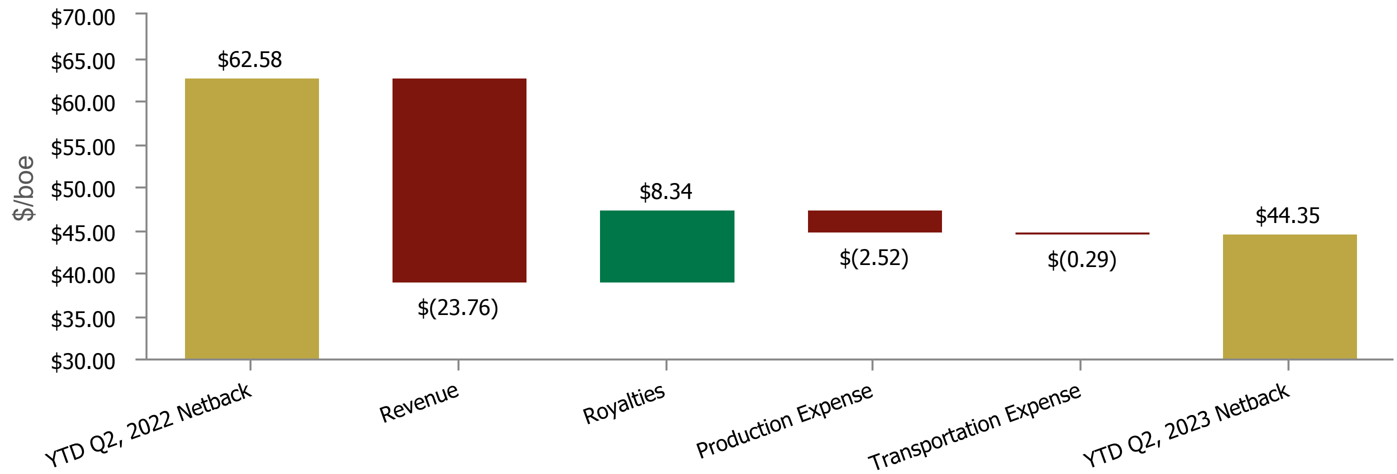
Overall, the operating netback decreased by $22.20/boe compared to a Brent benchmark crude price decrease of $34.14/bbl.



In the second quarter of 2023, the Company's benchmark Brent oil price decreased by $4.32/bbl, while revenue decreased by $2.15/boe as compared to the first quarter of 2023. The increase in revenue relative to the Brent crude oil benchmark decrease was mainly as a result of the lower Vasconia differential due to less heavy crude oil available in the global market in the quarter as compared to the comparative period. Royalties decreased by $1.06/boe as a result of lower crude oil benchmark prices in the quarter. Production expense increased by $0.29/boe mainly as a result of increased well workovers and maintenance in the current quarter on Block LLA-34 and the Cabrestero Block and the Capachos Block shut-in where lower field production expenses are realized. Transportation expense in the quarter increased by $0.43/boe as a result of decreased wellhead sales compared to the first quarter of 2023.

Overall, the operating netback decreased by $1.81/boe compared to a Brent benchmark crude price decrease of $4.32/bbl.

Change in Operating Netback by Component
YTD Q2/22 vs. YTD Q2/23



In 2023 year to date, the Company's benchmark Brent oil price decreased by $24.94/bbl, while revenue decreased by $23.76/boe as compared to same period in 2022. The increase in revenue relative to the Brent crude oil benchmark decrease was mainly as a result of higher realized sales price per boe resulting from decreased gas sales, partially offset by weaker Vasconia crude oil pricing (and thereby a higher differential to Brent oil price) in the current year as compared to the comparative period. Royalties decreased by $8.34/boe as a result of lower crude oil benchmark prices in the year. Production expense increased by $2.52/boe mainly as a result of increased well workovers and maintenance in the current year on Block LLA-34 and the Cabrestero Block as well as the Capachos Block shut-in where lower field production expenses are realized. Transportation expense increased by $0.29/boe as a result of decreased wellhead sales compared to the prior period in 2022.

Overall, the operating netback decreased by $18.23/boe compared to a Brent benchmark crude price decrease of $24.94/bbl.

Oil and Natural Gas Sales

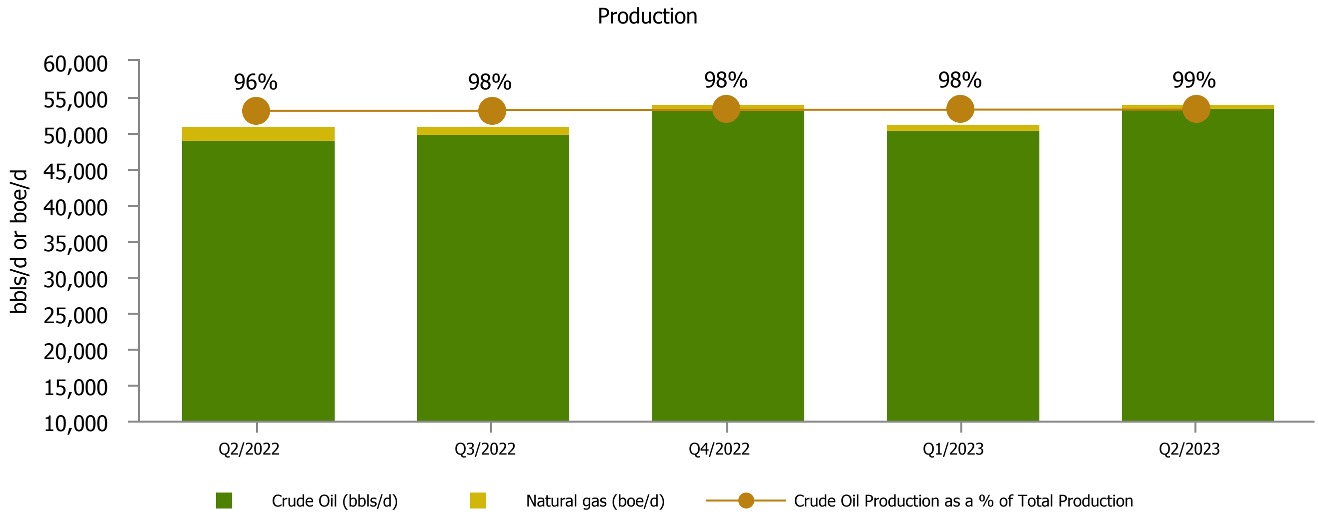
a) Average Daily Production and Sales Volumes (boe/d)

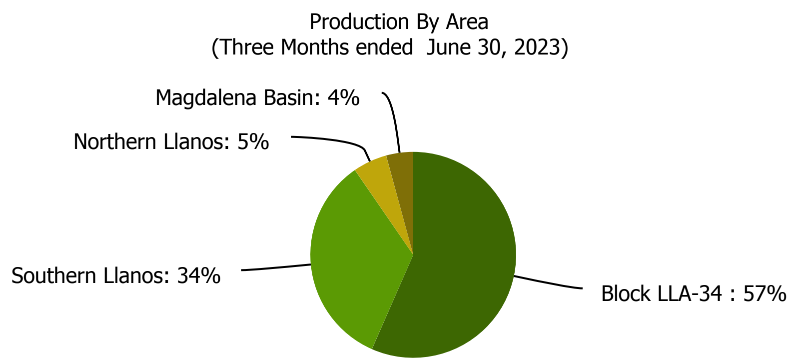
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Block LLA-34	**30,349**	31,332	**30,243**	31,838
Southern Llanos	**18,132**	14,067	**17,750**	13,597
Northern Llanos	**2,874**	2,638	**2,081**	2,824
Magdalena Basin	**2,271**	1,070	**2,022**	1,069
Total Crude Oil Production	**53,626**	49,107	**52,096**	49,328
Natural gas production	**494**	2,036	**637**	2,086
Total Crude oil and natural gas production	**54,120**	51,143	**52,733**	51,414
Crude oil inventory draw (build)	**(719)**	(1,193)	**185**	55
Average daily sales of produced oil and natural gas	**53,401**	49,950	**52,918**	51,469
Purchased oil	**216**	203	**206**	243
Sales Volumes	**53,617**	50,153	**53,124**	51,712

Crude oil and natural gas production for the second quarter of 2023 averaged 54,120 boe/d, an increase of approximately 5% compared to the first quarter of 2023 production of 51,332 boe/d mainly as a result of resumed operations in the Capachos Block in mid-April 2023 that were proactively shut-in during Q1 2023 due to temporary security concerns. A social-related shut-in occurred in early June, which affected the Capachos Block production. The shut-in has been resolved and the Company has been fully operational at both blocks since late June.

Crude oil and natural gas production for the second quarter of 2023 averaged 54,120 boe/d, a 6% increase compared to the second quarter of 2022 production of 51,143 boe/d is mainly the result of additional wells drilled on Blocks LLA-26, LLA-40, the Cabrestero Block and the VIM-1 Block, partially offset by increased downtime in Block LLA-34.

Oil and natural gas sales in the second quarter of 2023 were 53,617 boe/d compared to 50,153 boe/d for the second quarter of 2022. The increase in oil and natural gas sales volumes was a result of the increase in oil and natural gas production over the comparative period.





b) Crude Oil Reference and Realized Prices

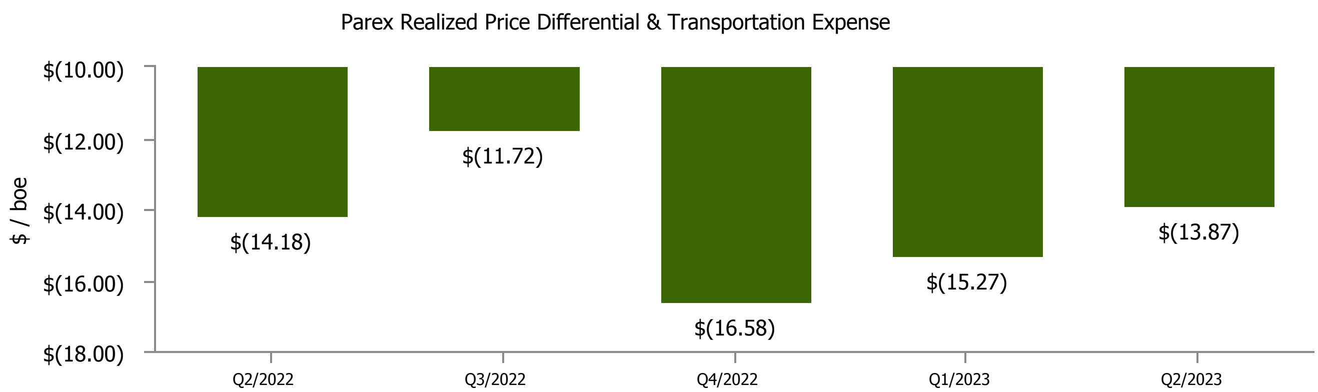
Average price for the period	**Q2 2023**	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Brent ($/bbl)	**77.84**	82.16	88.63	97.70	111.98
Vasconia ($/bbl)	**72.31**	74.29	81.07	94.05	106.69
Brent/Vasconia crude (differential) ($/bbl)	**(5.53)**	(7.87)	(7.56)	(3.65)	(5.29)
Parex quality differential ($/bbl)	**0.40**	0.97	(0.07)	0.30	0.06
Parex wellhead sales discount ($/bbl)	**(5.23)**	(5.29)	(5.45)	(5.02)	(5.92)
Parex realized oil sales price ($/bbl)(2)	**67.48**	69.97	75.55	89.33	100.83
Parex realized price (differential) to Brent crude ($/bbl)	**(10.36)**	(12.19)	(13.08)	(8.37)	(11.15)
Parex transportation expense ($/bbl)(1)(2)	**(3.51)**	(3.08)	(3.50)	(3.35)	(3.03)
Parex price differential and transportation expense ($/bbl)	**(13.87)**	(15.27)	(16.58)	(11.72)	(14.18)

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

During the second quarter of 2023, the differential between Brent reference pricing and the Company's realized oil sale price was $10.36/boe. Parex' realized price differential to Brent crude during the second quarter of 2023 decreased by $1.83/boe compared to the first quarter of 2023 where the differential was $12.19/boe. This decrease is mainly a result of the quality differential improving in the second quarter compared to first quarter of 2023. Parex' Colombian oil production is fully exposed to swings in the Vasconia differential to Brent (see below). In the second quarter of 2023, Vasconia crude differential narrowed along with the general increase experienced with other heavy oil differentials at the time. Currently, in July 2023 the Vasconia differential to Brent has narrowed further to approximately $4.00/bbl.

Differences between Parex' realized price and the Vasconia crude price is mainly related to quality adjustments, wellhead sale marketing contracts, and the 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, making it inherently difficult to forecast.

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



c) Natural Gas Sales and Realized Prices

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Natural gas sales (000's)	**$ 1,947**	$ 6,775	**$ 4,184**	$ 13,961
Realized sales price ($/Mcf)[(1)]	**7.22**	6.09	**6.05**	6.16

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Parex natural gas sales were $1.9 million and $4.2 million for the three and six months ended June 30, 2023 compared to $6.8 million and $14.0 million in the comparative periods of 2022. The decrease in natural gas sales from the comparative periods of 2022 is related to decreased natural gas volumes sold from Block LLA-32 as sales to Block LLA-34 for power generation have been reduced due to the tie-in of Block LLA-34 to the national electricity grid, partially offset by increased volumes sold from the VIM-1 Block.

d) Oil and Natural Gas Sales

Second quarter 2023 oil and natural gas sales decreased by $120.1 million or 27% as reconciled in the table below to the second quarter of 2022:

($000s)		
Oil and natural gas sales, three months ended June 30, 2022	$	**448,255**
Sales volume of produced oil, an increase of 10% (4,993 bopd)		**45,852**
Sales volume of purchased oil, an increase of 6% (13 bopd)		**119**
Oil sales price decrease of 33%		**(161,220)**
Sales volume and price change of produced natural gas		**(4,828)**
Oil and natural gas sales, three months ended June 30, 2023	**$**	**328,178**

Oil and natural gas sales decreased in the three months ended June 30, 2023 compared to the same period in 2022 mainly due to the decrease in world oil prices.

e) Crude Oil Inventory in Transit

As at June 30, ($000s)		2023		2022
Crude oil in transit	**$**	**3,638**	$	1,483

As at June 30, 2023, the Company had 110.3 mbbls of crude oil inventory compared to 36.6 mbbls at June 30, 2022, which was injected into Colombian pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at $32.98/bbl at June 30, 2023 compared to $40.52 at June 30, 2022 incurred in bringing the crude oil to its existing condition and location.

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

For the periods ended (mbbls)	**Jun. 30, 2023**	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022
Crude oil inventory in transit - beginning of the period	**44.9**	143.8	157.5	36.6
Oil production	**4,880.0**	4,549.5	4,899.6	4,596.9
Oil sales	**(4,834.2)**	(4,666.0)	(4,939.0)	(4,496.0)
Purchased oil	**19.6**	17.6	25.7	20.0
Crude oil inventory in transit - end of the period	**110.3**	44.9	143.8	157.5
% of period production	**2.3**	1.0	2.9	3.4

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 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 June 30,				For the six months ended June 30,			
		2023		2022		**2023**		2022
Purchased oil expense ($000s)	**$**	**1,647**	$	(4,768)	**$**	**3,067**	$	5,632

Purchased oil expense for the three and six months ended June 30, 2023 was $1.6 million and $3.1 million compared to a recovery of $4.8 million and an expense of $5.6 million for the 2022 comparative periods. Purchased oil expense was $1.4 million in the first quarter of 2023. In the second quarter of 2022, the Company delivered previously overlifted oil volumes back to the Ocensa system with a corresponding impact on purchased oil expense in the quarter.

Purchased oil expense mainly relates to oil blending operations and 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 June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Base royalties	**$ 27,871**	$ 37,666	**$ 55,642**	$ 70,811
Economic rights	**26,292**	65,557	**56,152**	115,557
Royalties ($000s)	**$ 54,163**	$ 103,223	**$ 111,794**	$ 186,368
Per unit ($/boe)(1)	**11.15**	22.71	**11.67**	20.01
Percentage of sales(1)	**17**	23	**17**	22
Percentage of base royalties paid in cash	**3**	65	**13**	64
Percentage of base royalties paid in kind	**97**	35	**87**	36

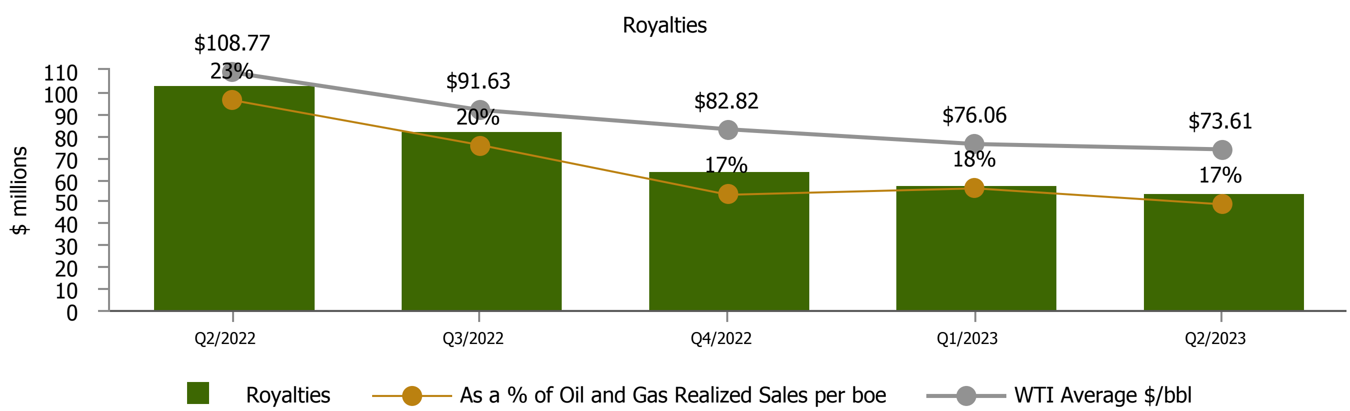
(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

In the three and six months ended June 30, 2023 royalties as a percentage of sales were 17% compared to 23% and 22% for the 2022 comparative periods. The decrease in royalties as a percentage of sales in the quarter from the 2022 comparative periods was a result of lower 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 and six months ended June 30, 2023 was $73.61 and $74.83 compared to $108.77 and $101.97 for the 2022 comparative periods.

The decrease in royalty expense to $54.2 million and $111.8 million in the three and six months ended June 30, 2023 compared to $103.2 million and $186.4 million for the 2022 comparative periods is mainly a result of lower benchmark WTI prices used in the calculation of high price share royalties and lower world oil prices. As realized oil prices decrease, the high price share royalties as a percentage of oil sales will also decrease.

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



Production Expense

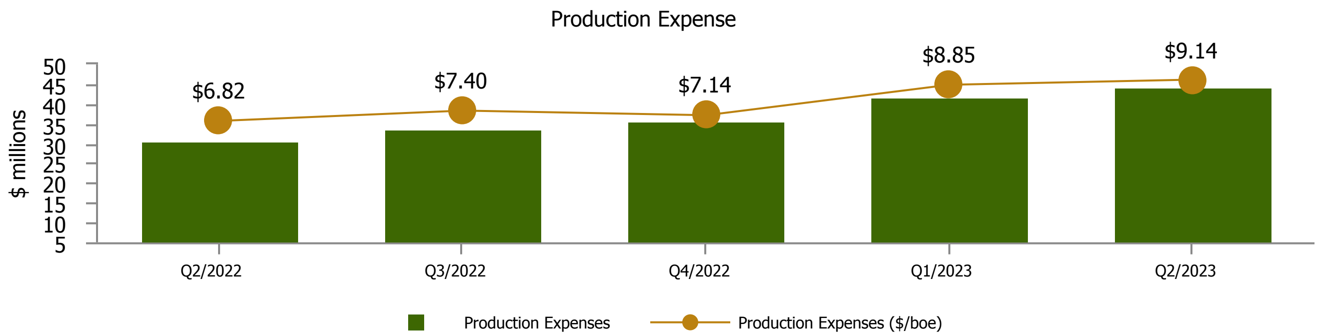
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Production expense (000s)	**$ 44,422**	$ 31,001	**$ 86,181**	$ 60,335
Per unit ($/boe)(1)	**9.14**	6.82	**9.00**	6.48

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Production expense for the three and six months ended June 30, 2023 was $9.14/boe and $9.00/boe compared to $6.82/boe and $6.48/boe in the three and six months ended June 30, 2022. Production expense for the first quarter of 2023 was $8.85/boe.

The increase in production expense for the six months ended June 30, 2023 over the 2022 comparative period is mainly the result of the shut-in of production at the Capachos Block which carries an operating cost of $6.50/boe. As noted, operations at the Capachos Block were brought back online in the second quarter of 2023. An increase in well workovers and maintenance on Block LLA-34 and the Cabrestero Block in addition to the appreciation of the Colombian peso also contributed to the increase in production expense.

Going forward for the remainder of 2023 it is expected (with lower cost Capachos volumes being uninterrupted) that production costs will average approximately $7.75/boe.



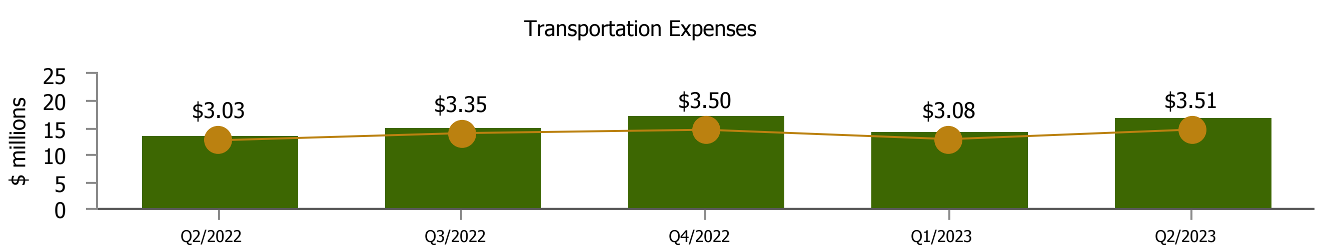
Transportation Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Transportation expense ($000s)	**$ 17,111**	$ 13,828	**$ 31,689**	$ 28,170
Per unit ($/boe)(1)	**3.51**	3.03	**3.30**	3.01

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

For the three months ended June 30, 2023 the cost of transportation on a per boe basis was $3.51/boe compared to $3.08/boe in the first quarter of 2023 and $3.03/boe in the comparative period in 2022. On a year to date basis transportation expense has increased to $3.30/boe from $3.01/boe in the comparative period in 2022. Transportation expense will fluctuate period over period due to the mix of sales contract types in force during the period.

The combined transportation expense and price differential from Brent, on a per boe basis, has decreased from the second quarter of 2022 and the first quarter of 2023. See "Crude Oil Reference and Realized Prices".



General and Administrative Expense ("G&A")

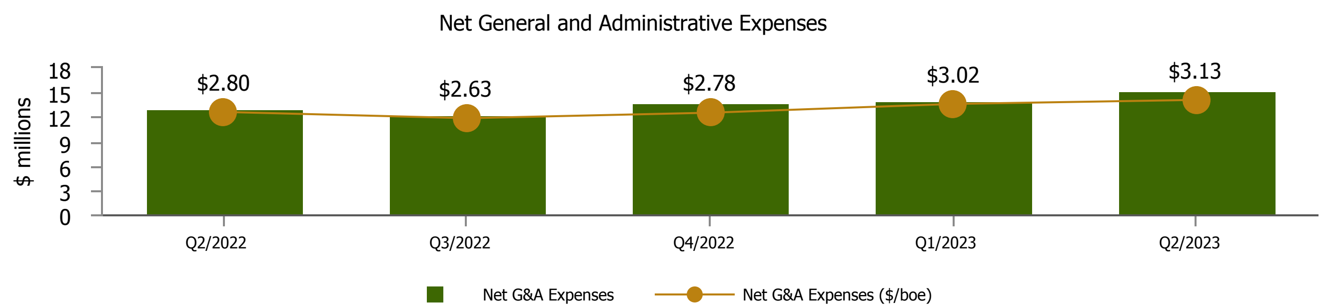
(000s)	For the three months ended June 30, 2023	2022	For the six months ended June 30, 2023	2022
Gross G&A	**$ 18,379**	$ 15,824	**$ 34,647**	$ 30,734
G&A recoveries	**(578)**	(664)	**(967)**	(1,302)
Capitalized G&A	**(2,399)**	(2,139)	**(4,309)**	(4,416)
Total net G&A	**$ 15,402**	$ 13,021	**$ 29,371**	$ 25,016
Per unit ($/boe) (1)	**3.13**	2.80	**3.08**	2.69

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Net G&A was $15.4 million and $29.4 million for the three and six months ended June 30, 2023 compared to $13.0 million and $25.0 million for the same period in 2022. Gross G&A was $18.4 million and $34.6 million for the three and six months ended June 30, 2023 (three and six months ended June 30, 2022 - $15.8 million and $30.7 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 exploration program on acquired fields through the last Colombian bid round in addition to the appreciation of the Colombian peso.

For the six months ended June 30, 2023, on a per boe basis, net G&A has increased by 14% compared to the comparative period in 2022 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

($000s)	For the three months ended June 30, 2023	2022	For the six months ended June 30, 2023	2022
Equity settled share-based compensation expense	**$ 256**	$ 310	**$ 525**	$ 616
Cash settled share-based compensation expense	**7,241**	742	**17,523**	11,998
Total share-based compensation expense	**$ 7,497**	$ 1,052	**$ 18,048**	$ 12,614

Share-based compensation expense was $7.5 million and $18.0 million for the three and six months ended June 30, 2023 compared to $1.1 million and $12.6 million for the same periods in 2022.

Equity settled share-based compensation expense was $0.3 million and $0.5 million for the three and six months ended June 30, 2023 compared to $0.3 million and $0.6 million for the same periods in 2022. Equity settled share-based compensation includes the Company's stock option plan.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes cash or share settled restricted share units and performance share units ("CosRSUs and "CosPSUs"), cash settled restricted share units ("CRSUs") and deferred share units ("DSUs"). For the three and six months ended June 30, 2023 there was an expense of $7.2 million and $17.5 million related to cash settled incentive plans compared to $0.7 million and $12.0 million for the same periods in 2022. This increase in expense is mainly attributable to the increase in Parex share price at the time of grant, partially offset by less units being granted compared to the prior period.

Obligations for payments of cash under the Company's cash settled incentive plans are accrued as an expense over the vesting period based on the fair value of the units as described in note 15 of the interim financial statements for the period ended six months ended June 30, 2023. As at June 30, 2023, the total cash settled incentive plans liability accrued was $28.6 million (December 31, 2022 - $28.4 million).

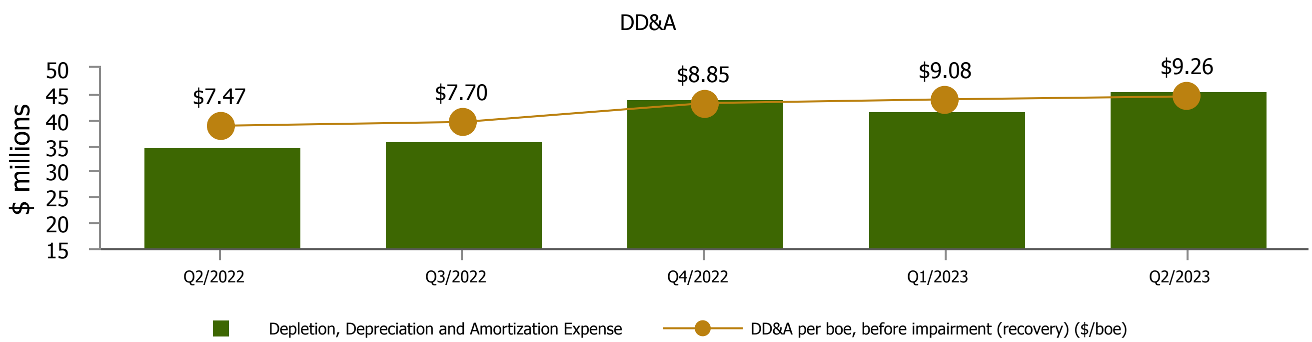
Cash payments to settle cash settled share-based compensation in the three and six months ended June 30, 2023 were $0.9 million and $18.7 million compared to $1.8 million and $27.5 million for the same periods in 2022. The decrease is mainly related to the decrease in Parex share price at the time of settlement and the decrease in the number of PSUs being vested.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
DD&A expense (000s)	**$ 45,627**	$ 34,746	**$ 87,579**	$ 69,014
Per unit ($/boe)(1)	**9.26**	7.47	**9.18**	7.42

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Second quarter 2023 DD&A was $45.6 million ($9.26/boe) compared to $34.7 million ($7.47/boe) for the same period in 2022. DD&A on a $/boe basis increased compared to the prior period mainly due to the increase in the depletable base through an increase in 2022 annual capital expenditures.



Foreign Exchange

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Foreign exchange loss (gain)	**$ (2,540)**	$ (15,182)	**$ 9,409**	$ (9,488)
Foreign currency risk management contracts gain	**(4,426)**	—	**(6,109)**	(471)
Total foreign exchange loss (gain)	**$ (6,966)**	$ (15,182)	**$ 3,300**	$ (9,959)
Average foreign exchange rates				
USD$/Cdn$	**1.34**	1.28	**1.35**	1.27
USD$/COP	**4,432**	3,915	**4,595**	3,914

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Canadian dollars ("Cdn") 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 and six months ended June 30, 2023, the total foreign exchange gain was $7.0 million and loss of $3.3 million (three and six months ended June 30, 2022 – gain of $15.2 million and $10.0 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. In the second quarter of 2023 the Company also recorded a $4.4 million gain on a COP/USD collar which settled in the money and is included in the total foreign exchange for the three and six months ended June 30, 2023.

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

Foreign Exchange Sensitivity Analysis

		$/boe Impact of change in local currency/$USD exchange rate	
Cost component	Estimated percent of cost denominated in local currency	10% appreciation of local currency	10% depreciation of local currency
Production expense	80%	$ 0.73	$ (0.73)
Transportation expense	80%	$ 0.28	$ (0.28)
G&A expense	100%	$ 0.31	$ (0.31)

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 Q2 2023 per boe costs. This analysis ignores all other factors impacting cost structure including, but not limited to, efficiencies, cost reduction strategies, and cost inflation.

Net Finance (Income) Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Bank charges and credit facility fees	**$ 2,007**	$ 1,018	**$ 3,083**	$ 1,796
Accretion on decommissioning and environmental liabilities	**2,106**	1,363	**4,005**	2,855
Interest and other income	**(5,106)**	(1,432)	**(9,750)**	(2,056)
Right-of-use-asset interest	**48**	13	**93**	22
Loss (gain) on settlement of decommissioning liabilities	**(33)**	45	**196**	1,010
Expected credit loss (recovery) provision	**(547)**	886	**(92)**	756
Other	**672**	94	**672**	796
Net finance (income) expense	**$ (853)**	$ 1,987	**$ (1,793)**	$ 5,179

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Non-cash finance expense, net	**$ 1,562**	$ 2,286	**$ 4,149**	$ 4,419
Cash finance (income) expense, net	**(2,415)**	(299)	**(5,942)**	760
Net finance (income) expense	**$ (853)**	$ 1,987	**$ (1,793)**	$ 5,179

Bank charges and credit facility fees relate to bank taxes paid in Colombia and the standby fees relate to the Company's undrawn credit facility. The non-cash components of net finance expense (income) include the accretion on decommissioning and environmental liabilities, loss (gain) on settlement of decommissioning liabilities, other and the expected credit loss (recovery) provision.

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 June 30, 2023 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.

As at June 30, 2023, the Company had no foreign currency risk management contracts in place.

As at June 30, 2023, 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 $5.9 million.

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three and six months ended June 30, 2023 and 2022:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Realized gain on foreign currency risk management contracts	**$ (4,831)**	$ —	**$ (4,831)**	$ —
Unrealized (gain) loss on foreign currency risk management contracts	**405**	—	**(1,278)**	(471)
Total	**$ (4,426)**	$ —	**$ (6,109)**	$ (471)

Income Tax

The components of tax expense (recovery) for the three and six months ended June 30, 2023 and 2022 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	**2023**	2022
Current tax expense	**$ 39,157**	$ 68,775	**$ 79,062**	$ 124,671
Deferred tax (recovery) expense	**(45,465)**	57,444	**(52,198)**	59,053
Tax expense (recovery)	**$ (6,308)**	$ 126,219	**$ 26,864**	$ 183,724
Effective current tax rate on operating cash flow before tax	**20 %**	23 %	**20 %**	22 %

Current tax expense in the second quarter of 2023 was $39.2 million as compared to $68.8 million in the prior year comparative period. The decrease from the prior year comparative period is mainly a result of the effect of the voluntary corporate entity restructuring completed in December 2022 and a decrease in operating cash flows from the prior period as a result of lower global crude oil prices. Current tax expense for the six months ended June 30, 2023 was $79.1 million as compared to $124.7 million in the prior year comparative period.

Deferred tax recovery for the three months ended June 30, 2023 was $45.5 million as compared to an expense of $57.4 million in the prior year comparative period. The recovery in deferred tax expense from the comparative period is mainly a result of the effect of 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. Deferred tax recovery for the six months ended June 30, 2023 was $52.2 million as compared to an expense of $59.1 million in the prior year comparative period.

For 2023, the Company expects the effective current tax rate on operating cash flow before tax to be approximately 17-23% based on Brent crude prices averaging between $75-$85/bbl in 2023.

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 June 30,	Colombia		Canada		Total	
($000s)	**2023**	2022	**2023**	2022	**2023**	2022
Acquisition of unproved properties	**$ 2,866**	$ 4,883	**$ —**	$ —	**$ 2,866**	$ 4,883
Geological and geophysical	**85**	1,747	**—**	—	**85**	1,747
Drilling and completion	**108,844**	100,781	**—**	—	**108,844**	100,781
Well equipment and facilities	**9,205**	17,764	**—**	—	**9,205**	17,764
Other	**42**	21	**267**	1,044	**309**	1,065
Total capital expenditures(1)	**$ 121,042**	$ 125,196	**$ 267**	$ 1,044	**$ 121,309**	$ 126,240

For the six months ended June 30,	Colombia		Canada		Total	
($000s)	**2023**	2022	**2023**	2022	**2023**	2022
Acquisition of unproved properties	**$ 3,645**	$ 5,022	**$ —**	$ —	**$ 3,645**	$ 5,022
Geological and geophysical	**1,156**	12,192		—	**1,156**	12,192
Drilling and completion	**207,180**	187,571		—	**207,180**	187,571
Well equipment and facilities	**22,629**	30,584		—	**22,629**	30,584
Other	**42**	174	**525**	1,610	**567**	1,784
Total capital expenditures(1)	**$ 234,652**	$ 235,543	**$ 525**	$ 1,610	**$ 235,177**	$ 237,153

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

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

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Block LLA-34	**$ 36,826**	$ 18,938	**$ 58,101**	$ 45,494
Southern Llanos	**61,013**	44,391	**119,508**	81,728
Northern Llanos	**3,695**	19,898	**11,591**	24,020
Magdalena Basin	**19,466**	41,795	**45,410**	84,127
Canada and Colombia - Corporate	**309**	1,218	**567**	1,784
Total capital expenditures(1)	**$ 121,309**	$ 126,240	**$ 235,177**	$ 237,153

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the second quarter of 2023 the Company incurred $121.3 million of capital expenditures compared to $126.2 million in the same period of 2022. During the second quarter of 2023 the Company drilled 17 gross (12.50 net) wells, compared to drilling 15 gross (12.25 net) wells in the comparative period. During the second quarter of 2023, total drilling and completion costs were $108.8 million of which the majority related to drilling, completion and capitalized workover costs at the LLA-34, Cabrestero, LLA-26, VIM-1, and VIM-43 Blocks.

During the six months ended June 30, 2023 the Company incurred $235.2 million of capital expenditures compared to $237.2 million in the same period of 2022. During the six months ended June 30, 2023 the Company drilled 31 gross (23.35 net) wells, compared to drilling 32.00 gross (24.65 net) wells in the comparative period. During the six months ended June 30, 2023, total drilling and completion costs were $207.2 million of which the majority related to drilling, completion and capitalized workover costs at the LLA-34, Cabrestero, LLA-26, VIM-1, and VIM-43 Blocks.

Other Long-Term Assets

The Company has other long-term assets in the form of long-lead material and equipment inventory with the majority of this material and equipment planned to be put into use with the 2023 and 2024 capital program. With strong demand for material and equipment used in oil and gas operations, the Company took an active, first mover approach to securing material and equipment ahead of the 2023 and 2024 capital programs, specifically specialty casing and tubing for the Northern Llanos drilling program. The Northern Llanos program (Capachos and Arauca projects) have experienced delays in the first half of 2023 which has resulted in an increase in inventory levels.

Parex expects to draw on our long-lead inventory from current levels through the next six to nine months.

Cost		
Balance at December 31, 2021	**$**	**25,005**
Additions		186,080
Transfers to E&E and PP&E assets		(45,814)
Balance at December 31, 2022	**$**	**165,271**
Additions		70,639
Transfers to E&E and PP&E assets		(29,969)
Balance at June 30, 2023	**$**	**205,941**

The below table represents the other long-term asset expenditures for the three and six months ended June 30, 2023 and 2022:

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Additions	**$ 36,927**	$ 17,593	**$ 70,639**	$ 35,222
Transfers to D&P and E&E	**(16,024)**	(11,052)	**(29,969)**	(17,096)
Total other long-term asset expenditures, net of transfers	**$ 20,903**	$ 6,541	**$ 40,670**	$ 18,126

Non-cash Impairment Charges

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Impairment of E&E assets	**$ 55,021**	$ —	**$ 55,021**	$ —
Total non-cash impairment charges before deferred income tax recoveries	**$ 55,021**	$ —	**$ 55,021**	$ —

During the six months ended June 30, 2023, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets, primarily associated with the VIM-43 block wouldn't be recovered. The impairment review compared the carrying value of the assets to the recoverable amount which was determined to be $nil for these assets. It was determined that the impairment was $55.0 million which is recorded in the consolidated statements of comprehensive income for the period ended June 30, 2023.

Summary of Quarterly Results

Three months ended ($000s)		Jun. 30, 2023		Mar. 31, 2023		Dec. 31, 2022		Sep. 30, 2022
Average daily production								
Light Crude Oil and Medium Crude Oil (bbl/d)		**7,982**		7,115		10,511		6,903
Heavy Crude Oil (bbl/d)		**45,644**		43,435		42,746		43,063
Crude Oil (bbl/d)		**53,626**		50,550		53,257		49,966
Conventional Natural Gas (mcf/d)		**2,964**		4,692		6,000		6,750
Total (boe/d)		**54,120**		51,332		54,257		51,091
Realized sales price - oil ($/boe)(6)		**67.48**		69.97		75.55		89.33
Financial (000s except per share amounts)								
Oil and natural gas sales	**$**	**328,178**	$	328,733	$	376,347	$	405,371
Funds flow provided by operations(5)	**$**	**154,842**	$	161,724	$	85,194	$	206,412
Per share – basic(2)(4)		**1.45**		1.49		0.78		1.85
Per share – diluted(2)(4)		**1.45**		1.49		0.78		1.85
Net income	**$**	**101,415**	$	104,375	$	249,958	$	65,632
Per share – basic(4)		**0.95**		0.96		2.29		0.59
Per share – diluted(4)		**0.95**		0.96		2.29		0.59
Dividends paid	**$**	**30,101**	$	29,831	$	20,108	$	20,042
Per share - Cdn$(4)(6)		**0.375**		0.375		0.250		0.250
Capital Expenditures(1)(7)	**$**	**121,309**	$	113,868	$	147,746	$	127,353
Other long-term assets expenditures	**$**	**20,903**	$	19,767	$	56,415	$	65,725
Total assets (end of period)	**$**	**2,225,799**	$	2,349,748	$	2,314,373	$	2,089,253
Outstanding shares (end of period) (000s)		**106,194**		107,419		109,112		109,323
Working capital (deficit) surplus (end of period)(3)(5)	**$**	**(2,957)**	$	29,662	$	84,988	$	229,763

Three months ended ($000s)		Jun. 30, 2022		Mar. 31, 2022		Dec. 31, 2021		Sep. 30, 2021
Average daily production								
Light Crude Oil and Medium Crude Oil (bbl/d)		6,734		5,687		6,376		6,955
Heavy Crude Oil (bbl/d)		42,373		43,865		41,534		38,949
Crude Oil (bbl/d)		49,107		49,552		47,910		45,904
Conventional Natural Gas (mcf/d)		12,216		12,816		11,214		9,552
Total (boe/d)		51,143		51,688		49,779		47,496
Realized sales price - oil ($/boe)(6)		100.83		89.68		68.99		63.56
Financial (000s except per share amounts)								
Oil and natural gas sales	$	448,255	$	413,616	$	315,327	$	272,481
Funds flow provided by operations(5)	$	227,796	$	205,488	$	168,261	$	152,713
Per share – basic(2)(4)		1.98		1.73		1.39		1.24
Per share – diluted(2)(4)		1.98		1.73		1.39		1.23
Net income	$	143,128	$	152,650	$	96,041	$	67,942
Per share – basic(4)		1.24		1.29		0.80		0.55
Per share – diluted(4)		1.24		1.29		0.79		0.55
Dividends paid	$	22,226	$	13,115	$	35,610	$	12,021
Per share - Cdn$(4)(6)		0.250		0.140		0.375		0.125
Capital Expenditures(1)(7)	$	126,240	$	110,913	$	114,268	$	75,560
Other long-term assets expenditures	$	6,541	$	11,585	$	4,239	$	1,729
Total assets (end of period)	$	2,086,407	$	1,923,836	$	1,784,221	$	1,669,243
Outstanding shares (end of period) (000s)		113,810		116,413		120,266		121,415
Working capital surplus (end of period)(3)(5)	$	311,496	$	286,684	$	325,780	$	349,694

(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) 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) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory". For the three months ended December 31, 2022 funds flow provided by operations includes a $100.0 million ($0.92 per share basic) increased current tax expense as a result of a voluntary internal corporate restructuring.
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(7) In Q3 2022, the Company changed how it presents exploration and evaluation expenditures included in total capital expenditures. Amounts have been restated for prior periods to conform to the current year's presentation.

Factors that Caused Variations Quarter Over Quarter

During the second quarter of 2023, production of 54,120 boe/d (consisting of 7,982 bbls/d of light and medium crude oil, 45,644 bbls/d of heavy crude oil and 2,964 mcf/d of conventional natural gas) was higher than the previous quarter ended March 31, 2023. Revenue and funds flow provided by operations were lower than the previous quarter due to a decrease in realized prices. The decrease in working capital to a deficit of $3.0 million from $29.7 million surplus at March 31, 2023 is primarily a result from inventory build due to the suspension of operations in the Northern Llanos basin, as well as the Company's NCIB repurchases and the purchase of additional long lead capital inventory items and Colombian income tax payables being settled in the first half of 2023. Dividends paid on common shares for the quarter were $30.1 million (Cdn$ 0.375 per common share***). Purchases of long-lead inventory for capital projects were $20.9 million for the quarter. The repurchase of common shares under the NCIB during the quarter was $25.5 million.

During the first quarter of 2023, production of 51,332 boe/d (consisting of 7,115 bbls/d of light and medium crude oil, 43,435 bbls/d of heavy crude oil and 4,692 mcf/d of conventional natural gas) was lower than the previous quarter ended December 31, 2022. Revenue was lower than the previous quarter due to a decrease in realized prices. Funds flow provided by operations were higher than the previous quarter as the fourth quarter of 2022 included approximately $100.0 million* ($0.92 per share basic**) related to increased current tax expense as a result of a voluntary internal corporate restructuring. Working capital decreased to $29.7 million* from $85.0 million* at December 31, 2022 primarily from inventory build due to the suspension of operations in the Northern Llanos basin. Dividends paid on common shares for the quarter were $29.8 million (Cdn$ 0.375 per common share***). Purchases of long-lead inventory for capital projects were $19.8 million for the quarter. The repurchase of common shares under the NCIB during the quarter was $32.9 million.

During the fourth quarter of 2022, production of 54,257 boe/d (consisting of 10,511 bbls/d of light crude oil and medium crude oil, 42,746 bbls/d of heavy crude oil and 6,000 mcf/d of conventional natural gas) increased by 6% over the previous quarter ended September 30, 2022. Revenue and funds flow provided by operations were lower than the previous quarter due to a decrease in realized prices and the voluntary restructuring completed in the fourth quarter of 2022. For the three months ended December 31, 2022 funds flow provided by operations includes approximately $100.0 million* ($0.92 per share basic**) related to increased current tax expense as a result of a voluntary internal corporate restructuring. Working capital decreased to $85.0 million* from $229.8 million* at September 30, 2022. Dividends paid on common shares for the quarter were $20.1 million (Cdn$0.25 per common share***). Purchases of long-lead inventory for capital projects were $56.4 million for the quarter.

During the third quarter of 2022, production of 51,091 boe/d (consisting of 6,903 bbls/d of light crude oil and medium crude oil, 43,063 bbls/d of heavy crude oil and 6,750 mcf/d of conventional natural gas) was comparable to the previous quarter ended June 30, 2022. Revenue and funds flow provided by operations were lower than the previous quarter due to a decrease in realized prices. Working capital decreased to $229.8 million* from $311.5 million* at June 30, 2022. Dividends paid on common shares for the quarter were $20.0 million (Cdn$0.25 per common share***). Purchases of long-lead inventory for capital projects were $65.7 million for the quarter. The repurchase of common shares under the NCIB was accelerated during the quarter for a total cost of $72.4 million.

During the second quarter of 2022, production of 51,143 boe/d (consisting of 6,734 bbls/d of light crude oil and medium crude oil, 42,373 bbls/d of heavy crude oil and 12,216 mcf/d of conventional natural gas) decreased by 1% over the previous quarter ended March 31, 2022. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in realized prices. Working capital increased to $311.5 million* from $286.7 million* at March 31, 2022. Dividends paid on common shares for the quarter were $22.2 million (Cdn$0.25 per common share***).

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.

* Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".
** Non-GAAP ratio". See "Non-GAAP and Other Financial Measures Advisory".
*** Supplementary Financial measure". See "Non-GAAP and Other Financial Measures Advisory".

Liquidity and Capital Resources

As at June 30, 2023 the Company had a working capital deficit of $3.0 million, excluding funds available under the credit facility, as compared to working capital surplus at December 31, 2022 of $85.0 million. The decrease in working capital is primarily a result from inventory build due to the suspension of operations in the Northern Llanos basin, as well as the Company's NCIB repurchases and the purchase of additional long lead capital inventory items and Colombian income tax payables being settled in the first half of 2023. Bank debt was $nil as at June 30, 2023, December 31, 2022 and June 30, 2022. The credit facility has a current borrowing base of $200.0 million (December 31, 2022 - $200.0 million). As at June 30, 2023 Parex held $133.4 million of cash, compared to $419.0 million at December 31, 2022 and $392.8 million at June 30, 2022. The Company’s cash balances reside in current accounts with chartered institutions, the majority of which are held on account in Canada, Switzerland, and Colombia in USD and COP. The decrease in cash is due primarily to Colombian income tax payables being settled.

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 that there was a $nil balance drawn on the credit facility as at June 30, 2023, the Company was in compliance with all of its covenants thereunder. The next annual review is scheduled to occur in May 2024.

Refer to note 21 - Commitments of the interim financial statements for the period ended June 30, 2023 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 June 30, 2023 the Company had 106,194,349 common shares outstanding compared to 109,112,290 at December 31, 2022 a decrease of 2.7%. At August 2, 2023 the number of common shares outstanding has been reduced to 105,722,345 as a result of the NCIB.

The Company has a stock option plan that provides for the issuance of stock options to acquire common shares to the Company’s officers, executive and certain employees resulting in common shares issued from treasury.

As at August 2, 2023 Parex has the following securities outstanding:

	Number	%
Common shares	105,722,345	99 %
Stock options	749,318	1 %
	106,471,663	**100 %**

As of the date of this MD&A, total stock options 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 joint venture farm-in arrangements and 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 June 30, 2023 were $142.3 million (December 31, 2022 - $129.1 million) to support the 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, 2022 - $150.0 million) performance guarantee facility to support approximately $9.4 million (December 31, 2022 - $9.4 million) of the letters of credit issued on behalf of Parex at June 30, 2023. Also at June 30, 2023, there were an additional $132.9 million (December 31, 2022 - $119.7 million) of letters of credit that were 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.

The following table summarizes the Company's estimated undiscounted commitments as at June 30, 2023:

(000s)	Total	<1 year	1 – 3 years	3 – 5 years	>5 years
Exploration	$ 427,270	$ 156,443	$ 105,837	$ 164,990	$ —
Office and accommodations[1]	7,276	1,718	2,335	1,602	1,621
Decommissioning and Environmental Obligations	212,015	6,598	—	—	205,417
Total	**$ 646,561**	**$ 164,759**	**$ 108,172**	**$ 166,592**	**$ 207,038**

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

Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2021	$ 36,730	$ 18,224	$ 54,954
Additions	5,330	3,266	8,596
Settlements of obligations during the year	(2,871)	(822)	(3,693)
Loss on settlement of obligations	532	—	532
Accretion expense	3,663	2,144	5,807
Change in estimate - inflation and discount rates	(12,504)	(5,233)	(17,737)
Change in estimate - costs	13,733	162	13,895
Foreign exchange (gain)	(5,795)	(3,267)	(9,062)
Balance, December 31, 2022	$ 38,818	$ 14,474	$ 53,292
Additions	2,825	279	3,104
Settlements of obligations during the period	(324)	(432)	(756)
Loss on settlement of obligations	196	—	196
Accretion expense	2,781	1,224	4,005
Change in estimate - inflation and discount rates	14,005	4,085	18,090
Change in estimate - costs	(46)	1,060	1,014
Foreign exchange loss	1,972	2,588	4,560
Balance, June 30, 2023	**$ 60,227**	**$ 23,278**	**$ 83,505**
Current obligation	(5,576)	(1,022)	(6,598)
Long-term obligation	**$ 54,651**	**$ 22,256**	**$ 76,907**

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 June 30, 2023, 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 $181.7 million as at June 30, 2023 (December 31, 2022 – $147.6 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.7% and an inflation rate of 4.5% were used in the valuation of the liabilities (December 31, 2022 – 14.0% risk-free discount rate and a 3.5% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $5.6 million (December 31, 2022 – $5.5 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 $30.3 million as at June 30, 2023 (December 31, 2022 – $19.5 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.7% and an inflation rate of 4.5% were used in the valuation of the liabilities (December 31, 2022 – 14.0% risk-free discount rate and a 3.5% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $1.0 million (December 31, 2022 – $1.2 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' 2023 annual guidance, including its anticipated Brent crude average price, 2023 effective tax rate estimate, funds flow provided by operations netback per boe,production average, capital expenditures, funds flow provided by operations and free funds flow;
- Parex' expectation that crude oil inventory in future periods will remain in line with normal historical levels;
- Parex' estimated per boe impact of a change in Parex' local currencies and the effect on Parex' key cost assumptions;
- the Company's expectation that higher realized WTI oil prices will result in higher royalty percentage realized;
- Parex' anticipated average production costs for the remainder of 2023;
- the Company's estimated undiscounted commitments and the anticipated timing thereof;
- fluctuations in Brent/Vasconia crude differential;
- the amount and timing of the payment of the Company's environmental, decommissioning and restoration obligations and the Company's anticipated means of funding such obligations;
- the Company's expectations regarding the per boe and G&A expense impact caused by appreciation and depreciation of the COP;
- 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 current tax rate on operating cash flow based on certain Brent crude prices;
- terms of the Company's credit facility including the anticipated timing of the next borrowing base redetermination;
- Parex' expectations that the majority of its long-lead material and equipment inventory will be put into use with the 2023 and 2024 capital programs;
- Parex' expectation that it will draw on its long-lead inventory from current levels through the next six to nine months; and
- terms of certain contractual obligations.

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 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; the 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; the timing of the number of crude oil shipments from storage to export; the 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; the risk that Parex does not have sufficient financial resources in the future to provide distributions to its shareholders; the risk that the Board does not declare dividends in the future or that Parex dividend policy changes; the risk that Parex may not meet its production guidance for the year ended December 31, 2023; the risk that Parex's 2023 funds flow provided by operations netback per boe, funds flow provided by operations and free funds flow may be less than anticipated; the risk that Parex's 2023 capital expenditures may be greater than anticipated;the risk that crude oil inventory in future periods may be less than normal historic levels; the risk of currency fluctuations; the risk that the Company may not be able to fund its environmental, decommissioning and restoration obligations in the manner anticipated; the risk that the Company's borrowing base under its credit facility after its next redetermination may be lower than anticipated; the risk that Parex' long-lead material and equipment inventory may not be put into use with the 2023 and 2024 capital programs; the risk that Parex' average production costs for the remainder of 2023 may be greater than anticipated; the risks discussed under "Risk Factors" in the Company's December 31, 2022 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.sedarplus.ca).

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; 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 higher realized WTI oil prices result in higher realized royalty percentages; 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.

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's 2023 annual guidance, including its anticipated 2023 effective tax rate, funds flow provided by operations netback per boe, capital expenditures, funds flow provided by operations and free funds flow; Parex' anticipated average production costs for the remainder of 2023; the Company's estimated undiscounted commitments and the anticipated timing thereof; the amount and timing of payment of the Company's environmental, decommissioning and restoration obligations and the Company's anticipated means of funding such obligations; and Parex' anticipated effective current 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) or acquire shares of the Company will be subject to the discretion of the Board 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 MD&A contains a number of oil and gas metrics, including operating netbacks per boe and FFO netbacks per boe. 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

Capital expenditures, *is a non-GAAP financial measure which the Company uses to describe its 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. In Q3 2022, the Company changed how it presents exploration and evaluation expenditures. Amounts have been restated for prior periods to conform to the current year's presentation, refer to note 2 of the Company's consolidated interim financial statements for the period ended June 30, 2023.*

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Property, plant and equipment expenditures	**$ 82,999**	$ 93,346	**$ 166,223**	$ 177,214
Exploration and evaluation expenditures	**38,310**	32,894	**68,954**	59,939
Total Capital expenditures	**$ 121,309**	$ 126,240	**$ 235,177**	$ 237,153

Free funds flow, *is a non-GAAP financial measure that is determined by funds flow provided by operations less capital expenditures. In Q3 2022, the Company changed how it presents exploration and evaluation expenditures included in total capital expenditures. Amounts have been restated for prior periods to conform to the current year's presentation, refer to note 2 of the Company's consolidated interim financial statements for the period ended June 30, 2023. The Company considers free funds 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 June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Cash provided by (used in) operating activities	**$ (36,612)**	$ 244,783	**$ 94,661**	$ 435,390
Net change in non-cash working capital	**191,454**	(16,987)	**221,905**	(2,106)
Funds flow provided by operations	**154,842**	227,796	**316,566**	433,284
Capital expenditures, excluding corporate acquisitions	**121,309**	126,240	**235,177**	237,153
Free funds flow	**$ 33,533**	$ 101,556	**$ 81,389**	$ 196,131

EBITDA, *is a non-GAAP financial measure that is defined as net income adjusted for interest, taxes, depletion, depreciation and amortization. The Company considers EBITDA to be a key measure as it demonstrates Parex' profitability before interest, taxes, depletion, depreciation and amortization. A reconciliation from net income to EBITDA is as follows:*

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Net income	**$ 101,415**	$ 143,128	**$ 205,790**	$ 295,778
Adjustments to reconcile net income to EBITDA:				
Finance income	**(5,106)**	(1,432)	**(9,750)**	(2,056)
Finance expense	**4,253**	3,419	**7,957**	7,235
Income tax expense (recovery)	**(6,308)**	126,219	**26,864**	183,724
Depletion, depreciation and amortization	**45,627**	34,746	**87,579**	69,014
EBITDA	**$ 139,881**	$ 306,080	**$ 318,440**	$ 553,695

Operating netback, is *a non-GAAP financial measure that the Company considers to be a key measure as it demonstrates Parex' profitability relative to current commodity prices. Parex calculates operating netback as oil and natural gas sales from production less royalties, operating, and transportation expense.*

Non-GAAP Ratios

Operating netback per boe*, is a non-GAAP ratio that the Company considers to be a key measure as it demonstrates 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 oil volumes for oil and natural gas sales price and transportation expense per boe and by the total equivalent sales volume excluding purchased oil volumes for royalties and operating expense per boe.*

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 provided by operations per boe or funds flow netback per boe to be a key measure as it demonstrates Parex' profitability after all cash costs relative to current commodity prices.*

Basic and diluted funds flow provided by operations per share*, is a non-GAAP ratio that 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.*

Capital Management Measures

Funds flow provided by operations, *is a capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. The Company considers funds flow provided by operations to be a key measure as it demonstrates Parex' profitability after all cash costs. A reconciliation from cash provided by (used in) operating activities to funds flow provided by operations is as follows:*

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Cash provided by (used in) operating activities	**$ (36,612)**	$ 244,783	**$ 94,661**	$ 435,390
Net change in non-cash working capital	**191,454**	(16,987)	**221,905**	(2,106)
Funds flow provided by operations	**$ 154,842**	$ 227,796	**$ 316,566**	$ 433,284

Working capital (deficit) surplus, *is a capital management measure which the Company uses to describe its liquidity position and ability to meet its short term liabilities. Working capital (deficit) surplus is defined as current assets less current liabilities:*

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Current Assets	**$ 322,146**	$ 695,053	**$ 322,146**	$ 695,053
Current Liabilities	**325,103**	383,557	**325,103**	383,557
Working capital (deficit) surplus	**$ (2,957)**	$ 311,496	**$ (2,957)**	$ 311,496

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 oil sales price per boe" is comprised of total oil sales, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased and overlifted oil 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.

"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.

"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.

"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.

"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.

"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.

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, 2022 as filed on SEDAR+ at www.sedarplus.ca 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 six months ended June 30, 2023 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 21 - 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, 2022 with the addition of the below Amendment to IAS 12 Income Taxes.

The Company has adopted the amendment to IAS 12 International Tax Reform - Pillar Two Model Rules in the interim period ending June 30, 2023. As a result, the Company has applied the exception to not recognize and disclose information about deferred tax assets and liabilities related to Pillar Two incomes taxes. This exception has been applied retrospectively but no adjustments to previously reported figures were reported.

Change in presentation

As described in note 2 - Basis of Presentation and Adoption of International Financial Reporting Standards ("IFRS") of the Company's consolidated interim financial statements for the period ended June 30, 2023 the Company has changed its presentation of Exploration and Evaluation ("E&E") assets. Throughout 2022 Parex actively procured significant long-lead inventory and equipment to mitigate the risk of potential equipment shortages in the current high-price/high-demand environment. The inventory has a 1-2 year usage timeline with the majority of the material and equipment planned to be put into use with the 2023 and 2024 capital programs. Due to this, the inventory balance has been reclassified from E&E assets to Other Long-Term Assets to reflect inventory expenditures separate from project expenditures until the material and equipment has been put into use.

The following items within the consolidated statements of cash flows were reclassified to conform to the current year's presentation:

Long-Lead inventory expenditures, formally included in exploration and evaluation expenditures on the consolidated statement of cash flows have now been presented separately:

Consolidated Statements of Cash Flows (unaudited)	For the three months ended June 30, 2022	For the six months ended June 30, 2022
Exploration and evaluation expenditures, as previously presented	$ (39,435)	$ (78,065)
Reclassification to Other long-term asset expenditures, net of transfers	6,541	18,126
Exploration and evaluation expenditures, as currently presented	$ (32,894)	$ (59,939)

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Lead Director

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President & Country Manager, Parex Resources Colombia

Kenneth Pinsky
Chief Financial Officer & Corporate Secretary

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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