



FOR THE INTERIM PERIOD ENDED MARCH 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Company Profile

Parex is an oil and gas exploration and production company active in Colombia and onshore Trinidad & Tobago. Headquartered in Calgary, Canada, Parex through its foreign subsidiaries holds interests in onshore exploration blocks totaling approximately 1,567,662 gross acres. The common shares of the Company trade on the Toronto Stock Exchange ("TSX") under the symbol PXT. The Company's 5.25 percent convertible unsecured subordinated Debentures (the "Debentures") trade on the TSX under the symbol PXT.DB.

Accounting Policies

The condensed consolidated interim financial information for the period ended March 31, 2013 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

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:

- the Company's average production range for 2013;
- terms of the Company's Debentures;
- terms of the Company's secured credit facility;
- the Company's operational strategy, including targeted jurisdictions and technologies used to execute its strategy;
- the Company's approach to manage subsurface and commercial risks;
- the Company's closing of Cabrestero Block additional working interest transaction;
- activities to be undertaken in various areas including the fulfillment of exploration commitments;
- terms of exploration and production contracts and the timing of release of exploration property deemed non-commercial in respect of the exploration contracts;
- terms of the PSCs (as defined herein) on the Central Range Shallow and Central Range Deep Blocks and the timing of release of exploration property deemed non commercial;
- the Company's expected capital expenditures for 2013;
- the status of the Company's review of transportation and marketing alternatives in an effort to maximize the net proceeds from production in Colombia;
- expected royalty rates and effect of increased production and pricing on the Company's royalty rates;

- expected average production costs and effect of additional productive fields on such costs;
- anticipated effect on energy costs of implementation of gas powered electrification facilities in the Kona field;
- anticipated effect of increased production volumes in the non-operated fields on the Company's operating costs;
- terms of stock based compensation plans, including option plan and restricted share unit plan, and share appreciation rights;
- the Company's plans with respect to granting securities under its stock based compensation plans;
- foreign currency risk;
- ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy, terms of the Company's risk management contracts and the anticipated effect of derivative contracts on managing cash flow;
- expected effective Colombian corporate income tax rate for 2013 and in the future;
- status of lawsuit brought in Texas against Parex and certain foreign subsidiaries and Parex' plans to defend such lawsuit;
- planned capital expenditures, the timing thereof and the method of funding;
- the Company's ability to fund its capital program and meet its financial obligations;
- terms of joint venture agreement with Niko (as defined herein);
- drilling plans and timing of drilling, completion and tie-in of wells;
- impact of new and revised accounting pronouncements and critical accounting estimates;
- effect of business environment and risks on the Company; and
- financial and business prospects and financial outlook.

In addition, statements relating to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. The recovery and reserve estimates of Parex' reserves provided herein or used in critical accounting assumptions are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada, Colombia and Trinidad & Tobago; 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, Colombia and Trinidad & Tobago; 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, Colombia and Trinidad & Tobago; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; volatility in market prices for oil and natural gas; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risks related to the lawsuit brought in Texas against Parex and certain foreign subsidiaries; failure of counterparties to perform under the terms of their contracts; the risks discussed under "Risk Factors" in the Company's Annual Information Form dated March 27, 2013; the risks described under the heading "Business Environment and Risks" in this MD&A, and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; future exchange rates; the price of oil; 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; royalty rates; future operating costs; foreign exchange rates; 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; 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 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 the above summary of assumptions and risks related to forward-looking information provided 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.

Non-GAAP Terms

Funds flow used in, or from operations, working capital, operating netback per barrel and adjusted net income may from time to time be used by the Company, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Funds flow used in, or from operations includes all cash generated from operating activities and is calculated before changes in non-cash working capital. Funds flow used in, or from operations is reconciled with net income in the Consolidated Statements of Cash Flows. Funds flow per share is calculated by dividing funds flow from operations by the weighted average number of shares outstanding. Working capital includes current assets less current liabilities but may not include changes in non-cash working capital from one period to the next and does not include any undrawn credit facility amount. Adjusted net income is determined by adding back any losses or deducting any gains associated with the Company's derivative financial liability. Operating netback per barrel equals sales revenue, less royalties, production expense and transportation expense, divided by total equivalent sales volume excluding purchased oil volumes. Free cash flow equals cash flow from operations less capital expenditures. Net debt is defined as working capital less long-term debt. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures.

Abbreviations

Refer to the end of the MD&A for commonly used abbreviations in the document.

Three months ended March 31, 2013 (“first quarter or Q1”) Highlights

- Achieved quarterly oil production of 14,440 barrels per day (“bopd”), an increase of 13 percent over the fourth quarter of 2012;
- Realized Brent referenced sales price of \$109.63 per barrel (“\$/bbl”) and an operating netback of \$67.03/bbl;
- Reduced operating and transportation combined unit costs by 4.5 percent compared to the previous quarter;
- Generated funds flow from operations of \$60.2 million (\$0.56 per share basic as compared to \$0.50 per share for the previous quarter) including a net build of crude oil inventory of 97,890 barrels (“bbls”). Funds flow has increased due to continued strong operating netbacks, production growth and exploration success;
- Increased working capital as funds flow from operations exceeded capital expenditures of \$47.2 million. Compared to the previous quarter, net debt decreased by \$18.7 million to \$3.0 million;
- Participated in drilling 12 gross wells (8.5 net) in Colombia, resulting in 6 oil wells, 2 disposal well, 2 untested wells and 2 dry and abandoned.

Financial Summary

For the three months ended March 31 (Financial figures in 000s except per share amounts)	2013	2012
Average daily oil production (bopd)	14,440	11,679
Realized sales price (\$/bbl)	\$ 109.63	\$ 116.90
Operating netback (\$/bbl)	\$ 67.03	\$ 81.79
Oil and natural gas sales	\$ 164,990	\$ 129,989
Funds flow from operations ⁽¹⁾	\$ 60,226	\$ 83,754
Per share – basic	0.56	0.77
Per share – diluted	0.48	0.69
Adjusted net income ⁽¹⁾⁽²⁾	\$ 6,538	\$ 26,934
Per share – basic	0.06	0.25
Per share - diluted	0.05	0.24
Net income	\$ 11,136	\$ 27,304
Per share – basic	0.10	0.25
Per share – diluted ⁽⁶⁾	0.05	0.24
Capital expenditures	\$ 47,172	\$ 59,395
Total assets (end of period)	\$ 827,821	\$ 703,343
Working capital surplus (end of period)	\$ 16,972	\$ 116,277
Debentures (end of period) ⁽³⁾	\$ 65,402	\$ 62,148
Bank debt (end of period) ⁽⁵⁾	\$ 20,000	\$ -
Weighted average shares outstanding (000s)		
Basic	108,523	108,335
Diluted ⁽⁴⁾	128,694	123,204

⁽¹⁾ Non GAAP measure. See “Non GAAP Measures”.

⁽²⁾ Adjusted net income has been adjusted for the IFRS accounting effects of changes in the derivative financial liability. For the three months March 31, 2013 adjusted net income excludes a \$4.6 million gain upon revaluation of the derivative liability associated with the Company’s Debentures (three months ended March 31, 2012 excludes a \$0.4 million gain upon revaluation of the derivative liability).

⁽³⁾ Debentures will accrete up to the face value amount of Cdn \$85.0 million over the remaining term to June 30, 2016.

⁽⁴⁾ Refer to the reconciliation of non GAAP terms section of this document for the calculation of weighted average dilutive shares outstanding.

⁽⁵⁾ Bank credit facility currently has a borrowing base of \$100 million.

⁽⁶⁾ Net income diluted has been adjusted for the IFRS accounting effects of changes in the Debentures. For the three months ended March 31, 2013 the effect of the debenture is a \$5.1 million reduction relating to accretion, interest, foreign exchange and gain upon revaluation of the derivative liability (three month ended March 31, 2012 is \$2.1 million addition).

Strategy

The Company's strategy is to leverage Latin American and Caribbean onshore experience and capability to create shareholder value. Jurisdictions will be targeted that have stable fiscal regimes coupled with oil-prone hydrocarbon-rich basins in under-explored areas. Parex will apply proven technology used in the Western Canada Sedimentary Basin in basins with large oil-in-place potential. The Company will focus on short cycle time from discovery to bringing new reserves on-stream and use a portfolio approach to manage subsurface and commercial risks.

Principal Properties

As at March 31, 2013, the Company's principal land holdings and interests in exploration blocks held by its subsidiaries were as follows:

	Working Interest	Gross Acres	Net Acres
Colombia Llanos Basin			
<u>Operated Properties</u>			
Blocks LLA-16, 20, 29 and 30	100%	489,137	489,137
Block LLA-57	100%	104,532	104,532
Block Los Ocarros	50%	110,436	55,218
Block LLA-17	40%	108,726	43,490
Block El Eden	60%	109,249	65,549
Block Cabretero	50%	29,562	14,781
Block LLA-40	50%	163,090	81,545
<u>Non-Operated Properties</u>			
Block LLA-32	30%	100,325	30,097
Block LLA-34	45%	82,286	37,029
Colombia Middle Magdalena			
<u>Non-Operated Properties</u>			
Morpho	50%	51,398	25,699
Trinidad & Tobago			
<u>Operated Properties</u>			
CRBs	50%	211,478	105,739
Moruga Block	83.8%	7,443	6,237
Total		1,567,662	1,059,053

Exploration properties that are deemed non-commercial will be released in due course. Accordingly, the gross and net acres described above may decrease over time as lands deemed non-commercial are released. For a complete description of each blocks phase, commitments and letter of credits refer to the Annual Information Form dated March 27, 2013.

2013 Outlook

The 2013 average production guidance was provided in January 2013 at 14,000-14,500 bopd. Through the current production and reserves added by the proposed Cabretero acquisition along with the planned development activity on the block, Parex is increasing its 2013 full year average production guidance to 14,500-15,000 bopd. The Company believes that the increased production guidance can be achieved within the existing 2013 capital expenditure budget of \$210 million. Parex is awaiting further production history from its successful year to date drilling program before considering an additional increase in production guidance.

Financial and Operational Results

Consolidated Results of Operations

Parex' operations are conducted in Colombia, Trinidad & Tobago and Canada which are the Company's reportable segments.

For the three months ended March 31,	2013	2012
Average daily production		
Colombia – oil (bopd)	14,440	11,679
Average daily sales of produced oil		
Colombia – oil (bopd) ⁽¹⁾	13,328	12,219
Operating netback (000s) ⁽¹⁾		
Oil and natural gas sales	\$ 164,990	\$ 129,989
Royalties	(18,179)	(9,623)
Net revenue	146,811	120,366
Production expense	(12,928)	(7,752)
Transportation expense	(25,090)	(21,677)
Purchased oil expense	(29,847)	-
Operating netback	\$ 78,946	\$ 90,937
Operating netback (per bbl) ⁽¹⁾		
Oil and natural gas sales	\$ 109.63	\$ 116.90
Royalties	(15.15)	(8.65)
Net revenue	94.48	108.25
Production expense	(10.78)	(6.94)
Transportation expense	(16.67)	(19.52)
Operating netback	\$ 67.03	\$ 81.79

⁽¹⁾ Average daily sales and the operating netback calculation includes the Company's working interest sales volumes and excludes purchased oil sales volumes.

The Company's operating netback on a per barrel basis for the three months ended March 31, 2013 was \$67.03 compared to \$68.94 for the fourth quarter of 2012. The average realized sales price in Colombia for the three months ended was \$109.63/bbl compared to \$105.75/bbl for the fourth quarter of 2012. Royalty charges for the three months ended March 31, 2013 were \$15.15/bbl in comparison to \$8.08/bbl for the fourth quarter of 2012. Royalty charge per barrel is calculated by applying the royalty percentage on produced oil sold and is valued at the realized price net of transportation costs. The increase in royalty expense per bbl is a result of the Company now paying the High Price Share royalty on the Kona field as the 5 million barrel cumulative threshold for the field was reached in January 2013 (see Colombian Royalties). Production expense for the three months ended March 31, 2013 was \$10.78/bbl compared to \$10.46/bbl for the fourth quarter of 2012 and \$6.94/bbl in the comparative period. Transportation expense per barrel for the three months ended was \$16.67/bbl compared to \$18.27/bbl for the fourth quarter of 2012 and \$19.52/bbl in the comparative period. Transportation and marketing alternatives continue to be examined by the Company in an effort to maximize the net proceeds from production in Colombia.

Overall the price of the Company's benchmark Brent price increased by \$2.30/bbl in the first quarter as compared to the fourth quarter of 2012 while the operating netback declined by \$1.91/bbl in the same period, mainly a result of increased royalties due to an increase in the royalty rate for the Kona field, partially offset by lower transportation costs on a per bbl basis.

In comparison to the prior year, the netback per bbl decreased as a result of the Company's benchmark price decreased by \$6.27/bbl, higher royalties at the Kona field, along with an increase in production costs per bbl, offset by a decrease in transportation costs.

Colombian Oil Sales

a) Average Daily Crude Oil Production and Sales Volumes (bopd)

For the three months ended March 31,	2013	2012
Block LLA-16 (Kona, Sulawesi, Java and Malawi fields)	6,319	11,679
Block LLA-20 (Cumbre field)	729	-
Block Los Ocarros (Las Maracas field)	4,207	-
Block Cabrestero (Kitaro field)	363	-
Block LLA-32 (Maniceno field)	408	-
Block LLA-34 (Max & Tua fields)	2,219	-
Other	195	-
Total Production	14,440	11,679
Inventory changes	(1,112)	540
Colombia average daily oil sales of produced oil	13,328	12,219

Production for the first quarter of the year averaged 14,440 bopd, an increase of approximately 23 percent from the first quarter of 2012. Production increased 13 percent from the fourth quarter average of 2012. Production in the first quarter includes increased production attributable to Block LLA-34 and Los Ocarros partially offset by a decrease in production in Block LLA-32. During the three months ended March 31, 2013, inventory in transit increased by an average of approximately 1,112 bopd as a result of increased production and oil delivery timing.

The increase in oil sales in the first quarter of 2013 compared to the reported Colombian oil sales of 12,219 bopd for the three months ended March 31, 2012 was primarily a result of drilling success at Cumbre, Las Maracas, Block 34, Block 32 and Cabrestero fields along with a change in inventory levels.

b) Average Reference and Realized Prices

For the three months ended March 31,	2013	2012
WTI (\$/bbl)	94.33	102.98
Brent (\$/bbl)	112.44	118.71
Realized sales price (\$/bbl)	109.63	116.90
Realized oil hedging loss (\$/bbl)	(0.48)	-
Realized price after hedging (\$/bbl)	109.15	116.90
Realized price (discount) as percentage of Brent (%)	(3)	(2)
Realized price premium as percentage of WTI (%)	14	14

The Company's oil sales contracts during the period ended March 31, 2013 were referenced to Brent. The realized price discount to Brent was three percent in the first quarter compared to four percent in the fourth quarter of 2012 and a two percent discount in the comparative period. The differential to Brent in the first quarter decreased as a result of a decrease in differential between Brent and the Colombia Vasconia crude reference prices.

The table below provides a quarter-by-quarter view of Parex' historical pricing in Colombia:

Average price for the period	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Brent (\$/bbl)	112.44	110.15	109.63	108.04	118.71
Parex realized sales price (\$/bbl)	109.63	105.75	107.46	107.54	116.90
Parex realized price (discount) as percentage of Brent (%)	(2.8)	(3.9)	(2.0)	(1.9)	(1.5)

c) Oil Revenue

First quarter 2013 oil revenue increased \$35.0 million or 27 percent as reconciled in the table below to the first quarter of 2012:

(\$000s)	
Oil revenue, three months ended March 31, 2012	\$ 129,989
Sales volume of produced oil, an increase of 9% (1,109 bopd)	10,132
Sales volume of purchased oil, an increase of 100% (3,394 bopd)	33,488
Sales price decrease of 6%	(8,619)
Oil revenue, three months ended March 31, 2013	\$ 164,990

Oil sales increased in the three months ended March 31, 2013 compared to the same period in 2012 due an increase in production volumes and the Company purchasing and selling third party oil. Oil sales for the three months ended March 31, 2013 were less than crude oil production due to crude oil inventory increase of 97,890 bbls from the fourth quarter of 2012, see "Colombian Crude Oil Inventory in Transit" below.

d) Colombian Crude Oil Inventory in Transit

For the three months ended March 31,		2013	2012
(\$000s)			
Crude oil in transit	\$	15,159	\$ 15,617

As at March 31, 2013, the Company had 196,689 bbls of crude oil inventory in transit (232,200 bbls for the first quarter of 2012), which was injected into the Colombian Ocesa and ODC pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at approximately \$77/bbl (\$67/bbl for the first quarter of 2012 and \$75/bbl for the fourth quarter of 2012) incurred in bringing the crude oil to its existing condition and location. A reconciliation of the crude oil inventory in transit volumes is provided below:

For the three months ended March 31,		2013	2012
(mbbls)			
Crude oil inventory in transit - beginning of the period		98.8	281.5
Oil production		1,296.0	1,062.8
Oil sales		(1,503.5)	(1,112.0)
Purchased oil		305.4	-
Crude oil inventory in transit - end of the period		196.7	232.3

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

For the periods ended		March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
(mbbls)					
Crude oil inventory in transit - beginning of the period		98.8	139.1	164.8	232.3
Oil production		1,296.0	1,172.4	1,000.4	945.3
Oil sales		(1,503.5)	(1,453.2)	(1,216.7)	(1,051.6)
Purchased oil		305.4	240.5	190.6	38.8
Crude oil inventory in transit - end of the period		196.7	98.8	139.1	164.8

The Company is experiencing, on average, two-thirds of period ending crude oil inventory being sold within the following month, however build and draw down of crude oil inventory 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.

e) Purchased Oil

For the three months ended March 31,		2013	2012
(mbbls)			
Oil purchased		305.4	-
Purchased oil sales		(305.4)	-
Purchased oil net change in inventory		-	-

From time to time the Company will purchase crude oil from partners. The purchases are done as a service as some partners have difficulty selling to other third parties. The preceding table shows the effect of purchased oil on ending crude oil inventory balances.

For the three months ended March 31, (\$000s)		2013	2012
Purchased oil expense (\$000s)	\$	29,847	-

Purchased oil expense for the three months ended March 31, 2013 was \$29.8 million compared to \$19.7 million for the fourth quarter of 2012 and nil for the comparative period. At March 31, 2013 the Company had no third party purchased oil in inventory. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points. Parex expects minimal purchased oil on a go forward basis.

Colombian Royalties

For the three months ended March 31,		2013	2012
Royalties (\$000s)	\$	18,179	\$ 9,623
Per unit (\$/bbl)		15.15	8.65
Percentage of sales ⁽¹⁾⁽²⁾		13%	9%

⁽¹⁾ Calculated based on Company working interest sales volumes excluding purchased oil volumes sold

⁽²⁾ Net of transportation costs

The Company's Colombian government royalties are generally comprised of a fixed rate of 8 percent, supplemented with an x-factor based upon the E&P contract terms. Parex has an additional 1 percent x-factor on Blocks LLA 16,20,29,30,57,17,32,34 and 40. Las Maracas, Cabretero and El Eden blocks have an 8% royalty rate without an additional x-factor. Royalties are paid in kind and valued at the realized sales price less transportation expenses incurred. Should monthly average daily production exceed 5,000 bopd, the Company's royalty rate will increase by 1 percent for each incremental 10,000 bopd of production per field. In addition on certain blocks there is a high price royalty share when accumulated production of any production area, inclusive of royalty volumes, exceeds 5 million barrels, and in the event international reference prices are exceeded by pricing determined in the contract such as a WTI price of \$90 per bbl, the production area's royalty percentage will increase by approximately 20 percent and total approximately 29 percent. For the three months ended March 31, 2013 royalties increased from the fourth quarter of 2012 and first quarter of 2012 due to the Company being subjected to high price royalty share for the Kona field as the 5.0 million barrel cumulative production threshold was reached in January of 2013. It is expected that the Las Maracas field will be subject to the high price royalty share in the first half of 2014 based on current production estimates.

Colombian Production Expense

For the three months ended March 31,		2013	2012
Production expense (\$000s)	\$	12,928	\$ 7,752
Per unit (\$/bbl)		10.78	6.94

A breakdown of the production expense on a per bbl basis between operated and non-operated fields are provided below:

For the three months ended March 31,		2013	2012
Per unit (\$/bbl) – based on sales volumes – operated ⁽¹⁾		9.06	6.94
Per unit (\$/bbl) – based on sales volumes – non-operated ⁽¹⁾		20.39	-

⁽¹⁾ Calculated based on Company working interest sales volumes excluding purchased oil volumes sold.

Production expense includes the cost of activities in the field to operate wells and facilities, lift to surface, gather, process, treat and store production. Production expense for the first quarter on a per barrel basis of \$10.78 is relatively in line with the fourth quarter of 2012 of \$10.46/bbl. Operated properties production expense in the first quarter was \$9.06/bbl compared to \$9.49/bbl for the fourth quarter of 2012 and non-operated properties production expense

was \$20.39/bbl for the first quarter compared to \$17.15/bbl for the fourth quarter of 2012. The quarter over quarter increase in the non operated properties production expense relates to the LLA-32 block which incurred higher than expected costs due to the temporary suspension of the water disposal well and the cost of remediating the well in addition to the costs to truck produced water to a third party disposal facility.

Production expense for the three months ended March 31, 2013 on a per barrel basis was \$10.78/bbl in comparison to \$6.94/bbl for the three months ended March 31, 2012. The increase is primarily due to higher non-operated property expenses and increased energy costs associated with the Kona field due to increased fluid volume and increased water disposal costs.

Colombian Transportation Expense

For the three months ended March 31,		2013		2012
Transportation expense (\$000s)	\$	25,090	\$	21,677
Per unit (\$/bbl)		16.67		19.52

Transportation expense includes trucking costs incurred to transport production to several offloading stations for sale and in some instances an oil transportation tariff from delivery point to the buyer's facility. For the three months ended March 31, 2013, the cost of transportation on a per barrel basis has decreased to \$16.67/bbl from the fourth quarter of \$18.27/bbl and the comparative period of \$19.52/bbl. The main reason for the decreases relates to new oil contracts entered into with changes in delivery points. On a long term basis the Company expects transportation cost per bbl to be between \$16-\$18 per bbl with variability depending on the marketing mix and their delivery points.

General and Administrative Expense ("G&A")

For the three months ended March 31, (\$000s)		2013		2012
Gross G&A	\$	9,242	\$	7,022
G&A recoveries		(757)		(178)
Capitalized G&A		(1,213)		(2,329)
Net G&A expense	\$	7,272	\$	4,515

Net G&A was \$7.3 million for the three months ended March 31, 2013 compared to \$4.5 million for the same period in 2012. These costs primarily consist of management and administrative salaries, legal and professional fees, office rent, insurance, travel and other administrative expense and employee costs. Costs were higher than the comparative period as a result of increased staffing levels due to the corporate acquisition in Q2, 2012. For the first quarter of 2013 net G&A was mainly comprised of \$5.6 million relating to staff, consultants and professional services, \$0.9 million relating to office costs, and \$0.8 million relating to various other expenses. The Company engages local in-country staff at the earliest opportunity and local professional services to improve execution and manage costs. A total of 189 full-time-equivalents in three locations were working for Parex as at March 31, 2013 compared to 131 and 185 employees for three months period ended March 31, 2012 and December 31, 2012 respectively.

Share-Based Compensation Expense

For the three months ended March 31, (\$000s)		2013		2012
Stock-based compensation expense	\$	1,078	\$	1,866
Share appreciation rights expense		(548)		569
Restricted share units expense		175		-
	\$	705		2,435

Stock-based compensation expense was \$1.1 million for the three months ended March 31, 2013 compared to \$1.9 million for the same period in 2012. The primary reason for the decrease relates to the initial tranche of options granted at the time of incorporation in 2009 becoming fully vested and therefore fully expensed in prior periods. As at March 31, 2013 stock options outstanding were 9,487,052 equaling nine percent of the common shares outstanding at the end of the first quarter. A total of 97,800 options were exercised and 76,125 options were granted during the three months ended March 31, 2013. As at March 31,

2013, the weighted average fair value upon grant date of the options outstanding based upon the Black Scholes option value methodology was Cdn\$1.91 per option (March 31, 2012 – Cdn\$2.41 per option).

Share appreciation rights (“SARs”) expense was a \$0.5 million recovery for the three months ended March 31, 2013 compared to \$0.5 million expense for the same period in 2012. The recovery booked for three months ended March 31, 2013 relates to the decrease in Parex’ share price. The Company’s share price decreased from Cdn \$5.80 at December 31, 2012 to Cdn \$4.63 at March 31, 2013. As at March 31, 2013, 2,633,578 SARs were outstanding all of which were granted to employees in Colombia and Trinidad & Tobago. The weighted average exercise price at March 31, 2013 of the SARs outstanding was Cdn\$6.26 per SAR (March 31, 2012 – Cdn\$7.10 per SAR).

As at March 31, 2013, the total SARs liability accrued is \$2.4 million (December 31, 2012 - \$2.9 million).

Parex Canada has a restricted share unit (“RSUs”) plan, for which the Company may grant restricted shares to directors, officers and certain employees. The plan is subject to shareholder approval at the May 22, 2013 Annual General Meeting of shareholders. The restricted shares vest at 33 percent on each of the first, second and third anniversaries of the grant date. The determination of fair value for recording share-based compensation expense is based on the then current Parex share price. Restricted share unit expense was \$0.2 million for the three months ended March 31, 2013 compared to nil for the same period in 2012 as the plan commenced on October 19, 2012. A total of 26,300 units were granted and 2,000 units were forfeited during the three months ended March 31, 2013. As at March 31, 2013 the fair value upon grant date of the units outstanding was \$4.99 (March 31, 2012 –nil). In the future the Company is expected to issue more RSU’s and less stock options than prior compensation practice.

Depletion, Depreciation and Amortization Expense (“DD&A”)

For the three months ended March 31,		2013	2012
DD&A (\$000s)	\$	49,339	\$ 42,700
Per unit (\$/bbl) ⁽¹⁾		38.46	40.18

⁽¹⁾ DDA per unit (\$/bbl) is calculated using Company working interest production volumes.

DD&A is primarily associated with production assets in Colombia and also includes the depreciation and amortization of corporate assets such as computer equipment, office furniture and leasehold improvements. The net carrying value of production assets are depleted using the unit-of-production method by determining the ratio of production in the period to the related proved plus probable reserves, while also taking into account estimated future development costs necessary to bring those reserves into production. For the first quarter, future development costs of \$88.1 million (three months ended December 31 2012- \$113.2 million) were included in the depletion calculation. First quarter 2013 depletion was \$49.0 million compared to \$42.4 million for the same period in 2012. The remaining DD&A relates to seismic equipment and office equipment which is depreciated over the assets estimated useful lives.

First quarter 2013 depletion of \$38.18/bbl is lower than fourth quarter 2012 rate of \$41.66/bbl due to change in the CGU production mix.

Foreign Exchange (Gain) Loss

For the three months ended March 31, (\$000s)		2013	2012
Foreign exchange (gain) loss	\$	(2,231)	\$ 1,613

The Company’s main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Canadian dollars and Colombian pesos, as the Company’s functional currency is the US dollar. 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) losses are the revaluation of the Canadian dollar based debenture and peso denominated income tax and accounts payable to USD at period end dates. During the three months ended March 31, 2013, the total foreign exchange gain was \$2.2 million due to both the Canadian dollar and Colombian peso depreciating in value from the exchange rates at December 31, 2012 as compared to a foreign exchange loss of \$1.6 million being recognized as a result of the appreciation of the Colombian peso and the Canadian dollar versus the US dollar in the comparative period. 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 statement of comprehensive income.



As of December 30, 2012 the Company put into place a cross currency interest rate swap (“CCIRS”) for the principal balance of Cdn \$85.0 million relating to the Debenture in order to minimize the fluctuations in exchange rates and to capitalize on fixed USD denominated interest rates being lower than comparable CDN denominated interest rates. The (gains) losses on the CCIRS are presented in financial statement line item “risk management contracts” in the Consolidated Statement of Comprehensive Income.

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

Net Finance (Income) Expense

For the three months ended March 31, (\$000s)		2013		2012
Interest expense	\$	1,289	\$	1,114
Bank fees		238		-
Accretion on debentures		966		844
Accretion on decommissioning liability		123		63
Gain on derivative financial liability		(4,598)		(369)
Amortization of debt issuance costs		145		127
Interest and other income		(643)		(616)
Net finance (income) expense	\$	(2,480)	\$	1,163

Under IFRS, the conversion feature of the Debenture issued on June 29, 2011 is classified as a derivative financial liability given that, if converted, the Company has the option to deliver either common shares or cash equal to the market value. In the three months ended March 31, 2013, a \$4.6 million gain on the derivative financial liability was recognized (December 31, 2012- loss of \$2.4 million). An equivalent non-cash derivative gain (loss) was recorded in comprehensive income. The (gain) loss is a result of fair valuing the derivative liability at March 31, 2013 and specifically the decrease in the Company’s stock price from Cdn \$5.80 at December 31, 2012 to Cdn \$4.63 at March 31, 2013. Derivatives are carried at fair value on the balance sheet, with any changes in fair value being recorded to the statement of comprehensive income.

Interest expense on Debentures for the three months ended March 31, 2013 was \$1.1 million (three months ended March 31, 2012 -\$1.1 million). The interest expense relates to the annual Cdn\$ 5.25 percent coupon on the outstanding Debentures. The accretion expense for the debentures for the three months ended March 31, 2013 was \$1.0 million (three months ended March 31, 2012 – \$0.8 million). The accretion is related to the Debenture liability portion being accreted under the effective interest rate method. The liability portion of the Debentures is measured at amortized cost and will accrete up to the principal balance at maturity using the effective interest rate method. The resulting accretion is charged to finance expense in the consolidated statement of comprehensive income.

Derivatives

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 used by management in carrying out the Company’s strategic risk management program. The risk exposure inherent in movements in the price of crude oil, fluctuations in the US/Cdn dollar exchange rate and interest rate movements on the Debenture are all proactively reviewed by Parex and as considered appropriate may be managed through the use of derivatives with financial institutions that are members of Parex’ credit facility. The Company considers these derivative contracts to be an effective means to manage cash flow.

a) Risk Management Contracts- Brent Crude

The following is a summary of the risk management contracts in place for the three months period ended March 31, 2013:

Period Hedged	Type	Volume bbls/d	Price/bbl
November 1, 2012 - March 31, 2013	Collar	2000 bbl/d	\$100 to \$123
January 1, 2013 – June 30, 2013	Fixed price	2000 bbl/d	\$108.50

Subsequent to March 31, 2013 entered into the following contracts:

Oil Period Hedged	Type	Volume bbls/d	Price/bbl
April 1, 2013 – June 30, 2013	Fixed Price	2000 bbl/d	\$110.10

b) Cross Currency Interest Rate Swap (“CCIRS”) contract

The following is a summary of the CCIRS in place for the three months period ended March 31, 2013:

	Type	Receive Notional Principal (Cdn\$)	Fixed annual rate (Cdn%)	Pay Notional Principal (US\$)	Fixed annual rate (US%)
December 30, 2012 – June 30, 2016	Swap	85,000,000	5.25%	85,685,565	4.45%

The table below summarizes the loss on risk management contracts:

For the three months ended March 31, (\$000s)		2013	2012
Realized loss on risk management contract	\$	725	\$ -
Unrealized loss on risk management contract		53	-
Unrealized loss on CCIRS		1,471	-
Net loss on derivative contracts	\$	2,249	\$ -

The realized loss represents the risk management contracts settled during the period. The unrealized loss represents the fair value change of the underlying risk management contracts and CCIRS to be settled in the future.

The Company’s net unrealized derivative loss for the three months ended March 31, 2013 was \$1.5 million (three months ended March 31, 2012 -nil). The unrealized oil derivative loss of \$53,000 for the three months ended March 31, 2013 is primarily attributable of Brent forward benchmark price being above the fixed price swap. The unrealized CCIRS loss of \$1.5 million for the three months ended March 31, 2013 is primarily attributable to the decrease in the forward Cdn dollar exchange rate at March 31, 2013 versus the US dollar. The unrealized loss on the CCIRS contract is offset against the unrealized foreign exchange gain on the Cdn denominated debenture.

The Company has not designated any of its derivative contracts as accounting hedges under International Accounting Standard 39, *Financial Instruments: Recognition and Measurement* and, accordingly, has fair valued its derivatives.

Income Tax

The components of tax expense for the three months ended March 31, 2013 and 2012 were as follows:

For the three months ended March 31, (\$000s)		2013	2012
Current tax expense	\$	9,384	\$ 2,509
Deferred tax expense (benefit)		3,572	8,698
Total tax expense	\$	12,956	\$ 11,207

The Company has losses available to reduce future taxable income, as well as other cumulative tax deductions in excess of book value in Canada, Colombia and Trinidad & Tobago. Only the Colombian benefit associated with these losses and deductions has been recognized in the financial statements as the recoverability of the tax benefit in Trinidad & Tobago and Canada is uncertain. Losses can be carried forward indefinitely in Colombia and Trinidad & Tobago, while in Canada they expire after 20 years. Amounts denominated in foreign currency have been translated at the March 31, 2013 exchange rate.

The current and future tax expense relates to the Company’s operations in Colombia. Current tax in the first quarter was \$9.4 million as compared to \$2.5 million in the comparative period. This increase is a result of the majority of the company’s net operating loss being exhausted in the third quarter of 2012. Deferred tax expense in the first quarter of 2013 was \$3.6 million (\$8.7 million for the three months ended March 31, 2012), mainly a result of a widening of the book and tax basis in Colombian subsidiaries. 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 the year end producing reserves used in calculating depletion for tax purposes and the timing and number of dry hole write offs permissible for Colombian tax purposes. Accordingly estimating tax expense during the year is inherently difficult. The effective current tax rate for the three months ended March 31, 2013 on Colombian segmented operating cash flows was 12%.

Capital Expenditures

For the three months ended March 31, (\$000s)	Colombia ⁽¹⁾		Trinidad & Tobago		Canada		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Geological and geophysical	\$ 1,146	\$ 7,883	\$ 1,841	\$ (503)	\$ -	\$ -	\$ 2,987	\$ 7,380
Acquisition of unproved properties	493	2,060	521	454	-	-	1,014	2,514
Drilling and completion	40,790	40,313	(1,050)	6,858	-	-	39,740	47,171
Well equipment and facilities	3,108	1,382	235	88	-	-	3,343	1,470
Other	83	731	-	6	5	123	88	860
	\$ 45,620	\$ 52,369	\$ 1,547	\$ 6,903	\$ 5	\$ 123	\$ 47,172	\$ 59,395

⁽¹⁾ Excludes corporate acquisition costs.

Capital Expenditures Summary

During the three months ended March 31, 2013 the Company incurred \$47.2 million of capital expenditures compared to \$59.4 million in the same period of 2012. During Q1, 2013 the Company drilled 12 gross (8.5 net) wells, compared to 6 gross (6 net) wells for the three months ended March 31, 2012. In the first quarter of 2013 the Company's Colombian operations utilized three drilling rigs and two service rigs. The Company's average drilling costs per well in the first quarter were \$4.8 million versus \$6.7 million in the comparative period. The costs per well have decreased due to drilling in the prior period being concentrated on deeper prospects where as drilling in the first quarter of 2013 was at range of depth, along with drilling efficiencies improving from 2012. Geological and geophysical costs were significantly less than the comparative period and the previous quarter. The Company is participating in a 3D survey in Colombia on blocks LLA-34 and LLA-32 in May and June of 2013 in which net cost to Parex is expected to be approximately \$11 million.

Total drilling and completion costs during the quarter totaled \$39.7 million of which the majority related to drilling, completion and capitalized workover costs in Colombia. Spending on well equipment and facilities was \$3.3 million primarily all focused in Colombia.

Trinidad capital expenditures in the first quarter were primarily in respect of 2D seismic acquisition on the CRB program.

Summary of Quarterly Results (Unaudited)

Three months ended (\$000s)	March 31, 2013	Dec. 31, 2012	Sep. 30, 2012	June 30, 2012
Average daily production volumes (bopd)	14,440	12,743	10,874	10,389
Realized sales price volumes (\$/bbl)	\$ 109.63	\$ 105.75	\$ 107.53	\$ 107.54
Financial (000s except per share amounts)				
Oil Sales	\$ 164,990	\$ 149,614	\$ 130,824	\$ 113,087
Funds flow from operations ⁽¹⁾	\$ 60,226	\$ 54,446	\$ 42,012	\$ 61,357
Per share – basic	0.56	0.50	0.39	0.57
Per share – diluted	0.48	0.50	0.39	0.53
Adjusted net income (loss) ⁽³⁾	\$ 6,538	\$ (13,450)	\$ 7,490	\$ 11,654
Per share – basic	0.06	(0.12)	0.07	0.11
Per share – diluted	0.05	(0.12)	0.07	0.10
Net income (loss)	\$ 11,136	\$ (15,840)	\$ 7,538	\$ 20,920
Per share – basic	0.10	(0.15)	0.07	0.19
Per share – diluted	0.05	(0.15)	0.07	0.09
Total assets (end of period)	\$ 827,821	\$ 821,201	\$ 789,546	\$ 768,498
Working capital surplus (deficit) (end of period) ⁽²⁾	\$ 16,972	\$ (12,640)	\$ (9,014)	\$ (555)
Debentures (end of period) ⁽⁴⁾	\$ 65,402	\$ 65,657	\$ 65,251	\$ 61,940
Bank debt (end of period)	\$ 20,000	\$ 9,100	\$ -	\$ -

Three months ended (\$000s)	March 31, 2012	Dec. 31, 2011	Sep. 30, 2011	June 30, 2011
Average daily production volumes (bopd)	11,679	11,342	7,031	1,619
Realized sales price volumes (\$/bbl)	116.90	102.15	97.64	104.67
Financial (000s except per share amounts)				
Oil Sales	\$ 129,989	\$ 96,169	\$ 54,429	\$ 10,719
Funds flow from operations ⁽¹⁾	\$ 83,754	\$ 63,135	\$ 31,814	\$ 334
Per share – basic	0.77	0.58	0.29	0.00
Per share – diluted	0.69	0.56	0.27	0.00
Adjusted net income (loss) ⁽³⁾	\$ 26,934	\$ 6,470	\$ 7,740	\$ (4,688)
Per share – basic	0.25	0.06	0.07	(0.06)
Per share – diluted	0.24	0.06	0.07	(0.06)
Net income (loss)	\$ 27,304	\$ 4,477	\$ 14,823	\$ (4,688)
Per share – basic	0.25	0.04	0.14	(0.06)
Per share – diluted	0.24	0.04	0.13	(0.06)
Total assets (end of period)	\$ 703,343	\$ 660,177	\$ 619,240	\$ 593,699
Working capital surplus (end of period) ⁽²⁾	\$ 116,277	\$ 92,893	\$ 77,890	\$ 101,422
Debentures (end of period) ⁽⁴⁾	\$ 62,148	\$ 60,001	\$ 57,226	\$ 61,200
Bank debt (end of period)	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Non GAAP measure. See “Non GAAP Measures”.

⁽²⁾ Working capital does not include the undrawn amount available on the credit facility.

⁽³⁾ Net income has been adjusted for the IFRS accounting effects of changes in the derivative financial liability.

⁽⁴⁾ Debentures will accrete up to the face value amount of Cdn \$85.0 million over the remaining term of the Debenture to June 30, 2016.

Reconciliation of Non-GAAP terms

Funds Flow from Operations

For the three months ended March 31, (\$000s)	2013	2012
Operating activities		
Net income	\$ 11,136	\$ 27,304
Add (deduct) non-cash items		
Depletion, depreciation and amortization	49,339	42,700
Non-cash finance (income) loss	(3,364)	667
Share-based compensation	705	2,435
Deferred tax expense (recovery)	3,572	8,698
Unrealized foreign exchange (gain) loss	(2,686)	1,950
Unrealized loss on risk management contract	1,524	-
Funds flow from operations	\$ 60,226	\$ 83,754

The following table shows the variables used in the calculation of diluted funds flow from operations per share:

For the three months ended March 31, (\$000s)	2013	2012
Funds flow from operations		
Funds flow from (used in) operations for the purpose of basic funds flow	\$ 60,226	\$ 83,754
Debt interest expense	1,106	1,114
Funds flow from operations for diluted funds flow	\$ 61,332	\$ 84,868
Weighted average number of shares for the purposes of basic funds flow (\$000s)	108,523	108,335
Dilutive effect of share options on potential common shares	1,215	1,807
Dilutive effect of Debentures on potential common shares	18,956	13,062
Weighted average number of shares for the purposes of diluted funds	128,694	123,204

Adjusted net income

The following table reconciles net income to adjusted net income:

For the three months ended March 31, (\$000s)	2013	2012
Net income (GAAP)	\$ 11,136	\$ 27,304
Non cash gain on derivative financial liability	(4,598)	(370)
Adjusted net income (Non-GAAP)	\$ 6,538	\$ 26,934

Liquidity and Capital Resources

As at March 31, 2013 the Company had a working capital surplus of \$17.0 million, excluding amounts available under the credit facility, as compared to working capital deficit at December 31, 2012 of \$12.6 million. The increase in working capital from the prior period is mainly related to the free cash flow generated in the first quarter. As at March 31, 2013 the Company had a \$75 million senior credit facility (\$100 million current) available of which \$20.0 million was drawn. At March 31, 2013 Parex held \$26.8 million of cash, compared to \$31.9 million at December 31, 2012. The Company's cash balances reside in current accounts, the majority of which are held on account in Canada and Barbados.

Overall for the first quarter as compared to December 31, 2012, working capital increased by \$29.6 million and the credit facility amount increased by \$10.9 million, for a net debt decrease of \$18.7 million.

The Company values its crude oil inventory on hand using weighted average cost for the inventoried barrels. On a fair market value basis the inventory on hand would have a value of approximately \$21.3 million or a fair value adjustment of approximately \$6.1 million.

Parex entered into a \$200 million senior secured credit facility (“credit facility”) with a syndicate of banks led by a major Canadian bank during 2012, with a current borrowing base of \$100 million. Key covenants include a current ratio test of 1:1 adjusted for undrawn amounts on the facility plus the fair value of inventoried oil, and a rolling four quarters total funded debt to EBITDA test of 3:50:1, and other standard business operating covenants. As at March 31, 2013, the Company is in compliance with all covenants.

On March 18, 2013, Parex commenced a normal course issuer bid (the "Bid") to purchase, from time to time, as it considers advisable, up to a maximum of 8,818,165 common shares of the Company. The price that Parex will pay for any common shares under the Bid will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the Bid will be cancelled. The Bid will terminate on March 17, 2014.

Debentures

On June 29, 2011, Parex issued Cdn\$85.0 million of Debentures with an annual coupon of 5.25 percent maturing on June 30, 2016. The Debentures have a face value of \$1,000 per Debenture and are convertible into common shares at the holder’s option at a conversion price of Cdn\$10.15 per Common Share, representing a conversion rate of approximately 98.52 Common Shares per Debenture. The Debentures pay interest semi-annually in arrears on June 30 and December 31 of each year. In the event that a holder of Debentures exercises the conversion feature, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of common shares to be received on conversion, for the period from the latest interest payment date to the date of conversion.

The company has entered into a “CCIRS” contract in order to reduce the risk exposure relating to the, fluctuation in the US/Cdn dollar exchange rate relating to the Debenture. Refer to the derivative section of the document for details on the “CCIRS” contract.

The following table summarizes the accounting for the Debentures:

(\$000s)	Liability	Derivative financial liability	Total
Balance at December 31, 2011	\$ 60,001	\$ 16,821	\$ 76,822
Accretion	3,744	-	3,744
Amortization of debt issuance costs	564	-	564
Derivative gain	-	(7,294)	(7,294)
Foreign exchange loss	1,348	372	1,720
Balance at December 31, 2012	\$ 65,657	\$ 9,899	\$ 75,556
Accretion	966	-	966
Amortization of debt issuance costs	145	-	145
Derivative gain	-	(4,598)	(4,598)
Foreign exchange gain	(1,366)	(244)	(1,610)
Balance at March 31, 2013	\$ 65,402	5,057	70,459

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at March 31, 2013 the Company had 108,513,751 common shares outstanding.

The Company has a stock option and RSU plan. The plans provide for the issuance of options to the Company’s directors, officers and certain employees to acquire common shares. The maximum number of stock options and RSU’s reserved for issuance under the two plans may not exceed 10 percent of the number of common shares issued and outstanding.

As at May 14, 2013 Parex has the following securities outstanding:

	Number	%
Common shares ⁽¹⁾	108,421,851	91.7%
Stock options	9,487,052	8.1%
Restricted share units ⁽²⁾	265,100	0.2%
	118,174,003	100%

⁽¹⁾ 91,900 common shares have been repurchased since March 31, 2013 under the NCIB.

⁽²⁾ Restricted share unit plan is subject to shareholder approval.

As of the date of this MD&A, total stock options and RSU's outstanding represent approximately 9 percent of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

In the normal course of business, Parex has entered into arrangements and incurred obligations that will affect the Company's future operations and liquidity. These commitments primarily relate to exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts or the Company can negotiate extensions of the exploration periods. The Company's exploration commitments are described 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 energy regulator ("ANH") which on March 31, 2013 are approximately \$43.9 million to support the exploration work commitments on its Blocks. The guarantees have been further reduced as of May 14, 2013 to \$39.8 million. The guarantees have been provided in the form of letters of credit for varying terms. Export Development Canada ("EDC") has provided the Company's bank with performance security guarantees to support 100 percent of the letters of credit issued on behalf of Parex. The letters of credit issued to the ANH are reduced from time to time to reflect the work performed on the various blocks.

In Trinidad & Tobago, under the initial exploration phase of the Central Range Block PSCs the joint ventures remaining work commitment is to drill an exploration well to 12,000 feet and acquire additional 2D seismic. The obligations under the PSCs are to perform the exploration work commitments, irrespective of actual cost.

The following table summarizes the Company's estimated commitments as at March 31, 2013:

(\$000s)	Total	<1 year	1 – 3 years	3 – 4 years	>5 years
Exploration ⁽¹⁾	\$ 72,655	\$ 33,657	\$ 33,998	\$ 5,000	\$ -
Office and accommodations ⁽²⁾	1,539	952	587	-	-
Decommissioning expenditures	20,700	-	-	-	20,700
Other	4,318	2,465	1,853	-	-
Total	\$ 99,212	\$ 37,074	\$ 36,438	\$ 5,000	\$ 20,700

⁽¹⁾ Exploration commitments do not include production bonuses and other payments that will vary depending on production levels due to the uncertainty of their amount and timing.

⁽²⁾ Includes minimum lease payment obligations associated with leases for office space and accommodations.

The Company has entered into contracts for drilling rigs in Colombia and Trinidad & Tobago. Rig contracts in both countries include commitments to use the rigs for a minimum period on terms consistent with normal industry practice.

Decommissioning Liabilities

(\$000s)	2013	2012
Balance, beginning of period	\$ 12,079	\$ 5,105
Additions	2,121	5,465
Corporate Acquisition	-	705
Change in estimates	-	445
Accretion expense	123	359
Balance, end of the period	\$ 14,323	\$ 12,079

The total decommissioning liability is estimated based on the Company's net ownership in wells drilled as at March 31, 2013, the estimated costs to abandon and reclaim the wells and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle Parex' decommissioning liability is approximately \$20.7 million as at March 31, 2013 (December 31, 2012 – \$17.5 million) with the majority of these costs relate to Colombia operations and are anticipated to occur 2020 or later. A risk-free discount factor of 4.0 percent and an inflation rate of 4.0 percent were used in the valuation of the liabilities (December 31, 2012 – 4.0 percent risk free discount factor and a 4.0 percent inflation rate). The discount rates used are a blend of US, Colombia and Trinidad & Tobago risk free rates.

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; and
- Changes in technology.

Business Environment and Risks

Parex is exposed to a variety of risks including but not limited to operational, financial, competitive, political and environmental risks. As a participant in the oil and natural gas industry, Parex is exposed to operational risks such as: unsuccessful exploration and exploitation activities, the inability to find new reserves that are commercially and economically feasible, premature declines of reservoirs, well blow-outs and other operating hazards, and lack of infrastructure or transportation to access markets and monetize reserves. The Company works to mitigate these risks by employing highly skilled personnel and utilizing available technology. The Company also maintains a corporate insurance program consistent with industry practices to protect against insurable losses.

The Company is exposed to normal financial risks inherent in the oil and natural gas industry including: commodity price risk, exchange rate risk, interest rate risk and credit risk. From time to time, the Company may have to raise additional funds to finance business development activities. Depending on market conditions at the time, however, there can be no assurance that the Company will be able to arrange debt or equity financing on satisfactory terms. The Company continuously monitors opportunities to use financial instruments to manage exposure to fluctuations in commodity prices, foreign currency rates and interest rates. Parex operates the majority of its properties and, therefore, has significant control over the timing, direction and costs related to exploration commitments and development opportunities.

The oil and natural gas industry is intensely competitive, with Parex competing against companies that may have greater technical and financial resources. There is competition for new exploration and development properties, for infrastructure and sales contracts, for drilling and other specialized technical equipment and for experienced key human resources. As appropriate, Parex seeks to enter into joint venture arrangements with large and/or experienced industry players in each country to improve its access to resources.

Parex is focused on international oil and natural gas activities, currently with interests in Colombia and Trinidad & Tobago. As such, the Company is subject to political risks such as: changes in policies and regulation related to changes in government, price controls, renegotiation of land tenure agreements, nationalization, changes in tax regulations, amendments or changes to legal systems, and complex regulatory regimes. The Company focuses its foreign operations in countries where management has prior experience and/or engages local in-country staff as soon as possible. The Company engages local, Canadian and international advisors. The Company may also, from time to time, arrange for insurance to mitigate specific risks. The Company is also exposed to potential delay of its operations due to waiting on permits or obtaining surface access to drilling locations.

The oil and natural gas industry is subject to extensive and varying environmental regulations imposed by governments in all countries in which Parex operates. The Company adopts prudent and industry-recommended field operating procedures in all of its operations, as well as maintaining a health, safety and environment program.

The Company is exposed to a high level of exploration risk. The Company's current and future (to the extent discovered or acquired) proved reserves will decline as reserves are produced from its properties unless the Company is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital-intensive and is subject to numerous estimates and interpretations of geological and geophysical data. There can be no assurance the Company's future exploration, development and acquisition activities will result in material additions of proved reserves. To manage this risk, to the extent possible, Parex employs highly experienced geologists and geophysicists, uses technology such as 3D seismic as a primary exploration tool and focuses exploration efforts in known hydrocarbon-producing basins. In addition, the Company takes a portfolio approach to exploration by dispersing drilling locations among different exploration blocks and geological basins and by targeting multiple play-types. The Company may also choose to mitigate exploration risk through acquisitions that may require raising funds.

Internal Controls over Financial Reporting

There was no change in the Company's internal controls over financial reporting that occurred during the most recently completed period that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the three months ended March 31, 2013.

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments recognized in the balance sheet include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and Debentures (excluding the derivative financial liability associated with the Debentures). 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.

Accounting Policies and Estimates

The accounting policies adopted are consistent with those of the previous financial year. In preparing this Management Discussion and Analysis, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2012 with the exception of the accounting policy relating to share repurchases.

Repurchase of shares

- Pursuant of the Normal Course Issuer Bid ("NCIB"), repurchased common shares will reduce share capital for the average book value, any excess is charged to retained earnings.

Income taxes

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit and loss.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE	March 31, 2013	December 31, 2012
ASSETS			
Current assets			
Cash		\$ 26,841	\$ 31,950
Accounts receivable	5	107,060	102,442
Prepays and other current assets		9,788	6,279
Crude oil inventory	6	15,159	7,474
		158,848	148,145
Goodwill			
Exploration and evaluation	7	61,252	61,252
Property, plant and equipment	8	159,149	145,172
		448,572	466,632
		\$ 827,821	\$ 821,201
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 89,752	\$ 116,116
Current income and equity tax payable	15	52,124	44,669
		141,876	160,785
Long-term debt			
Convertible debenture	10	20,000	9,100
Derivative financial liability	14	65,402	65,657
Other long-term liabilities	14	5,057	9,899
Decommissioning liabilities	11	4,476	3,071
Deferred tax liability	12	14,323	12,079
	15	98,787	95,214
		349,921	355,805
Shareholders' equity			
Share capital	13	413,048	412,736
Contributed surplus		17,103	16,015
Retained earnings		47,749	36,645
		477,900	465,396
		\$ 827,821	\$ 821,201

Commitments (note 21)

Contingencies (note 22)

Subsequent event (note 23)

See accompanying Notes to the Interim Consolidated Financial Statements

Approved by the Board:



Paul Wright
Director



Ron Miller
Director

Interim Consolidated Statements of Comprehensive Income (unaudited)

For the three months ended March 31,

(thousands of United States dollars, except per share amounts)

	NOTE	2013	2012
Oil sales		\$ 164,990	\$ 129,989
Royalties		(18,179)	(9,623)
Revenue		146,811	120,366
Risk management contracts		(2,249)	-
		144,562	120,366
Expenses			
Production		12,928	7,752
Transportation		25,090	21,677
Purchased oil		29,847	-
General and administrative		7,272	4,515
Share-based compensation	13	705	2,435
Depletion, depreciation and amortization	8	49,339	42,700
Foreign exchange (gain) loss		(2,231)	1,613
		122,950	80,692
Finance income	9	(643)	(616)
Finance expense	9	(1,837)	1,779
Net finance (income) expense		(2,480)	1,163
Net income before taxes		24,092	38,511
Income tax expense			
Current income tax expense	15	9,384	2,509
Deferred income tax expense	15	3,572	8,698
		12,956	11,207
Net income and comprehensive income for the period		\$ 11,136	\$ 27,304
Basic net income per common share	16	\$ 0.10	\$ 0.25
Diluted net income per common share	16	\$ 0.05	\$ 0.24

See accompanying Notes to the Interim Consolidated Financial Statements

Consolidated Statements of Changes in Equity (unaudited)

For the three months ended March 31,
(thousands of United States dollars)

	2013		2012	
Share Capital				
Balance, beginning of period	\$	412,736	\$	411,921
Issuance of common shares under option plans		552		482
Repurchase of shares		(240)		-
Balance, end of period	\$	413,048	\$	412,403
Contributed Surplus				
Balance, beginning of period	\$	16,015	\$	9,215
Share-based compensation		1,253		1,866
Options exercised		(165)		(146)
Balance, end of period	\$	17,103	\$	10,935
Retained earnings (deficit)				
Balance, beginning of period	\$	36,645	\$	(3,277)
Net income for the period		11,136		27,304
Repurchase of shares	\$	(32)		-
Balance, end of period	\$	47,749	\$	24,027

See accompanying Notes to the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows (unaudited)

For the three months ended March 31,
(thousands of United States dollars)

	NOTE	2013	2012
Operating activities			
Net income		\$ 11,136	\$ 27,304
Add (deduct) non-cash items			
Depletion, depreciation and amortization	8	49,339	42,700
Non-cash finance (income) loss	9	(3,364)	667
Share-based compensation	13	705	2,435
Deferred tax expense	15	3,572	8,698
Unrealized foreign exchange (gain) loss		(2,686)	1,950
Unrealized loss on risk management contracts	19	1,524	-
		60,226	83,754
Net change in non-cash working capital	17	(12,975)	(7,044)
		47,251	76,710
Investing activities			
Capital expenditures		(47,172)	(59,395)
Net change in non-cash working capital	17	(15,893)	(1,550)
		(63,065)	(60,945)
Financing activities			
Issuance of common shares	13	387	335
Common share repurchase	13	(272)	-
Long term debt issued	10	10,900	-
Net change in non-cash working capital	17	-	-
		11,015	335
(Decrease) increase in cash and cash equivalents for the period		(4,799)	16,100
Impact of foreign exchange on foreign currency-denominated cash balances		(310)	747
Cash and cash equivalents, beginning of period		31,950	103,884
Cash and cash equivalents, end of period		\$ 26,841	\$ 120,731

Supplemental Disclosure of Cash Flow Information (note 17)

See accompanying Notes to the Interim Consolidated Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended March 31, 2013

(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.

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 as 1485196 Alberta Ltd. on August 17, 2009, pursuant to the Business Corporations Act (Alberta). On September 29, 2009 it filed Articles of Amendment to change its name to Parex Resources Inc.

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 14, 2013.

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

a) *Statement of compliance*

The condensed consolidated interim financial information for the three months ended March 31, 2013 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 14, 2013, the date of approval by the Board of Directors.

b) *Basis of measurement*

The interim condensed 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 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 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 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 that applied to the consolidated financial statements for the year ended December 31, 2012.

3. Summary of Significant Accounting Policies

There is no impact on the interim consolidated financial statements for the adoption of new accounting standards effective January 1, 2013. The accounting policies adopted are consistent with those of the previous financial year, except as described below:

Repurchase of shares

- Pursuant of the Normal Course Issuer Bid (“NCIB”), repurchased common shares will reduce share capital for the average book value, any excess is charged to retained earnings.

Income taxes

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit and loss.

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 the December 31, 2012 financial statements for details concerning determination of fair values.

5. Accounts Receivable

	March 31, 2013	December 31, 2012
Trade receivables	\$ 65,297	\$ 58,435
Colombia income taxes receivable	26,453	21,147
Receivables from partners	11,563	16,109
Value added taxes (VAT)	3,747	6,751
	\$ 107,060	\$ 102,442

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. Colombia income tax receivable is a result of withholding tax incurred on Colombia oil sales. The balance can either be received in cash or applied to Colombian cash income tax payable. Receivables from partners consist of cash calls outstanding from joint venture partners in Colombia and in Trinidad & Tobago to recover ongoing capital costs and operating costs, or overhead recoveries outstanding from joint venture partners. Receivables from partners in Colombia are \$6.7 million and in Trinidad & Tobago the amount is \$4.8 million. VAT receivable is \$3.7 million as at March 31, 2013, and is recoverable in 2013. All accounts receivable are expected to be received in 2013 and are thus recognized as current assets.

6. Inventory

	March 31, 2013	December 31, 2012
Crude oil inventory	\$ 15,159	\$ 7,474

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

	Colombia	Trinidad & Tobago	Total
Cost			
Balance at December 31, 2011	\$ 91,974	\$ 44,741	\$ 136,715
Additions	66,438	39,858	106,296
Transfers to PP&E	(109,440)	-	(109,440)
Changes in decommissioning liability	168	632	800
Corporate acquisition – note 10 (a)	34,312	-	34,312
Exploration and evaluation impairment	-	(23,511)	(23,511)
Balance at December 31, 2012	\$ 83,452	\$ 61,720	\$ 145,172
Additions	11,647	1,547	13,194
Transfers to PP&E	-	-	-
Changes in decommissioning liability	783	-	783
Balance at March 31, 2013	\$ 95,882	\$ 63,267	\$ 159,149

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 represent the Company's share of costs incurred on E&E assets during the period. For the three months ended March 31, 2013 no transfers from E&E to PP&E were made. In the prior year an amount of \$109.4 million was transferred from E&E to PP&E for costs associated with the Kona, Sulawesi and Las Maracas fields. At March 31, 2013 the Company did not have E&E assets in Canada.

8. Property, Plant and Equipment

	Canada	Colombia	Trinidad &Tobago	Total
Cost				
Balance at December 31, 2011	\$ 4,407	\$ 360,082	\$ 292	\$ 364,781
Additions	246	161,120	26	161,392
Transfer from E&E assets	-	109,440	-	109,440
Changes in decommissioning liability	-	5,078	-	5,078
Corporate acquisition	-	66,382	-	66,382
Balance at December 31, 2012	\$ 4,653	\$ 702,102	\$ 318	\$ 707,073
Additions	5	33,973	-	33,978
Transfer from E&E assets	-	-	-	-
Changes in decommissioning liability	-	1,338	-	1,338
Balance at March 31, 2013	\$ 4,658	\$ 737,413	\$ 318	\$ 742,389
Accumulated Depreciation, Depletion and Amortization				
Balance at December 31, 2011	\$ 1,176	\$ 63,607	\$ 142	\$ 64,925
Depletion and depreciation for the year	867	180,243	39	181,149
DD&A transferred to crude oil inventory costing	-	(5,633)	-	(5,633)
Balance at December 31, 2012	\$ 2,043	\$ 238,217	\$ 181	\$ 240,441
Depletion and depreciation for the year	197	49,126	16	49,339
DD&A included in crude oil inventory costing	-	4,037	-	4,037
Balance at March 31, 2013	\$ 2,240	\$ 291,380	\$ 197	\$ 293,817
Net book value:				
At December 31, 2011	\$ 3,231	\$ 296,475	\$ 150	\$ 299,856
At December 31, 2012	\$ 2,610	\$ 463,885	\$ 137	\$ 466,632
At March 31, 2013	\$ 2,418	\$ 446,033	\$ 121	\$ 448,572

In the three months ended March 31, 2013 additions mainly relate to development expenditures in Colombia at the Las Maracas and Tua fields. There were no transfers from E&E for the period ended March 31, 2013.

During 2012, additions mainly relate to development expenditures in the amount of \$161.1 million in Colombia. Amounts transferred from E&E are \$109.4 million for the year ended December 31, 2012. PP&E increased by \$66.4 million for the year ended December 31, 2012 relating to the fair values of the assets acquired in the corporate acquisition in 2012.

9. Net Finance (Income) Expense

For the three months ended March 31,		2013		2012
Interest expense	\$	1,289	\$	1,114
Bank fees		238		-
Accretion on convertible debentures		966		844
Accretion on decommissioning liability		123		63
Gain on derivative financial liability		(4,598)		(369)
Amortization of debt issuance costs		145		127
Interest and other income		(643)		(616)
Net finance (income) expense	\$	(2,480)	\$	1,163
For the three months ended March 31,		2013		2012
Non-cash finance (income) expense	\$	(3,364)		667
Cash finance expense		884	\$	496
Net finance (income) expense	\$	(2,480)		1,163

10. Long-term debt

	March 31, 2013	December 31, 2012
Long-term debt (syndicate credit facility)	\$ 20,000	\$ 9,100

On May 23, 2012, Parex entered into a \$200 million senior secured credit facility (“credit facility”) with a syndicate of banks led by a major Canadian bank. The facility at March 31, 2013 consists of a reserve-based revolving facility of \$75 million including an operating line of \$5 million. The revolving facility has a two year term, maturing on May 23, 2014, and may be extended for an additional 365 days. The facility is subject to re-determination of the borrowing base semi-annually on November 30 and May 31 of each year. The borrowing base is determined based on, among other things, the Company’s current reserve report, results of operations, the lenders view of the current and forecasted commodity prices and the current economic environment. US base rate and LIBOR base rate loan advances under the revolving facility bear interest at rates ranging from US base rate or LIBOR plus 2.75% - 3.50% per annum, depending on utilization. Canadian prime rate loan advances, drawn on the operating line only, bear interest at rates ranging from Canadian prime plus 1.75% - 2.50% per annum, dependent on utilization. Undrawn amounts under the revolving facility bear a commitment fee ranging from 0.5% to 0.75% per annum, dependent on utilization.

Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. Key covenants include a current ratio test of 1:1 adjusted for undrawn amounts on the credit facility plus fair value of inventoried oil, a rolling four quarter total funded debt to EBITDA test of 3:50: 1, and other standard business operating covenants. The authorized borrowing amount is subject to an interim review as discussed above. As at March 31, 2013, the Company is in compliance with all covenants. Security is provided for by a first fixed and floating charge debenture over all assets of Parex Resources Inc., a pledge of the shares of material subsidiaries and general assignment of book debts.

11. Other Long-Term Liabilities

Other long-term liabilities are comprised of the following:

	March 31, 2013	December 31, 2012
Long-term SARs payable	\$ 453	\$ 511
Long-term equity tax payable	1,573	1,574
Financial derivative liability related to the cross currency interest rate swap (“CCIRS”)	2,450	986
	\$ 4,476	\$ 3,071

The outstanding amount of the equity tax provision is \$3.1 million. Included in this amount is \$1.6 million which is classified as long term, as the equity tax is payable over a four year period.

12. Decommissioning Liabilities

	March 31, 2013	December 31, 2012
Balance, beginning of period	\$ 12,079	\$ 5,105
Additions	2,121	5,465
Corporate acquisition	-	705
Change in estimates	-	445
Accretion expense	123	359
Balance, end of period	\$ 14,323	\$ 12,079

The total decommissioning liability is estimated based on the Company’s net ownership in wells drilled as at March 31, 2013, the estimated costs to abandon and reclaim the wells 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 \$20.7 million as at March 31, 2013 (December 31, 2012 – \$17.5 million) with the majority of these costs anticipated to occur in 2015 or later in Trinidad and 2020 or later in Colombia. A risk-free discount rate of 4.0 % and an inflation rate of 4.0 % were used in the valuation of the liabilities (December 31, 2012 – 4.0% percent risk free discount rate and a 4.0% percent inflation rate). The discount rates used are a blend of US, Colombia and Trinidad & Tobago risk free rates.

13. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2011	108,300,368	\$	411,921
Issued for cash – exercise of options	176,083		568
Allocation of contributed surplus – exercise of options	-		247
Balance, December 31, 2012	108,476,451	\$	412,736
Issued for cash – exercise of options	97,800		387
Allocation of contributed surplus – exercise of options	-		165
Repurchase of shares	(60,500)		(240)
Balance, March 31, 2013	108,513,751	\$	413,048

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

The Company repurchased 60,500 common shares pursuant to its Normal Course Issuer Bid at a cost of \$271,858. 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 directors, officers, certain employees and certain consultants to acquire common shares. The maximum number of options reserved for issuance under the option plan may not exceed 10 percent of the number of common shares issued and outstanding. The options typically vest over a three-year period and expire five years from the date of grant.

	Number of options	Weighted average exercise price Cdn\$/option
Balance, December 31, 2012	9,626,515	5.64
Granted	76,125	4.89
Exercised	(97,800)	4.01
Forfeited	(117,788)	7.18
Balance, March 31, 2013	9,487,052	5.63

Stock options outstanding and the weighted average remaining life of the stock options at March 31, 2013 are as follows:

Exercise price Cdn\$	Options outstanding			Options vested		
	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
\$3.04 - \$3.55	2,630,284	1.5	3.04	2,630,284	1.5	3.04
\$3.56 - \$4.89	1,721,720	4.0	4.44	231,666	1.8	4.38
\$4.90 - \$7.50	1,004,875	3.0	6.20	424,991	2.6	6.05
\$7.51 - \$7.62	2,485,152	3.6	7.56	833,928	3.6	7.56
\$7.63 - \$7.95	1,645,021	2.8	7.76	1,037,855	2.7	7.76
	9,487,052	2.9	5.63	5,158,724	2.2	5.03

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

For the three months ended March 31,	2013	2012
Risk-free interest rate (%)	1.16	1.07
Expected life (years)	4	3
Expected volatility (%)	49	48
Expected dividends	-	-

The weighted average fair value at the grant date for the three months ended March 31, 2013 was Cdn\$1.91 per option (three months ended March 31, 2012 – Cdn\$2.41 per option). The weighted average share price on the exercise date for options exercised in the three months ended March 31, 2013 was Cdn\$5.70 (three months ended March 31, 2012 – Cdn\$7.12 per option).

c) Share appreciation rights

Parex Trinidad and Parex Colombia initiated a SARs plan that provides for the issuance of SARs to certain employees. The plan entitles the holders to receive a cash payment equal to the excess of the market price of the Company's common shares at the time of exercise over the grant price. At any time, if the current market price of the Company's common shares exceeds four times the grant price, Parex has the option to require the holders to exercise all vested SARs. SARs typically vest over a three-year period and expire five years from the date of grant. The SARs liability cannot be settled by the issuance of common shares.

	Number of SARs	Weighted average exercise price Cdn\$/SAR
Balance, December 31, 2012	2,741,143	\$ 6.26
Granted	42,905	5.86
Forfeited	(150,470)	5.92
Balance, March 31, 2013	2,633,578	\$ 6.26

As at March 31, 2013, 816,854 SARs were vested (December 31, 2012 – 783,472).

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

For the three months ended March 31,	2013	2012
Risk-free interest rate (%)	1.12	1.33
Expected life (years)	4	3
Expected volatility (%)	49	48
Expected dividends	-	-

As at March 31, 2013, the total SARs liability accrued was \$2.4 million (December 31, 2012 - \$2.9 million) of which \$453,000 (December 31, 2012 - \$511,000) is classified as long-term in accordance with the three year vesting period. For the three months ended March 31, 2013, Parex recorded \$548,000 of compensation cost related to the outstanding SARs (three months ended March 31, 2012 – \$569,000)

d) Restricted Share Units

On October 19, 2012, The Company put into place a restricted share unit plan pursuant to which the Company may grant restricted shares to directors and certain employees. The plan is subject to shareholder approval. The restricted shares vest at 33 percent on each of the first, second and third anniversaries of the grant date and expire five years from date of grant.

	Number of RSU's	Weighted average exercise price Cdn\$/RSU
Balance, December 31, 2012	240,800	0.01
Granted	26,300	0.01
Exercised	-	-
Forfeited	(2,000)	0.01
March 31, 2013	265,100	0.01

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

For the three months ended March 31,	2013	2012
Risk-free interest rate (%)	1.13	-
Expected life (years)	4	-
Expected volatility (%)	49	-
Expected dividends	-	-

e) Share-based compensation

For the three months ended March 31,		2013		2012
Stock-based compensation expense	\$	1,078	\$	1,866
SARs expense		(548)		569
Restricted share units		175		-
	\$	705	\$	2,435

14. Convertible Debenture

On June 29, 2011, Parex has issued and has outstanding Cdn\$85.0 million of convertible unsecured subordinated debentures (the “Debentures”) with an annual coupon of 5.25 percent maturing on June 30, 2016. The Debentures have a face value of \$1,000 per debenture, are convertible into common shares at the option of the holder at a conversion price of Cdn\$10.15 per common share and represent a conversion rate of approximately 98.52 common shares per Debenture. The Debentures pay interest semi-annually in arrears on June 30 and December 31 of each year. In the event that a holder of Debentures exercises the conversion feature, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of common shares to be received on conversion, for the period from the latest interest payment date to the date of conversion.

The following table summarizes the accounting for the debentures:

	Liability	Derivative financial liability	Total
Balance at December 31, 2011	\$ 60,001	\$ 16,821	\$ 76,822
Accretion	3,744	-	3,744
Amortization of debt issuance costs	564	-	564
Derivative gain	-	(7,294)	(7,294)
Foreign exchange loss	1,348	372	1,720
Balance at December 31, 2012	\$ 65,657	\$ 9,899	\$ 75,556
Accretion	966	-	966
Amortization of debt issuance costs	145	-	145
Derivative gain	-	(4,598)	(4,598)
Foreign exchange gain	(1,366)	(244)	(1,610)
Balance at March 31, 2013	\$ 65,402	\$ 5,057	\$ 70,459

The liability portion is measured at amortized cost and will accrete up to the principal balance at maturity using the effective interest rate method. The accretion and the interest paid are charged to finance expense in the consolidated statement of comprehensive income (loss). The derivative financial liability is measured at fair value through profit or loss, with changes to the fair value being recorded in finance expense.

The foreign exchange gain is offset by a corresponding loss on the Cross Currency Interest Rate Swap the Company entered into on December 30, 2012. (Refer to note 19 (b)).

The fair value of the derivative financial liability is determined using the Black Scholes valuation model and with the following assumptions:

For the period ended March 31,	2013
Risk-free interest rate (%)	1.12
Expected life (years)	3.25
Expected volatility (%)	49
Expected dividends	-

15. Income Tax

The components of tax expense for the three months ended March 31, 2013 and 2012 were as follows:

For the three months ended March 31,	2013	2012
Current income tax expense	\$ 9,384	\$ 2,509
Deferred income tax expense	3,572	8,698
Total income tax expense	\$ 12,956	\$ 11,207

Colombian Equity Tax

Parex' Colombian subsidiary was subject to a one-time tax which was calculated based on the subsidiary's net taxable equity as at January 1, 2011 at a rate of 6 percent. The equity tax is payable over four years (1.5 percent per year) in eight equal installments every May and September starting in 2011. The outstanding amount is \$3.1 million, to be paid over the remaining four installments of which \$1.6 million is due within one year.

16. Net Income per Share

a) Basic net income per share

For the three months ended March 31,	2013	2012
Net income		
Net income for the purpose of basic net income per share	\$ 11,136	27,304
Weighted average number of shares for the purposes of basic net income per share (000s)	108,523	108,335
Basic net income per share	\$ 0.10	\$ 0.25

b) Adjusted diluted net income per share

For the three months ended March 31,	2013	2012
Net income		
Net income for the purpose of basic net income per share	\$ 11,136	\$ 27,304
Elimination of interest and accretion expense and the (gain) loss on changes in fair value and foreign exchange on the Debentures and derivative financial liability	(5,097)	2,107
Net income used to calculate diluted net income per share	\$ 6,039	\$ 29,411
Weighted average number of shares for the purposes of basic net income per share (000s)	108,523	108,335
Dilutive effect of share options on potential common shares	1,215	1,807
Dilutive effect of Debentures on potential common shares	18,956	13,062
Weighted average number of shares for the purposes of diluted net income per share	128,694	123,204
Diluted net income per share	\$ 0.05	\$ 0.24

At March 31, 2013, 4,941,298 (December 31, 2012 - 4,848,961) share options had an exercise price in excess of the average market value of the shares from the option grant date to the end of the period. As a result, these share options are excluded from the calculation of diluted earnings per share.

17. Supplemental Disclosure of Cash Flow Information

a) Net change in non-cash working capital

For the three months ended March 31,	2013	2012
Accounts receivable	\$ (4,618)	\$ (10,258)
Prepays and other current assets	(3,509)	1,144
Oil inventory	(7,685)	1,704
Accounts payable and accrued liabilities	(9,019)	(633)
Depletion related to oil inventory	(4,037)	(551)
Net change in non-cash working capital	\$ (28,868)	\$ (8,594)
Operating	\$ (12,975)	\$ (7,044)
Investing	(15,893)	(1,550)
Financing	-	-
Net change in non-cash working capital	\$ (28,868)	\$ (8,594)

b) Interest and taxes paid

For the three months ended March 31,	2013	2012
Cash interest paid	\$ 421	\$ -
Cash income and equity taxes paid	\$ -	\$ -

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.

The Company manages its capital to achieve the following:

- Maintain balance sheet strength in order to meet the Company's strategic growth objectives; and
- Ensure financial capacity is available to fund the Company's exploration commitments.

Parex has secured a senior credit facility (see note 10- long-term debt) which as at March 31, 2013 had a borrowing base in the amount of \$75 million. The facility is intended to serve as means to increase liquidity and fund short term cash needs as they arise. As at March 31, 2013, \$20.0 million was drawn on the 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).

As at March 31, 2013 the Company's net working capital surplus is \$17.0 million, of which \$26.8 million was cash and excluding the undrawn amount available under the credit facility of \$55 million (December 31, 2012 – \$12.6 million working capital deficit).

Parex has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure program to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity plus Debentures (excluding the associated derivative financial liability and the credit facility). As at March 31, 2013 shareholders' equity was \$477.9 million (December 31, 2012 - \$465.4 million) and the Debentures' face value balance was Cdn\$85.0 million (December 31, 2012 - Cdn\$85.0 million).

19. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized in the balance sheet consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, current income and equity tax payable and the liability portion of the Debentures. 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 conversion feature associated with Debentures is a derivative financial liability. Derivative financial liabilities are recorded upon recognition and subsequently at each balance sheet date at fair value, with changes in fair value being recognized in the statement of comprehensive income.

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 marketing counterparties in its management of credit exposure.

The Company, for the three months ended March 31, 2013 had the majority of its oil sales to nine counterparties. Accounts receivable balance as at March 31, 2013 substantially made up of receivables with customers in the oil and gas industry and is subject to normal industry credit risks. Trade accounts receivable

reported in the Company's balance sheet are aged at or under ninety days. The Company historically has not experienced any collection issues with its crude oil customers. None of the Company's receivables are impaired as at March 31, 2013. 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 Debentures are unsecured and subordinated with expiry on June 30, 2016.

The following are the contractual maturities of financial liabilities at March 31, 2013:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 87,854	\$ -	\$ -	\$ -	\$ 87,854
SARs payable	1,898	-	-	-	1,898
Current income tax payable ⁽¹⁾	25,671	-	-	-	25,671
Equity tax payable	1,572	1,573	-	-	3,145
Credit Facility ⁽²⁾	-	20,000	-	-	20,000
Interest on the credit facility ⁽²⁾	600	600	-	-	1,200
Debentures ⁽²⁾	-	-	83,665	-	83,665
Interest on Debentures ⁽²⁾	4,392	8,784	4,392	-	17,568
Total	\$ 121,987	\$ 30,957	\$ 88,057	\$ -	\$ 241,001

⁽¹⁾ Net of withholding tax receivable in the amount of \$26.5 million.

⁽²⁾ Balances denominated in Canadian dollars have been translated at the March 31, 2013 exchange rate.

The following are the contractual maturities of financial liabilities at December 31, 2012:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 113,730	\$ -	\$ -	\$ -	\$ 113,730
SARs payable	2,386	511	-	-	2,897
Current income tax payable ⁽¹⁾	23,522	-	-	-	23,522
Equity tax payable	1,572	1,573	-	-	3,145
Credit Facility ⁽²⁾	-	9,100	-	-	9,100
Interest on the credit facility ⁽²⁾	273	273	-	-	546
Debentures ⁽²⁾	-	-	85,434	-	85,434
Interest on Debentures ⁽²⁾	4,485	8,970	2,243	-	15,698
Total	\$ 145,968	\$ 20,427	\$ 87,677	\$ -	\$ 254,072

⁽¹⁾ Net of withholding tax receivable in the amount of \$21.1 million.

⁽²⁾ Balances denominated in Canadian dollars have been translated at the December 31, 2012 exchange rate.

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.

Risk Management contracts

As at March 31, 2013, the Company had entered into fixed and swap contracts which manages its exposure to fluctuations in the price of crude oil.

The following is a summary of the Brent crude oil risk management contracts in place for the three months period ended March 31, 2013:

Oil Period Hedged	Type	Volume bbls/d	Price (\$/bbl)
November 1, 2012 - March 31, 2013	Collar	2000 bbl/d	\$100 to \$123
January 1, 2013 – June 30, 2013	Fixed price	2000 bbl/d	\$108.50

The table below summarizes the loss on the commodity risk management contracts:

For the three months ended March 31, 2013	2013	2012
Realized loss on risk management contracts	\$ 725	\$ -
Unrealized loss on risk management contracts	53	-
Total	\$ 778	\$ -

As at March 31, 2013, Parex had committed to the future sale of 304,000 barrels of oil with fixed price contracts of \$108.50 and \$110.10. The following sensitivity shows the resulting unrealized (gain) loss and impact on income before tax for the oil hedged contract if Brent oil price were to increase/decrease by \$10/bbl as at March 31, 2013.

Brent Price	Impact on Income before tax for the three months ended March 31, 2013	
	Increase of 10/bbl	Decrease of 10/bbl
Oil hedged contract	\$ 2,833	\$ (2,833)
Total	\$ 2,833	\$ (2,833)

Subsequent to March 31, 2013 Parex entered into the following contracts:

Oil Period Hedged	Type	Volume bbls/d	Price/bbl
April 1, 2013 – June 30, 2013	Fixed Price	2000 bbl/d	\$110.10

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\$), Colombian pesos (COP\$) and Trinidad & Tobago dollars (TT\$) while its committed capital expenditures are expected to be primarily denominated in US dollars.

Associated with the Cdn\$85.0 million of convertible debentures, on December 30, 2012, the Company entered into a Cross Currency Interest Rate Swap (“CCIRS”) with two financial institutions who are members of the Company’s credit facility. Under the terms of the CCIRS, The US dollar amount of the debenture was fixed for purposes of interest and principal repayment at a notional amount of \$85.7 million.

The following is a summary of the CCIRS contract in place for the three months period ended March 31, 2013:

Type	Receive Notional Principal (Cdn\$)	Fixed annual rate (Cdn%)	Pay Notional Principal (US\$)	Fixed annual rate (US%)
December 30, 2012 – June 30, 2016	Swap	85,000,000	85,685,565	4.45%

The table below summarizes the loss on the CCIRS contract:

For the three months ended March 31, 2013,	2013		2012
Unrealized loss on CCIRS contract	\$	1,471	-
Total	\$	1,471	\$ -

The loss or gain on the CCIRS contract is recorded in the financial statement line item "Risk management contracts" in the Consolidated Statements of Comprehensive Income.

The following sensitivity show the resulting unrealized (gain) loss and impact on income before tax for the CCIRS contract for the respective changes in the period end foreign exchange rates at March 31, 2013.

Exchange Rate Cdn/Usd	Impact on Income before tax for the three months ended year March 31, 2013		
	Increase of 5 cents		Decrease of 5 cents
	\$	(4,250)	\$ 4,250
Total	\$	(4,250)	\$ 4,250

e) Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on its credit facility. Currently the Company has not entered into any agreements to manage this risk. The following sensitivity shows the resulting (gain) loss on income before tax if the interest expense increased /decreased by 1% as at March 31, 2013.

Interest rate	Impact on Income before tax for the three months ended March 31, 2013		
	Increase of 1%		Decrease of 1%
	\$	46	\$ (46)
Total	\$	46	\$ (46)



20. Segmented Information

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

For the three months ended March 31, 2013

	Canada		Colombia		Trinidad & Tobago		Total
Oil sales	\$	-	\$	164,990	\$	-	\$ 164,990
Royalties		-		(18,179)		-	(18,179)
		-		146,811		-	146,811
Risk management contracts		(2,249)		-		-	(2,249)
Revenue		(2,249)		146,811		-	144,562
Expenses							
Production		-		12,928		-	12,928
Transportation		-		25,090		-	25,090
Purchased oil		-		29,847		-	29,847
General and administrative		3,216		3,619		437	7,272
Share-based compensation		1,253		(468)		(80)	705
Depletion, depreciation and amortization		197		49,126		16	49,339
Foreign exchange (gain) loss		(1,649)		(614)		32	(2,231)
		3,017		119,528		405	122,950
Finance income		(2)		(640)		(1)	(643)
Finance expense		(1,960)		116		7	(1,837)
Net finance (income) expense		(1,962)		(524)		6	(2,480)
Net income (loss) before taxes		(3,304)		27,807		(411)	24,092
Current and equity tax expense		-		9,384		-	9,384
Deferred tax expense		-		3,572		-	3,572
Net income (loss)	\$	(3,304)	\$	14,851	\$	(411)	\$ 11,136
Capital assets (end of period)	\$	2,417	\$	540,952	\$	64,352	\$ 607,721
Capital expenditures	\$	5	\$	45,620	\$	1,547	\$ 47,172
Total assets (end of period)	\$	5,897	\$	746,775	\$	75,149	\$ 827,821

For the three months ended March 31, 2012

	Canada		Colombia		Trinidad & Tobago		Total
Oil sales	\$	-	\$	129,989	\$	-	\$ 129,989
Royalties		-		(9,623)		-	(9,623)
Revenue		-		120,366		-	120,366
Expenses							
Production		-		7,752		-	7,752
Transportation		-		21,677		-	21,677
General and administrative		1,680		2,131		704	4,515
Share-based compensation		1,775		516		144	2,435
Depletion, depreciation and amortization		185		42,494		21	42,700
Foreign exchange loss		1,119		494		-	1,613
		4,759		75,064		869	80,692
Finance income		(607)		(582)		573	(616)
Finance expense		1,716		60		3	1,779
Net finance expense (income)		1,109		(522)		576	1,163
Net income (loss) before taxes		(5,868)		45,824		(1,445)	38,511
Current and equity tax expense		-		2,509		-	2,509
Deferred tax expense		-		8,698		-	8,698
Net income (loss)	\$	(5,868)	\$	34,617	\$	(1,445)	\$ 27,304
Capital assets (end of period)	\$	3,169	\$	400,455	\$	51,856	\$ 455,480
Capital expenditures	\$	123	\$	52,369	\$	6,903	\$ 59,395
Total assets (end of period)	\$	85,788	\$	548,232	\$	69,323	\$ 703,343

In Colombia the majority of oil sales are with four customers in the oil and gas industry and are subject to normal industry credit risks.

21. Commitments

a) Colombia

At March 31, 2013 guarantees in place with ANH are in the form of issued letters of credit totaling \$43.9 million (December 31, 2012 - \$50 million) to support the exploration work commitments in respect of the 15 blocks in Colombia.

EDC has provided the Company's bank with performance security guarantees to support 100 percent of the letters of credit issued on behalf of Parex. The EDC guarantees have been secured by a general security agreement issued by Parex in favour of EDC. The letters of credit issued to the ANH are reduced from time to time to reflect completed work on an ongoing basis.

The value of the Company's exploration commitments as at March 31, 2013 in respect of the Colombia blocks are estimated to be as follows:

2013	\$	19,250
2014		11,000
Thereafter		27,998
	\$	58,248

b) Central Range Blocks and Moruga Block (Trinidad & Tobago)

The Company's share of exploration and financial obligation in respect of the Central Range Blocks Production Sharing Contracts includes the remaining carry for its partners and minor annual financial obligations in the Moruga block remaining at March 31, 2013 are estimated to be as follows:

	Exploration		Other		Total
2013	\$	14,407	\$	2,465	\$ 16,872
2014		-		1,853	1,853
Thereafter		-		-	-
	\$	14,407	\$	4,318	\$ 18,725

In Trinidad & Tobago, under the initial exploration phase of the Central Range Block PSCs the joint ventures' remaining work commitment is to drill an exploration well to 12,000 feet and acquire additional 2D seismic. The obligations under the PSCs are to perform the exploration work commitments, irrespective of actual cost.

These amounts do not include production bonuses and other payments that will vary depending on production levels due to the uncertainty of their amount and timing.

c) Operating leases

In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations.

The existing minimum lease payments for office space and accommodations at March 31, 2013 are as follows:

	Total	2013	2014	2015	2016
Office and accommodations	\$ 1,539	\$ 808	\$ 591	\$ 140	\$ -

d) Drilling rig contracts

The Company has entered into contracts for drilling rigs in Colombia on terms consistent with normal industry practice for a minimum period of time. The drilling rig commitments have been entered into to fulfill the exploration drilling commitments in both Colombia and Trinidad and Tobago as described above along with the companies 2013 budgeted work program. The commitment amount has been calculated above in points a) and b).

22. Contingencies

As announced by Parex on April 12, 2012, Parex and its wholly owned subsidiaries Parex Resources (Bermuda) Ltd. ("Parex Bermuda") and Ramshorn International, Limited ("Ramshorn") have been named as defendants along with Nabors Industrial Ltd. and Nabors Global Holdings II Limited in a lawsuit (the "Lawsuit") filed in the 61st Judicial District Court of Harris County, Texas (the "Texas Court") by a Texas based private company (the "Plaintiff"). The Lawsuit relates to a share purchase agreement entered into by the Plaintiff and a third party seller (the "Seller") (prior to the agreement entered into by Parex Bermuda and the Seller for the purchase of Ramshorn) respecting the proposed purchase by the Plaintiff of the shares of Ramshorn, which prior agreement the Plaintiff claims was improperly terminated by the Seller. The Plaintiff is seeking specific performance remedies or in the alternative, actual, consequential, and exemplary damages. Each of Parex, Parex Bermuda and Ramshorn specially appeared in the Lawsuit to challenge the jurisdiction of the Texas Court and to seek dismissal of the claims against them.

A hearing on the jurisdictional aspects of the case took place on November 19 and 20, 2012 and the decision of the Texas Court on these jurisdictional matters has now been received. The Texas Court found that it does not have jurisdiction over Parex Bermuda and ordered that all of the Plaintiff's claims against Parex Bermuda be dismissed. The Texas Court overruled Parex and Ramshorn's jurisdictional challenges such that the Plaintiff's claims against Parex and Ramshorn have not been dismissed. Parex and Ramshorn have filed a Notice of Appeal of the Texas Court's rulings in this regard. Additionally, the Texas Court has entered an order staying all discovery between the Plaintiff and Parex/Ramshorn pending the outcome of the appeal on these jurisdictional matters. Parex and Ramshorn believe that the Lawsuit and the Plaintiff's claims against it are baseless and without merit and will continue to vigorously defend the Lawsuit, including by way of appealing the Texas Court's recent jurisdictional rulings against Parex and Ramshorn.

Based on input from counsel received to date and on managements' understanding of the facts, risks and uncertainties at the date of authorization of these financial statements management has determined it is not more likely than not that an economic outflow will occur given these uncertainties.

23. Subsequent event

On April 8, 2013, the borrowing base of the credit facility was increased from \$75 million to \$100 million.

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ABBREVIATIONS

Oil and Natural Gas Liquids

bbls	barrels
mmbbls	one thousand barrels
mmmbbls	one million barrels
NGLs	natural gas liquids
bbls/d	barrels of oil per day
mmbbls/d	one thousand barrels per day

Other

WTI	West Texas Intermediate
Brent	Brent Ice