

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or "the Company") for the three months ended March 31, 2015 is dated May 11, 2015 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015, as well as the Company's audited consolidated annual financial statements for the year ended December 31, 2014. The unaudited condensed interim consolidated financial statements and the audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board.

Additional information related to Parex and factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated March 19, 2015, and may be accessed through the SEDAR website at www.sedar.com.

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

Company Profile

Parex is an oil and gas company actively engaged in crude oil exploration, development and production in Colombia. Headquartered in Calgary, Canada, Parex, through its foreign subsidiaries, holds interests in onshore exploration and production blocks totaling approximately 2,616,897 gross acres. The common shares of the Company trade on the Toronto Stock Exchange ("TSX") under the symbol PXT.

Abbreviations

Refer to the end of the MD&A for commonly used abbreviations in the document. Refer to page 16 for the Advisory on Forward-Looking Statements and page 18 for Non-GAAP Terms used.

Three months ended March 31, 2015 ("first quarter or Q1") Highlights

- Managed quarterly oil production to 26,729 bopd, slightly in excess of the 26,500 bopd target and an increase of 45 percent over the prior year comparative period;
- Generated funds flow from operations of \$33.0 million (\$0.24 per share basic as compared to \$0.56 per share for the comparative period). Funds flow has decreased from the comparative period due to lower oil prices partially offset by higher production volumes;
- Realized Brent referenced sales price of \$49.42 per barrel ("bbl") during the period at a \$5.71/bbl discount to the average Brent price, and an operating netback of \$21.66/bbl. Operating and transportation combined unit costs of \$23.47/bbl were approximately 17 percent less than the fourth quarter of 2014;
- Increased the syndicated bank credit facility to a current borrowing base of \$200 million from the borrowing base of \$175 million at December 31, 2014;
- Net debt was \$29.6 million at March 31, 2015 compared to \$31.7 million at December 31, 2014.

Financial Summary

For the three months ended March 31 (Financial figures in 000s except per share amounts)	2015		2014	
Average daily oil production (bopd)		26,729		18,425
Realized sales price (\$/bbl)	\$	49.42	\$	103.42
Operating netback (\$/bbl)	\$	21.66	\$	61.20
Oil sales (including purchased oil sales)	\$	134,307	\$	179,794
Funds flow from continuing operations ⁽¹⁾	\$	32,958	\$	77,289
Per share – basic		0.24		0.71
Per share – diluted ⁽⁵⁾		0.24		0.65
Adjusted net income (loss) ⁽¹⁾⁽²⁾	\$	(15,544)	\$	20,099
Per share – basic		(0.12)		0.18
Per share - diluted		(0.12)		0.17
Net income (loss)	\$	(15,544)	\$	9,663
Per share – basic		(0.12)		0.09
Per share – diluted		(0.12)		0.09
Capital expenditures	\$	26,963	\$	61,405
Total assets (end of period)	\$	1,010,116	\$	882,306
Working capital surplus (end of period) ⁽⁴⁾	\$	9,878	\$	36,957
Debentures (end of period) ⁽³⁾	\$	-	\$	64,728
Bank debt (end of period) ⁽⁶⁾	\$	39,500	\$	4,000
Weighted average shares outstanding (000s)				
Basic		134,740		109,095
Diluted		135,852		111,393
Outstanding shares (end of period) (000s)		134,779		109,783

⁽¹⁾ Non-GAAP term. See “Non-GAAP Terms”.

⁽²⁾ Adjusted net income (loss) has been adjusted for the IFRS accounting effects of changes in the derivative financial liability. For the three months March 31, 2015 adjusted net income (loss) excludes \$nil impact associated with the Company’s Debentures as they were converted to common shares of the Company during the year ended December 31, 2014 (three months ended March 31, 2014 excludes a \$10.4 million loss upon revaluation of the derivative liability associated with the Company’s Debentures).

⁽³⁾ During August and September 2014, the Cdn\$85.0 million principal amount of Debentures was converted for an aggregate of 8,339,991 common shares of the Company and redeemed for Cdn\$0.3 million in cash.

⁽⁴⁾ Working capital calculation does not take into consideration the undrawn \$160.5 million (March 31, 2014 - \$121.0 million) available under the syndicated bank credit facility.

⁽⁵⁾ Includes adjustment of debenture cash interest in the funds flow from operations balance.

⁽⁶⁾ Syndicated bank credit facility borrowing base of \$200 million as at March 31, 2015, an increase from the borrowing base of \$125 million at March 31, 2014.

Strategy

The Company’s strategy is to leverage South American and Western Canadian 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, 2015, 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			
<i>Operated Properties</i>			
LLA-16, 20, 29 and 30	100%	489,137	489,137
LLA-57	100%	104,532	104,532
Los Ocarros	50%	110,436	55,218
LLA-17	63%	108,726	68,497
El Eden	60%	109,249	65,549
Cabrestero	100%	29,562	29,562
LLA-40	50%	163,090	81,545
LLA-24	100%	147,100	147,100
LLA-26	100%	184,061	184,061
Cebucan	100%	109,150	109,150
Cerrero ⁽¹⁾⁽²⁾	65%	108,973	70,832
Capachos ⁽¹⁾⁽³⁾	50%	32,037	16,019
LLA-32	70%	100,325	70,228
LLA-10 ⁽¹⁾	50%	189,544	94,772
<i>Non-Operated Properties</i>			
LLA-34	55%	82,286	45,257
Balay	10%	4,500	450
Colombia Magdalena Basin			
<i>Operated Properties</i>			
VMM-11	100%	116,826	116,826
Morpho	100%	51,398	51,398
VIM-1	100%	223,651	223,651
VMM-9	100%	152,314	152,314
Total		2,616,897	2,176,098

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 letters of credit refer to the Annual Information Form dated March 19, 2015.

⁽¹⁾ Lands are subject to farm-in-agreement earning terms and/or regulatory approval.

⁽²⁾ Working interest in the Chacharo evaluation area on the Cerrero block is 25%.

⁽³⁾ Farm-out agreement for Capachos is subject to the execution of the convenio.

2015 Guidance

Parex previously announced revised 2015 guidance that maintains growth and preserves our financial strength in the current oil price environment. Assuming Brent oil prices trade within a range of \$50-\$60/bbl we expect to invest \$145-\$155 million which provides year over year production growth of 18% fully funded by funds flow from operations.

Supported by a strong balance sheet, sustained base production and an improving cost structure, Parex has budgeted to increase its 2015 capital program by approximately \$50 million to total approximately \$195-\$205 million with Brent oil price in excess of \$65/bbl. The increased capital expenditure budget is expected to be funded from funds flow on an annual basis.

The additional program will focus on the construction of a long-term test facility at our LLA-26 Rumba location, a follow-up appraisal/water disposal well on Block LLA-26, an exploration well and 3 appraisal wells on Block LLA-34, commencement of a 3D seismic program in the Magdalena Basin, and one exploration well on Block VMM-11.

Financial and Operational Results

Consolidated Results of Operations

Parex' operations are conducted in Colombia and Canada which are the Company's active reportable segments.

For the three months ended March 31,	2015	2014
Average daily production		
Colombia – oil (bopd)	26,729	18,425
Total (bopd)	26,729	18,425
Average daily sales of produced oil		
Colombia – produced oil (bopd)	26,909	19,099
Colombia – purchased oil (bopd)	3,052	251
Total (bopd)	29,961	19,350
Operating netback (000s) ⁽¹⁾		
Oil sales	\$ 134,307	\$ 179,794
Royalties	(10,476)	(24,840)
Net revenue	123,831	154,954
Production expense	(19,579)	(16,584)
Transportation expense	(42,021)	(31,433)
Purchased oil expense	(8,565)	(1,872)
Operating netback	\$ 53,666	\$ 105,065
Operating netback (per bbl) ⁽¹⁾		
Oil sales	\$ 49.42	\$ 103.42
Royalties	(4.29)	(14.48)
Net revenue	45.13	88.94
Production expense	(8.01)	(9.66)
Transportation expense	(15.46)	(18.08)
Operating netback	\$ 21.66	\$ 61.20

⁽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, 2015 was \$21.66/bbl compared to \$61.20/bbl in the comparative period and \$25.21 for the fourth quarter of 2014. The average realized sales price in Colombia for the three months ended was \$49.42/bbl compared to \$103.42/bbl in the comparative period and \$60.08/bbl for the fourth quarter of 2014.

Royalty charges for the three months ended March 31, 2015 were \$4.29/bbl in comparison to \$14.48/bbl in the comparative period and \$6.64/bbl for the fourth quarter of 2014. Royalty charges in the three months ended March 31, 2015 on a per bbl basis have decreased as a result of the decrease in world oil prices.

Production expense for the three months ended March 31, 2015 was \$8.01/bbl compared to \$9.66/bbl in the comparative period and \$10.95/bbl for the fourth quarter of 2014.

Transportation expense per barrel for the three months ended March 31, 2015 was \$15.46/bbl compared to \$18.08/bbl in the comparative period and \$17.28/bbl for the fourth quarter of 2014. 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 decreased by \$21.94/bbl in the first quarter as compared to the fourth quarter of 2014 while the operating netback decreased by \$3.55/bbl in the same period, mainly a result of a lower oil price differential compared to Brent benchmark average price. The Company's differential to Brent returned to historical normal differentials of \$5-\$7/bbl.

Colombian Oil Sales

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

For the three months ended March 31,	2015	2014
Block LLA-34 (Tigana, Max, Tua, Tarotaro, & Tilo fields)	12,315	6,799
Block LLA-32 (Kananaskis and Carmentea fields)	5,558	330
Block Cabrestero (Akira and Kitaro fields)	2,920	630
Block Los Ocarros (Las Maracas field)	2,209	6,195
Block LLA-40 (Bergonia field)	1,360	-
Block LLA-16 (Kona, Sulawesi, Java and Malawi fields)	1,076	3,194
Block LLA-30 (Adalia field)	1,047	634
Other	244	643
Total Production	26,729	18,425
Inventory draw and consumption	180	674
Colombia average daily oil sales of produced oil	26,909	19,099
Purchased oil	3,052	251
Sales Volumes	29,961	19,350

Production for the first quarter of the year averaged 26,729 bopd, an increase of approximately 45 percent from the first quarter of 2014. The increase in oil sales in the first quarter of 2015 compared to the reported Colombian oil sales of 19,099 bopd for the three months ended March 31, 2014 was primarily a result of drilling success at Block LLA-34 and Block LLA-32 fields.

Average production in April was approximately 27,200 bopd, a two percent increase from Q1 average production. The Company has shut-in approximately 1,000 bopd of higher cost production in Q1 on Block LLA-20 and Block LLA-32, offset by additional production at Cabrestero and LLA-34 blocks.

b) Average Reference and Realized Prices

For the three months ended March 31,	2015	2014
Reference Prices		
Brent (\$/bbl)	55.13	108.17
Vasconia (\$/bbl)	49.74	101.44
WTI (\$/bbl)	48.57	98.74
Average Realized Prices		
Realized sales price (\$/bbl)	49.42	103.42
Realized oil hedging gain (\$/bbl)	-	(0.89)
Realized price after hedging (\$/bbl)	49.42	102.53
Realized price (discount) to Brent (\$/bbl)	(5.71)	(4.75)
Realized price (discount) as percentage of Brent (%)	(10)	(4)
Realized price premium to WTI (\$/bbl)	0.85	4.68
Realized price premium as percentage of WTI (%)	2	5

In the first quarter of 2015 the Company's realized sales price was \$49.42/bbl, a \$5.71/bbl discount to average Brent crude prices in the quarter. In the first quarter of 2014 the Company's average sale price was \$103.42/bbl, a \$4.75/bbl discount to Brent crude. In Q1 2015 the Company's oil sale differential to Brent returned to historical averages on a per bbl discount basis as compared to the fourth quarter of 2014. The differential on a per bbl basis increased in the current quarter from the comparative prior year period. This is as a result of the increase of the Colombia Vasconia crude blend differential to Brent experienced primarily in January and February and the Company selling less crude into light oil sales contracts and instead using the light oil to blend with heavier oil quality production.

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

Average price for the period	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Brent (\$/bbl)	55.13	77.07	103.46	109.69	108.17
Parex realized sales price (\$/bbl)	49.42	60.08	94.40	104.53	103.42
Parex realized price (differential) (\$/bbl)	(5.71)	(16.99)	(9.06)	(5.16)	(4.75)
Parex realized price (discount) as percentage of Brent (%)	(10.4)	(22.0)	(8.8)	(4.7)	(4.4)

c) Oil Revenue

First quarter 2015 oil revenue decreased \$45.5 million or 25 percent as reconciled in the table below to the first quarter of 2014:

(000s)		
Oil revenue, three months ended March 31, 2014	\$	179,794
Sales volume of produced oil, an increase of 41% (7,810 bopd)		72,694
Sales volume of purchased oil, an increase of 1,116% (2,801 bopd)		26,071
Sales price decrease of 52%		(144,252)
Oil revenue, three months ended March 31, 2015	\$	134,307

Oil revenue decreased in the three months ended March 31, 2015 compared to the same period in 2014 due to a 52% reduction in sales prices per barrel. This decrease in sales is partially offset by an increase in sales volumes of produced oil and purchased oil. Oil sales for the three months ended March 31, 2015 were more than crude oil production due to crude oil inventory decrease of 37,625 bbls from the fourth quarter of 2014, see “Colombian Crude Oil Inventory in Transit” below.

d) Colombian Crude Oil Inventory in Transit

For the three months ended March 31,

(000s)	2015		2014
Crude oil in transit	\$	7,479	\$ 4,998

As at March 31, 2015, the Company had 214.4 mbbbls of crude oil inventory in transit (73.6 mbbbls for the first quarter of 2014) which was injected into the Colombian Orensa 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 \$35/bbl (\$68/bbl for the first quarter of 2014 and \$43/bbl for the fourth quarter of 2014) 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,

(mbbls)	2015	2014
Crude oil inventory in transit - beginning of the period	252.0	137.0
Oil production	2,405.6	1,658.3
Oil sales	(2,696.5)	(1,741.5)
Purchased oil	274.6	22.6
Company consumption	(21.3)	(2.8)
Crude oil inventory in transit— end of the period	214.4	73.6

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

For the periods ended (mbbls)	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
Crude oil inventory in transit - beginning of the period	252.0	249.4	195.4	73.6
Oil production	2,405.6	2,442.1	2,316.2	1,805.5
Oil sales	(2,696.5)	(2,634.6)	(2,424.1)	(1,745.7)
Company consumption	(21.3)	(38.5)	(9.2)	(5.3)
Purchased oil	274.6	233.6	171.1	67.3
Crude oil inventory in transit— end of the period	214.4	252.0	249.4	195.4

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,

(mbbls)	2015	2014
Oil purchased	274.6	22.6
Purchased oil sales	(274.6)	(22.6)
Purchased oil net change in inventory	-	-

From time to time the Company will purchase crude oil from partners. The table above shows the effect of purchased oil on ending crude oil inventory balances. At March 31, 2015 and March 31, 2014 the Company did not have any third party purchased oil in inventory.

For the three months ended March 31,		2015		2014
Purchased oil expense (000s)	\$	8,565	\$	1,872

Purchased oil expense for the three months ended March 31, 2015 was \$8.6 million compared to \$1.9 million for the comparative period and \$12.5 million for the fourth quarter of 2014. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

Colombian Royalties

For the three months ended March 31,		2015		2014
Royalties (000s)	\$	10,476	\$	24,840
Per unit (\$/bbl)		4.29		14.48
Percentage of sales ⁽¹⁾		8.3%		13.9%

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

In the three months ended March 31, 2015 royalties as a percentage of sales decreased to 8.3% from the comparative period of 2014 percentage of 13.9% and the previous quarter percentage of 10.9%. The decrease of royalties as a percentage of sales is due to the High Price Royalty being substantially decreased as a result of lower world oil prices as compared to the previous period. Also having an impact is lower production at the Las Maracas and Kona fields which are subject to the High Price Royalty.

The Company expects that the overall royalty as a percentage of sales will begin to increase in the second quarter of 2015 when both the Tua and Tigana fields are expected to be subject to the High Price Royalty. This increase will however depend on the oil price environment as current prices are a component of the High Price Royalty calculation.

Colombian Production Expense

For the three months ended March 31,		2015		2014
Production expense (000s)	\$	19,579	\$	16,584
Per unit (\$/bbl)		8.01		9.66

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,		2015		2014
Per unit (\$/bbl) – based on sales volumes – operated ⁽¹⁾		8.84		7.57
Per unit (\$/bbl) – based on sales volumes – non-operated ⁽¹⁾		7.05		14.99

⁽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 three months ended March 31, 2015 on a per barrel basis was \$8.01/bbl in comparison to \$9.66/bbl for the three months ended March 31, 2014. The decrease is primarily due to an improvement of fixed cost absorption due to higher production volumes on the non-operated blocks and the foreign exchange impact on Colombian peso denominated expenditures. Production expense for the first quarter on a per barrel basis of \$8.01/bbl has decreased from the fourth quarter of 2014 production expense of \$10.95/bbl.

Operated properties production expense in the first quarter was \$8.84/bbl compared to \$12.38/bbl for the fourth quarter of 2014, non-operated properties production expense was \$7.05/bbl for the first quarter compared to \$9.07/bbl for the fourth quarter of 2014. The decrease in operated production expense per barrel is related to a reduction in workovers and reduced costs due to negotiations between the Company and service operators, and also the impact of the depreciation of the Colombian peso in the period.

Colombian Transportation Expense

For the three months ended March 31,		2015		2014
Transportation expense (000s)	\$	42,021	\$	31,433
Per unit (\$/bbl)		15.46		18.08

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, 2015, the cost of transportation on a per barrel basis decreased to \$15.46/bbl from \$18.08/bbl in the comparative period. This is as a result of decreased pipeline tariff fees, decreased trucking costs and also the depreciation of the Colombian peso.

As compared to the fourth quarter of 2014 transportation expense decreased to \$15.46/bbl from \$17.28/bbl. The main reasons for the decrease from the fourth quarter of 2014 relates to the increased availability of pipeline capacity which in turn reduced the amount of Company oil being trucked for export which comes at a higher cost per barrel than pipeline tariff fees and the depreciation of the Colombian peso.

On a long term basis the Company expects transportation cost to be between \$14-\$16 per bbl with variability depending on the marketing mix, delivery points, and the Colombian peso/US\$ exchange rate.

General and Administrative Expense ("G&A")

For the three months ended March 31, (000s)		2015		2014
Gross G&A	\$	11,628	\$	10,212
G&A recoveries		(46)		(583)
Capitalized G&A		(1,857)		(2,318)
Total G&A	\$	9,725	\$	7,311
G&A reclassified to discontinued operations ⁽¹⁾		149		529
Net G&A expense – continuing operations	\$	9,576	\$	6,782
Per unit (\$/bbl) ⁽²⁾		3.98		4.10

⁽¹⁾ Due to the sale of Parex Resources (Trinidad) Ltd.

⁽²⁾ Calculated based on Company working interest production volumes.

Net G&A from continuing operations was \$9.6 million for the three months ended March 31, 2015 compared to \$6.8 million for the same period in 2014. These costs primarily consist of management and administrative salaries, legal and professional fees, office rent, insurance, travel, employee costs and other administrative expenses. For the first quarter of 2015 net G&A was mainly comprised of \$7.5 million relating to staff, consultants and professional services and the balance to 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 273 full-time-equivalents in three locations were working for Parex as at March 31, 2015 compared to 215 and 278 employees for three month periods ended March 31, 2014 and December 31, 2014 respectively. On a per barrel basis net G&A in the period decreased 3% compared to the comparative period in 2014.

Included in G&A in the Q1, 2015 are approximately \$1.5 million of costs associated with systems and process improvements and other one-time projects. These costs are expected to continue through the fourth quarter of 2015 at approximately \$1.5 million per quarter.

The first quarter net G&A of \$3.98/bbl is in line with the fourth quarter of 2014 which was \$3.66/bbl.

Share-Based Compensation Expense

For the three months ended March 31, (000s)		2015		2014
Share-based compensation expense	\$	1,404	\$	1,435
Share appreciation rights expense		507		2,561
Restricted share units expense		1,159		590
Total expense	\$	3,070	\$	4,586
SARs (recovery) expense reclassified as discontinued operations		(22)		99
Total expense – continuing operations	\$	3,092	\$	4,487

Share-based compensation expense was \$1.4 million for the three months ended March 31, 2015 compared to \$1.4 million for the same period in 2014. As at March 31, 2015 stock options outstanding were 7,571,844 equaling six percent of the common shares outstanding at the end of the first quarter. A total of 80,166 options were exercised and 75,000 options were granted during the three months ended March 31, 2015. For the three month period ended March 31, 2015, the weighted average fair value upon grant date of the options granted based upon the Black Scholes option value methodology was Cdn\$2.44 per option (three month period ended March 31, 2014 – Cdn\$2.67 per option).

Share appreciation rights (“SARs”) expense was \$0.5 million for the three months ended March 31, 2015 compared to \$2.6 million for the same period in 2014. The Company’s share price fluctuated from Cdn\$9.50 at March 31, 2014, Cdn\$7.58 at December 31, 2014 to Cdn\$8.07 at March 31, 2015. As at March 31, 2015, 2,555,948 SARs were outstanding all of which were granted to employees in Colombia and Trinidad & Tobago. The weighted average exercise price at March 31, 2015 of the SARs outstanding was Cdn\$7.12 per SAR (March 31, 2014 – Cdn\$5.76 per SAR).

As at March 31, 2014, the total SARs liability accrued is \$4.7 million (December 31, 2014 - \$4.4 million).

Restricted share unit expense was \$1.2 million for the three months ended March 31, 2015 compared to \$0.6 million for the same period in 2014. A total of 30,000 units were granted and 9,299 units were exercised during the three months ended March 31, 2015. For the three month period ended March 31, 2015 the fair value upon grant date of the units issued was Cdn\$6.53 per unit (three month period ended March 31, 2014 – Cdn\$7.13 per unit).

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

For the three months ended March 31, (000s)	2015		2014	
DD&A	\$	40,172	\$	54,657
DD&A reclassified to discontinued operations		-		5
DD&A – continuing operations	\$	40,172	\$	54,652
Per unit (\$/bbl) ⁽¹⁾		16.70		33.03

⁽¹⁾ DDA per unit (\$/bbl) is calculated using Company working interest production volumes and does not include inventory adjustments.

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 \$360.8 million (three months ended March 31 2014- \$194.1 million) were included in the depletion calculation. First quarter 2015 depletion was \$16.48/bbl compared to \$32.84/bbl in the comparative period. This decrease is the result of an increase in proved plus probable reserves and a change in the CGU production mix from the prior period. The remaining DD&A relates to seismic equipment and office equipment which is depreciated over the assets’ estimated useful lives.

First quarter 2015 DD&A of \$16.70/bbl is lower than fourth quarter 2014 rate of \$21.16/bbl due to changes in the CGU production mix.

Foreign Exchange

For the three months ended March 31,	2015		2014	
Foreign exchange (gain) loss (000s)	\$	122	\$	(2,729)
Foreign exchange (gain) loss reclassified to discontinued operations		-		2
Foreign exchange (gain) loss – continuing operations	\$	122	\$	(2,727)
Foreign Exchange Rates				
CAD\$/USD\$ ⁽¹⁾		0.81		0.91
Colombian peso/USD\$ ⁽¹⁾		2,469		2,004

⁽¹⁾ Exchange rates shown are averages for the period.

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 Colombian peso denominated income tax, accounts payable and accounts receivable to USD at period end dates. During the three months ended March 31, 2015, the total foreign exchange loss was \$0.1 million (three months ended March 31, 2014 – gain of \$2.7 million). Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company’s consolidated statement of comprehensive income (loss). For the three months ended March 31, 2015, \$0.3 million foreign exchange gain is realized and \$0.4 million foreign exchange loss is unrealized (3 months ended March 31, 2014 - \$0.2 million foreign exchange loss was realized and \$2.9 million foreign exchange gain was unrealized).

On September 3, 2014, the Company entered into two foreign currency risk management contracts with the purpose of hedging a portion of our 2014 Colombian cash tax payments to be made in April and June 2015. Both contracts have principal amounts of \$15 million each with terms ending April 30, 2015. The put option is at a price of 1,850 and the call option is at a price of 2,100 Colombian pesos/USD.

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

Net Finance Expense

For the three months ended March 31, (000s)		2015		2014
Interest expense and bank charges	\$	1,153	\$	1,626
Accretion on convertible debentures		-		1,021
Accretion on decommissioning and environmental liabilities		395		220
Loss on derivative financial liability		-		10,436
Amortization of debt issuance costs		-		154
Unrealized loss on foreign currency risk management contracts		999		3,252
Loss on disposition of tangible assets		-		372
Interest and other income		(192)		(232)
Colombian net wealth tax		3,579		-
Net finance expense	\$	5,934	\$	16,849
Finance expenses reclassified to discontinued operations		-		376
Net finance expense - continuing operations	\$	5,934	\$	16,473

For the three months ended March 31, (000s)		2015		2014
Non-cash finance expense	\$	1,394	\$	15,455
Cash finance expense		4,540		1,394
Net finance expense	\$	5,934	\$	16,849

Interest expense relates to the interest on the credit facility and the Cdn\$85.0 million Debenture which during August and September 2014, was converted by for an aggregate of 8,339,991 common shares of the Company and Debentures not converted were redeemed for \$0.3 million in cash.

On December 23, 2014 the Colombian government passed a law imposing a Net Wealth Tax (“NWT”) levied on Colombian companies. The tax is assessed and becomes payable on the opening equity as at January 1st of each year beginning in 2015 extending until 2017, at rates from 1.15% in 2015 to 0.4% in 2017. The Company’s NWT for 2015 is expected to be \$3.6 million and will be paid in two equal semi-annual installments in 2015. The entire \$3.6 million of 2015 NWT was accrued for in the first quarter of 2015.

Risk Management

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

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

a) Risk Management Contracts – Brent Crude

The following is a summary of the ICE Brent priced crude oil risk management contracts in place at March 31, 2015:

Period Hedged	Reference	Type	Volume bbls/d	Price/bbl
March 1, 2015 to March 31, 2015	ICE Brent	Collar	5,000	\$55.00-\$66.60
March 1, 2015 to March 31, 2015	ICE Brent	Collar	3,000	\$55.00-\$68.00
April 1, 2015 to April 30, 2015	ICE Brent	Collar	5,000	\$55.00-\$68.25
April 1, 2015 to April 30, 2015	ICE Brent	Collar	3,000	\$55.00-\$69.75
April 1, 2015 to April 30, 2015	ICE Brent	Collar	2,000	\$55.00-\$67.00
May 1, 2015 to May 31, 2015	ICE Brent	Collar	5,000	\$55.00-\$68.75

Subsequent to March 31, 2015 Parex entered into the following ICE Brent priced crude oil risk management contracts:

Period Hedged	Reference	Type	Volume bbls/d	Price/bbl
May 1, 2015 to July 31, 2015	ICE Brent	Collar	5,000	\$55.00-\$65.00
June 1, 2015 to July 31, 2015	ICE Brent	Collar	2,000	\$57.50-\$69.00

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

For the three months ended March 31, (000s)	2015	2014
Realized loss on commodity risk management contracts	\$ -	\$ 1,480
Unrealized gain on commodity risk management contracts	(854)	(1,968)
Total	\$ (854)	\$ (488)

The Company's net unrealized derivative gain on risk management contracts for the period ended March 31, 2015 of \$0.9 million (period ended March 31, 2014 - gain of \$2.0 million) is primarily attributable to the Company's derivative contracts being in excess of Brent forward benchmark price.

b) Risk Management Contracts – Foreign Exchange

The following is a summary of the foreign currency risk management contracts in place as at March 31, 2015:

Period Hedged	Reference	Type	Amount USD	Price (COP)
September 5, 2014 to April 30, 2015	Colombian Peso	Put	\$15 million	1,850
September 5, 2014 to April 30, 2015	Colombian Peso	Call	\$15 million	2,100

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

For the three months ended March 31,	2015	2014
Unrealized loss on foreign currency risk management contracts	\$ 999	\$ 3,252
Total	\$ 999	\$ 3,252

The unrealized loss represents the fair value change of the underlying foreign currency risk management contracts as at the balance sheet to be settled in the future.

Income Tax

The components of tax expense for the three months ended March 31, 2015 and 2014 were as follows:

For the three months ended March 31, (000s)		2015		2014
Current tax expense	\$	6,838	\$	17,542
Deferred tax (recovery) expense		3,549		(2,326)
Total tax expense	\$	10,387	\$	15,216

The current and future tax expense relates to the Company's operations in Colombia. Current tax in the first quarter was \$6.8 million as compared to \$17.5 million in the comparative period. The decrease in the current tax expense from the prior period is a result of decreased Colombian cash flows as a result of the decrease in oil prices.

Deferred tax in the first quarter of 2015 was an expense of \$3.5 million (\$2.3 million recovery for the three months ended March 31, 2014). The calculation of current and deferred income tax in Colombia is based on a number of variables which can cause swings in current and deferred income tax. These variables include but are not limited to the yearend producing reserves used in calculating depletion for tax purposes, the timing and number of dry hole write offs permissible for Colombian tax purposes and currency fluctuations. Accordingly estimating tax expense during the year is inherently difficult. The effective current tax rate for the three months ended March 31, 2015 on Colombian segmented operating cash flows was 14% (three months ended March 31, 2014 – 17%).

Capital Expenditures

For the three months ended March 31, (000s)	Colombia		Trinidad & Tobago		Canada		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Geological and geophysical	(85)	1,691	-	-	-	-	(85)	1,691
Acquisition of unproved properties	5,285	-	-	-	-	-	5,285	-
Drilling and completion	15,875	52,264	-	-	-	-	15,875	52,264
Well equipment and facilities	5,776	7,285	-	-	-	-	5,776	7,285
Other	74	80	-	79	38	6	112	165
	\$ 26,925	\$ 61,320	\$ -	\$ 79	\$ 38	\$ 6	\$ 26,963	\$ 61,405

Capital Expenditures Summary

During the three months ended March 31, 2015 the Company incurred \$27.0 million of capital expenditures compared to \$61.4 million in the same period of 2014. During Q1, 2015 the Company drilled 1 gross (0.55 net) disposal well compared to 10 gross (6.15 net) wells in Q1, 2014. Drilling and completion costs during the first quarter totaled \$15.9 million, all of which related to drilling and completion and capitalized workover costs in Colombia, versus \$52.3 million in the comparative period. In March, Parex spud the Rumba-1 exploration well. Other drilling and completion costs relate to the Tilo-1 completion and costs incurred for the construction of drilling pads and related expenditures for future drilling. Spending on well equipment and facilities was \$5.8 million in the quarter, all focused in Colombia. Acquisition of unproved property of \$5.3 million relates to final farm-in payments made upon regulatory approvals in respect of blocks LLA-26 and Cebucan and minor licensing and other costs.

Summary of Quarterly Results (Unaudited)

Three months ended (000s)	March 31, 2015		Dec. 31, 2014		Sep. 30, 2014		June 30, 2014	
Average daily production volumes (bopd)	26,729		26,544		25,175		19,876	
Realized sales price volumes (\$/bbl)	\$	49.42	\$	60.08	\$	94.40	\$	104.53
Financial (000s except per share amounts)								
Oil Sales (including purchased oil)	\$	134,307	\$	160,584	\$	228,648	\$	182,996
Funds flow from continuing operations ⁽¹⁾	\$	32,958	\$	49,759	\$	89,006	\$	77,799
Per share – basic		0.24		0.37		0.70		0.70
Per share – diluted		0.24		0.37		0.69		0.65
Adjusted net income (loss) ⁽¹⁾⁽³⁾	\$	(15,544)	\$	(50,996)	\$	16,768	\$	24,679
Per share – basic		(0.12)		(0.38)		0.13		0.22
Per share – diluted		(0.12)		(0.38)		0.13		0.20
Net income (loss)	\$	(15,544)	\$	(146,612)	\$	16,768	\$	11,408
Per share – basic		(0.12)		(1.09)		0.13		0.10
Per share – diluted		(0.12)		(1.09)		0.13		0.10
Capital Expenditures	\$	26,963	\$	83,571	\$	56,799	\$	95,101
Total assets (end of period)	\$	1,010,116	\$	1,034,415	\$	1,266,610	\$	1,226,983
Working capital surplus (deficit) (end of period) ⁽²⁾	\$	9,878	\$	3,261	\$	45,321	\$	31,189
Debentures (end of period) ⁽⁴⁾	\$	-	\$	-	\$	-	\$	68,375
Bank debt (end of period)	\$	39,500	\$	35,000	\$	42,305	\$	56,000

⁽¹⁾ Non-GAAP term. See “Non-GAAP Terms”.

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

⁽³⁾ Adjusted net income (loss) has been adjusted for the IFRS accounting effects of changes in the derivative financial liability and the non-cash impairments recorded.

⁽⁴⁾ During August and September 2014, the Cdn\$85.0 million principal amount of Debentures were converted for an aggregate of 8,339,991 common shares of the Company and redeemed for \$0.3 million in cash.

Three months ended (000s)	March 31, 2014		Dec. 31, 2013		Sep. 30, 2013		June 30, 2013	
Average daily production volumes (bopd)	18,425		17,287		16,199		15,463	
Realized sales price volumes (\$/bbl)	\$	103.42	\$	101.64	\$	106.41	\$	99.34
Financial (000s except per share amounts)								
Oil Sales (including purchased oil)	\$	179,794	\$	166,959	\$	157,043	\$	147,585
Funds flow from continuing operations ⁽¹⁾	\$	77,289	\$	76,304	\$	68,763	\$	65,893
Per share – basic		0.71		0.70		0.64		0.61
Per share – diluted		0.65		0.62		0.56		0.52
Adjusted net income (loss) ⁽¹⁾⁽³⁾	\$	20,099	\$	23,201	\$	(23,940)	\$	5,987
Per share – basic		0.18		0.21		(0.22)		0.06
Per share – diluted		0.17		0.19		(0.22)		0.05
Net income (loss)	\$	9,663	\$	21,869	\$	(27,965)	\$	7,632
Per share – basic		0.09		0.20		(0.26)		0.07
Per share – diluted		0.09		0.18		(0.26)		0.04
Capital Expenditures	\$	61,405	\$	58,817	\$	49,962	\$	77,921
Total assets (end of period)	\$	882,306	\$	854,808	\$	820,827	\$	824,276
Working capital surplus (deficit) (end of period) ⁽²⁾	\$	36,957	\$	24,005	\$	18,801	\$	8,630
Debentures (end of period)	\$	64,728	\$	66,060	\$	66,898	\$	64,338
Bank debt (end of period)	\$	4,000	\$	8,530	\$	18,500	\$	27,400

⁽¹⁾ Non-GAAP term. See “Non-GAAP Terms”.

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

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

Liquidity and Capital Resources

As at March 31, 2015 the Company had a working capital surplus of \$9.9 million, excluding amounts available under the credit facility, as compared to working capital surplus at December 31, 2014 of \$3.3 million and a working capital surplus of \$37.0 million in the comparative period. Bank debt was \$39.5 million compared to \$35.0 million at December 31, 2014 and \$4.0 million in the comparative period. The credit facility has a current borrowing base of \$200 million. Parex net debt (see “Non-GAAP Terms”) has decreased from March 31, 2014 to March 31, 2015 by \$23.1 million which is mainly a function of the Company redeeming the Debenture in the period partially offset by the increase in bank debt. At March 31, 2015 Parex held \$32.6 million of cash, compared to \$39.0 million at December 31, 2014 and \$40.3 million at March 31, 2014. The Company’s cash balances reside in current accounts, the majority of which are held on account in Canada and Barbados.

The Company values its crude oil inventory on hand using weighted average cost for the inventoried barrels. At March 31, 2015, on a fair market value basis the inventory on hand would have a value of approximately \$10.7 million or a positive fair value adjustment of approximately \$3.2 million (December 31, 2014 - value of \$13.4 million or a fair value adjustment of \$2.4 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 \$200 million. Key covenants include a rolling four quarters total funded debt to EBITDA test of 3:50:1, and other standard business operating covenants. As at March 31, 2015, the Company is in compliance with all covenants.

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at March 31, 2015 the Company had 134,779,403 common shares outstanding. Subsequently on May 5, 2015, the Company closed a bought deal equity financing issuing 14.95 million common shares at a price of Cdn\$9.15 per common share for gross proceeds of Cdn\$136.8 million. See “Subsequent Event – Equity Financing” section below.

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 11, 2015 Parex has the following securities outstanding:

	Number	%
Common shares ⁽¹⁾	149,827,968	94
Stock options	7,477,595	5
Restricted share units	1,642,903	1
	158,948,466	100

⁽¹⁾ See “Subsequent Event – Equity Financing” section below.

As of the date of this MD&A, total stock options and RSU’s outstanding represent approximately 6 percent of the total issued and outstanding common shares.

Subsequent Event – Equity Financing

Subsequent to Q1 2015, on May 5, 2015 Parex closed a CAD\$136.8 million bought deal financing, issuing 14.95 million common shares at a price of CAD\$9.15 per share. The net proceeds of approximately USD\$108 million from the financing will initially be used to pay down bank indebtedness, increase net working capital and subsequently is expected to be used to fund capital expenditures and future growth opportunities.

Contractual Obligations, Commitments and Guarantees

In the normal course of business, Parex has entered into arrangements and incurred obligations that will affect the Company’s future operations and liquidity. These commitments primarily relate to exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts or the Company can negotiate extensions of the exploration periods. The Company’s exploration commitments are described in the Company’s AIF dated March 19, 2015. 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, 2015 were \$97.7 million (December 31, 2014 - \$103.4 million) to support the exploration work commitments on its blocks. The guarantees have been provided in the form of letters of credit for varying terms. Export Development Canada (“EDC”) has provided performance security guarantees to support approximately 78 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.

The following table summarizes the Company’s estimated commitments as at March 31, 2015:

(000s)	Total	<1 year	1 – 3 years	3 – 5 years	>5 years
Exploration	\$ 180,787	\$ 43,502	\$ 137,285	\$ -	\$ -
Office and accommodations ⁽¹⁾	6,076	2,002	2,376	1,698	-
Other provisions	52,330	2,791	5,581	5,581	38,377
Total	\$ 239,193	\$ 48,295	\$ 145,242	\$ 7,279	\$ 38,377

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

Decommissioning and Environmental Liabilities

	Decommissioning		Environmental		Total
Balance, December 31, 2013	\$	13,793	\$	7,295	\$ 21,088
Additions		9,479		3,201	12,680
Corporate acquisitions		1,300		946	2,246
Settlements of obligations during the year		(1,369)		(425)	(1,794)
Loss on settlements of obligations during the year		134		-	134
Accretion expense		864		263	1,127
Additions related to change in estimate		-		657	657
Foreign exchange gain		-		(1,660)	(1,660)
Decommissioning liabilities reclassified to liabilities held for sale		(389)		-	(389)
Balance, December 31, 2014	\$	23,812	\$	10,277	\$ 34,089
Accretion expense		286		109	395
Additions related to change in estimate		2,274		(124)	2,150
Foreign exchange gain		-		(732)	(732)
Balance, March 31, 2015	\$	26,372	\$	9,530	\$ 35,902
Current obligation		-		(1,937)	(1,937)
Long-term obligation	\$	26,372	\$	7,593	\$ 33,965

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

The total decommissioning and environmental liability is estimated based on the Company’s net ownership in wells drilled as at March 31, 2015, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company’s decommissioning liability is approximately \$38.4 million as at March 31, 2015 (December 31, 2014 – \$37.0 million) with the majority of these costs anticipated to occur in 2020 or later. A weighted average risk-free discount rate of 4.5 percent and an inflation rate of 2.5 percent were used in the valuation of the liabilities (December 31, 2014 – 5 percent weighted average risk-free discount rate and a 2 percent inflation rate). The discount rates used are a blend of US and Colombia risk-free rates.

The total undiscounted amount of cash flows required to settle the Company’s environmental liability is approximately \$14.0 as at March 31, 2015 (December 31, 2014 – \$14.0 million) with the majority of these costs anticipated to occur in 2015 or later in Colombia. A risk-free discount rate of 7 percent and an inflation rate of 3 percent were used in the valuation of the liabilities (December 31, 2014 – 7 percent risk-free discount rate and a 3 percent inflation rate). The discount rate used is based on a Colombia risk-free rate.

Included in the environmental liability is \$1.9 million (December 31, 2014 – \$2.1 million) that is classified as a current obligation.

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

- Changes in laws and legislation;
- Construction of new facilities;

- Change in commodity price;
- Change in the estimate of oil reserves and the resulting amendment to the life of reserves; and,
- Changes in technology.

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 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 exploration blocks subject to farm-in and earning requirements and the effect on the Company's land holdings as lands deemed non-commercial are released;
- activities to be undertaken in various areas including the fulfillment of exploration commitments and farm-in obligations;
- terms of exploration and production contracts and the timing of release of exploration property deemed non-commercial in respect of the exploration contracts;
- the Company's range of capital expenditures for 2015 along with the anticipated amount, focus and timing thereof and the method of funding;
- the Company's ability to further increase its capital program and the anticipated amount of such increase;
- the Company's expected exploration program for 2015, including drilling plans, exploration prospects and the construction of a long-term facility;
- the Company's expectations that its capital program could increase the Company's full year average production, including the anticipated amount of such increase;
- 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 changes in pricing on the Company's overall royalty as a percentage of sales;
- expected transportation costs on a per barrel basis;
- terms of stock based compensation plans, including option plan, restricted share unit plan, and share appreciation rights;
- foreign currency risk and the 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 the Company's 2014 Colombian cash tax payments and the Company's ability to manage and forecast cash flow;
- estimated income tax expense and expected effective Colombian corporate income tax rate for the three months ended March 31, 2015;
- the Company's expected NWT for 2015;
- terms of the Company's credit facility;
- the Company's expectation that costs associated with systems and process improvements and other one-time costs will continue through the fourth quarter of 2015 and the anticipated amount thereof;
- terms of the Company's exploration and other contractual commitments;
- the anticipated sources of funding for the Company's environmental, decommissioning and restoration obligations;
- drilling plans and timing of drilling, completion and tie-in of wells;
- impact of new and revised accounting pronouncements and critical accounting estimates; and
- effect of business and environmental risks on the Company.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve and resource estimates; the production and growth potential of Parex' assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; 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 19, 2015 and under "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 areas of the Company's operations and 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

This report contains financial terms that are not considered measures under GAAP such as funds flow used in, or from operations, working capital, operating netback per barrel, net debt, and adjusted net income (loss), but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. 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.

Funds flow from (used in) continuing operations is a non-GAAP term that includes all cash generated from continuing operating activities and is calculated before changes in non-cash working capital. Management uses funds from (used in) continuing operations to analyze operating performance and monitor financial leverage, and considers funds from (used in) continuing operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments. Funds flow from (used in) continuing operations is reconciled with net income (loss) in the consolidated statements of cash flows. The following table reconciles funds flow from (used in) continuing operations to cash flow from continuing operations:

(000s)	For the three months ended March 31,	
	2015	2014
Cash provided by (used in) operating activities – continuing operations (GAAP)	\$ (3,421)	\$ 35,341
Changes in non-cash working capital including taxes and interest payable	36,379	41,948
Funds flow from continuing operations (Non-GAAP)	\$ 32,958	\$ 77,289

Funds flow per share is calculated by dividing funds flow from continuing operations by the weighted average number of shares outstanding. Parex presents funds from (used in) continuing operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. The following table shows the variables used in the calculation of diluted funds flow from continuing operations per share:

(000s)	For the three months ended March 31,	
	2015	2014
Funds flow from continuing operations		
Funds flow from continuing operations for the purpose of basic funds flow	\$ 32,958	\$ 77,289
Debt interest expense	-	1,015
Funds flow from continuing operations for diluted funds flow	\$ 32,958	\$ 78,304
Weighted average number of shares for the purposes of basic funds flow (\$000s)	134,740	109,095
Dilutive effect of share options on potential common shares	1,112	2,298
Dilutive effect of Debentures on potential common shares	-	9,800
Weighted average number of shares for the purposes of diluted funds	135,852	121,193

Adjusted net (loss) income is determined by adding back any unrealized losses or deducting any unrealized gains associated with the Company's derivative financial liability and adding back any non-cash impairments recorded on PP&E and E&E assets. The company considers adjusted net income (loss) a key measure as it helps evaluate the Company's operating performance. The following table reconciles net income (loss) to adjusted net income (loss):

(000s)	For the three months ended March 31,	
	2015	2014
Net income (loss) (GAAP)	\$ (15,544)	\$ 9,663
Non cash loss on derivative financial liability	-	10,436
Adjusted net income (loss) (Non-GAAP)	\$ (15,544)	\$ 20,099

Operating netback per barrel is determined by sales revenue excluding risk management contracts, less royalties, production expense and transportation expense, divided by total equivalent sales volume excluding purchased oil volumes. The Company considers operating netbacks to be a key measure as they demonstrate Parex' profitability relative to current commodity prices.

EBITDA is defined as net income (loss) before interest, taxes, depletion and depreciation and adjusted for other non-cash items, transaction costs and extraordinary and non-recurring items.

Working capital and Net debt are used to assess efficiency, liquidity and the Company's general financial strength. No IFRS measure is reasonably comparable to working capital and Net debt.

Working capital is determined by 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.

Net debt is determined by working capital less long-term debt and USD face value of the convertible debenture.

Free cash flow is determined by cash flow from operations less capital expenditures.

Business Environment and Risks

There have been no significant changes during the three ended March 31, 2015 to the risks and uncertainties identified in the Company's Annual Information Form dated March 19, 2015.

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, 2015.

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments recognized in the consolidated balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, the liability portion of the Debentures, and the long-term debt. 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

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, 2014.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE	March 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash		\$ 32,583	\$ 39,000
Accounts receivable	5	121,523	125,262
Prepays and other current assets		9,886	8,559
Crude oil inventory	6	7,479	10,959
Assets held for sale	9	-	2,933
		171,471	186,713
Goodwill			
Exploration and evaluation	7	73,452	73,452
Property, plant and equipment	8	143,902	132,048
		621,291	642,202
		\$ 1,010,116	\$ 1,034,415
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 105,954	\$ 135,512
Derivative financial instruments	19	2,070	1,925
Current income and equity tax payable	15	51,632	43,201
Current portion of decommissioning and environmental liabilities	13	1,937	2,143
Liabilities held for sale	9	-	671
		161,593	183,452
Long-term debt			
Other long-term liabilities	11	39,500	35,000
Decommissioning and environmental liabilities	12	796	639
Deferred tax liability	13	33,965	31,946
	15	126,289	122,740
		362,143	373,777
Shareholders' equity			
Share capital	14	694,602	694,110
Contributed surplus		28,493	26,106
Retained earnings		(75,122)	(59,578)
		647,973	660,638
		\$ 1,010,116	\$ 1,034,415

Commitments (note 21)

Subsequent Event (note 22)

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 (Loss) (unaudited)

For the three months ended March 31,

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

	NOTE	2015	2014
Oil sales		\$ 134,307	\$ 179,794
Royalties		(10,476)	(24,840)
Revenue		123,831	154,954
Commodity risk management contracts	19	854	488
		124,685	155,442
Expenses			
Production		19,579	16,584
Transportation		42,021	31,433
Purchased oil		8,565	1,872
General and administrative		9,576	6,782
Share-based compensation	14	3,092	4,487
Depletion, depreciation and amortization	8	40,172	54,652
Foreign exchange (gain) loss		122	(2,727)
		123,127	113,083
Finance income	10	(194)	(232)
Finance expense	10	6,128	16,705
Net finance expense		5,934	16,473
Income (loss) from continuing operations before income taxes		(4,376)	25,886
Income tax expense			
Current income tax expense	15	6,838	17,542
Deferred income tax (recovery) expense	15	3,549	(2,326)
		10,387	15,216
Net income (loss) and comprehensive income (loss) from continuing operations after income taxes		\$ (14,763)	\$ 10,670
Loss from discontinued operations after income taxes	9	(781)	(1,007)
Net income (loss) and comprehensive income (loss) for the period		\$ (15,544)	\$ 9,663
Basic and diluted net income (loss) per common share – continuing operations	16	\$ (0.11)	\$ 0.10
Basic and diluted net loss per common share – discontinued operations	16	\$ (0.01)	\$ (0.01)

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)

		2015		2014
Share Capital				
Balance, beginning of period	\$	694,110	\$	414,176
Issuance of common shares under share-based compensation plans		492		4,397
Repurchase of shares		-		-
Balance, end of period	\$	694,602	\$	418,573
Contributed Surplus				
Balance, beginning of period	\$	26,106	\$	21,692
Share-based compensation		2,563		2,025
Options exercised		(176)		(1,328)
Balance, end of period	\$	28,493	\$	22,389
Retained earnings				
Balance, beginning of period	\$	(59,578)	\$	49,195
Net income (loss) for the period		(15,544)		9,663
Repurchase of shares		-		-
Balance, end of period	\$	(75,122)	\$	58,858
Total Equity	\$	647,973	\$	499,820

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	2015	2014
Operating activities			
Net income (loss) from continuing operations		\$ (14,763)	\$ 10,670
Add (deduct) non-cash items			
Depletion, depreciation and amortization	8	40,172	54,652
Non-cash finance loss	10	1,394	15,079
Share-based compensation	14	3,092	4,487
Deferred tax (recovery) expense	15	3,549	(2,326)
Unrealized foreign exchange (gain) loss		418	(2,932)
Unrealized gain on commodity risk management contracts	19	(854)	(1,968)
Stock appreciation rights paid		(50)	(373)
		32,958	77,289
Net change in non-cash working capital – continuing operations	17	(36,379)	(41,948)
Cash provided by (used in) operating activities – continuing operations		(3,421)	35,341
Cash used in operating activities – discontinued operations	9	(238)	(543)
Cash provided by (used in) operating activities		(3,659)	34,798
Investing activities			
Property, plant and equipment expenditures	8	(15,324)	(39,618)
Exploration and evaluation expenditures	7	(11,639)	(21,708)
Proceeds on the disposition of assets		-	692
Net change in non-cash working capital – continuing operations	17	18,680	11,656
Cash used in investing activities – continuing operations		(8,283)	(48,978)
Cash provided by (used in) investing activities – discontinued operations	9	1,672	(79)
Cash used in investing activities		(6,611)	(49,057)
Financing activities			
Issuance of common shares under share-based compensation plans	14	316	3,069
Long-term debt (repaid) issued	11	4,500	(4,530)
Cash provided by (used in) financing activities - continuing operations		4,816	(1,461)
Decrease in cash for the period		(5,454)	(15,720)
Impact of foreign exchange on foreign currency-denominated cash balances		(963)	(438)
Cash, beginning of period		39,000	56,492
Cash, end of period		\$ 32,583	\$ 40,334

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, 2015

(Tabular amounts in thousands of United States dollars, unless otherwise stated. Amounts in text are in United States dollars unless otherwise stated.)

1. Corporate Information

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

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

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 11, 2015.

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

a) *Statement of compliance*

The condensed interim consolidated financial information for the three months ended March 31, 2015 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 11, 2015, the date of approval by the Board of Directors.

b) *Basis of measurement*

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

c) *Use of management estimates, judgments and measurement uncertainty*

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

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2014.

3. Summary of Significant Accounting Policies

There is no impact on the condensed interim consolidated financial statements for the adoption of new accounting standards effective January 1, 2015. The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company’s consolidated financial statements for the year ended December 31, 2014.

4. Determination of Fair Values

The methods used in the determination of fair value, for financial and non-financial assets and liabilities have not changed from the previous financial year. Refer to note 4 of the December 31, 2014 consolidated financial statements for details concerning determination of fair values.

5. Accounts Receivable

	March 31, 2015		December 31, 2014	
Trade receivables	\$	68,052	\$	74,064
Colombia income taxes receivable		41,747		35,557
Receivables from partners		9,240		7,616
Value added taxes (VAT)		2,484		8,025
	\$	121,523	\$	125,262

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 to recover ongoing capital costs and operating costs, or overhead recoveries outstanding from joint venture partners. All accounts receivable are expected to be received in 2015 and are thus recognized as current assets.

6. Inventory

	March 31, 2015		December 31, 2014	
Crude oil inventory	\$	7,479	\$	10,959

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, 2013	\$	46,769	\$	23,269	\$	70,038
Additions		119,670		706		120,376
Transfers to PP&E		(12,457)		-		(12,457)
Disposition of tangible assets		-		(849)		(849)
Change in decommissioning liability		5,768		-		5,768
Corporate acquisitions		15,081		-		15,081
Intercompany transfer of assets		1,604		(1,604)		-
Exploration and evaluation impairment		(44,387)		(19,633)		(64,020)
Reclassified to assets held for sale – note 9		-		(1,889)		(1,889)
Balance at December 31, 2014	\$	132,048	\$	-	\$	132,048
Additions		11,639		-		11,639
Changes in decommissioning liability		215		-		215
Balance at March 31, 2015	\$	143,902	\$	-	\$	143,902

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, 2015 no transfers from E&E to PP&E were made.

During the year ended December 31, 2014 amounts transferred to PP&E of \$12.5 million were primarily associated with the Cebucan Block, Cerrero Block, Block LLA-40 and Block LLA-57. E&E assets increased by \$15.1 million for the year ended December 31, 2014 relating to the fair value of the assets acquired in corporate acquisitions. Also in 2014, the Company recorded \$64.0 million of impairment charges.

At March 31, 2015 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, 2013	\$ 4,781	\$ 981,215	\$ 318	\$ 986,314
Additions	515	175,974	11	176,500
Changes in decommissioning liability	-	7,569	-	7,569
Verano acquisition	-	247,617	-	247,617
Transfer from E&E assets	-	12,457	-	12,457
Intercompany transfer of assets	(1,903)	1,903	-	-
Dispositions	-	(624)	(91)	(715)
Balance at December 31, 2014	\$ 3,393	\$ 1,426,111	\$ 238	\$ 1,429,742
Additions	38	15,286	-	15,324
Dispositions	-	-	(238)	(238)
Changes in decommissioning liability	-	1,935	-	1,935
Balance at March 31, 2015	\$ 3,431	\$ 1,443,332	\$ -	\$ 1,446,763
Accumulated Depreciation, Depletion and Amortization				
Balance at December 31, 2013	\$ 2,628	\$ 451,985	\$ 219	\$ 454,832
Depletion and depreciation for the period	187	218,284	19	218,490
DD&A transferred to crude oil inventory costing	-	954	-	954
Impairment	-	113,264	-	113,264
Balance at December 31, 2014	\$ 2,815	\$ 784,487	\$ 238	\$ 787,540
Depletion and depreciation for the period	52	40,120	-	40,172
DD&A included in crude oil inventory costing	-	(2,002)	-	(2,002)
Dispositions	-	-	(238)	(238)
Balance at March 31, 2015	\$ 2,867	\$ 822,605	\$ -	\$ 825,472
Net book value:				
At December 31, 2013	\$ 2,153	\$ 529,230	\$ 99	\$ 531,482
At December 31, 2014	\$ 578	\$ 641,624	\$ -	\$ 642,202
At March 31, 2015	\$ 564	\$ 620,727	\$ -	\$ 621,291

In the three months ended March 31, 2015 additions mainly relate to development expenditures in Colombia at Block LLA-32 and Block LLA-34. There were no transfers from E&E for the three month period ended March 31, 2015.

For the three months ended March 31, 2015 \$1.9 million of general and administrative costs (three months ended March 31, 2014 - \$2.3 million) have been capitalized in respect of development and production activities during the current period.

During 2014, additions mainly related to development expenditures in the amount of \$176.0 million in Colombia at Block LLA-32 and Block LLA-34. In the year ended December 31, 2014, \$12.5 million was transferred from E&E assets and PP&E increased by \$247.6 million relating to the fair value of the assets acquired in corporate acquisitions. Also in 2014, the Company recorded \$113.3 million of impairment charges related to its Northern Llanos Basin CGU.

9. Discontinued Operations

During the three months ended March 31, 2015, Parex Resources (Barbados) Ltd. ("Parex Barbados") sold to a third party all of the issued and outstanding shares of Parex Trinidad Ltd. for \$1.5 million in cash, plus the assumption of certain liabilities and adjusted working capital. The sale closed on February 19, 2015. During the reclassification of operations for sale, assets of \$20.0 million were identified as being impaired during the year ended December 31, 2014.

The combined results of the discontinued operations which have been included in the interim consolidated statement of comprehensive income (loss) are as follows. The comparative period income (loss) and cash flows from discontinued operations have been reclassified to include those operations classified as discontinued in the current period:

Three Months ended March 31,	2015		2014
Expenses	\$		\$
General and administrative		149	529
Depletion, depreciation and amortization		-	5
Share-based compensation expense		(22)	99
Loss on sale of tangible assets		-	373
Accretion on decommissioning liabilities		-	3
Foreign exchange gain		-	(2)
Loss on settlement of other assets and liabilities		654	-
Net loss from discontinued operations	\$	781	\$ 1,007

10. Net Finance Expense (Income)

For the three months ended March 31, (000s)	2015		2014
Interest expense and bank charges	\$	1,153	\$ 1,626
Accretion on convertible debentures		-	1,021
Accretion on decommissioning and environmental liabilities		395	220
Loss on derivative financial liability		-	10,436
Amortization of debt issuance costs		-	154
Unrealized loss on foreign currency risk management contracts		999	3,252
Loss on disposition of tangible assets		-	372
Interest and other income		(192)	(232)
Colombian net wealth tax		3,579	-
Net finance expense	\$	5,934	\$ 16,849
Finance expenses reclassified to discontinued operations		-	376
Net finance expense - continuing operations	\$	5,934	\$ 16,473

For the three months ended March 31, (000s)	2015		2014
Non-cash finance expense	\$	1,394	\$ 15,455
Cash finance expense		4,540	1,394
Net finance expense	\$	5,934	\$ 16,849

11. Long-term debt

	March 31, 2015	December 31, 2014
Long-term debt (syndicate credit facility)	\$ 39,500	\$ 35,000

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. At March 31, 2015 the credit facility consists of a reserve-based revolving facility of \$200 million including an operating line of \$20 million. The revolving facility is a rolling facility maturing on May 22, 2017, and may be extended for an additional 365 days after attaining syndicate approval. The credit 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. In the event that the syndicate reduces the borrowing base below the amount drawn at the time of the redetermination, the Company has 180 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or repaying amounts in excess of the new re-determined borrowing base. 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 2.50% - 3.50% per annum, dependent on utilization. Canadian prime rate loan advances, drawn on the operating line only, bear interest at rates ranging from Canadian prime plus 1.50% - 2.50% per annum, dependent on utilization. Undrawn amounts under the revolving facility bear a commitment fee ranging from 0.5% to 0.7% 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 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, 2015, 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.

12. Other Long-Term Liabilities

Other long-term liabilities are comprised of the following:

	March 31, 2015	December 31, 2014
Long-term SARs payable	\$ 796	\$ 639

13. Decommissioning and Environmental Liabilities

	Decommissioning		Environmental		Total
Balance, December 31, 2013	\$	13,793	\$	7,295	\$ 21,088
Additions		9,479		3,201	12,680
Corporate acquisitions		1,300		946	2,246
Settlements of obligations during the year		(1,369)		(425)	(1,794)
Loss on settlements of obligations during the year		134		-	134
Accretion expense		864		263	1,127
Additions related to change in estimate		-		657	657
Foreign exchange gain		-		(1,660)	(1,660)
Decommissioning liabilities reclassified to liabilities held for sale		(389)		-	(389)
Balance, December 31, 2014	\$	23,812	\$	10,277	\$ 34,089
Accretion expense		286		109	395
Additions related to change in estimate		2,274		(124)	2,150
Foreign exchange gain		-		(732)	(732)
Balance, March 31, 2015	\$	26,372	\$	9,530	\$ 35,902
Current obligation		-		(1,937)	(1,937)
Long-term obligation	\$	26,372	\$	7,593	\$ 33,965

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at March 31, 2015, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately \$38.4 million as at March 31, 2015 (December 31, 2014 – \$37.0 million) with the majority of these costs anticipated to occur in 2020 or later. A weighted average risk-free discount rate of 4.5 percent and an inflation rate of 2.5 percent were used in the valuation of the liabilities (December 31, 2014 – 5 percent weighted average risk-free discount rate and a 2 percent inflation rate). The discount rates used are a blend of US and Colombia risk-free rates.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately \$14.0 million as at March 31, 2015 (December 31, 2014 – \$14.0 million) with the majority of these costs anticipated to occur in 2015 or later in Colombia. A risk-free discount rate of 7 percent and an inflation rate of 3 percent were used in the valuation of the liabilities (December 31, 2014 – 7 percent risk-free discount rate and a 3 percent inflation rate). The discount rate used is based on a Colombia risk-free rate.

Included in the environmental liability is \$1.9 million (December 31, 2014 – \$2.1 million) that is classified as a current obligation.

14. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2013	108,711,649	\$	414,176
Issued for cash – exercise of options and RSUs	2,949,574		9,373
Issued in Verano Acquisition	14,688,724		169,333
Issued on conversion of convertible debentures	8,339,991		97,331
Share issue costs	-		(180)
Allocation of contributed surplus – exercise of options and RSUs	-		4,077
Balance, December 31, 2014	134,689,938	\$	694,110
Issued for cash – exercise of options and RSUs	89,465		316
Allocation of contributed surplus – exercise of options and RSUs	-		176
Balance, March 31, 2015	134,779,403	\$	694,602

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

b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's directors, officers, and certain employees to acquire common shares. The maximum number of options and restricted share units reserved for issuance under the option and restricted share unit plans may not exceed 10 percent of the number of common shares issued and outstanding. The options vest over a three-year period and expire 5 years from the date of grant.

	Number of options	Weighted average exercise price Cdn\$/option
Balance, December 31, 2014	7,577,010	6.78
Granted	75,000	6.54
Exercised	(80,166)	4.90
Balance, March 31, 2015	7,571,844	6.79

Stock options outstanding and the weighted average remaining life of the stock options at March 31, 2015 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
\$4.06 - \$5.79	1,515,851	2.27	4.56	946,934	2.10	4.57
\$5.80 - \$6.06	57,000	3.38	6.01	20,166	3.34	6.00
\$6.07 - \$6.12	3,950,868	3.55	6.07	1,307,388	3.55	6.07
\$6.13 - \$9.90	271,250	3.50	6.91	100,416	2.05	6.47
\$9.91 - \$13.93	1,776,875	4.60	10.31	-	-	-
	7,571,844	3.53	6.79	2,374,904	2.91	5.49

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,	2015	2014
Risk-free interest rate (%)	0.89	1.22
Expected life (years)	4	4
Expected volatility (%)	47	47
Forfeiture rate (%)	3	3
Expected dividends	-	-

The weighted average fair value at the grant date for the three months ended March 31, 2015 was Cdn\$2.44 per option (three months ended March 31, 2014 – Cdn\$2.67 per option). The weighted average share price on the exercise date for options exercised in the three months ended March 31, 2015 was Cdn\$7.36 (three months ended March 31, 2014 – Cdn\$8.36 per option).

c) Share appreciation rights

Parex Colombia has 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 Colombia 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, 2014	2,606,643	7.12
Granted	20,475	6.72
Exercised	(10,442)	5.62
Forfeited	(60,728)	7.20
Balance, March 31, 2015	2,555,948	7.12

As at March 31, 2015, 748,345 SARs were vested (December 31, 2014 – 730,945).

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,	2015	2014
Risk-free interest rate (%)	0.55	1.28
Expected life (years)	3	4
Expected volatility (%)	48	46
Share price	8.07	9.50
Expected dividends	-	-

As at March 31, 2015, the total SARs liability accrued was \$4.7 million (December 31, 2014 - \$4.4 million) of which \$0.8 million (December 31, 2014 - \$0.6 million) is classified as long-term in accordance with the three year vesting period. For the three months ended March 31, 2015, Parex recorded \$0.5 million of compensation cost related to the outstanding SARs (three months ended March 31, 2014 – \$2.6 million).

d) Restricted Share Units

The Company has in place a restricted share unit plan pursuant to which the Company may grant restricted shares to directors and certain employees. The restricted shares typically 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, 2014	1,625,885	0.01
Granted	30,000	0.01
Exercised	(9,299)	0.01
Balance, March 31, 2015	1,646,586	0.01

The fair value of each RSU granted is based on the market price of Parex shares on the date of issuance. The weighted average fair value at the grant date for the three months ended March 31, 2015 was Cdn\$6.53 per RSU (three months ended March 31, 2014– Cdn\$7.13 per RSU). For the three months ended March 31, 2015 a weighted average forfeiture rate of 3% was applied (three months ended March 31, 2014 – 3%).

e) Share-based compensation

For the three months ended March 31,	2015	2014
Share-based compensation expense	\$ 2,563	\$ 2,025
SARs expense	507	2,561
Total	\$ 3,070	\$ 4,586
SARs (recovery) expense reclassified as discontinued operations	(22)	99
Total – continuing operations	\$ 3,092	\$ 4,487

15. Income Tax

The components of tax expense for the three months ended March 31, 2015 and 2014 were as follows:

For the three months ended March 31,	2015	2014
Current tax expense	\$ 6,838	\$ 17,542
Deferred tax (recovery) expense	3,549	(2,326)
Total tax expense	\$ 10,387	\$ 15,216

16. Net Income (Loss) per Share

a) Basic net income (loss) per share

For the three months ended March 31,	2015		2014	
Net income (loss)				
Net income (loss) for the purpose of basic net income (loss) per share – continuing operations	\$	(14,763)	\$	10,670
Net loss for the purpose of basic net loss per share – discontinued operations		(781)		(1,007)
Net income (loss) for the period	\$	(15,544)	\$	9,663
Weighted average number of shares for the purposes of basic net income (loss) per share (000s)		134,790		109,095
Basic net income (loss) per share – continuing operations	\$	(0.11)	\$	0.10
Basic net loss per share – discontinued operations		(0.01)		(0.01)
Basic net income (loss) per share	\$	(0.12)	\$	0.09

b) Diluted net income (loss) per share

For the three months ended March 31,	2015		2014	
Net income (loss) – continuing operations				
Net income (loss) used to calculate diluted net income (loss) per share – continuing operations	\$	(14,763)	\$	10,670
Weighted average number of shares for the purposes of basic net income (loss) per share (000s)		134,790		109,095
Dilutive effect of share options and RSUs on potential common shares		-		2,298
Weighted average number of shares for the purposes of diluted net income (loss) per share		134,790		111,393
Diluted net income (loss) per share	\$	(0.11)	\$	0.10
Net loss – discontinued operations				
Net loss used to calculate diluted net loss per share – discontinued operations	\$	(781)	\$	(1,007)
Weighted average number of shares for the purposes of diluted net loss per share		134,790		109,095
Diluted net loss per share – discontinued operations	\$	(0.01)	\$	(0.01)

At March 31, 2015, 1,801,875 (December 31, 2014 - 1,801,875) 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 (loss) per share.

17. Supplemental Disclosure of Cash Flow Information

a) Net change in non-cash working capital

For the three months ended March 31,	2015		2014	
Accounts receivable	\$	3,739	\$	(35,715)
Prepays and other current assets		(1,327)		(2,608)
Oil inventory		3,480		3,697
Accounts payable and accrued liabilities		(21,589)		6,235
Depletion related to oil inventory		(2,002)		(1,901)
Net change in non-cash working capital	\$	(17,699)	\$	(30,292)
Operating	\$	(36,379)	\$	(41,948)
Investing		18,680		11,656
Financing		-		-
Net change in non-cash working capital	\$	(17,699)	\$	(30,292)

b) Interest and taxes paid

For the three months ended March 31,	2015		2014	
Cash interest paid	\$	199	\$	56
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 a senior secured credit facility (see note 11 - Long-term debt) which as at March 31, 2015 had a borrowing base in the amount of \$200 million. The credit facility is intended to serve as means to increase liquidity and fund cash needs as they arise. As at March 31, 2015, \$39.5 million (December 31, 2014 - \$35.0 million) was drawn on the credit facility.

The Company has also provided a general security agreement to Export Development Canada ("EDC") in connection with the performance security guarantees that support letters of credit provided to the Colombian National Hydrocarbon Agency ("ANH") related to the exploration work commitments on its Colombian concessions (see note 21 - Commitments).

As at March 31, 2015 the Company's net working capital surplus is \$9.9 million (December 31, 2014 - \$3.3 million), including \$32.6 million in cash. This excludes the undrawn amount available under the credit facility of \$160.5 million (December 31, 2014 - \$140.0 million).

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 and the credit facility. As at March 31, 2015 shareholders' equity was \$648.0 million (December 31, 2014 - \$660.6 million).

19. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized in the consolidated balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, the liability portion of the Debentures, and the long-term debt. 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.

a) Credit risk

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

The Company for the three months ended March 31, 2015 had the majority of its oil sales to 14 counterparties. Accounts receivable balance as at March 31, 2015 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At March 31, 2015 there are \$3.0 million of accounts receivable past due, all of which are considered collectible (December 31, 2014 - \$0.5 million).

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions,

estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The Company's credit facility at March 31, 2015 was drawn by \$39.5 million; the undrawn amount was \$160.5 million.

The following are the contractual maturities of financial liabilities at March 31, 2015:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 104,093	-	-	-	\$ 104,093
SARs payable	3,931	796	-	-	4,727
Current income and equity tax payable ⁽¹⁾	12,240	-	-	-	12,240
Credit Facility including interest ⁽²⁾	1,185	40,685	-	-	41,870
Total	\$ 121,449	41,481	-	-	\$ 162,930

⁽¹⁾ Net of withholding tax receivable in the amount of \$41.7 million.

⁽²⁾ Balances denominated in Canadian dollars have been translated at the March 31, 2015 exchange rate.

The following are the contractual maturities of financial liabilities at December 31, 2014:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 133,826	-	-	-	\$ 133,826
SARs payable	3,611	639	-	-	4,250
Current income and equity tax payable ⁽¹⁾	7,156	-	-	-	7,156
Credit Facility including interest ⁽²⁾	1,050	36,050	-	-	37,100
Total	\$ 145,643	36,689	-	-	\$ 182,332

⁽¹⁾ Net of withholding tax receivable in the amount of \$35.6 million.

⁽²⁾ Balances denominated in Canadian dollars have been translated at the December 31, 2014 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.

As at March 31, 2015, the Company had outstanding swap contracts which are used to manage its exposure to fluctuations in the price of crude oil.

The following is a summary of the ICE Brent priced crude oil risk management contracts in place at March 31, 2015:

Period Hedged	Reference	Type	Volume bbls/d	Price/bbl
March 1, 2015 to March 31, 2015	ICE Brent	Collar	5,000	\$55.00-\$66.60
March 1, 2015 to March 31, 2015	ICE Brent	Collar	3,000	\$55.00-\$68.00
April 1, 2015 to April 30, 2015	ICE Brent	Collar	5,000	\$55.00-\$68.25
April 1, 2015 to April 30, 2015	ICE Brent	Collar	3,000	\$55.00-\$69.75
April 1, 2015 to April 30, 2015	ICE Brent	Collar	2,000	\$55.00-\$67.00
May 1, 2015 to May 31, 2015	ICE Brent	Collar	5,000	\$55.00-\$68.75

The fair value of the ICE Brent priced crude oil risk management contracts is recorded in the financial statement line item "Derivative financial instruments" in the consolidated balance sheet.

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

For the three months ended March 31,	2015	2014
Realized loss on commodity risk management contracts	\$ -	\$ 1,480
Unrealized gain on commodity risk management contracts	(854)	(1,968)
Total	\$ (854)	\$ (488)

As shown, as at March 31, 2015, Parex had committed to the future sale of 1,037,000 barrels of oil with costless collars of \$55.00 to \$69.75.

The following sensitivity shows the resulting unrealized (gain) loss and impact on income (loss) before tax for the oil hedged contracts if Brent oil price were to increase/decrease by \$10/bbl from the spot rate as at March 31, 2015:

	Brent Price	Impact on Income (Loss) before tax for the three months ended March 31, 2015	
		Increase of 10/bbl	Decrease of 10/bbl
Oil hedged contract total	Period end	\$ 1,326	\$ (3,239)

Subsequent to March 31, 2015 Parex entered into the following ICE Brent priced crude oil risk management contracts:

Period Hedged	Reference	Type	Volume bbls/d	Price/bbl
May 1, 2015 to July 31, 2015	ICE Brent	Collar	5,000	\$55.00-\$65.00
June 1, 2015 to July 31, 2015	ICE Brent	Collar	2,000	\$57.50-\$69.00

d) Foreign currency risk

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

The following is a summary of the foreign currency risk management contracts in place as at March 31, 2015:

Period Hedged	Reference	Type	Amount USD	Price (COP)
September 5, 2014 to April 30, 2015	Colombian Peso	Put	\$15 million	1,850
September 5, 2014 to April 30, 2015	Colombian Peso	Call	\$15 million	2,100

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

For the three months ended March 31,	2015	2014
Unrealized loss on foreign currency risk management contracts	999	3,252
Total	\$ 999	\$ 3,252

The fair value of the foreign currency risk management contracts is recorded in the financial statement line item "Derivative financial instruments" in the consolidated balance sheet.

The Company recorded a \$1.0 million loss on these contracts in the three months ended March 31, 2015 (three months ended March 31, 2014 - \$3.3 million loss) which is recorded in the financial statement line item "Finance expense" in the consolidated statements of comprehensive income (loss). Refer to note 10.

The following sensitivity show the resulting unrealized (gain) loss and impact on income (loss) before tax for the foreign exchange risk management contracts for the respective changes in the period end foreign exchange rates as at March 31, 2015:

Exchange Rate USD/COP	Impact on Income (Loss) before tax for the three months ended year March 31, 2015	
	Increase of 10%	Decrease of 10%
Total	\$ 625	\$ (1,875)

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 effect on income (loss) before tax if the interest expense increased /decreased by 1% as at March 31, 2015:

Interest rate	Impact on Income (Loss) before tax for the three months ended March 31, 2015	
	Increase of 1%	Decrease of 1%
Total	\$ 90	\$ (90)

20. Segmented Information

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

For the three months ended March 31, 2015

	Canada		Colombia		Trinidad & Tobago		Total
Oil sales	\$	-	\$	134,307	\$	-	\$ 134,307
Royalties		-		(10,476)		-	(10,476)
Revenue		-		123,831		-	123,831
Risk management contracts		-		854		-	854
		-		124,685		-	124,685
Expenses							
Production		-		19,579		-	19,579
Transportation		-		42,021		-	42,021
Purchased oil		-		8,565		-	8,565
General and administrative		3,950		5,626		-	9,576
Share-based compensation		2,563		529		-	3,092
Depletion, depreciation and amortization		52		40,120		-	40,172
Foreign exchange (gain) loss		35		87		-	122
		6,600		116,527		-	123,127
Finance income		(104)		(90)		-	(194)
Finance expense		973		5,155		-	6,128
Net finance expense		869		5,065		-	5,934
Net income (loss) before taxes from continuing operations		(7,469)		3,093		-	(4,376)
Current tax expense		-		6,838		-	6,838
Deferred tax expense		-		3,549		-	3,549
Net loss from continuing operations	\$	(7,469)	\$	(7,294)	\$	-	\$ (14,763)
Net loss from discontinued operations		-		-		(781)	(781)
Net loss	\$	(7,469)	\$	(7,294)	\$	(781)	\$ (15,544)
Capital assets (end of period)	\$	564	\$	764,629	\$	-	\$ 765,193
Capital expenditures	\$	38	\$	26,925	\$	-	\$ 26,963
Total assets (end of period)	\$	6,423	\$	1,003,693	\$	-	\$ 1,010,116

For the three months ended March 31, 2014

	Canada		Colombia		Trinidad & Tobago		Total
Oil sales	\$	-	\$	179,794	\$	-	\$ 179,794
Royalties		-		(24,840)		-	(24,840)
Revenue		-		154,954		-	154,954
Risk management contracts		1,088		(600)		-	488
		1,088		154,354		-	155,442
Expenses							
Production		-		16,584		-	16,584
Transportation		-		31,433		-	31,433
Purchased oil		-		1,872		-	1,872
General and administrative		3,412		3,370		-	6,782
Share-based compensation		2,025		2,462		-	4,487
Depletion, depreciation and amortization		78		54,574		-	54,652
Foreign exchange (gain) loss		(3,074)		347		-	(2,727)
		2,441		110,642		-	113,083
Finance income		(6)		(226)		-	(232)
Finance expense		16,488		217		-	16,705
Net finance expense		16,482		(9)		-	16,473
Net income (loss) before taxes from continuing operations		(17,835)		43,721		-	25,886
Current tax expense		-		17,542		-	17,542
Deferred tax recovery		-		(2,326)		-	(2,326)
Net income (loss) from continuing operations	\$	(17,835)	\$	28,505	\$	-	\$ 10,670
Net loss from discontinued operations		-		-		(1,007)	(1,007)
Net income (loss)	\$	(17,835)	\$	28,505	\$	(1,007)	\$ 9,663
Capital assets (end of period)	\$	2,081	\$	586,092	\$	22,378	\$ 610,551
Capital expenditures	\$	6	\$	61,320	\$	79	\$ 61,405
Total assets (end of period)	\$	8,696	\$	844,695	\$	28,915	\$ 882,306

In Colombia the majority of oil sales are with 14 customers in the oil and gas industry and are subject to normal industry credit risks.

21. Commitments

a) Colombia

At March 31, 2015 guarantees in place with ANH are in the form of issued letters of credit totaling \$97.7 million (December 31, 2014 - \$103.4 million) to support the exploration work commitments in respect of the 23 blocks in Colombia.

EDC has provided the Company's bank with performance security guarantees to support approximately 78 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, 2015 in respect of the Colombia blocks are estimated to be as follows:

2015	\$	43,502
2016		122,982
Thereafter		14,303
	\$	180,787

b) Operating leases

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

The existing minimum lease payments for office space and accommodations at March 31, 2015 are as follows:

		Total	2015	2016	2017	2018	2019	Thereafter
Office and accommodations	\$	6,076	1,644	1,461	1,021	1,012	938	-

22. Subsequent Event

On May 5, 2015, the Company completed a bought deal financing for gross proceeds of Cdn\$136.8 million (net Cdn \$131.3 million after commissions) and issued 14.95 million common shares at a price of \$9.15 per common share, which included 1.95 million common shares issued in connection with the full exercise of the underwriter's over allotment option.

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John F. Bechtold

Robert J. Engbloom

Wayne K. Foo

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Paul D. Wright

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President, Chief Executive Officer

David R. Taylor
Executive VP Exploration & Business Development

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ABBREVIATIONS

Oil and Natural Gas Liquids

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

Other

WTI	West Texas Intermediate
Brent	Brent Ice

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