

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE	March 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 369,756	\$ 330,564
Accounts receivable	5	78,294	80,166
Prepays and other current assets		15,471	13,457
Current income tax receivable		4,968	16,534
Crude oil inventory	6	3,255	1,915
		471,744	442,636
Deferred tax asset		13,136	42,729
Goodwill		73,452	73,452
Exploration and evaluation	7	80,594	79,365
Property, plant and equipment	8	911,515	902,899
		\$ 1,550,441	\$ 1,541,081
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 124,901	\$ 115,427
Current portion of decommissioning and environmental liabilities	12	5,157	7,054
		130,058	122,481
Lease obligation	9	1,670	1,820
Cash settled share-based compensation liabilities	14	9,162	11,843
Decommissioning and environmental liabilities	12	40,175	44,057
Deferred tax liability		30,508	20,402
		211,573	200,603
Shareholders' equity			
Share capital	13	764,886	763,372
Contributed surplus		35,150	43,228
Retained earnings		538,832	533,878
		1,338,868	1,340,478
		\$ 1,550,441	\$ 1,541,081

Commitments (note 20)

See accompanying Notes to the Consolidated Interim Financial Statements

Approved by the Board:

 "signed"
 Paul Wright
 Director

 "signed"
 Bob MacDougall
 Director

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(thousands of United States dollars, except per share amounts)	NOTE	For the three months ended March 31,	
		2021	2020
Oil and natural gas sales	10	\$ 222,058	\$ 193,618
Royalties		(25,571)	(22,217)
Revenue		196,487	171,401
Expenses			
Production		24,416	25,062
Transportation		14,438	20,336
Purchased oil		2,583	10,241
General and administrative		8,848	9,099
Impairment of property, plant and equipment assets	8	—	7,000
Equity settled share-based compensation expense	13	898	1,156
Cash settled share-based compensation expense (recovery)	14	9,504	(9,291)
Depletion, depreciation and amortization	8	29,161	29,669
Foreign exchange (gain)		(4,235)	(16,148)
		85,613	77,124
Finance (income)	11	(213)	(922)
Finance expense	11	1,653	4,177
Net finance expense		1,440	3,255
Income before income taxes		109,434	91,022
Income tax expense			
Current tax expense		22,276	10,099
Deferred tax expense		39,698	84,702
		61,974	94,801
Net income (loss) and comprehensive income (loss) for the period		\$ 47,460	\$ (3,779)
Basic net income (loss) per common share	15	\$ 0.37	\$ (0.03)
Diluted net income (loss) per common share	15	\$ 0.36	\$ (0.03)

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Changes in Equity (unaudited)

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

	2021	2020
Share capital		
Balance, beginning of period	\$ 763,372	\$ 812,684
Issuance of common shares under share-based compensation plans	19,116	4,066
Repurchase of shares	(17,602)	(17,697)
Balance, end of period	764,886	799,053
Contributed surplus		
Balance, beginning of period	43,228	48,573
Share-based compensation	898	1,156
Options and RSUs exercised	(8,976)	(1,867)
Balance, end of period	35,150	47,862
Retained earnings		
Balance, beginning of period	533,878	541,188
Net income (loss) for the period	47,460	(3,779)
Repurchase of shares	(42,506)	(33,265)
Balance, end of period	538,832	504,144
	\$ 1,338,868	\$ 1,351,059

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Cash Flows (unaudited)

(thousands of United States dollars)	For the three months ended March 31,		
	NOTE	2021	2020
Operating activities			
Net income (loss)		\$ 47,460	\$ (3,779)
Add (deduct) non-cash items			
Depletion, depreciation and amortization	8	29,161	29,669
Non-cash finance expense	11	718	3,513
Equity settled share-based compensation expense	13	898	1,156
Cash settled share-based compensation expense (recovery)	14	9,504	(9,291)
Deferred tax expense		39,698	84,702
Impairment of property, plant and equipment assets	8	—	7,000
Unrealized foreign exchange (gain)		(2,826)	(15,561)
Loss (gain) on settlement of decommissioning liabilities	12	356	(96)
Net change in non-cash working capital	16	3,173	57,986
Cash provided by operating activities		128,142	155,299
Investing activities			
Property, plant and equipment expenditures	8	(38,515)	(63,819)
Exploration and evaluation expenditures	7	(1,077)	(7,447)
Net change in non-cash working capital	16	3,125	(18,182)
Cash (used in) investing activities		(36,467)	(89,448)
Financing activities			
Issuance of common shares under equity-settled plans	13	10,140	2,199
Common shares repurchased	13	(60,108)	(50,962)
Payments on lease obligation	9	(243)	(212)
Net change in non-cash working capital	16	—	(2,046)
Cash (used in) financing activities		(50,211)	(51,021)
Increase in cash for the period		41,464	14,830
Impact of foreign exchange on foreign currency-denominated cash balances		(2,272)	(14,245)
Cash, beginning of period		330,564	396,839
Cash, end of period		\$ 369,756	\$ 397,424

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

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended March 31, 2021

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

1. Corporate Information

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

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

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 5, 2021.

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, 2021 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, 2020, 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 5, 2021, 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 consolidated financial statements requires that management make estimates and use judgment (including those affected by and related to the future effects of the COVID-19 pandemic) regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the 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 consolidated financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2020.

3. Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2020.

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, 2020 consolidated financial statements for details concerning determination of fair values.

5. Accounts Receivable

	March 31, 2021	December 31, 2020
Trade receivables	\$ 78,186	\$ 80,166
Value added taxes (VAT)	108	—
	\$ 78,294	\$ 80,166

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is \$0.1 million as at March 31, 2021 (December 31, 2020 - \$nil) and is recoverable within one year. All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Crude Oil Inventory

	March 31, 2021	December 31, 2020
Crude oil inventory	\$ 3,255	\$ 1,915

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

7. Exploration and Evaluation Assets

Cost	
Balance at December 31, 2019	\$ 142,916
Additions	24,349
Transfers to PP&E	(82,110)
Changes in decommissioning liability	376
Exploration and evaluation impairment	(6,166)
Balance at December 31, 2020	\$ 79,365
Additions	1,077
Changes in decommissioning liability	152
Balance at March 31, 2021	\$ 80,594

Exploration and Evaluation ("E&E") assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. Additions of \$1.1 million for the three months ended March 31, 2021 represent the Company's share of costs incurred on E&E assets during the period.

There were no indicators of exploration and evaluation impairment in the period ended March 31, 2021.

At March 31, 2021 and December 31, 2020 the Company did not have any E&E assets in Canada.

8. Property, Plant and Equipment

	Canada	Colombia	Total
Cost			
Balance at December 31, 2019	\$ 6,215	\$ 2,235,791	\$ 2,242,006
Additions	145	116,770	116,915
Right-of-use-asset addition (non-cash)	1,805	—	1,805
Transfers from E&E assets	—	82,110	82,110
Changes in decommissioning and environmental liability	—	229	229
Balance at December 31, 2020	\$ 8,165	\$ 2,434,900	\$ 2,443,065
Additions	63	38,452	38,515
Changes in decommissioning and environmental liability	—	(431)	(431)
Balance at March 31, 2021	\$ 8,228	\$ 2,472,921	\$ 2,481,149

Accumulated Depreciation, Depletion and Amortization

Balance at December 31, 2019	\$ 4,581	\$ 1,414,342	\$ 1,418,923
Depletion and depreciation for the year	110	112,889	112,999
Depreciation - Right of Use Asset	759	—	759
DD&A included in crude oil inventory costing	—	485	485
Property, plant and equipment impairment	—	7,000	7,000
Balance at December 31, 2020	\$ 5,450	\$ 1,534,716	\$ 1,540,166
Depletion and depreciation for the period	32	28,966	28,998
Depreciation - Right of Use Asset	163	—	163
DD&A included in crude oil inventory costing	—	307	307
Balance at March 31, 2021	\$ 5,645	\$ 1,563,989	\$ 1,569,634

Net book value:

As at December 31, 2019	\$ 1,634	\$ 821,449	\$ 823,083
As at December 31, 2020	\$ 2,715	\$ 900,184	\$ 902,899
As at March 31, 2021	\$ 2,583	\$ 908,932	\$ 911,515

In the three months ended March 31, 2021 property, plant and equipment ("PPE") additions of \$38.5 million mainly relate to drilling costs in Colombia at Block LLA-34, LLA-32 and Boranda block and facility costs at Block LLA-34.

For the three months ended March 31, 2021 future development costs of \$396.1 million (three months ended March 31, 2020 - \$394.2 million) were included in the depletion calculation for development and production assets. For the three months ended March 31, 2021 \$2.6 million of general and administrative costs (three months ended March 31, 2020 - \$2.1 million) have been capitalized in respect of development and production activities during the current period.

At March 31, 2021 there were no indicators of impairment noted, or indicators requiring a reversal of previously recorded impairments.

9. Lease Obligation

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

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 2,570	\$ 1,637
Interest expense	2	54
Lease payments	(245)	(926)
Modifications	—	1,805
Balance, end of period	2,327	2,570
Current portion of lease obligations	(657)	(750)
Non-current portion of lease obligations	\$ 1,670	\$ 1,820

The consolidated statements of comprehensive income for the three months ended March 31, 2021 includes expenses related to leases as follows: \$2 thousand (three months ended March 31, 2020 - \$20 thousand) of interest expense related to the lease obligation, \$0.2 million (three months ended March 31, 2020 - \$0.1 million) of depreciation for right-of-use assets, \$0.1 million (three months ended March 31, 2020 - \$0.2 million) of non-lease components associated with the office lease obligation and \$0.3 million (three months ended March 31, 2020 - \$0.3 million) related to short-term and low value leases.

Total cash outflows related to the office lease obligation were \$0.6 million for the three months ended March 31, 2021 (three months ended March 31, 2020 - \$0.7 million).

10. Revenue

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

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

	For the three months ended March 31,	
	2021	2020
Crude oil	\$ 216,407	\$ 189,644
Natural gas	5,651	3,974
Oil and natural gas sales	\$ 222,058	\$ 193,618

At March 31, 2021, receivables from contracts with customers, which are included in accounts receivable, were \$78.2 million (December 31, 2020 - \$80.2 million).

11. Net Finance Expense

	For the three months ended March 31,	
	2021	2020
Bank charges and credit facility fees	\$ 577	\$ 740
Accretion on decommissioning and environmental liabilities	946	1,093
Interest and other income	(213)	(922)
Right of use asset interest	2	20
Loss (gain) on settlement of decommissioning liabilities	356	(96)
Expected credit loss (recovery) provision	(228)	1,343
Other	—	1,077
Net finance expense	\$ 1,440	\$ 3,255

	For the three months ended March 31,	
	2021	2020
Non-cash finance expense	\$ 1,074	\$ 3,417
Cash finance expense (income)	366	(162)
Net finance expense	\$ 1,440	\$ 3,255

12. Decommissioning and Environmental Liabilities

	Decommissioning		Environmental		Total
Balance, December 31, 2019	\$	37,244	\$	14,691	\$ 51,935
Additions		2,554		480	3,034
Settlements of obligations during the year		(3,560)		(1,070)	(4,630)
Loss on settlement of obligations		803		—	803
Accretion expense		2,286		1,839	4,125
Change in estimate - inflation and discount rates		360		(2,062)	(1,702)
Change in estimate - costs		(441)		(286)	(727)
Foreign exchange (gain)		(1,036)		(691)	(1,727)
Balance, December 31, 2020	\$	38,210	\$	12,901	\$ 51,111
Additions		503		6	509
Settlements of obligations during the period		(1,889)		(7)	(1,896)
Loss on settlement of obligations		356		—	356
Accretion expense		469		477	946
Change in estimate - inflation and discount rates		(2,237)		1,449	(788)
Foreign exchange (gain)		(3,136)		(1,770)	(4,906)
Balance, March 31, 2021	\$	32,276	\$	13,056	\$ 45,332
Current obligation		(1,739)		(3,418)	(5,157)
Long-term obligation	\$	30,537	\$	9,638	\$ 40,175

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, 2021, 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 \$61.1 million as at March 31, 2021 (December 31, 2020 – \$60.4 million) with the majority of these costs anticipated to occur in 2033 or later. A risk-free discount rate of 7% and an inflation rate of 2.7% were used in the valuation of the liabilities (December 31, 2020 – 5.25% risk-free discount rate and a 2% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is \$1.7 million (December 31, 2020 – \$3.6 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately \$21.4 million as at March 31, 2021 (December 31, 2020 – \$20.5 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 7% and an inflation rate of 2.7% were used in the valuation of the liabilities (December 31, 2020 – 5.25% risk-free discount rate and a 2% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is \$3.4 million (December 31, 2020 – \$3.4 million) that is classified as a current obligation.

13. Share Capital

a) Issued and outstanding common shares

	Number of shares	Amount
Balance, December 31, 2019	143,295,054	\$ 812,684
Issued for cash – exercise of options and RSUs	1,429,616	5,990
Allocation of contributed surplus – exercise of options, RSUs and PSUs	—	9,580
Repurchase of shares	(13,851,994)	(64,882)
Balance, December 31, 2020	130,872,676	\$ 763,372
Issued for Cash - exercise of options and RSUs	1,217,657	10,140
Allocation of contributed surplus – exercise of options and RSUs	—	8,976
Repurchase of shares	(3,501,685)	(17,602)
Balance, March 31, 2021	128,588,648	\$ 764,886

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

In the three months ended March 31, 2021, a total of 1,217,657 options and RSUs were exercised for proceeds of \$10.1 million (year ended December 31, 2020 - 1,429,616 options, RSUs and PSUs were exercised for proceeds of \$6.0 million). Also In the three months ended March 31, 2021, the Company repurchased 3,501,685 common shares pursuant to its Normal Course Issuer Bid at a cost of \$60.1 million (average cost per share of Cdn\$21.11).

For the year ended December 31, 2020, the Company repurchased 13,851,994 common shares pursuant to its Normal Course Issuer Bid at a cost of \$171.5 million (average cost per share of Cdn\$16.62). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

b) Stock options

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

	Number of stock options	Weighted average exercise price Cdn\$/option
Balance, December 31, 2019	2,465,743	15.42
Granted	265,788	21.83
Exercised	(624,270)	12.62
Forfeited	(44,800)	11.75
Balance, December 31, 2020	2,062,461	17.17
Granted	197,470	21.68
Exercised	(812,828)	15.80
Balance, March 31, 2021	1,447,103	18.56

Stock options outstanding and the weighted average remaining life of the stock options at March 31, 2021 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
\$14.75 - \$15.84	276,007	0.67	\$ 15.59	276,007	0.67	\$ 15.59
\$15.85 - \$17.13	316,102	0.94	\$ 16.02	316,102	0.94	\$ 16.02
\$17.14 - \$19.81	348,540	2.41	\$ 18.63	283,610	2.27	\$ 18.62
\$19.82 - \$21.92	297,675	4.38	\$ 21.39	35,832	3.52	\$ 20.93
\$21.93 - \$22.64	208,779	3.90	\$ 22.19	66,961	3.87	\$ 22.18
	1,447,103	2.38	\$ 18.56	978,512	1.55	\$ 17.25

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,	2021	2020
Risk-free interest rate (%)	0.38	1.33
Expected life (years)	4	4
Expected volatility (%)	47	37
Forfeiture rate (%)	3	3
Expected dividends	—	—

The weighted average fair value at the grant date for the three months ended March 31, 2021 was Cdn\$7.92 per option (three months ended March 31, 2020 - Cdn\$6.69 per option). The weighted average share price on the exercise date for options exercised in the three months ended March 31, 2021 was Cdn\$22.07 (three months ended March 31, 2020 - Cdn\$23.74).

c) Restricted and performance share units

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

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

	Number of RSU's	Weighted average exercise price Cdn\$/RSU
Balance, December 31, 2019	1,663,318	0.01
Exercised	(600,416)	0.01
Cancelled/Forfeited/Expired	(37,543)	0.01
Balance, December 31, 2020	1,025,359	0.01
Exercised	(404,829)	0.01
Balance, March 31, 2021	620,530	0.01

RSUs outstanding and the weighted average remaining life of the RSUs at March 31, 2021 are as follows:

RSUs outstanding			RSUs vested	
Exercise price Cdn\$	Number of RSUs	Weighted average remaining life (years)	Number of RSUs	Weighted average remaining life (years)
0.01	620,530	1.28	613,730	1.27

The fair value of each RSU granted is based on the market price of Parex shares on the date of issuance. For the three months ended March 31, 2021 a weighted average forfeiture rate of 3% was applied (three months ended March 31, 2020 - 3%).

Pursuant to the restricted share unit plan, the Company has granted performance share units to certain employees. The performance share units vest three years after the grant date and expire one month after the vesting date. PSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to PSUs eligible to vest at the end of the performance period. In March 2021 the board of directors approved a multiplier of 1.97X be applied to the 2018 PSU grant resulting in 210,490 PSU's issued (March 2020 the board of directors approved a multiplier of 1.98X be applied to the 2017 PSU grant resulting in 101,430 PSU's issued).

	Number of PSU's	Weighted average exercise price Cdn\$/PSU
Balance, December 31, 2019	320,500	0.01
Granted by performance factor	101,430	0.01
Exercised	(204,930)	0.01
Balance, December 31, 2020	217,000	0.01
Granted by performance factor	210,490	0.01
Balance, March 31, 2021	427,490	0.01

The fair value of each PSU granted is based on the share price at which the common shares of the Company traded for on the grant date. The weighted average fair value at the grant date for three months ended March 31, 2021 was Cdn\$22.41 per PSU (three months ended March 31, 2020 - Cdn\$16.01 per PSU).

d) Equity settled share-based compensation

	For the three months ended March 31,	
	2021	2020
Option expense	\$ 320	\$ 302
Restricted and performance share units expense	578	854
Total equity settled share-based compensation expense	\$ 898	\$ 1,156

14. Cash Settled Share-Based Compensation Plans

a) Share appreciation rights ("SARs")

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

	Number of SARs	Weighted average exercise price Cdn\$/SAR
Balance, December 31, 2019	568,772	14.80
Exercised	(224,711)	13.33
Forfeited	(5,771)	11.22
Balance, December 31, 2020	338,290	15.84
Exercised	(121,555)	15.86
Balance, March 31, 2021	216,735	15.82

As at March 31, 2021, 425,448 SARs were vested (December 31, 2020 - 338,290).

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,	2021	2020
Risk-free interest rate (%)	0.22	1.10
Expected life (years)	0.9	0.6
Expected volatility (%)	47	46
Share price (\$/Cdn)	22.41	11.90
Expected dividends	—	—

As at March 31, 2021, the total SARs liability accrued is \$1.2 million (December 31, 2020 - \$1.2 million) all of which is classified as current in accordance with the three-year vesting period.

b) Deferred share units ("DSUs")

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

	Number of DSU's
Balance, December 31, 2019	245,785
Granted	35,320
Exercised on board retirement	(63,960)
Balance, December 31, 2020	217,145
Balance, March 31, 2021	217,145

The fair value at the grant date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the grant date. There were no DSUs granted during the three months ended March 31, 2021 and 2020.

Given the DSUs vest immediately, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately based on the fair value of the DSU. As at March 31, 2021, the total DSUs liability accrued is \$3.9 million (December 31, 2020 - \$3.0 million) all of which is classified as long-term in accordance with the terms of the DSU plan.

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

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

	Number of CRSUs
Balance, December 31, 2019	991,670
Granted	381,278
Exercised	(476,705)
Forfeited	(20,542)
Balance, December 31, 2020	875,701
Granted	357,530
Exercised	(410,527)
Forfeited	(7,109)
Balance, March 31, 2021	815,595

The weighted average fair value at the grant date for three months ended March 31, 2021 was Cdn\$21.88 per CRSU (three months ended March 31, 2020 Cdn\$21.75 per CRSU).

Obligations for payments of cash under the CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at March 31, 2021, the total CRSUs liability accrued is \$5.1 million (December 31, 2020 - \$8.2 million) of which \$1.3 million (December 31, 2020 - \$2.6 million) is classified as long-term in accordance with the three-year vesting period.

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

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

CosRSU:

	Number of CosRSUs
Balance, December 31, 2019	649,185
Granted	618,649
Exercised	(221,813)
Balance, December 31, 2020	1,046,021
Granted	546,701
Exercised	(330,452)
Forfeited	(3,760)
Balance, March 31, 2021	1,258,510

CosPSU:

	Number of CosPSUs
Balance, December 31, 2019	222,100
Granted	211,600
Balance, December 31, 2020	433,700
Granted	276,865
Balance, March 31, 2021	710,565

As at March 31, 2021, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the three months ended March 31, 2021 was Cdn\$21.90 per CosRSU and CosPSU (three months ended March 31, 2020 Cdn\$21.72 per CosRSU and CosPSU.)

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of RSUs and PSUs. The fair value of CosRSUs and CosPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at March 31, 2021, the total CosRSUs and CosPSUs liability accrued is \$12.2 million (December 31, 2020 - \$11.3 million) of which \$4.0 million (December 31, 2020 - \$6.3 million) is classified as long-term in accordance with the three-year vesting period.

e) Cash settled share-based compensation

	For the three months ended March 31,	
	2021	2020
SARs expense (recovery)	\$ 467	\$ (2,858)
DSUs expense (recovery)	882	(2,434)
CRSUs expense (recovery)	1,615	(2,659)
CosRSUs and CosPSUs expense (recovery)	6,540	(1,340)
Total cash settled share-based compensation expense (recovery)	\$ 9,504	\$ (9,291)
Cash payments made upon exercise in the period	\$ 12,585	\$ 8,330

15. Net Income (Loss) per Share

a) Basic net income (loss) per share

	For the three months ended March 31,	
	2021	2020
Net income (loss)		
Net income (loss) for the purpose of basic net income (loss) per share	\$ 47,460	\$ (3,779)
Weighted average number of shares for the purposes of basic net income (loss) per share (000s)	129,715	141,805
Basic net income (loss) per share	\$ 0.37	\$ (0.03)

b) Diluted net income (loss) per share

	For the three months ended March 31,	
	2021	2020
Net income (loss)		
Net income (loss) used to calculate diluted net income (loss) per share	\$ 47,460	\$ (3,779)
Weighted average number of shares for the purposes of basic net income (loss) per share (000s)	129,715	141,805
Dilutive effect of stock options, RSUs and PSUs on potential common shares	1,141	—
Weighted average number of shares for the purposes of diluted net income (loss) per share (000s)	130,856	141,805
Diluted net income (loss) per share	\$ 0.36	\$ (0.03)

For the three months ended March 31, 2021, 476,009 stock options (three months ended March 31, 2020 - 2,685,034) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

16. Supplemental Disclosure of Cash Flow Information

a) Net change in non-cash working capital

	For the three months ended March 31,	
	2021	2020
Accounts receivable	\$ 1,872	\$ 57,685
Prepays and other current assets	(2,014)	(3,541)
Oil inventory	(1,340)	(4,683)
Accounts payable and accrued liabilities	9,369	(12,628)
Depletion related to oil inventory	307	1,386
Decommissioning and environmental liabilities	(1,896)	(461)
Net change in non-cash working capital	\$ 6,298	\$ 37,758
Operating	\$ 3,173	\$ 57,986
Investing	3,125	(18,182)
Financing	—	(2,046)
Net change in non-cash working capital	\$ 6,298	\$ 37,758

b) Interest and taxes paid

	For the three months ended March 31,	
	2021	2020
Cash interest paid	\$ —	\$ —
Cash income taxes paid	\$ —	\$ 8,944

17. Capital Management

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

Parex has a senior secured credit facility which as at March 31, 2021 had a borrowing base in the amount of \$200.0 million (December 31, 2020 - \$200.0 million). The credit facility is intended to serve as a means to increase liquidity and fund cash needs as they arise. As at March 31, 2021, \$nil (December 31, 2020 - \$nil) was drawn on the credit facility.

The Company has also provided a general security agreement to Export Development Canada ("EDC") in connection with the performance security guarantees that support letters of credit provided to the Colombian National Hydrocarbon Agency ("ANH") related to the exploration work commitments on its Colombian concessions (see note 20 - Commitments). This performance guarantee facility has a limit of \$150.0 million (December 31, 2020 - limit of \$150.0 million) of which \$15.7 million (December 31, 2020 - \$21.9 million) is utilized at March 31, 2021. At March 31, 2021, there is an additional \$25.9 million (December 31, 2020 - \$24.5 million) of letters of credit that are provided by a Latin American bank on an unsecured basis.

As at March 31, 2021, the Company's net working capital surplus was \$341.7 million (December 31, 2020 - \$320.2 million), of which \$369.8 million is cash.

Parex has the ability to adjust its capital structure by drawing on its existing secured credit facility and making adjustments to its capital expenditure and share buy-back programs to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity and the credit facility. As at March 31, 2021 shareholders' equity was \$1,338.9 million (December 31, 2020 - \$1,340.5 million).

18. Financial Instruments and Risk Management

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

a) Credit risk

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

The Company for the three months ended March 31, 2021 had the majority of its oil sales to 10 counterparties. The accounts receivable balance as at March 31, 2021 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, 2021, there were no accounts receivable past due (December 31, 2020 - \$nil).

None of the Company's receivables are impaired at March 31, 2021. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's \$200.0 million credit facility at March 31, 2021 was \$nil.

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

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 111,062	—	—	—	\$ 111,062
Lease obligation	657	1,670	—	—	2,327
Cash settled equity plans payable	13,182	9,162	—	—	22,344
Total	\$ 124,901	10,832	—	—	\$ 135,733

The following are the contractual maturities of financial liabilities at December 31, 2020:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 102,815	—	—	—	\$ 102,815
Lease obligation	750	1,820	—	—	2,570
Cash settled equity plans payable	11,862	11,843	—	—	23,705
Total	\$ 115,427	13,663	—	—	\$ 129,090

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, 2021, the Company had no outstanding commodity price risk management contracts.

d) Foreign currency risk

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

As at March 31, 2021, the Company had no outstanding foreign currency risk management contracts.

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

	For the three months ended March 31,	
	2021	2020
Unrealized loss on foreign currency risk management contracts	\$ —	\$ 508
Total	\$ —	\$ 508

The Company recorded a \$0.5 million unrealized loss on these contracts in the three months ended March 31, 2020 which is recorded in the financial statement line item "Foreign exchange (gain)".

19. Segmented Information

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

For the three months ended March 31, 2021 (unaudited)	Canada		Colombia		Total
Oil and natural gas sales	\$	—	\$	222,058	\$ 222,058
Royalties		—		(25,571)	(25,571)
Revenue		—		196,487	196,487
Expenses					
Production		—		24,416	24,416
Transportation		—		14,438	14,438
Purchased oil		—		2,583	2,583
General and administrative		5,841		3,007	8,848
Equity settled share-based compensation expense		898		—	898
Cash settled share-based compensation expense		7,421		2,083	9,504
Depletion, depreciation and amortization		195		28,966	29,161
Foreign exchange (gain) loss		30		(4,265)	(4,235)
		14,385		71,228	85,613
Finance (income)		(69)		(144)	(213)
Finance expense		285		1,368	1,653
Net finance expense		216		1,224	1,440
Income (loss) before taxes		(14,601)		124,035	109,434
Current tax expense		—		22,276	22,276
Deferred tax expense		(1,272)		40,970	39,698
Net income (loss)	\$	(13,329)	\$	60,789	\$ 47,460
Capital assets (end of period)	\$	2,583	\$	989,526	\$ 992,109
Capital expenditures	\$	63	\$	39,529	\$ 39,592
Total assets (end of period)	\$	115,999	\$	1,434,442	\$ 1,550,441
For the three months ended March 31, 2020 (unaudited)					
Oil and natural gas sales	\$	—	\$	193,618	\$ 193,618
Royalties		—		(22,217)	(22,217)
Revenue		—		171,401	171,401
Expenses					
Production		—		25,062	25,062
Transportation		—		20,336	20,336
Purchased oil		—		10,241	10,241
General and administrative		4,706		4,393	9,099
Impairment of property, plant and equipment assets		—		7,000	7,000
Equity settled share-based compensation expense		1,156		—	1,156
Cash settled share-based compensation expense recovery		(3,775)		(5,516)	(9,291)
Depletion, depreciation and amortization		217		29,452	29,669
Foreign exchange (gain) loss		2,981		(19,129)	(16,148)
		5,285		71,839	77,124
Finance (income)		(284)		(638)	(922)
Finance expense		250		3,927	4,177
Net finance expense (income)		(34)		3,289	3,255
Income (loss) before taxes		(5,251)		96,273	91,022
Current tax expense		2		10,097	10,099
Deferred tax expense		522		84,180	84,702
Net (loss) income	\$	(5,775)	\$	1,996	\$ (3,779)
Capital assets (end of period)	\$	1,451	\$	994,833	\$ 996,284
Capital expenditures	\$	64	\$	71,202	\$ 71,266
Total assets (end of period)	\$	170,451	\$	1,439,890	\$ 1,610,341

In Colombia the majority of oil sales are with ten customers in the oil and gas industry and are subject to normal industry credit risks for both periods ending March 31, 2021 and 2020.

20. Commitments

a) Colombia

At March 31, 2021, performance guarantees are in place with the Colombian National Hydrocarbon Agency ("ANH") for certain blocks. The guarantees are in the form of issued letters of credit totaling \$41.6 million (December 31, 2020 - \$46.4 million) to support the exploration work commitments in respect of the 24 blocks in Colombia.

At March 31, 2021, Export Development Canada ("EDC") has provided the Company's bank with performance security guarantees to support approximately \$15.7 million (December 31, 2020 - \$21.9 million) 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. At March 31, 2021, there is an additional \$25.9 million (December 31, 2020 - \$24.5 million) of letters of credit that are provided by a Latin American bank on an unsecured basis. The letters of credit issued to the ANH are reduced from time to time to reflect completed work on an ongoing basis.

The value of the Company's exploration commitments as at March 31, 2021 in respect of the Colombia work commitments are estimated to be as follows:

2021	\$	36,508
2022		8,925
2023		39,205
Thereafter		89,091
	\$	173,729

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, 2021 are as follows:

		Total	2021	2022	2023	2024	Thereafter
Office and accommodations	\$	6,825	1,969	1,703	1,633	1,520	—

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or "the Company") for the period ended March 31, 2021 is dated May 5, 2021 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended March 31, 2021, as well as the Company's audited consolidated annual financial statements for the year ended December 31, 2020. 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 3, 2021 ("AIF"), and may be accessed through the SEDAR website at www.sedar.com.

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

Company Profile

Parex is 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. 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 the Advisory on Forward-Looking Statements and Non-GAAP Terms used.

Three months ended March 31, 2021 ("first quarter or Q1") Highlights

- Quarterly average production was 46,779 boe/d (96% crude oil), an increase of approximately 3% on a per basic share basis over the previous quarter ended December 31, 2020. Production decreased 6% on a per basic share basis over the prior year comparative period as a result of the Company reducing capital investment in the low oil price pandemic environment of 2020. Refer to "Consolidated Results of Operations" for production split by product type;
- Recognized net income of \$47.5 million (\$0.37 per share basic) compared to net income of \$56.2 million (\$0.42 per share basic) in the previous quarter ended December 31, 2020 and a net loss of \$3.8 million (\$0.03 per share basic) in the comparative quarter of 2020;
- Generated an operating netback of \$37.38/boe (2020 - \$24.41/boe) and funds flow provided by operations ("FFO") netback of \$29.98/boe (2020 - \$20.63/boe) from an average Brent price of \$61.32/bbl (2020 - \$51.05/bbl);
- Funds flow provided by operations were \$125.0 million (\$0.96 per share basic) as compared to funds flow provided by operations of \$97.3 million (\$0.69 per share basic) for the prior year comparative period; FFO increased in the current quarter due to higher global oil prices;
- Capital expenditures were \$39.6 million compared to \$71.3 million in the comparative period of 2020;
- Utilized a portion of free funds flow of \$85.4 million to purchase and cancel 3,501,685 of the Company's common shares for a total cost of \$60.1 million (average price of Cdn\$21.11/share) pursuant to the Company's normal course issuer bid ("NCIB") program;
- Working capital was \$341.7 million at March 31, 2021 compared to \$320.2 million at December 31, 2020 and \$330.4 million at March 31, 2020. The Company has an undrawn syndicated bank credit facility of \$200.0 million; and
- Participated in drilling 9 gross (5.05 net) wells in Colombia resulting in 6 oil wells, 1 disposal well, 1 well under test and 1 well abandoned prior to total depth, for a success rate of 86% compared to drilling 20 gross (13.05 net) wells in the comparative period of 2020.

Financial Summary

	For the three months ended March 31,	
(Financial figures in \$'000s except per share amounts)	2021	2020
Light Crude Oil and Medium Crude Oil (bbl/d)	8,131	8,380
Heavy Crude Oil (bbl/d)	36,948	44,657
Average daily oil production (bbl/d) ⁽¹⁾	45,079	53,037
Average daily conventional natural gas production (mcf/d) ⁽¹⁾	10,200	7,548
Average oil and natural gas production (boe/d)	46,779	54,295
Production split (% crude oil)	96	98
Realized sales price (\$/boe)	52.80	38.47
Operating netback (\$/boe) ⁽²⁾	37.38	24.41
Oil and natural gas sales	222,058	193,618
Funds flow provided by operations ⁽²⁾	124,969	97,313
Per share – basic ⁽²⁾	0.96	0.69
Per share – diluted ⁽²⁾	0.96	0.68
Net income (loss)	47,460	(3,779)
Per share – basic	0.37	(0.03)
Per share – diluted	0.36	(0.03)
Capital expenditures	39,592	71,266
Free funds flow ⁽²⁾	85,377	26,047
Total assets (end of period)	1,550,441	1,610,341
Working capital surplus (end of period) ⁽³⁾	341,686	330,356
Bank debt (end of period) ⁽⁴⁾	—	—
Weighted average shares outstanding (000s)		
Basic	129,715	141,805
Diluted	130,856	143,996
Outstanding shares (end of period) (000s)	128,589	139,801

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

(2) Non-GAAP term. Refer to "Non-GAAP Terms".

(3) Working capital calculation does not take into consideration the undrawn amount available under the Company's syndicated bank credit facility ("credit facility").

(4) Credit facility borrowing base of \$200.0 million as at March 31, 2021.

2021 Corporate Guidance

As per the Company's normal annual disclosure practices, provided below is Parex' corporate guidance for 2021:

	2020 Results	2021 Guidance
Production (average for period)	46,518 boe/d ⁽²⁾	47,000-49,000 boe/d
Total capital expenditures ⁽¹⁾	\$141 million	\$250-\$270 million
Current tax effective rate on FFO at \$65/bbl Brent	—	16-18%
Share buy-back program (shares repurchased)	13.9 million	12.9 million
Outstanding shares (end of period)	131 million	119-120 million

(1) 2021 work program is dependent on ensuring the health and safety of staff and the communities where the Company operates, therefore, planned capital expenditures may only be partially completed.

(2) Consisting of 6,021 bbls/d of light crude oil and medium crude oil, 39,197 bbls/d of heavy crude oil and 7,800 mcf/d of conventional natural gas.

Higher Brent oil prices to date in 2021 and Parex' unhedged oil price exposure are expected to contribute to a significant increase to Parex' 2021 FFO. With higher FFO, an increasing cash position and a debt-free balance sheet, Parex is strategically accelerating assessment of its portfolio of operated assets, through increasing exploration and appraisal activity to provide for a strengthened future development inventory.

The planned 2021 capital expenditures are split between maintenance, development/appraisal and exploration/new growth programs. The mid-point of the 2021 production guidance reflects year-over-year production growth of approximately 3% as compared to 2020 average production. The increased 2021 capital expenditure program, as announced by Parex on April 15, 2021, along with the share buy-back program discussed below, is expected to be fully funded from FFO.

The Company's 2021 priority remains the health and safety of its employees, partners and the communities where we operate. Parex will continue to be responsive to changes in commodity prices by managing its production volumes, capital budget and cash costs, further protecting its balance sheet and shareholder value.

Financial and Operational Results

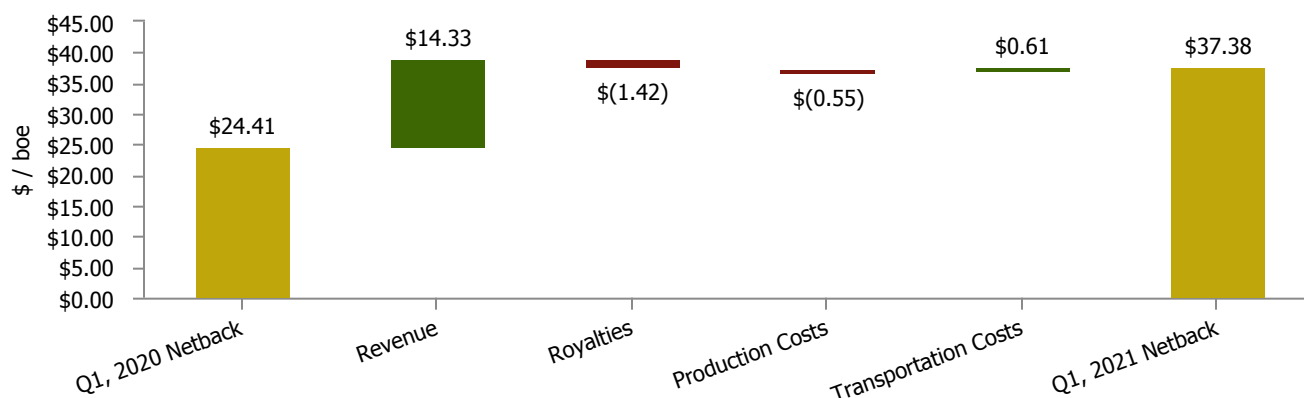
Consolidated Results of Operations

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

	For the three months ended March 31,	
	2021	2020
Average daily production		
Light Crude Oil and Medium Crude Oil (bbl/d)	8,131	8,380
Heavy Crude Oil (bbl/d)	36,948	44,657
Crude oil (bbl/d)	45,079	53,037
Conventional Natural Gas (mcf/d)	10,200	7,548
Total (boe/d)	46,779	54,295
Production split (% crude oil production)	96	98
Average daily sales of oil and natural gas		
Produced crude oil (bbl/d)	44,618	50,589
Purchased crude oil (bbl/d)	409	3,463
Produced natural gas (mcf/d)	10,200	7,548
Total (boe/d)	46,727	55,310
Operating netback (000s) ⁽¹⁾		
Oil and natural gas sales	\$ 222,058	\$ 193,618
Royalties	(25,571)	(22,217)
Net revenue	196,487	171,401
Production expense	(24,416)	(25,062)
Transportation expense	(14,438)	(20,336)
Purchased oil	(2,583)	(10,241)
Operating netback	\$ 155,050	\$ 115,762
Operating netback (per boe) ⁽¹⁾		
Oil and natural gas sales	\$ 52.80	\$ 38.47
Royalties	(6.13)	(4.71)
Net revenue	46.67	33.76
Production expense	(5.86)	(5.31)
Transportation expense	(3.43)	(4.04)
Operating netback	\$ 37.38	\$ 24.41

(1) Refer to "Non-GAAP Terms" for a description and details of the operating netback calculation.

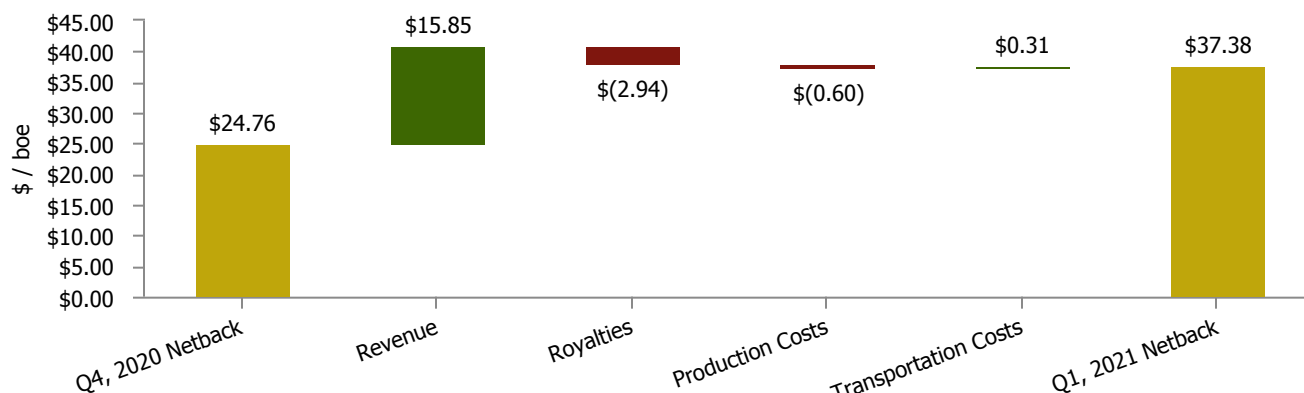
**Change in Operating Netback by Component
Q1/20 vs. Q1/21**



Overall, the Company's benchmark Brent crude oil price increased by \$10.27/bbl, while revenue increased by \$14.33/boe in the first quarter of 2021 as compared to the first quarter of 2020. The increase in revenue relative to the Brent crude benchmark increase is mainly the result of stronger Vasconia crude oil pricing (and thereby a lower differential to Brent oil price) and decreased wellhead oil sales in the quarter as compared to the comparative period. Royalties increased by \$1.42/boe as a result of higher crude oil benchmark prices in the quarter. Production costs increased by \$0.55/boe mainly as a result of increased well workovers in the current quarter on Block LLA-34 and also bringing back production on legacy fields where production costs are higher on a per bbl basis. Transportation costs decreased \$0.61/boe mainly as a result of a change in sales mix as a higher percentage of crude was transported and exported in the prior period vs. sold at the wellhead. Also the tie-in of additional Block LLA-34 volumes to the Oleoductos de Los Llanos ("ODL") pipeline which carries a lower tariff than the cost of truck transport for this particular volume of crude has reduced transportation costs.

Overall, the operating netback increased by \$12.97/boe vs a Brent benchmark crude increase of \$10.27/bbl.

**Change in Operating Netback by Component
Q4/20 vs. Q1/21**



In the first quarter of 2021, the Company's benchmark Brent oil price increased by \$16.06/bbl, while revenue increased by \$15.85/boe. The decrease in revenue relative to the Brent crude oil benchmark increase is mainly a result of increased well head sales in the quarter. Royalties increased by \$2.94/boe as a result of higher crude oil benchmark prices in the quarter. Production costs increased by \$0.60/boe mainly as a result of increased well workovers in the current quarter in Block LLA-34 and bringing back production on legacy fields where production costs are higher. Transportation costs decreased \$0.31/boe mainly due to the tie-in of additional Block LLA-34 volumes to the ODL pipeline which carries a lower tariff than the cost of truck transport for this particular volume of crude.

Overall, the operating netback increased by \$12.62/boe vs a Brent benchmark crude increase of \$16.06/bbl.

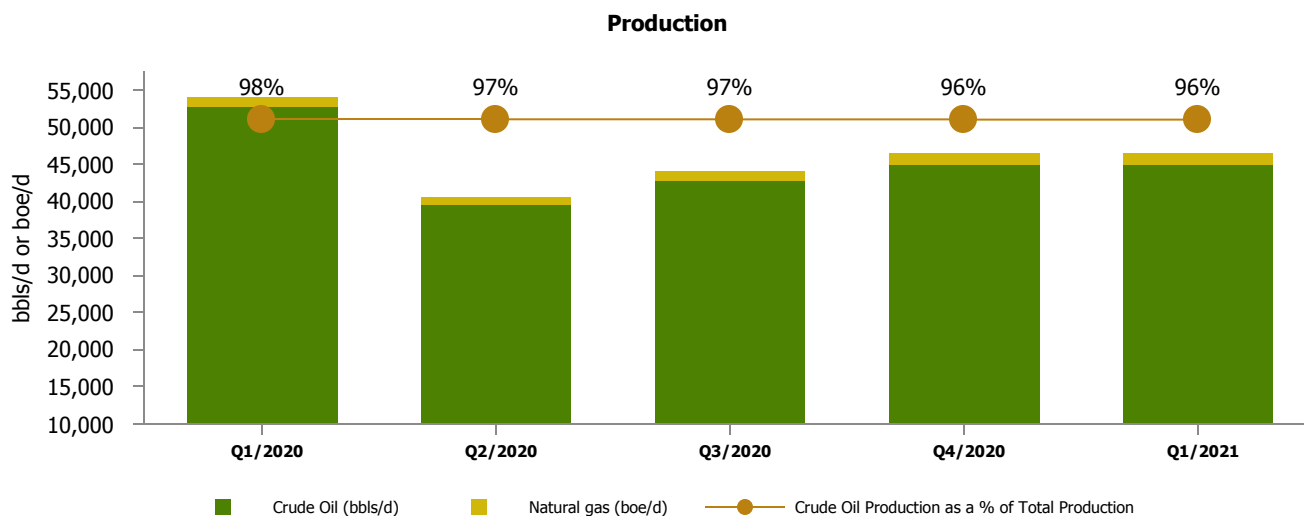
Oil and Natural Gas Sales

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

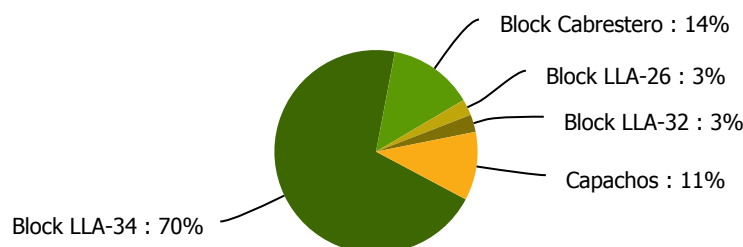
	For the three months ended March 31,	
	2021	2020
Block LLA-34 (Tigana, Jacana and Tua fields)	30,392	39,303
Block Cabrestero (Bacano and Akira fields)	5,853	5,233
Block Capachos (Capachos and Andina fields)	4,719	3,140
Block LLA-26 (Rumba field)	1,107	1,686
Block LLA-32 (Kananaskis, Calona, Carmentea and Azogue fields)	1,206	1,974
Other	1,802	1,701
Total Crude Oil Production	45,079	53,037
Natural gas production	1,700	1,258
Total Crude oil and natural gas production	46,779	54,295
Crude oil inventory (build)	(461)	(2,448)
Average daily sales of produced oil and natural gas	46,318	51,847
Purchased oil	409	3,463
Sales Volumes	46,727	55,310

Oil and natural gas production for the first quarter of 2021 averaged 46,779 boe/d, a decrease of approximately 14% from the comparative first quarter of 2020 and comparable to the fourth quarter of 2020. In the third quarter of 2020 the Company began bringing back additional production from previously shut-in or curtailed fields. Further, in the first quarter of 2021 there was a higher downtime of production on Block LLA-34 which is expected to be reduced to more historic levels for the remainder of 2021. In the second quarter of 2020 production was voluntarily curtailed in response to the significant decline in world oil prices and ongoing uncertainty in market conditions resulting from the COVID-19 pandemic.

Oil and natural gas sales in the first quarter of 2021 were 46,727 boe/d compared to 55,310 boe/d for the first quarter of 2020. The decrease in oil sales was a result of the decrease in oil production and purchased oil purchases/sales over the comparative period.



**Production By Area
(Three Months ended March 31, 2021)**



b) Crude Oil Reference and Realized Prices

	For the three months ended March 31,	
	2021	2020
Reference Prices		
Brent (\$/bbl)	61.32	51.05
Vasconia (\$/bbl)	58.71	45.97
WTI (\$/bbl)	58.13	46.10
Average Realized Prices		
Realized sales price (\$/boe)	52.80	38.47
Realized price (differential) to Brent crude (\$/boe)	(8.52)	(12.58)

During Q1 2021, the differential between Brent reference pricing and the Company's realized sale price was \$8.52/boe. The differential to Brent crude during Q1 2021 increased by \$0.21/boe compared to the fourth quarter of 2020 where the differential was \$8.31/boe (see below).

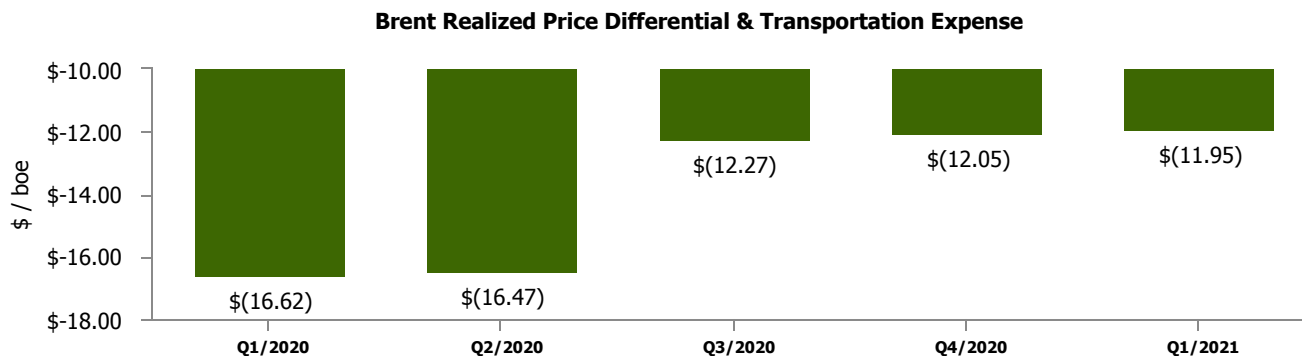
The table below provides a quarter-by-quarter view of Parex' historical oil pricing in Colombia:

Average price for the period	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Brent (\$/bbl)	61.32	45.26	43.34	33.39	51.05
Vasconia (\$/bbl)	58.71	42.69	40.35	26.70	45.97
Brent/Vasconia crude (differential) (\$/bbl)	(2.61)	(2.57)	(2.99)	(6.69)	(5.08)
Parex quality differential (\$/bbl)	(0.20)	(0.15)	(0.35)	(0.44)	(0.18)
Parex wellhead sales discount (\$/bbl)	(5.71)	(5.59)	(6.12)	(7.01)	(7.32)
Parex realized sales price (\$/boe)	52.80	36.95	33.88	19.25	38.47
Parex realized price (differential) to Brent crude (\$/boe)	(8.52)	(8.31)	(9.46)	(14.14)	(12.58)
Parex transportation expense (\$/boe) ⁽¹⁾	(3.43)	(3.74)	(2.81)	(2.33)	(4.04)
Parex price differential and transportation expense (\$/boe)	(11.95)	(12.05)	(12.27)	(16.47)	(16.62)

(1) See Transportation section below. Applies only to direct export cargo sales where Parex incurs the pipeline fees directly.

Differences between Parex' realized price and Vasconia crude price is mainly related to quality adjustments, wellhead sale marketing contracts, and timing of oil sales compared to quarter averages. The differential between Vasconia crude pricing and Brent crude pricing also affects Parex' realized sales price and is set in liquid global markets and therefore attributed to factors that are beyond the Company's control. The significant decrease in global crude oil prices beginning in March 2020 widened the Brent/Vasconia differential to as high as \$10/bbl in April and May 2020. In the first quarter of 2021 the Vasconia differential improved to \$2.61/bbl average vs \$6.69/bbl in Q2 2020. Parex' Colombian oil production is fully exposed to swings in the Vasconia differential to Brent.

Parex realized price differential to Brent and Vasconia crudes can fluctuate period over period due to, among other factors, the type of sales contract and the accounting treatment for oil sold at the wellhead versus a direct export cargo sales contract. Parex' combined transportation costs plus Brent price differential has been trending lower since Q2 2019, except for the period of the COVID-19 pandemic oil price shock in Q1 & Q2 2020. This improvement is primarily the result of an improvement of global heavy crude oil differentials and Colombia's location allowing Parex crude oil access to all the major global crude oil buying markets and recovery in global oil prices. Also having a positive impact on transportation costs is the ODL pipeline tie-in of Block LLA-34 crude which volumes began to be transported through this pipeline tie-in in Q1 2021.



c) Natural Gas Revenue and Realized Prices

	For the three months ended March 31,	
	2021	2020
Revenue (000's)	\$ 5,651	\$ 3,974
Realized sales price (\$/Mcf)	6.16	5.79

Parex natural gas revenues were \$5.7 million for the three months ended March 31, 2021 compared to \$4.0 million in the same period of 2020. The increase in natural gas sales from the prior period is related to increased natural gas volumes sold from Block LLA-32 and the Capachos block. At the Capachos block, Parex completed a gas processing facility and a related natural gas in-field flowline during 2020.

d) Oil and Natural Gas Revenue

First quarter 2021 oil and natural gas revenue increased \$28.4 million or 15% as reconciled in the table below to the first quarter of 2020:

(\$000s)	
Oil and natural gas revenue, three months ended March 31, 2020	\$ 193,618
Sales volume of produced oil, a decrease of 12% (5,971 bopd)	(22,643)
Sales volume of purchased oil, a decrease of 88% (3,054 bopd)	(10,732)
Oil sales price increase of 38%	60,138
Sales volume and price change of produced natural gas	1,677
Oil and natural gas revenue, three months ended March 31, 2021	\$ 222,058

Oil and natural gas revenue increased in the three months ended March 31, 2021 compared to the same period in 2020 mainly due to the increase in world oil prices, partially offset by decreased sales volumes of produced and purchased oil.

e) Crude Oil Inventory in Transit

As at March 31,

(\$000s)		2021	2020
Crude oil in transit	\$	3,255	\$ 5,336

As at March 31, 2021, the Company had 140.9 mbbls of crude oil inventory in transit compared to 250.5 mbbls at March 31, 2020, which was injected into the Colombian pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at approximately \$23/bbl incurred in bringing the crude oil to its existing condition and location.

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

For the periods ended (mbbls)	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020
Crude oil inventory in transit - beginning of the period	99.5	88.0	75.9	250.5
Oil production	4,037.4	4,118.9	3,940.2	3,615.2
Oil sales	(4,032.9)	(4,354.7)	(4,179.9)	(4,073.5)
Purchased oil	36.9	247.3	251.8	283.7
Crude oil inventory in transit - end of the period	140.9	99.5	88.0	75.9
% of period production	3.5	2.4	2.2	2.1

Crude oil inventory build and (draw) from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export. Crude oil inventory as a percentage of quarterly production at March 31, 2021 was 3.5%. Parex expects crude oil inventory in future periods to remain in line with normal historic levels of below 5% of period production.

f) Purchased Oil

	For the three months ended March 31,	
	2021	2020
Purchased oil expense (\$000s)	\$ 2,583	\$ 10,241

Purchased oil expense for the three months ended March 31, 2021 was \$2.6 million compared to \$10.2 million for the 2020 comparative period and \$7.5 million in the fourth quarter of 2020. Purchased oil expense has decreased in the first quarter of 2021 compared to the same period of 2020 as a result of a decrease in oil blending operations and a decrease in purchases of partner crude at certain fields, primarily at the Capachos field. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

Royalties

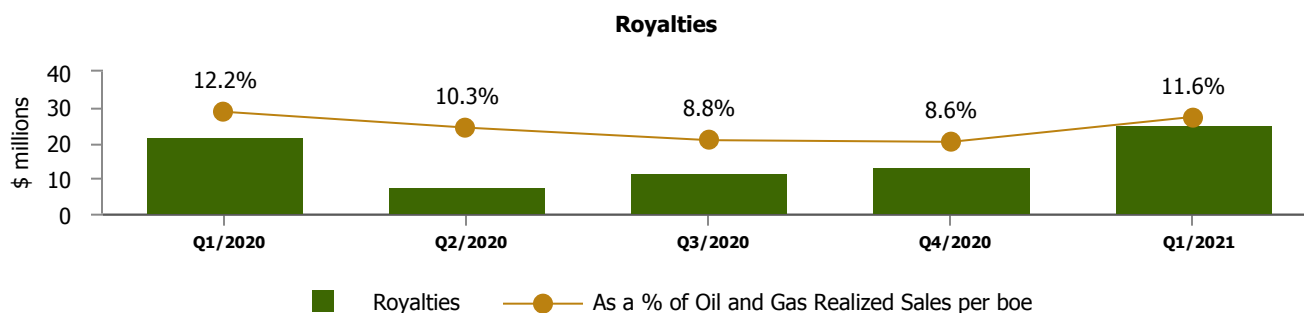
	For the three months ended March 31,	
	2021	2020
Royalties (\$000s)	\$ 25,571	\$ 22,217
Per unit (\$/boe)	6.13	4.71
Percentage of sales ⁽¹⁾	11.6	12.2

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

In the three months ended March 31, 2021 royalties as a percentage of sales were 11.6% compared to 8.6% during the three months ended December 31, 2020, and 12.2% for the 2020 comparative period. The increase in royalties as a percentage of sales in the quarter from the previous quarter ended December 31, 2020 is a result of higher benchmark WTI prices which are used in the high price share royalty ("HPR") calculation. Benchmark WTI price for three months ended March 31, 2021 were \$58.13 compared to \$42.63 during the three months ended December 31, 2020, and \$46.10 for the 2020 comparative period.

The increase in royalty expense to \$25.6 million in the three months ended March 31, 2021 compared to \$22.2 million for the 2020 comparative prior year period is a result of higher benchmark WTI prices used in the calculation of royalties, partially offset by decreased oil production and sales over the prior period.

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



Production Expense

	For the three months ended March 31,	
	2021	2020
Production expense (000s)	\$ 24,416	\$ 25,062
Per unit (\$/boe) ⁽¹⁾	5.86	5.31

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

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

	For the three months ended March 31,	
	2021	2020
Per unit (\$/boe) – based on sales volumes – operated ⁽¹⁾	7.50	8.52
Per unit (\$/boe) – based on sales volumes – non-operated ⁽¹⁾	4.97	4.16

(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.

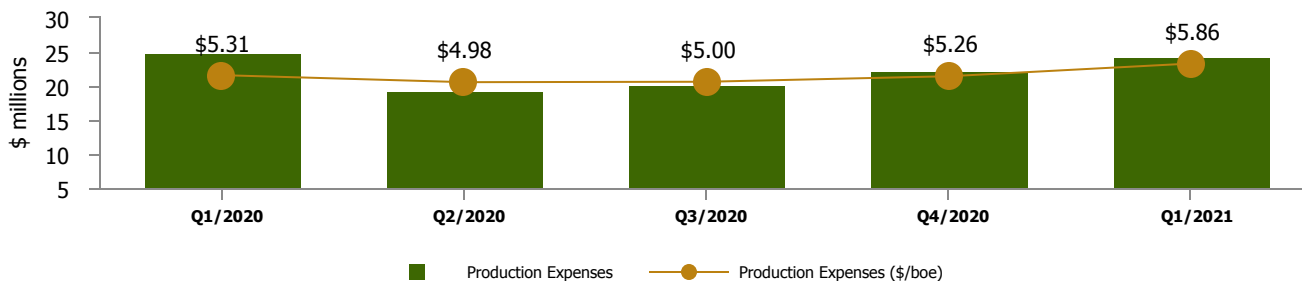
Production expense for the three months ended March 31, 2021 was \$5.86/boe compared to \$5.31/boe in the three months ended March 31, 2020. Production expense for the fourth quarter of 2020 was \$5.26/boe.

Operated properties production expense in the first quarter of 2021 was \$7.50/boe compared to \$7.38/boe for the fourth quarter of 2020 and non-operated properties production expense in the first quarter of 2021 was \$4.97/boe compared to \$4.27/boe for the fourth quarter of 2020.

The decrease in operated production expense for the three months ended March 31, 2021 over the 2020 comparative period is mainly the result of additional production from the lower cost Capachos field, and the voluntary shut-in of higher operating cost fields compared to the prior period. Some of the higher operating cost fields were brought back on stream in mid Q1 2021.

The increase in non-operated production expense for three months ended March 31, 2021 over the 2020 comparative period is mainly the result of increased well workovers in the current quarter in Block LLA-34 compared to the prior period.

Production Expense



Transportation Expense

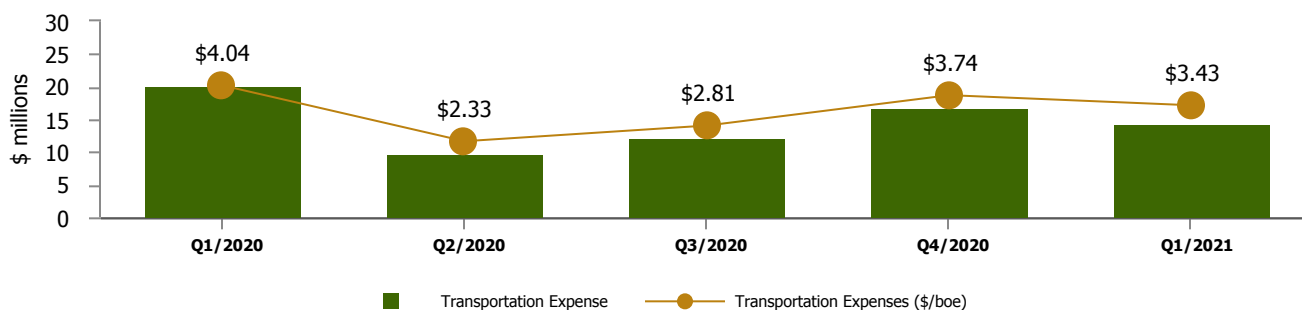
	For the three months ended March 31,	
	2021	2020
Transportation expense (\$000s)	\$ 14,438	\$ 20,336
Per unit (\$/boe)	3.43	4.04

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 and pipeline tariffs.

For the three months ended March 31, 2021 the cost of transportation on a per boe basis has decreased to \$3.43/boe from the fourth quarter of 2020 of \$3.74/boe and decreased from the comparative period in 2020 of \$4.04/boe. Transportation expense will fluctuate period over period due to the mix of sales contract types in force during the period. The decrease from the comparative period of Q1 2020 is a result of a change in sales mix as a higher percentage of crude was transported and exported in the prior period vs. sold at the wellhead. The decrease from the fourth quarter of 2020 is mainly due to the tie-in of additional Block LLA-34 volumes to the ODL pipeline which carries a lower tariff than the cost of truck transport for this particular volume of crude.

The combined transportation expense and price differential from Brent, on a per boe basis, has decreased from the second quarter of 2020 and is comparable to the prior year comparative period. See "Crude Oil Reference and Realized Prices".

Transportation Expenses



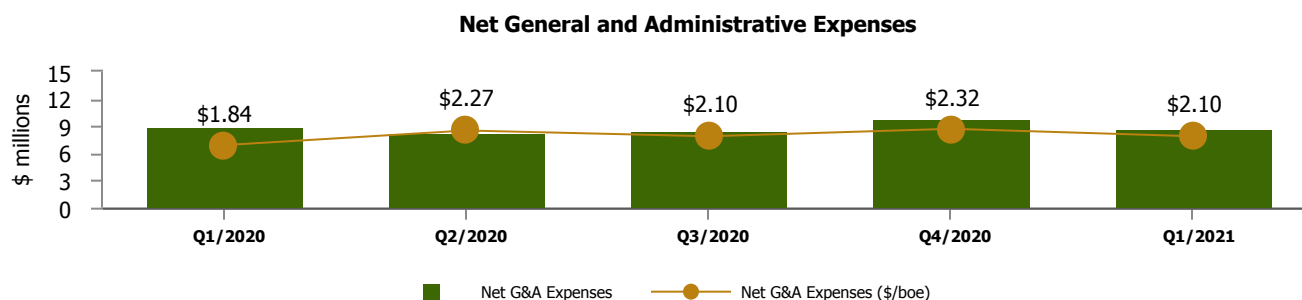
General and Administrative Expense ("G&A")

(000s)	For the three months ended March 31,	
	2021	2020
Gross G&A	\$ 12,086	\$ 11,423
G&A recoveries	(601)	(263)
Capitalized G&A	(2,637)	(2,061)
Total net G&A	\$ 8,848	\$ 9,099
Per unit (\$/boe) ⁽¹⁾	2.10	1.84

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

Net G&A was \$8.8 million for the three months ended March 31, 2021 compared to \$9.1 million for the same period in 2020. Net G&A has decreased mainly as a result of increased capitalized G&A and G&A recoveries compared to the prior year. Gross G&A was \$12.1 million for the three months ended March 31, 2021 (three months ended March 31, 2020 - \$11.4 million). For the three months ended March 31, 2021 on a per boe basis net G&A has increased 14% compared to the comparative period in 2020 as result of decreased production.

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



Share-Based Compensation

(\$000s)	For the three months ended March 31,	
	2021	2020
Equity settled share-based compensation expense	\$ 898	\$ 1,156
Cash settled share-based compensation expense (recovery)	9,504	(9,291)
Total net expense (recovery)	\$ 10,402	\$ (8,135)

Share-based compensation expense was \$10.4 million for the three months ended March 31, 2021 compared to an \$8.1 million recovery of expense recorded for the same period in 2020. The increase is primarily due to the increase in the Company's share price and its impact on cash-settled compensation as explained below.

Equity settled share-based compensation expense was \$0.9 million for the three months ended March 31, 2021 compared to \$1.2 million for the same period in 2020. Equity settled share-based compensation includes the Company's stock option plan and the restricted share unit ("RSU") plan pursuant to which RSUs and performance based RSUs ("PSUs") have been awarded up until 2019.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes share appreciation rights ("SARs"), cash settled restricted share units ("CRSUs"), cash or share settled restricted share units ("CosRSUs"), cash or share settled performance share units ("CosPSUs") and deferred share units ("DSUs"). For the three months ended March 31, 2021 there was an expense of \$9.5 million related to cash settled incentive plans compared to a \$9.3 million recovery for the same period in 2020. The increase in expense is attributable to the increase in Parex share price to Cdn\$22.41 at March 31, 2021 from Cdn \$11.90 at March 31, 2020. Obligations for payments of cash under the Company's cash settled incentive plans are accrued as expense over the vesting period based on the fair value of the units as described in note 14 of the interim financial statements for the three months ended March 31, 2021. As at March 31, 2021, the total cash settled incentive plans liability accrued was \$22.3 million (December 31, 2020 - \$23.7 million).

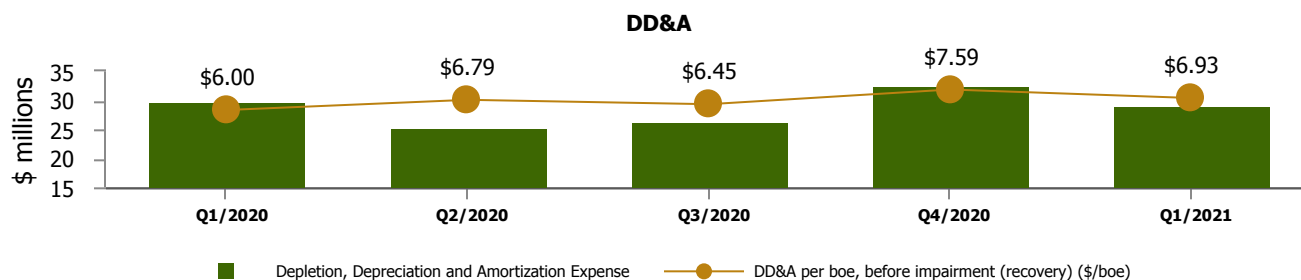
Cash payments to settle cash settled share-based compensation in the three months ended March 31, 2021 was \$12.6 million compared to \$8.3 million for the same period in 2020.

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

	For the three months ended March 31,	
	2021	2020
DD&A expense (000s)	\$ 29,161	\$ 29,669
Per unit (\$/boe) ⁽¹⁾	6.93	6.00

(1) DD&A per unit (\$/boe) is calculated using Company working interest production volumes and does not include inventory adjustments.

First quarter 2021 DD&A was \$29.2 million (\$6.93/boe) compared to \$29.7 million (\$6.00/boe) for the same period in 2020. DD&A on a \$/boe basis increased compared to the prior period due to changes in the CGU production mix as well as adding to our depletable base in Q4 2020 based on transfers from exploration and evaluation assets to developed and producing assets.



Foreign Exchange (Gain)

	For the three months ended March 31,	
	2021	2020
Foreign exchange (gain)	\$ (4,235)	\$ (16,656)
Foreign currency risk management contracts loss	—	508
Total foreign exchange (gain)	\$ (4,235)	\$ (16,148)
Average foreign exchange rates		
USD\$/CAD\$	1.27	1.34
USD\$/Colombian peso	3,553	3,536

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 and losses recorded on the consolidated statements of comprehensive income is the Colombian peso denominated income tax payable and tax withholdings receivable, accounts payable and accounts receivable. The timing of payment settlements, accruals and their adjustments have impacts on foreign exchange gains/losses.

For the three months ended March 31, 2021, the total foreign exchange gain was \$4.2 million (three months ended March 31, 2020 – gain of \$16.1 million) attributable to the appreciation of COP against the USD. Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of comprehensive income.

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

Foreign Exchange Sensitivity Analysis

\$/boe Impact of change in local currency/\$USD exchange rate

Cost component	Estimated percent of cost denominated in local currency	10% appreciation of local currency	10% depreciation of local currency
Production expense	80%	\$ 0.47	\$ (0.47)
Transportation expense	80%	\$ 0.27	\$ (0.27)
G&A expense	100%	\$ 0.21	\$ (0.21)

The table above displays the estimated per boe impact of a change in Parex' local currencies and the effect on Parex' key cost components. The component impact in \$/boe terms uses Q1 2021 per boe costs. This analysis ignores all other factors impacting cost structure including efficiencies, cost reduction strategies, etc.

Net Finance Expense

	For the three months ended March 31,	
	2021	2020
Bank charges and credit facility fees	\$ 577	\$ 740
Accretion on decommissioning and environmental liabilities	946	1,093
Interest and other income	(213)	(922)
Right of use asset interest	2	20
Loss (gain) on settlement of decommissioning liabilities	356	(96)
Expected credit loss (recovery) provision	(228)	1,343
Other	0	1,077
Net finance expense	\$ 1,440	\$ 3,255

	For the three months ended March 31,	
	2021	2020
Non-cash finance expense	\$ 1,074	\$ 3,417
Cash finance expense (income)	366	(162)
Net finance expense	\$ 1,440	\$ 3,255

Bank taxes and credit facility fees relate to bank taxes paid in Colombia and the standby fees related to the undrawn credit facility. The non-cash components of net finance expense include the accretion on decommissioning and environmental liabilities, loss on settlement of decommissioning liabilities, and the expected credit loss (recovery) provision which has increased due to the COVID-19 pandemic and its impact on credit markets and ratings.

Risk Management

Management of cash flow variability is an integral component of Parex' business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board of Directors to establish risk management guidelines to be used by management. The risk exposure inherent in movements in the price of crude oil, fluctuations in the 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 primarily with financial institutions that are members of Parex' syndicated bank credit facility. The Company considers these derivative contracts to be an effective means to manage and forecast cash flow.

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

a) Risk Management Contracts - Brent Crude

At March 31, 2021 the Company had no crude oil risk management contracts in place.

b) Risk Management Contracts – Foreign Exchange

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

As at March 31, 2021, the Company had no outstanding foreign currency risk management contracts.

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

	For the three months ended March 31,	
	2021	2020
Unrealized loss on foreign currency risk management contracts	\$ —	\$ 508
Total	\$ —	\$ 508

The Company recorded a \$0.5 million unrealized loss on these contracts in the three months ended March 31, 2020 which is recorded in the financial statement line item "Foreign exchange (gain)".

Income Tax

The components of tax expense for the three months ended March 31, 2021 and 2020 were as follows:

	For the three months ended March 31,	
	2021	2020
Current tax expense	\$ 22,276	\$ 10,099
Deferred tax expense	39,698	84,702
Tax expense	\$ 61,974	\$ 94,801

Current tax expense in the first quarter of 2021 was \$22.3 million as compared to \$10.1 million expense in the comparative period. The increase from the prior year comparative period is mainly a result of an increase in operating cash flows from the prior period.

Deferred tax expense in the three months ended March 31, 2021 was \$39.7 million, the decrease from the comparative period is mainly related to the foreign exchange impact of the Colombian peso denominated tax basis, which has decreased as a result of the appreciation of the Colombian peso to US dollar at the period end date compared to the prior year and its effect on the Colombian tax provision.

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

Capital Expenditures

For the three months ended March 31, (\$000s)	Colombia		Canada		Total	
	2021	2020	2021	2020	2021	2020
Acquisition of unproved properties	\$ —	\$ 66	\$ —	\$ —	\$ —	\$ 66
Geological and geophysical	167	740	—	—	167	740
Drilling and completion	28,982	67,944	—	—	28,982	67,944
Well equipment and facilities	10,355	2,377	—	—	10,355	2,377
Other	25	75	63	64	88	139
Total capital expenditures	\$ 39,529	\$ 71,202	\$ 63	\$ 64	\$ 39,592	\$ 71,266

Capital Expenditures Summary

During the three months ended March 31, 2021 the Company incurred \$39.6 million of capital expenditures compared to \$71.3 million in the same period of 2020. During Q1 2021 the Company drilled 9 gross (5.05 net) wells, compared to drilling 20 gross (13.05 net) wells in the comparative period upon the re-activation of the development and exploration program. During Q1, 2021, total drilling and completion costs were \$29.0 million of which the majority related to drilling, completion and capitalized workover costs at Block LLA-34, Block LLA-32 and Boranda block. Facilities costs in Q1 2021 were due to the Block LLA-34 flowline construction.

During the three months ended March 31, 2021 capital expenditures of \$39.6 million were self-funded from funds flow provided by operations of \$125.0 million. The Company strives to fund its annual capital expenditures from funds flow and has demonstrated this goal since 2012 however on a quarterly basis funds flow may be greater or less than capital expenditures due to timing of capital programs and other variables.

Non-cash Impairment Charges

(\$000s)	For the three months ended March 31,	
	2021	2020
Impairment of PP&E related to Boranda CGU	\$ —	\$ 7,000
Total non-cash impairment charges before deferred income tax recoveries	\$ —	\$ 7,000

As a result of the COVID-19 pandemic and the significant decrease in forecast global crude oil prices compared to those at December 31, 2019, an indication of impairment was identified for all CGUs at March 31, 2020 and impairment tests were performed. The Company determined that the carrying amount of the Boranda CGU in the Magdalena Basin exceeded its recoverable amount and an impairment of \$7 million was recorded in the consolidated statements of comprehensive (loss) for the three month period ended March 31, 2020. All other CGU's were found to have recoverable amounts greater than carrying amounts. The recoverable amount for this testing was determined using fair value less cost of disposal. Future cash flows for the CGU's declined due to lower crude oil prices.

The fair value as determined for the Company's producing properties was consistent with the Company's independent qualified reserve evaluators reserve estimate at December 31, 2019, updated for forecast oil prices at March 31, 2020 and adjusting for first quarter production and future development capital expenditures. There are no E&E assets associated with this CGU. Future cash flows were discounted using a rate of 11%. As at March 31, 2020, the recoverable amount of the CGU was estimated to be \$16.5 million. The impairment of \$7.0 million was due to the lower crude oil price forecast at March 31, 2020 assumed in the fair value calculation compared to the prior year. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment.

At March 31, 2021 there were no indicators of impairment noted for PP&E, or indicators of requiring a reversal of previously recorded impairments.

Summary of Quarterly Results

Three months ended (\$000s)	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020
Average daily oil and natural gas production (boe/d)	46,779	46,642	44,305	40,858
Average realized sales price - oil (\$/boe)	52.80	36.95	33.88	19.25
Financial (000s except per share amounts)				
Oil and natural gas sales	\$ 222,058	\$ 167,264	\$ 146,231	\$ 80,407
Funds flow provided by operations ⁽¹⁾	\$ 124,969	\$ 81,567	\$ 79,384	\$ 38,777
Per share – basic ⁽¹⁾	0.96	0.61	0.57	0.28
Per share – diluted ⁽¹⁾	0.96	0.60	0.57	0.27
Net income	\$ 47,460	\$ 56,192	\$ 27,619	\$ 19,290
Per share – basic	0.37	0.42	0.20	0.14
Per share – diluted	0.36	0.42	0.20	0.14
Capital Expenditures, excluding corporate acquisitions	\$ 39,592	\$ 46,932	\$ 17,756	\$ 5,310
Total assets (end of period)	\$ 1,550,441	\$ 1,541,081	\$ 1,548,484	\$ 1,533,377
Working capital surplus (end of period) ⁽²⁾	\$ 341,686	\$ 320,155	\$ 370,722	\$ 339,310

(1) Non-GAAP term. See "Non-GAAP Terms" below.

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

Three months ended (\$000s)	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019
Average daily oil and natural gas production (boe/d)	54,295	54,221	53,045	52,252
Average realized sales price - oil (\$/boe)	38.47	53.00	53.59	59.92
Financial (000s except per share amounts)				
Oil and natural gas sales	\$ 193,618	\$ 289,585	\$ 275,693	\$ 301,750
Funds flow provided by operations ⁽¹⁾	\$ 97,313	\$ 143,269	\$ 142,733	\$ 150,973
Per share – basic ⁽¹⁾	0.69	1.00	0.99	1.03
Per share – diluted ⁽¹⁾	0.68	0.98	0.97	1.00
Net (loss) income	\$ (3,779)	\$ 87,218	\$ 57,257	\$ 101,505
Per share – basic	(0.03)	0.61	0.40	0.69
Per share – diluted	(0.03)	0.60	0.39	0.67
Capital Expenditures, excluding corporate acquisitions	\$ 71,266	\$ 58,321	\$ 48,600	\$ 48,742
Total assets (end of period)	\$ 1,610,341	\$ 1,684,581	\$ 1,593,802	\$ 1,574,528
Working capital surplus (end of period) ⁽²⁾	\$ 330,356	\$ 344,031	\$ 279,949	\$ 240,087

(1) Non-GAAP term. See "Non-GAAP Terms" below.

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

Factors that Caused Variations Quarter Over Quarter

During the first quarter of 2021, production of 46,779 boe/d was comparable to production for the previous quarter ended December 31, 2020. Revenue and funds flow provided by operations were higher than the previous quarter mainly due to an increase in realized prices. Working capital increased to \$341.7 million from \$320.2 million at December 31, 2020.

During the fourth quarter of 2020, production of 46,642 boe/d (consisting of 6,637 bbls/d light crude oil and medium crude oil, 38,332 bbls/d of heavy crude oil and 10,038 mcf/d of conventional natural gas) was in excess of production for the previous quarter ended September 30, 2020. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in volumes sold and realized prices. Working capital decreased to \$320.2 million from \$370.7 million at September 30, 2020 primarily due to buying back 6.6 million shares pursuant to the Company's NCIB.

During the third quarter of 2020, production of 44,305 boe/d (consisting of 4,626 bbls/d light crude oil and medium crude oil, 38,309 bbls/d of heavy crude oil and 8,220 mcf/d of conventional natural gas) was in excess of production for the previous quarter ended June 30, 2020. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in realized prices and volumes sold. Working capital increased to \$370.7 million from \$339.3 million at June 30, 2020.

During the second quarter of 2020, production of 40,858 boe/d (consisting of 4,186 bbls/d light crude oil and medium crude oil, 35,478 bbls/d of heavy crude oil and 7,164 mcf/d of conventional natural gas) was lower than production for the previous quarter ended March 31, 2020. Revenue and funds flow provided by operations were lower than the previous quarter mainly due to a decrease in realized prices and volumes sold. Working capital increased to \$339.3 million from \$330.4 million at March 31, 2020.

During the first quarter of 2020, production of 54,295 boe/d (consisting of 8,380 bbls/d light crude oil and medium crude oil, 44,657 bbls/d of heavy crude oil and 7,548 mcf/d of conventional natural gas) was in excess of production for the previous quarter ended December 31, 2019. Revenue and funds flow provided by operations were lower than the previous quarter mainly due to a decrease in realized prices and volumes sold. Working capital decreased to \$330.4 million from \$344.0 million at December 31, 2019.

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

Liquidity and Capital Resources

As at March 31, 2021 the Company had a working capital surplus of \$341.7 million, excluding funds available under the credit facility, as compared to working capital surplus at December 31, 2020 of \$320.2 million. Bank debt was \$nil as at March 31, 2021, December 31, 2020 and March 31, 2020. The credit facility has a current borrowing base of \$200.0 million (December 31, 2020 - \$200.0 million). At March 31, 2021 Parex held \$369.8 million of cash, compared to \$330.6 million at December 31, 2020 and \$397.4 million at March 31, 2020. The Company's cash balances reside in current accounts with chartered institutions, the majority of which are held on account in Canada, Barbados, Bermuda and Colombia in USD.

Parex' senior secured credit facility with a syndicate of banks has a current borrowing base of \$200.0 million. Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants. Given there is \$nil balance drawn on the facility as at March 31, 2021, the Company is in compliance with all covenants. The next annual review is scheduled to occur in May 2022.

Refer to note 20 - Commitments of the interim financial statements for the period ended March 31, 2021 for a description of the performance guarantee facility with Export Development Canada as well as the unsecured letters of credit.

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at March 31, 2021 the Company had 128,588,648 common shares outstanding compared to 130,872,676 at December 31, 2020 a decrease of 1.7%. At May 5, 2021 the common shares outstanding has been reduced to 127,884,243.

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

As at May 5, 2021 Parex has the following securities outstanding:

	Number	%
Common shares	127,884,243	98 %
Stock options	1,421,401	1 %
Restricted share units	595,530	0 %
	129,901,174	99 %

As of the date of this MD&A, total stock options and RSUs outstanding represent approximately 2% of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

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

In Colombia, the Company has provided guarantees to the Colombian National Hydrocarbon Agency ("ANH") which on March 31, 2021 were \$41.6 million (December 31, 2020 - \$46.4 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 has provided performance security guarantees under the Company's \$150.0 million (December 31, 2020 - \$150.0 million) performance guarantee facility to support approximately \$15.7 million (December 31, 2020 - \$21.9 million) of the letters of credit issued on behalf of Parex at March 31, 2021. Also at March 31, 2021, there is an additional \$25.9 million (December 31, 2020 - \$24.5 million) of letters of credit that are provided by a Latin American bank on an unsecured basis. The letters of credit issued to the ANH are reduced from time to time to reflect the work performed on the various blocks.

The following table summarizes the Company's estimated undiscounted commitments as at March 31, 2021:

(000s)	Total	<1 year	1 – 3 years	3 – 5 years	>5 years
Exploration	\$ 173,729	\$ 45,433	\$ 39,205	\$ —	\$ 89,091
Office and accommodations ⁽¹⁾	6,824	2,407	3,312	1,105	—
Decommissioning and Environmental Obligations	82,534	5,157	—	—	77,377
Total	\$ 263,087	\$ 52,997	\$ 42,517	\$ 1,105	\$ 166,468

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

Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2019	\$ 37,244	\$ 14,691	\$ 51,935
Additions	2,554	480	3,034
Settlements of obligations during the year	(3,560)	(1,070)	(4,630)
Loss on settlement of obligations	803	—	803
Accretion expense	2,286	1,839	4,125
Change in estimate - inflation and discount rates	360	(2,062)	(1,702)
Change in estimate - costs	(441)	(286)	(727)
Foreign exchange (gain)	(1,036)	(691)	(1,727)
Balance, December 31, 2020	\$ 38,210	\$ 12,901	\$ 51,111
Additions	503	6	509
Settlements of obligations during the period	(1,889)	(7)	(1,896)
Loss on settlement of obligations	356	—	356
Accretion expense	469	477	946
Change in estimate - inflation and discount rates	(2,237)	1,449	(788)
Foreign exchange (gain)	(3,136)	(1,770)	(4,906)
Balance, March 31, 2021	\$ 32,276	\$ 13,056	\$ 45,332
Current obligation	(1,739)	(3,418)	(5,157)
Long-term obligation	\$ 30,537	\$ 9,638	\$ 40,175

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, 2021, 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 \$61.1 million as at March 31, 2021 (December 31, 2020 – \$60.4 million) with the majority of these costs anticipated to occur in 2033 or later. A risk-free discount rate of 7% and an inflation rate of 2.7% were used in the valuation of the liabilities (December 31, 2020 – 5.25% risk-free discount rate and a 2% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is \$1.7 million (December 31, 2020 – \$3.6 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately \$21.4 million as at March 31, 2021 (December 31, 2020 – \$20.5 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 7% and an inflation rate of 2.7% were used in the valuation of the liabilities (December 31, 2020 – 5.25% risk-free discount rate and a 2% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is \$3.4 million (December 31, 2020 – \$3.4 million) that is classified as a current obligation.

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

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

Advisory on Forward-Looking Statements

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

- the Company's operational strategy, plans, priorities and focus;
- 2021 average production and total capital expenditures and the allocation of such capital expenditures;
- 2021 current tax effective rate on FFO and the assumed Brent crude price;
- number of shares to be repurchased under the NCIB;
- outstanding number of shares at the end of 2021;
- expectation of a significant increase to Parex' 2021 FFO and the reasons therefor;
- year-over-year production growth of approximately 3% as compared to 2020;
- expectation that FFO will fully fund the 2021 capital expenditure program and the NCIB;
- expectation that production downtime on Block LLA-34 is to be reduced to more historic levels for the remainder of 2021;
- fluctuation in Brent/Vasconia crude differential;
- expectation that crude oil inventory in future periods to be in line with normal historic levels;
- the amount and timing of payment of total decommissioning and environmental liability cost;
- the Company's expectations regarding the per boe and G&A expense impact caused by appreciation and depreciation of the Colombian peso;
- the effect of the Colombian peso/US\$ exchange rate on the variability of general and administrative, transportation, and production costs;

- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the use of derivatives primarily with financial institutions to manage movements in the price of crude oil, fluctuations in the US/COP exchange rate and interest rate movements;
- terms of the Company's credit facility including the timing of the next borrowing base redetermination;
- terms of certain contractual obligations; and
- the Company's expectation that only the grants under the Company's stock option plan and the exercise of previously issued RSUs and PSUs will result in common shares issued from treasury.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; continued volatility in market prices for oil; the impact of the COVID-19 pandemic and the ability of Parex to carry on its operations as currently contemplated in light of the COVID-19 pandemic; the impact of significant declines in market prices for oil; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve and resource estimates; the production and growth potential of Parex' assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risk of failure to achieve the anticipated benefits associated with acquisitions; risk of failure to achieve perceived benefits from voluntary tax restructuring; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; failure to meet expected production targets; risk that the review of strategic repositioning alternatives will not result in a transaction; the risks discussed under "Risk Factors" in the Company's AIF and under "Decommissioning and Environmental Liabilities" in this MD&A, and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and future commodity prices and royalty regimes; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil and conventional natural gas; (ii) the supply chain, including the Company's ability to obtain the equipment and services it requires; and (iii) the Company's ability to produce, transport and/or sell its crude oil and conventional natural gas; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to areas of the Company's operations and infrastructure; future exchange rates; the price of oil; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; royalty rates; future operating costs; 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; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; the benefits of initiating a review of strategic repositioning alternatives; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

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

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

This MD&A contains future oriented financial information and financial outlook information (collectively "FOFI") about the Company's prospective capital expenditures and working capital. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed above. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. The Company and management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. FOFI contained in this MD&A was made as of the date of this MD&A and the Company disclaims any intention or obligations to update or revise any FOFI contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.

Oil & Gas Matters Advisory

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

Non-GAAP Terms

This report contains financial terms that are not considered measures under GAAP such as operating netback, operating netback per boe, funds flow provided by operations, funds flow provided by operations per boe, funds flow netback per boe, free funds flow and diluted funds flow per share that 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 provided by operations, is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. A reconciliation from cash provided by operating activities to funds flow provided by operations is as follows:

(\$000s)	For the three months ended March 31,	
	2021	2020
Cash provided by operating activities	\$ 128,142	\$ 155,299
Net change in non-cash working capital	(3,173)	(57,986)
Funds flow provided by operations	\$ 124,969	\$ 97,313

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

(\$000s)	For the three months ended March 31,	
	2021	2020
Funds flow provided by operations	\$ 124,969	\$ 97,313
Denominator (BOEs)		
Company produced oil and natural gas sales in period	4,168,620	4,718,077
Funds flow provided by operations per boe	\$ 29.98	\$ 20.63

Free funds flow is determined by funds flow provided by operations less capital expenditures as follows:

(\$000s)	For the three months ended March 31,	
	2021	2020
Funds flow provided by operations	\$ 124,969	\$ 97,313
Capital expenditures	39,592	71,266
Free funds flow	\$ 85,377	\$ 26,047

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

(000s)	For the three months ended March 31,	
	2021	2020
Funds flow provided by operations	\$ 124,969	\$ 97,313
Weighted average number of shares for the purposes of basic funds flow	129,715	141,805
Dilutive effect of share options on potential common shares	1,141	2,191
Weighted average number of shares for the purposes of diluted funds flow	130,856	143,996

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

Operating netback per boe

The Company considers operating netbacks to be a key measure as they demonstrate Parex' profitability relative to current commodity prices. Below is a description of each component of the Company's operating netback and how it is determined.

Oil and natural gas sales per boe is determined by sales revenue excluding risk management contracts divided by total equivalent sales volume including purchased oil volumes. A reconciliation of the calculation of oil and natural gas sales per boe is provided below:

(\$000s)	For the three months ended March 31,	
	2021	2020
Oil and natural gas revenue excluding risk management contracts	\$ 222,058	\$ 193,618
Denominator (BOEs)		
Company produced oil and natural gas sales in period	4,168,620	4,718,077
Purchased oil volumes sold	36,810	315,133
Total oil and natural gas sales volumes	4,205,430	5,033,210
Sales price per boe	\$ 52.80	\$ 38.47

Royalties per boe is determined by dividing royalty expense by the total equivalent sales volume and excludes purchased oil volumes. A reconciliation of royalties per boe is provided below:

(\$000s)	For the three months ended March 31,	
	2021	2020
Royalty expense	\$ 25,571	\$ 22,217
Denominator (BOEs)		
Company produced oil and natural gas sales in period	4,168,620	4,718,077
Royalty expense per boe	\$ 6.13	\$ 4.71

Production expense per boe is determined by dividing production expense by the total equivalent sales volume and excludes purchased oil volumes. A reconciliation of production expense per boe is provided below:

(\$000s)	For the three months ended March 31,	
	2021	2020
Production Expense	\$ 24,416	\$ 25,062
Denominator (BOEs)		
Company produced oil and natural gas sales in period	4,168,620	4,718,077
Production expense per boe	\$ 5.86	\$ 5.31

Transportation expense per boe is determined by dividing the transportation expense by the total equivalent sales volumes including purchased oil volumes. A reconciliation of transportation expense per boe is provided below:

(\$000s)	For the three months ended March 31,	
	2021	2020
Transportation Expense	\$ 14,438	\$ 20,336
Denominator (BOEs)		
Company produced oil and natural gas sales in period	4,168,620	4,718,077
Purchased oil volumes sold	36,810	315,133
Total oil and natural gas sales volumes	4,205,430	5,033,210
Transportation expense per boe	\$ 3.43	\$ 4.04

Business Environment and Risks

Parex is exposed to various market and operational risks. For a discussion of these risks please refer to the Parex' AIF for the year ended December 31, 2020 as filed on SEDAR at www.sedar.com or Parex' website at www.parexresources.com.

Internal Controls over Financial Reporting

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

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the three months ended March 31, 2021.

Financial Instruments and Other Instruments

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

Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2020.

DIRECTORS

Wayne Foo
Chairman of the Board

Lisa Colnett

Sigmund Cornelius

Robert Engbloom

Bob MacDougall

Glenn McNamara

Imad Mohsen

Carmen Sylvain

Paul Wright

OFFICERS & SENIOR EXECUTIVES

Imad Mohsen
President and Chief Executive Officer

Eric Furlan
Chief Operating Officer

Kenneth Pinsky
Chief Financial Officer & Corporate Secretary

Daniel Ferreiro
President, Parex Colombia & Country Manager

Ryan Fowler
Sr. Vice President, Exploration & Business Development

Michael Kruchten
Sr. Vice President, Capital Markets & Corporate Planning

Jeff Meunier
Vice President, New Ventures

Joshua Share
Vice President, Corporate Services

CORPORATE HEADQUARTERS

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ABBREVIATIONS**Oil and Natural Gas Liquids**

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

Other

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

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