MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or "the Company") for the period ended June 30, 2015 is dated August 4, 2015 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended June 30, 2015, as well as the Company's audited consolidated annual financial statements for the year ended December 31, 2014. The unaudited condensed interim consolidated financial statements and the audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board.

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

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

Company Profile

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

Abbreviations

Refer to the end of the MD&A for commonly used abbreviations in the document. Refer to page 17 for the Advisory on Forward-Looking Statements and page 19 for Non-GAAP Terms used.

Three months ended June 30, 2015 ("second quarter or Q2") Highlights

- Managed quarterly oil production to 27,025 bopd, slightly in excess of the 26,500 bopd target and an increase of 36 percent over the prior year comparative period;
- Generated funds flow from operations of $50.2 million ($0.35 per share basic) as compared to $0.70 per share for the prior year comparative period and $0.24 per share in the previous quarter. Funds flow has decreased from the comparative period due to lower oil prices partially offset by higher sales volumes;
- For the first half of 2015 where Brent oil price has averaged $59.35/bbl, our funds flow from operations exceeded capital expenditures by $19.0 million and the Company increased production by 2%;
- Realized Brent referenced sales price of $56.31 per barrel ("bbl") during the period at a $7.19/bbl discount to the average Brent price, and an operating netback of $29.66/bbl. Operating and transportation combined unit costs of $21.74/bbl were approximately 7 percent less than the first quarter of 2015 and 22 percent less than the prior year comparative period;
- Completed a bought deal financing issuing 14.95 million shares at a price of CAD$9.15 per common share for gross proceeds of CDN $136.8 million, resulting in net working capital of $90 million at June 30, 2015.

Financial Summary

(Financial figures in 000s except per share amounts)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Average daily production (bopd)	**27,025**	19,876	**26,878**	19,153
Realized sales price ($/bbl)	**56.31**	104.53	**52.90**	103.98
Operating netback ($/bbl)	**29.66**	61.65	**25.69**	61.45
Oil and natural gas sales	**$ 155,717**	$ 182,996	**$ 290,024**	$ 362,790
Funds flow from continuing operations [1]	**$ 50,237**	$ 77,799	**$ 83,195**	$ 155,088
Per share – basic	**0.35**	0.70	**0.60**	1.41
Per share – diluted [5]	**0.34**	0.65	**0.59**	1.29
Adjusted net income (loss) [1] [2]	**$ 1,814**	$ 26,612	**$ (13,730)**	$ 46,711
Per share – basic	**0.01**	0.24	**(0.10)**	0.42
Per share – diluted	**0.01**	0.22	**(0.10)**	0.38
Net income (loss)	**$ 1,814**	$ 11,408	**$ (13,730)**	$ 21,071
Per share – basic	**0.01**	0.10	**(0.10)**	0.19
Per share – diluted	**0.01**	0.10	**(0.10)**	0.19
Capital Expenditures, excluding corporate acquisitions	**$ 37,234**	$ 95,101	**$ 64,197**	$ 156,506
Total assets (end of period)	**$ 1,051,150**	$ 1,226,983	**$ 1,051,150**	$ 1,226,983
Working capital surplus (end of period)[4]	**89,754**	31,189	**89,754**	31,189
Debenture (end of period) [3]	**-**	68,375	**-**	68,375
Bank debt (end of period)[6]	**-**	56,000	**-**	56,000
Weighted average shares outstanding (000s)				
Basic	**144,145**	111,163	**139,468**	110,135
Diluted	**146,847**	121,733	**141,630**	121,846
Outstanding shares (end of period (000s)	**150,108**	125,197	**150,108**	125,197

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

(2) Adjusted net income (loss) has been adjusted for the IFRS accounting effects of changes in the derivative financial liability. For the three and six months ended June 30, 2015 adjusted net income (loss) excludes $nil impact associated with the Company's Debentures as they were converted to common shares of the Company during the year ended December 31, 2014 (three and six months ended June 30, 2014 excludes a $15.2 million and $25.6 million loss upon revaluation of the derivative liability).

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

(4) Working capital calculation does not take into consideration the undrawn $200.0 million (June 30, 2014 - $69.0 million) available under the syndicated bank credit facility.

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

(6) Syndicated bank credit facility borrowing base of $200 million as at June 30, 2015.

Strategy

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

Principal Properties

As at June 30, 2015, the Company's principal land holdings and interests in exploration and production blocks held by its subsidiaries were as follows:

	Working Interest	Gross Acres	Net Acres
Colombia Llanos Basin			
Operated Properties			
LLA-16, 20, 29 and 30	100%	489,137	489,137
LLA-57	100%	104,532	104,532
Los Ocarros	50%	110,436	55,218
LLA-17	63%	108,726	68,497
El Eden	60%	109,249	65,549
Cabrestero	100%	29,562	29,562
LLA-40	50%	163,090	81,545
LLA-24	100%	147,100	147,100
LLA-26	100%	184,061	184,061
Cebucan	100%	109,150	109,150
Cerrero[(1)(2)]	65%	108,973	70,832
Capachos[(1)(3)]	50%	32,037	16,019
LLA-32	70%	100,325	70,228
LLA-10[(1)]	50%	189,544	94,772
Non-Operated Properties			
LLA-34	55%	82,286	45,257
Balay	10%	4,500	450
Colombia Middle Magdelena Basin			
Operated Properties			
VMM-11	100%	116,826	116,826
Morpho	100%	51,398	51,398
VIM-1	100%	223,651	223,651
VMM-9	100%	152,314	152,314
Total		2,616,897	2,176,098

Exploration properties that are deemed non-commercial will be released in due course. Accordingly, the gross and net acres described above may decrease over time as lands deemed non-commercial are released. For a complete description of each blocks phase, commitments and letters of credit refer to the Annual Information Form dated March 19, 2015.

(1) Lands are subject to farm-in-agreement earning terms and/or regulatory approval.
(2) Working interest in the Chacharo evaluation area on the Cerrero block is 25%.

2015 Guidance

As provided in the prior quarter MD&A, supported by a strong balance sheet, sustained base production and an improving cost structure, Parex' 2015 capital program budget is expected to total $195-$205. Parex expects to fund the 2015 capital program from funds flow from operations on an annual basis.

Financial and Operational Results

Consolidated Results of Operations

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Average daily production				
Colombia – oil (bopd)	**27,025**	19,876	**26,878**	19,153
Total (bopd)	**27,025**	19,876	**26,878**	19,153
Average daily sales				
Colombia – produced oil (bopd)	**26,557**	18,502	**26,732**	18,769
Colombia – purchased oil (bopd)	**3,560**	740	**3,307**	497
Total (bopd)	**30,117**	19,242	**30,039**	19,266
Operating netback ($000s)				
Oil and natural gas sales[(1)]	**$ 155,717**	$ 182,996	**$ 290,024**	$ 362,790
Royalties	**(11,977)**	(25,346)	**(22,453)**	(50,186)
Net revenue	**143,740**	157,650	**267,571**	312,604
Production expense	**(18,304)**	(19,200)	**(37,883)**	(35,784)
Transportation expense	**(39,384)**	(28,724)	**(81,405)**	(60,157)
Purchased oil	**(12,978)**	(5,905)	**(21,543)**	(7,777)
Operating netback	**$ 73,074**	$ 103,821	**$ 126,740**	$ 208,886
Operating netback (per bbl)				
Oil and natural gas sales [(1)]	**$ 56.31**	$ 104.53	**$ 52.90**	$ 103.98
Royalties	**(4.91)**	(15.06)	**(4.60)**	(14.76)
Net revenue	**51.40**	89.47	**48.30**	89.22
Production expense	**(7.50)**	(11.41)	**(7.76)**	(10.53)
Transportation expense	**(14.24)**	(16.41)	**(14.85)**	(17.24)
Operating netback	**$ 29.66**	$ 61.65	**$ 25.69**	$ 61.45

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

The Company's operating netback on a per barrel basis for the three and six months ended June 30, 2015 was $29.66 and $25.69 compared to $61.65 and $61.45 for the three and six month periods ended in 2014. The first quarter of 2015 operating netback was $21.66/bbl. The average realized sales price in Colombia for the three and six months ended June 30, 2015 was $56.31/bbl and $52.90/bbl compared to $49.42/bbl for the first quarter of 2015.

Royalty charges for the three and six months ended June 30, 2015 were $4.91/bbl and $4.60/bbl in comparison to $15.06/bbl and $14.76/bbl in the comparative prior year periods. Royalty charges in the first quarter of 2015 were $4.29/bbl.

Production expense for the three and six months ended June 30, 2015 was $7.50/bbl and $7.76/bbl compared to $11.41/bbl and $10.53/bbl in the comparative periods. Production expense for the first quarter of 2015 was $8.01/bbl.

Transportation expense per barrel for the three and six months ended was $14.24/bbl and $14.85/bbl compared to $16.41/bbl and $17.24/bbl in the comparative periods. Transportation expense in the first quarter of 2015 was $15.46/bbl.

Overall, the Company's benchmark Brent price increased by $8.37/bbl in the second quarter as compared to the first quarter of 2015, while the operating netback increased by $8.00/bbl. The Company realized cost savings on a per barrel basis for production and transportation expense.

Colombian Oil Sales

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Block LLA-34 (Tigana, Tua, Tarotaro, Tilo and Max fields)	**14,208**	8,099	**13,267**	7,451
Block Los Ocarros (Las Maracas field)	**1,683**	6,096	**1,945**	6,145
Block LLA-16 (Kona and Java fields)	**577**	2,001	**825**	2,594
Block Cabrestero (Akira and Kitaro fields)	**2,210**	1,770	**2,563**	1,204
Block LLA–32 (Kananaskis, Calona, and Carmentea fields)	**5,405**	1,099	**5,481**	717
Block LLA-40 (Celtis & Bergonia fields)	**1,891**	-	**1,627**	-
Block LLA-30 (Adalia field)	**673**	158	**859**	395
Other	**378**	653	**311**	647
Total Production	**27,025**	19,876	**26,878**	19,153
Inventory (build) draw and consumption	**(468)**	(1,374)	**(146)**	(384)
Colombia average daily oil sales of produced oil	**26,557**	18,502	**26,732**	18,769
Purchased oil	**3,560**	740	**3,307**	497
Sales Volumes	**30,117**	19,242	**30,039**	19,266

Production for the second quarter of the year averaged 27,025 bopd, an increase of approximately 36 percent from the second quarter of 2014. The increase from the prior year comparative period is mainly attributed to the Verano acquisition completed in June 2014 and production increases at Block LLA-34, Block LLA-32 and Block LLA-40. Production increased modestly from the first quarter average by 296 bopd. Parex continues to increase quarter over quarter oil production within funds flow from operations.

The increase in oil sales in the second quarter of 2015 to 30,117 bopd compared to oil sales of 19,242 bopd for the three months ended June 30, 2014 was primarily a result of increased production and an increase in purchased oil over the prior period along with changes in inventory levels.

b) Average Reference and Realized Prices

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Reference Prices				
WTI ($/bbl)	**57.95**	103.35	**53.34**	101.05
Brent ($/bbl)	**63.50**	109.69	**59.35**	108.93
Vasconia ($/bbl)	**58.79**	103.57	**54.33**	102.41
Average Realized Prices				
Realized sales price ($/bbl)	**56.31**	104.53	**52.90**	103.98
Realized oil hedging (loss) gain ($/bbl)	**-**	(0.70)	**-**	(0.79)
Realized price after hedging ($/bbl)	**56.31**	103.83	**52.90**	103.19
Realized price discount as percentage of Brent (%)	**(11)**	(5)	**(11)**	(5)
Realized price premium (discount) as percentage of WTI (%)	**(3)**	1	**(1)**	3

The Company's oil sales contracts during the period ended June 30, 2015 were referenced to a blend of Brent and Colombia Vasconia crude denominated in US. The realized price discount to Brent was 11 percent in the second quarter compared to 5 percent in the comparative period and a 10 percent discount in the first quarter of 2015. The differential on a percentage basis increased in the current quarter from the comparative periods as a result of a decrease in world oil prices. On a per barrel basis the Vasconia crude blend has maintained a $5-$7 discount to Brent, on a percentage basis the differential has increased.

In the table below, the quarter over quarter Brent crude differentials are shown:

Average price for the period	**Q2 2015**	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Brent ($/bbl)	**63.50**	55.13	77.07	103.46	109.69
Parex realized sales price ($/bbl)	**56.31**	49.42	60.08	94.40	104.53
Parex realized price (differential) ($/bbl)	**(7.19)**	(5.71)	(16.99)	(9.06)	(5.16)
Parex realized price (discount) as percentage of Brent (%)	**(11.3)**	(10.4)	(22.0)	(8.8)	(4.7)

c) Oil Revenue

Second quarter 2015 oil revenue decreased $27.3 million or 15 percent as reconciled in the table below to the second quarter of 2014:

($000s)		
Oil revenue, three months ended June 30, 2014	$	**182,996**
Sales volume of produced oil, an increase of 8,324 bopd		**79,180**
Sales volume of purchased oil, an increase of 2,910 bopd		**27,681**
Sales price decrease of 46%		**(134,140)**
Oil revenue, three months ended June 30, 2015	**$**	**155,717**

Oil revenue decreased in the three months ended June 30, 2015 compared to the same period in 2014 due to the drastic decline in world oil prices. The decline in prices however has been partially offset by increased oil sales and increased purchased oil sold. Produced oil sales for the three months ended June 30, 2015 was less than crude oil production due to a crude oil inventory increase of 18,130 bbls from the first quarter of 2015 (see "Colombian Crude Oil Inventory in Transit" below).

d) Colombian Crude Oil Inventory in Transit

As at June 30, ($000s)		**2015**		2014
Crude oil in transit	**$**	**7,718**	$	9,382

As at June 30, 2015, the Company had 232.5 mbbls of crude oil inventory in transit (195.4 mbbls for the second quarter of 2014) injected into the Colombian Ocensa and ODC pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at approximately $33/bbl ($48/bbl for the second quarter of 2014 and $35/bbl for the first quarter of 2015) incurred in bringing the crude oil to its existing condition and location. A reconciliation of the crude oil inventory in transit volumes is provided below:

For the six months ended June 30, (mbbls)	**2015**	2014
Crude oil inventory in transit - beginning of the period	**252.0**	137.0
Oil production	**4,864.9**	3,463.8
Oil sales	**(5,437.1)**	(3,487.2)
Purchased oil	**598.6**	89.9
Company consumption	**(45.9)**	(8.1)
Crude oil inventory in transit - end of the period	**232.5**	195.4

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

For the periods ended (mbbls)	**June 30, 2015**	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Crude oil inventory in transit - beginning of the period	**214.4**	252.0	249.4	195.4
Oil production	**2,459.3**	2,405.6	2,442.1	2,316.2
Oil sales	**(2,740.6)**	(2,696.5)	(2,634.6)	(2,424.1)
Company consumption	**(24.5)**	(21.3)	(38.5)	(9.2)
Purchased oil	**323.9**	274.6	233.6	171.1
Crude oil inventory in transit - end of the period	**232.5**	214.4	252.0	249.4
% of period production	**9.5**	9.0	10.3	10.8

Crude oil inventory build and draw down from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export.

e) Purchased Oil

(mbbls)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Oil purchased	**323.9**	67.3	**598.6**	89.9
Purchased oil sales	**(323.9)**	(67.3)	**(598.6)**	(89.9)
Purchased oil net change in inventory	**-**	-	**-**	-

From time to time the Company will purchase crude oil from partners. The table above shows the effect of purchased oil on ending crude oil inventory balances. At June 30, 2015 the Company had no third party purchased oil in inventory.

	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Purchased oil expense ($000s)	**$ 12,978**	$ 5,905	**$ 21,543**	$ 7,777

Purchased oil expense for the three and six months ended June 30, 2015 was $13.0 million and $21.5 million compared to $8.6 million for the first quarter of 2015 and $5.9 million and $7.8 million for the 2014 three and six month periods. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

Colombian Royalties

	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Royalties ($000s)	**$ 11,977**	$ 25,346	**$ 22,453**	$ 50,186
Per unit ($/bbl)	**$ 4.91**	$ 15.06	**$ 4.60**	$ 14.76
Percentage of sales[(1)(2)]	**8.4%**	14.3%	**8.4%**	14.1%

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

In the three and six months ended June 30, 2015 royalties as a percentage of sales of 8.4% decreased substantially from the prior comparative periods. The prior quarter of 2015 was comparable at 8.3%. The decrease of royalties as a percentage of sales from the comparative periods is due to the High Price Royalty (HPR) being substantially lower as a result of reduced world oil prices as compared to the previous period. Also having an impact is the decreased production at the Las Maracas and Kona fields which are subject to the HPR, this however was offset by the Tua field now being subject to the HPR. Effective July 2015, the Tigana field is subject to HPR.

The Company expects that the overall royalty as a percentage of sales will begin to increase in the second half of 2015 as both the Tua and Tigana fields are subject the HPR. However royalties are highly dependent on the global price of crude oil as oil prices are a component of the HPR calculation. At WTI prices below $50/bbl the Company is affected minimally by the HPR royalty. Royalties have decreased in 2015 as compared to 2014 due to lower global oil prices in 2015.

Colombian Production Expense

	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Production expense ($000s)	**$ 18,304**	$ 19,200	**$ 37,883**	$ 35,784
Per unit ($/bbl)[(1)]	**$ 7.50**	$ 11.41	**$ 7.76**	$ 10.53

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

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

	For the three months ended June 30,				For the six months ended June 30,			
		2015		2014		**2015**		2014
Per unit ($/bbl) – based on sales volumes – operated[(1)]	**$**	**7.88**	$	10.86	**$**	**8.38**	$	9.01
Per unit ($/bbl) – based on sales volumes – non-operated[(1)]	**$**	**7.11**	$	12.13	**$**	**7.08**	$	13.28

[(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 second quarter on a per barrel basis was $7.50/bbl decreasing from the first quarter of 2015 of $8.01/bbl. Operated properties production expense in the second quarter was $7.88/bbl compared to $8.84/bbl for the first quarter of 2015 and non-operated properties production expense was $7.11/bbl for the second quarter of 2015 compared to $7.05/bbl for the first quarter of 2015. The decrease in operated production expense per barrel is mainly related to cost decreases due to negotiations between the Company and service operators, and also the impact of the depreciation of the Colombian peso in the period. The decrease in non-operated properties production expense to the comparative period relates to higher production and thus greater fixed cost absorption on a per bbl basis, along with depreciation of the Colombian peso, and the Verano acquisition whereby Parex became the operator on Block LLA-32 and implemented cost reductions.

Colombian Transportation Expense

	For the three months ended June 30,				For the six months ended June 30,			
		2015		2014		**2015**		2014
Transportation expense ($000s)	**$**	**39,384**	$	28,724	**$**	**81,405**	$	60,157
Per unit ($/bbl)	**$**	**14.24**	$	16.41	**$**	**14.85**	$	17.24

Transportation expense includes trucking costs incurred to transport production to several offloading stations for sale and in some instances an oil transportation tariff from delivery point to the buyer's facility. For the three months ended June 30, 2015, the cost of transportation on a per barrel basis has decreased to $14.24/bbl from the first quarter of $15.46/bbl and decreased from the comparative period of $16.41/bbl. This is a result of decreased pipeline tariff fees, decreased trucking costs and the depreciation of the Colombian peso.

On a year to date basis transportation expense has decreased to $14.85/bbl from $17.24/bbl in the comparative period. The main reason for this decrease relates to increased available pipeline capacity which reduced the amount of oil being trucked for export which comes at a higher cost per barrel than pipeline tariff fees. The depreciation of the Colombian peso also had a strong impact on peso denominated trucking costs.

The Company expects for the remainder of 2015 transportation costs to be approximately $14/bbl per barrel with variability depending on the marketing mix, delivery points and the Colombian peso/US$ exchange rate.

General and Administrative Expense ("G&A")

	For the three months ended June 30,				For the six months ended June 30,			
($000s)		**2015**		2014		**2015**		2014
Gross G&A	**$**	**11,158**	$	9,932	**$**	**22,786**	$	20,144
G&A recoveries		**(102)**		(320)		**(148)**		(903)
Capitalized G&A		**(1,776)**		(1,308)		**(3,633)**		(3,626)
Total G&A	**$**	**9,280**	$	8,304	**$**	**19,005**	$	15,615
G&A reclassified to discontinued operations		**-**		321		**149**		850
Net G&A expense – continuing operations		**9,280**		7,983		**18,856**		14,765
Per unit ($/bbl) [(1)]		**3.77**		4.64		**3.91**		4.53

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

Net G&A from continuing operations was $9.3 million and $18.9 million for the three and six months ended June 30, 2015 compared to $7.9 million and

$14.8 million for the same periods in 2014. These costs primarily consist of management and administrative salaries, legal and professional fees, office rent, insurance, travel and other administrative expense and employee costs. For the second quarter of 2015 net G&A was mainly comprised of $6.9 million relating to staff, consultants and professional services and the balance to other expenses. On a per barrel basis net G&A in the second quarter decreased 19% compared to the comparative period in 2014. As G&A is mainly denominated in local currencies, there has been US$ savings realized on the depreciation of these local currencies.

A total of 277 full-time-equivalents in two locations were working for Parex as at June 30, 2015 compared to 230 at June 30, 2014 and 273 at March 31, 2015.

Share-Based Compensation Expense

($000s)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Share-based compensation expense	**$ 1,297**	$ 1,529	**$ 2,700**	$ 2,964
Share appreciation rights expense	**3,308**	5,258	**3,815**	7,819
Restricted and deferred share unit expense	**1,531**	612	**2,691**	1,202
Share-based compensation expense	**$ 6,136**	$ 7,399	**$ 9,206**	$ 11,985
SARs (recovery) expense reclassified as discontinued operations	**-**	30	**(22)**	129
Total expense – continuing operations	**6,136**	7,369	**9,228**	11,856

Share-based compensation expense was $1.3 million for the three months ended June 30, 2015 compared to $1.5 million for the same period in 2014. As at June 30, 2015, stock options outstanding were 7,111,497 equaling five percent of the common shares outstanding at the end of the second quarter. A total of 406,845 options were exercised, 75,000 options were granted and 133,668 options were forfeited during the six months ended June 30, 2015. For the six month period ended June 30, 2015, the weighted average fair value upon grant date of the options granted based upon the Black Scholes option value methodology was Cdn$2.44 per option (six months ended June 30, 2014 - Cdn$3.09 per option).

Share appreciation rights ("SARs") expense was $3.3 million expense for the three months ended June 30, 2015 compared to $5.3 million expense for the same period in 2014. The Company's share price fluctuated from Cdn$12.55 at June 30, 2014, Cdn$7.58 at December 31, 2014 to Cdn $10.47 at June 30, 2015. As at June 30, 2015, 2,421,303 SARs were outstanding all of which were granted to employees in Colombia. The weighted average exercise price at June 30, 2015 of the SARs outstanding was Cdn$7.37 per SAR (June 30, 2014 – Cdn$6.02 per SAR).

As at June 30, 2015, the total SARs liability accrued is $7.3 million (December 31, 2014 - $4.4 million).

Restricted share unit ("RSUs") expense was $1.5 million for the three months ended June 30, 2015 compared to $0.6 million for the same period in 2014. As at June 30, 2015, 1,576,372 RSUs were outstanding. A total of 30,000 units were granted and 60,978 units were exercised and 18,535 units were forfeited during the six months ended June 30, 2015. For the six month period ended June 30, 2015 the fair value upon grant date of the units issued was Cdn$6.53 per RSU (six months ended June 30, 2014 – Cdn$8.32 per RSU).

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

	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
DD&A expense ($000s)	**$ 37,259**	$ 49,170	**$ 77,431**	$ 103,827
DD&A reclassified to discontinued operations	**-**	5	**-**	10
DD&A – continuing operations	**37,259**	49,165	**77,431**	103,817
Per unit ($/bbl)[(1)]	**$ 15.15**	$ 27.46	**$ 15.91**	$ 30.14

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

Second quarter 2015 DD&A expense of $15.15/bbl is lower than second quarter 2014 rate of $27.46/bbl due to an increase in the Company's crude oil reserves year over year. The six month period ended June 30, 2015 DD&A expense also decreased from $30.14 in the 2014 period to $15.91 for the current six month period. The decrease is also a result of drilling success and increased reserves as compared to the prior period.

Second quarter 2015 depletion was $37.3 million compared to $49.2 million for the same period in 2014. The decrease in depletion expense is a result of increased reserves associated with the Company's independent reserve report dated December 31, 2014. The remaining DD&A relates to seismic equipment and office equipment which is depreciated over the assets estimated useful lives.

Foreign Exchange Loss (Gain)

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Foreign exchange loss (gain) ($000s)	**$ 4,383**	$ 1,563	**$ 4,505**	$ (1,166)
Foreign exchange (gain) loss reclassified to discontinued operations	**-**	-	**-**	2
Foreign exchange (gain) loss – continuing operations	**4,383**	1,563	**4,505**	(1,164)
Foreign Exchange Rates				
CAD$/US$	**0.81**	0.92	**0.81**	0.91
Colombian peso/US$	**2,501**	1,913	**2,485**	1,959

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Canadian dollars and Colombian pesos, as the Company's functional currency is the US dollar. The Company has exposure in Colombia and Canada on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies. The main drivers of foreign exchange (gains) losses are the revaluation of the Colombian peso denominated income tax, accounts payable and accounts receivable to US at period end dates. During the three months ended June 30, 2015, the total foreign exchange loss was $4.4 million (three months ended June 30, 2015 – loss of $1.6 million). Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statement of comprehensive income (loss). For the three months ended June 30, 2015, $0.8 million foreign exchange loss is realized and $3.6 million foreign exchange loss is unrealized (3 months ended June 30, 2014 - $0.1 million foreign exchange gain was realized and $1.7 million foreign exchange loss was unrealized).

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

Net Finance Expense (Income)

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Interest expense and bank charges	**$ 791**	$ 1,467	**$ 1,946**	$ 3,093
Accretion on convertible debentures	-	1,114	-	2,135
Accretion on decommissioning and environmental liabilities	**433**	260	**828**	480
Loss (gain) on derivative financial liability	-	15,204	-	25,640
Amortization of debt issuance costs	-	167	-	321
Unrealized gain on foreign currency risk management contracts	**(2,924)**	(3,134)	**(1,925)**	118
Realized loss on foreign currency risk management contracts	**1,840**	(180)	**1,840**	(180)
Loss on disposition of tangible assets	-	203	-	575
Interest and other income	**(177)**	(686)	**(371)**	(918)
Colombian net wealth tax	**283**	-	**3,862**	-
Net finance expense	**$ 246**	$ 14,415	**$ 6,180**	$ 31,264
Finance expenses reclassified to discontinued operations	-	205	-	581
Net finance expense - continuing operations	**246**	14,210	**6,180**	30,683

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Non-cash finance expense	**$ (2,491)**	$ 13,805	**$ (1,097)**	$ 29,260
Cash finance expense	**2,737**	610	**7,277**	2,004
Net finance expense	**$ 246**	$ 14,415	**$ 6,180**	$ 31,264

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

On December 23, 2014 the Colombian government passed a law imposing a Net Wealth Tax ("NWT") levied on Colombian companies. The tax is assessed and becomes payable on the opening equity as at January 1st of each year beginning in 2015 extending until 2017, at rates from 1.15% in 2015 to 0.4% in 2017. The Company's NWT for 2015 is $3.9 million and will be paid in two equal semi-annual installments in 2015. The entire $3.9 million of 2015 NWT was accrued for in the first half of 2015.

Risk Management

Management of cash flow variability is an integral component of Parex' business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board of Directors to establish risk management guidelines to be used by management. The risk exposure inherent in movements in the price of crude oil, fluctuations in the US/COP exchange rate and interest rate movements are all proactively reviewed by Parex and as considered appropriate may be managed through the use of derivatives 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 better.

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

a) Risk Management Contracts - Brent Crude

The following is a summary of the ICE Brent priced crude oil risk management contracts in place for the six months period ended June 30, 2015:

Period Hedged	Reference	Type	Volume bbls/d	Price/bbl
March 1, 2015 to March 31, 2015	ICE Brent	Collar	5,000	$55.00-$66.60
March 1, 2015 to March 31, 2015	ICE Brent	Collar	3,000	$55.00-$68.00
April 1, 2015 to April 30, 2015	ICE Brent	Collar	5,000	$55.00-$68.25
April 1, 2015 to April 30, 2015	ICE Brent	Collar	3,000	$55.00-$69.75
April 1, 2015 to April 30, 2015	ICE Brent	Collar	2,000	$55.00-$67.00
May 1, 2015 to May 31, 2015	ICE Brent	Collar	5,000	$55.00-$68.75
May 1, 2015 to July 31, 2015	ICE Brent	Collar	5,000	$55.00-$65.00
June 1, 2015 to July 31, 2015	ICE Brent	Collar	2,000	$57.50-$69.00
August 1, 2015 to August 31, 2015	ICE Brent	Collar	3,000	$55.00-$76.80
August 1, 2015 to December 31, 2015	ICE Brent	Put	2,000	$55.00

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Realized loss on commodity risk management contracts	**$ -**	$ 1,267	**$ -**	$ 2,747
Unrealized loss (gain) on commodity risk management contracts	**1,141**	1,403	**287**	(565)
Total	**$ 1,141**	$ 2,670	**$ 287**	$ 2,182

The Company's net unrealized derivative loss on risk management contracts for the three and six months ended June 30, 2015 of $1.1 million and $0.3 million (three and six month period ended June 20, 2014 – loss of $1.4 million and gain of $0.6 million) is attributable to the change in fair value of the derivative contracts from the prior period.

b) Risk Management Contracts – Foreign Exchange

The following is a summary of the foreign currency risk management contracts settled during the six months ended June 30, 2015:

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Realized loss on foreign currency risk management contracts	**$ 1,840**	$ (180)	**$ 1,840**	$ (180)
Unrealized loss (gain) on foreign currency risk management contracts	**(2,924)**	(3,134)	**(1,925)**	118
Total	**$ (1,084)**	$ (3,314)	**$ (85)**	$ (62)

The unrealized loss (gain) represents the fair value change of the underlying foreign currency risk management contracts as at the balance sheet date to be settled in the future, and also reclassification adjustments when contracts are realized and settled.

Income Tax

The components of tax expense for the three and six months ended June 30, 2015 and 2014 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Current tax expense	**$ 9,073**	$ 13,622	**$ 15,911**	$ 31,164
Deferred tax (recovery) expense	**3,767**	(5,381)	**7,316**	(7,707)
Tax expense	**$ 12,840**	$ 8,241	**$ 23,227**	$ 23,457

The current and future tax expense relates to the Company's operations in Colombia. Current tax in the second quarter was $9.0 million as compared to $13.6 million in the comparative period. The decrease in the current tax expense from the prior period is a result of decreased Colombian funds flow from operations as a result of the decrease in oil prices.

Deferred tax in the second quarter of 2015 was an expense of $3.8 million ($5.4 million recovery for the three months ended June 30, 2014). The calculation of current and deferred income tax in Colombia is based on a number of variables which can cause swings in current and deferred income tax. These variables include but are not limited to the yearend producing reserves used in calculating depletion for tax purposes, the timing and number of dry hole write offs permissible for Colombian tax purposes and currency fluctuations. Accordingly estimating tax expense during the year is inherently difficult. The effective current tax rate for the three and six months ended June 30, 2015 on Colombian segmented operating cash flows was 12% and 13% respectively (three and six months ended June 30, 2014 – 14% and 16%). Refer to Non-GAAP terms on page 18 for Company definition of Colombian segmented operating cash flows.

Tax Restructuring

Effective July 1, 2015 the Company entered into an intercompany purchase/sale agreement between two of its subsidiaries, whereby certain assets were effectively sold and consolidated. The purpose of the transaction is to make the Company's tax structure more efficient for future years. The impact of this restructuring is that the company will incur recapture and capital gains taxes in 2015 however it will gain increased tax basis, and use of loss carry-forwards in the consolidated entity.

After completing the transaction, the Company has estimated $42-$44 million of current tax expense for 2015, resulting in second half of 2015 current tax expense of approximately $26-$28 million as compared to the accrual for the first six months of 2015 of $15.8 million. For 2016, based on Q2 average oil prices, the Company is expecting to reduce its effective current tax to below 10% of Colombian segmented cash flows, where historically the Company's average has been 13-17%. This benefit is expected to reduce in future years.

Capital Expenditures

For the three months ended June 30,	Colombia		Trinidad & Tobago		Canada		Total	
($000s)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Acquisition of unproved properties	**1,497**	5,235	**-**	-	**-**	-	**1,497**	5,235
Geological and geophysical	**794**	1,788	**-**	-	**-**	-	**794**	1,788
Drilling and completion	**30,148**	78,195	**-**	-	**-**	-	**30,148**	78,195
Well equipment and facilities	**3,903**	9,478	**-**	-	**-**	-	**3,903**	9,478
Other	**788**	279	**-**	77	**104**	49	**892**	405
Total capital expenditures	**$ 37,130**	$ 94,975	**$ -**	$ 77	**$ 104**	$ 49	**$ 37,234**	$ 95,101

For the six months ended June 30,	Colombia		Trinidad & Tobago		Canada		Total	
($000s)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Acquisition of unproved properties	**6,782**	5,235	**-**	-	**-**	-	**6,782**	5,235
Geological and geophysical	**709**	3,479	**-**	-	**-**	-	**709**	3,479
Drilling and completion	**46,023**	130,459	**-**	-	**-**	-	**46,023**	130,459
Well equipment and facilities	**9,679**	16,763	**-**	-	**-**	-	**9,679**	16,763
Other	**862**	359	**-**	156	**142**	55	**1,004**	570
Total capital expenditures	**$ 64,055**	$ 156,295	**$ -**	$ 156	**$ 142**	$ 55	**$ 64,197**	$ 156,506

Capital Expenditures Summary

During the six months June 30, 2015 the Company incurred $64.2 million of capital expenditures compared to $156.5 million in the same period of 2014. During Q2, 2015 the Company drilled 3 gross wells (3.0 net) wells, compared to 13 gross (7.75 net) wells in the comparative period. Parex has reduced its capital expenditures to be inline with its funds flow from operations.

During Q2, 2015, total drilling and completion costs were $30.1 million of which the majority related to drilling, completion and capitalized workover costs in Colombia. The drilling and completion costs per well on a net basis was $7.5 million in the second quarter of 2015 versus $10.1 million in the comparative period. The decreased drilling cost per net well is due to cost reductions and the effect of the depreciating Colombian peso on peso denominated costs.

In the second quarter of 2015 the Company's Colombian operations primarily utilized two drilling rigs and one service rig. Spending on well equipment and facilities was $3.9 million primarily on Blocks LLA-32 and LLA-34 in Colombia.

During the six months ended June 30, 2015 capital expenditures of $64.2 million were self funded from funds flow from operations of $83.2 million. The Company strives to fund its capital expenditures from funds flow and has demonstrated this goal on an annual basis since 2012.

Summary of Quarterly Results (Unaudited)

Three months ended ($000s)		**June 30, 2015**		March 31, 2015		Dec. 31, 2014		Sep. 30, 2014
Average daily production volumes (bopd)		**27,025**		26,729		26,544		25,175
Realized sales price ($/bbl)		**56.31**		49.42		60.08		94.40
Financial (000s except per share amounts)								
Oil Sales	**$**	**155,717**	$	134,307	$	160,584	$	228,648
Funds flow from continuing operations [(1)]	**$**	**50,237**	$	32,958	$	49,759	$	89,006
Per share – basic		**0.35**		0.24		0.37		0.70
Per share – diluted		**0.34**		0.24		0.37		0.69
Adjusted net income (loss) [(3)]	**$**	**1,814**	$	(15,544)	$	(50,996)	$	16,768
Per share – basic		**0.01**		(0.12)		(0.38)		0.13
Per share – diluted		**0.01**		(0.12)		(0.38)		0.13
Net income (loss)	**$**	**1,814**	$	(15,544)	$	(146,612)	$	16,768
Per share – basic		**0.01**		(0.12)		(1.09)		0.13
Per share – diluted		**0.01**		(0.12)		(1.09)		0.13
Capital Expenditures, excluding corporate acquisitions	**$**	**37,234**	$	26,963	$	83,571	$	56,799
Total assets (end of period)	**$**	**1,051,150**	$	1,010,116	$	1,034,415	$	1,266,610
Working capital surplus (deficit) (end of period) [(2)]	**$**	**89,754**	$	9,878	$	3,261	$	45,321
Debentures (end of period) [(4)]	**$**	**-**	$	-	$	-	$	-
Bank debt (end of period)	**$**	**-**	$	39,500	$	35,000	$	42,305

(1) Non-GAAP term. See “Non-GAAP Terms”.
(2) Working capital does not include the undrawn amount available on the credit facility.
(3) Net income has been adjusted for the IFRS accounting effects of changes in the derivative financial liability and the non-cash impairments recorded.

Three months ended ($000s)		June 30, 2014		March 31, 2014		Dec. 31, 2013		Sep. 30, 2013
Average daily production volumes (bopd)		19,876		18,425		17,287		16,199
Realized sales price ($/bbl)		104.53		103.42		101.64		106.41
Financial (000s except per share amounts)								
Oil Sales	$	182,996	$	179,794	$	166,959	$	157,043
Funds flow from continuing operations [(1)]	$	77,799	$	77,289	$	76,304	$	68,763
Per share – basic		0.70		0.71		0.70		0.64
Per share – diluted		0.65		0.65		0.62		0.56
Adjusted net income (loss)[(3)]	$	24,679	$	20,099	$	23,201	$	(23,940)
Per share – basic		0.22		0.18		0.21		(0.22)
Per share – diluted		0.20		0.17		0.19		(0.22)
Net income (loss)	$	11,408	$	9,663	$	21,869	$	(27,965)
Per share – basic		0.10		0.09		0.20		(0.26)
Per share – diluted		0.10		0.09		0.18		(0.26)
Capital Expenditures, excluding corporate acquisitions		95,101		61,405		58,817		49,962
Total assets (end of period)	$	1,226,983	$	882,306	$	854,808	$	820,827
Working capital surplus (end of period) [(2)]	$	31,189	$	36,957	$	24,005	$	18,801
Debentures (end of period) [(4)]	$	68,375	$	64,728	$	66,060	$	66,898
Bank debt (end of period)	$	56,000	$	4,000	$	8,530	$	18,500

(1) Non-GAAP term. See “Non-GAAP Terms”.
(2) Working capital does not include the undrawn amount available on the credit facility.
(3) Net income has been adjusted for the IFRS accounting effects of changes in the derivative financial liability.
(4) During August and September 2014, the Cdn$85.0 million principal amount of Debentures were converted for an aggregate of 8,339,991 common shares of the Company and redeemed for $0.3 million in cash.

Liquidity and Capital Resources

As at June 30, 2015 the Company had a working capital surplus of $89.8 million, excluding amounts available under the credit facility, as compared to

working capital surplus at March 31, 2015 of $9.9 million and a working capital surplus of $31.2 million at June 30, 2014. Bank debt was $nil million compared to $39.5 million at March 31, 2015 and $56.0 million in the comparative period. The credit facility has a current borrowing base of $200 million. At June 30, 2015 Parex held $103.9 million of cash, compared to $32.6 million at March 31, 2015 and $63.1 million at June 30, 2014. The Company's cash balances reside in current accounts, the majority of which are held on account in Canada and Barbados. The increase in the Company's cash and working capital positions from prior periods is a result of the May 5, 2015 bought deal financing in the amount of $108.7 million (net of share issue costs) and the Company generating cash flow in excess of capital expenditures year to date June 30, 2015.

The Company values its crude oil inventory on hand using weighted average cost for the inventoried barrels. At June 30, 2015, on a fair market value basis the inventory on hand would have a value of approximately $13.8 million or a positive fair value adjustment of approximately $6.1 million (June 30, 2014 - value of $21.4 million or a fair value adjustment of $12.1 million).

Parex entered into a $200 million senior secured credit facility ("credit facility") with a syndicate of banks led by a major Canadian bank during 2012, with a current borrowing base of $200 million. Key covenants include a rolling four quarters total funded debt to EBITDA test of 3:50:1, and other standard business operating covenants. Given there is $nil balance drawn on the facility as at June 30, 2015, the Company is in compliance with all covenants.

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at June 30, 2015 the Company had 150,107,761 common shares outstanding.

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

Equity Financing

On May 5, 2015 Parex closed a CAD$136.8 million bought deal financing, issuing 14.95 million common shares at a price of CAD$9.15 per share. The net proceeds of approximately US$109 million was used to pay down bank indebtedness, increase net working capital and subsequently is expected to be used to fund capital expenditures and future growth opportunities.

As at August 4, 2015, Parex has the following securities outstanding:

	Number	%
Common shares	150,121,969	95%
Stock options	7,097,289	4%
Restricted share units	1,576,372	1%
Deferred share units	5,000	0%
	158,800,630	100%

As of the date of this MD&A, total stock options, RSU's and DSU's outstanding represent approximately 5.8 percent of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

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

dated March 19, 2015. The Company's exploration commitments are described under "Description of Business - Principal Properties". These obligations and commitments are considered in assessing cash requirements in the discussion of future liquidity.

In Colombia, the Company has provided guarantees to the Colombian energy regulator ("ANH") which on June 30, 2015 was $101.3 million (March 30, 2015 - $97.7 million) to support the exploration work commitments on its Blocks. The guarantees have been provided in the form of letters of credit for varying terms. Export Development Canada ("EDC") has provided performance security guarantees to support approximately 100 percent of the letters of credit issued on behalf of Parex. The letters of credit issued to the ANH are reduced from time to time to reflect the work performed on the various blocks.

The following table summarizes the Company's estimated commitments as at June 30, 2015:

($000s)		Total	<1 year	1 – 3 years	3 – 4 years	>5 years
Exploration	$	175,698	33,803	141,895	-	-
Office and accommodations[(1)]		6,031	2,047	2,538	1,446	-
Decommissioning and environmental expenditures		53,165	2,791	5,581	5,581	39,212
Total	$	234,984	38,641	150,104	7,027	39,212

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

Legal Update

On May 28, 2015, ERG Resources, LLC, a Texas based private company (the "Plaintiff") currently in Chapter 11 Bankruptcy proceedings in Texas, served a Statement of Claim, as filed in the Court of Queen's Bench of Alberta (the "Alberta Statement of Claim"), on Parex and Parex Resources (Bermuda) Limited ("Parex Bermuda"), naming Parex, Parex Bermuda and RBC Dominion Securities, Inc. ("RBC") as defendants. As previously disclosed in Parex' Annual Information Form for the 2014 fiscal year, the Alberta Statement of Claim relates to a share purchase agreement the Plaintiff entered into with Nabors Global Holdings II Limited (the "Seller") respecting the Plaintiff's proposed purchase of all of the Class A Shares (the "Ramshorn Shares") of Ramshorn International Limited ("Ramshorn") owned by the Seller (which agreement was entered into prior to the agreement Parex Bermuda and the Seller entered into for the purchase of the Ramshorn Shares), which prior agreement the Plaintiff claims the Seller improperly terminated with the unlawful interference and inducement of Parex, Parex Bermuda and RBC. The Plaintiff has agreed to not take any steps against Parex or Parex Bermuda without reasonable prior notice. The Plaintiff is seeking specific performance remedies, or, in the alternative, actual and exemplary damages, however the Plaintiff has not yet identified or disclosed its actual damages (if any), or described the methodology by which it intends to calculate its alleged damages, nor has it been required to do so. On April 30, 2015 the Plaintiff filed for Chapter 11 Bankruptcy in the Northern District of Texas. In the bankruptcy, the Plaintiff has proposed to sell up to all of its operating assets in order to fund amounts owing to its creditors. It is not presently known what, if any, impact the Plaintiff's bankruptcy might have on the Alberta litigation. Parex and Parex Bermuda believe that the Plaintiff's claims against them set forth in the Alberta Statement of Claim are baseless and without merit and they intend on vigorously defending such claims if they are ultimately pursued by the Plaintiff in Alberta.

Decommissioning Liabilities

		Decommissioning		Environmental		Total
Balance, December 31, 2013	$	13,793	$	7,295	$	21,088
Additions		9,479		3,201		12,680
Corporate acquisitions		1,300		946		2,246
Settlements of obligations during the year		(1,369)		(425)		(1,794)
Loss on settlements of obligations during the year		134		-		134
Accretion expense		864		263		1,127
Additions related to change in estimate		-		657		657
Foreign exchange gain		-		(1,660)		(1,660)
Decommissioning liabilities reclassified to liabilities held for sale		(389)		-		(389)
Balance, December 31, 2014	$	23,812	$	10,277	$	34,089
Additions		543		-		543
Settlements of obligations during the period		-		(176)		(176)
Accretion expense		601		227		828
Additions related to change in estimate		2,274		(124)		2,150
Foreign exchange gain		-		(766)		(766)
Balance, June 30, 2015	**$**	**27,230**	**$**	**9,438**	**$**	**36,668**
Current obligation		-		(2,026)		(2,026)
Long-term obligation	**$**	**27,230**	**$**	**7,412**	**$**	**34,642**

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at June 30, 2015, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $39.2 million as at June 30, 2015 (December 31, 2014 – $37.0 million) with the majority of these costs anticipated to occur in 2020 or later. A weighted average risk-free discount rate of 4.5 percent and an inflation rate of 2.5 percent were used in the valuation of the liabilities (December 31, 2014 – 5 percent weighted average risk-free discount rate and a 2 percent inflation rate). The discount rates used are a blend of US and Colombia risk-free rates.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $14.0 as at June 30, 2015 (December 31, 2014 – $14.0 million) with the majority of these costs anticipated to occur in 2015 or later in Colombia. A risk-free discount rate of 7 percent and an inflation rate of 3 percent were used in the valuation of the liabilities (December 31, 2014 – 7 percent risk-free discount rate and a 3 percent inflation rate). The discount rate used is based on a Colombia risk-free rate.

Included in the environmental liability is $2.0 million (December 31, 2014 – $2.1 million) that is classified as a current obligation.
Decommissioning liabilities are considered critical accounting estimates. There are significant uncertainties related to decommissioning expenditures and the impact on the financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates. The main factors that can cause expected estimated cash flows in respect of decommissioning liabilities to change are:

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

Advisory on Forward-Looking Statements

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

- the Company's operational strategy, including targeted jurisdictions and technologies used to execute its strategy;
- the Company's approach to manage subsurface and commercial risks;
- the Company's exploration blocks subject to farm-in and earning requirements and the effect on the Company's land holdings as lands deemed non-commercial are released;
- activities to be undertaken in various areas including the fulfillment of exploration commitments and farm-in obligations;
- terms of exploration and production contracts and the timing of release of exploration property deemed non-commercial in respect of the exploration contracts;

- the Company's range of its capital program for 2015;
- the Company's ability to continue to increase quarter over quarter oil production within cashflow;
- expected royalty rates and effect of changes in pricing on the Company's overall royalty as a percentage of sales;
- expected transportation costs on a per barrel basis and effect of the marketing mix, delivery points and the Colombian peso/US$ exchange rate on the variability of such transportation costs;
- terms of stock based compensation plans, including option plan, restricted share unit plan, and share appreciation rights;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the use of derivatives 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 risk management contracts and the Company's ability to manage and forecast cash flow;
- estimated income tax expense for the three and six months ended June 30, 2015;
- the Company's estimated full year current tax expense for 2015 and the expected reduction to the Corporation's effective current tax for 2016;
- terms of the Company's credit facility;
- terms of the Company's exploration and other contractual commitments;
- the anticipated sources of funding for the Company's environmental, decommissioning and restoration obligations;
- drilling plans and timing of drilling, completion and tie-in of wells; and
- effect of business and environmental risks on the Company.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; continued volatility in market prices for oil; the impact of significant declines in market prices for oil; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve and resource estimates; the production and growth potential of Parex' assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; 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 the acquisitions; risks related to the lawsuit brought in Texas against Parex and certain foreign subsidiaries; failure of counterparties to perform under the terms of their contracts; the risks discussed under "Risk Factors" in the Company's Annual Information Form dated March 19, 2015 and under "Business Environment and Risks" in this MD&A, and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to areas of the Company's operations and infrastructure; future exchange rates; the price of oil; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves and future production rates; royalty rates; future operating costs; foreign exchange rates; the status of litigation; timing of drilling and completion of wells; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the

continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing to develop such reserves.

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

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

Non-GAAP Terms

This report contains financial terms that are not considered measures under GAAP such as funds flow used in, or from operations, working capital, operating netback per barrel and adjusted net income, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures.

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

	For the three months ended June 30,		For the six months ended June 30,	
(000s)	**2015**	2014	**2015**	2014
Cash provided by (used in) operating activities – continuing operations (GAAP)	**$ 61,621**	$ 53,482	**$ 58,200**	$ 88,823
Changes in non-cash working capital including taxes and interest payable	**(11,384)**	24,317	**24,995**	66,265
Funds flow from continuing operations (Non-GAAP)	**$ 50,237**	$ 77,799	**$ 83,195**	$ 155,088

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

(000s)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Funds flow from continuing operations				
Funds flow from continuing operations for the purpose of basic funds flow	**$ 50,237**	$ 77,799	**$ 83,195**	$ 155,088
Debenture interest expense	**-**	1,019	**-**	2,034
Funds flow from operations for diluted funds flow	**$ 50,237**	$ 78,818	**$ 83,195**	$ 157,122
Weighted average number of shares for the purposes of basic funds flow (000s)	**144,145**	111,163	**139,468**	110,135
Dilutive effect of share options on potential common shares	**2,703**	2,309	**2,162**	3,264
Dilutive effect of Debentures on potential common shares	**-**	8,374	**-**	8,374
Weighted average number of shares for the purposes of diluted funds	**146,848**	121,846	**141,630**	121,773

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

(000s)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Net income (GAAP)	**$ 1,814**	$ 11,408	**$ (13,730)**	$ 21,071
Non cash (gain) loss on derivative financial liability	**-**	15,204	**-**	25,640
Adjusted net income (Non-GAAP)	**$ 1,814**	$ 26,612	**$ (13,730)**	$ 46,711

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

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

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

Working capital *is determined by current assets less current liabilities but may not include changes in non-cash working capital from one period to the next and does not include any undrawn credit facility amount.*

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

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

Colombian Operating Cash Flows *is determined by Oil Sales, less royalties, commodity risk management contracts, production, transportation, purchased oil expense and general and administrative expenses. This information is determined by the segmented information in Note 20 of the Company's financial statements. The Company uses this measure to assess Colombian effective current tax rates.*

Business Environment and Risks

There have been no significant changes during the six months ended June 30, 2015 to the risks and uncertainties identified in the Company's Annual Information Form dated March 19, 2015.

Internal Controls over Financial Reporting

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

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the three months ended June 30, 2015.

Financial Instruments and Other Instruments

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

Accounting Policies and Estimates

In preparing this Management Discussion and Analysis, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2014.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE		June 30, 2015		December 31, 2014
ASSETS					
Current assets					
Cash		**$**	**103,894**	$	39,000
Accounts receivable	**5**		**92,696**		125,262
Prepaids and other current assets			**7,862**		8,559
Crude oil inventory	**6**		**7,718**		10,959
Assets held for sale	**9**		**-**		2,933
			212,170		186,713
Goodwill			**73,452**		73,452
Exploration and evaluation	**7**		**163,015**		132,048
Property, plant and equipment	**8**		**602,513**		642,202
		$	**1,051,150**	$	1,034,415
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**100,691**	$	135,512
Derivative financial instruments	**19**		**287**		1,925
Current income and equity tax payable	**15**		**19,412**		43,201
Current portion of decommissioning and environmental liabilities	**13**		**2,026**		2,143
Liabilities held for sale	**9**		-		671
			122,416		183,452
Long-term debt	**11**		-		35,000
Other long-term liabilities	**12**		**1,399**		639
Decommissioning and environmental liabilities	**13**		**34,642**		31,946
Deferred tax liability	**15**		**130,055**		122,740
			288,512		373,777
Shareholders' equity					
Share capital	**14**		**805,477**		694,110
Contributed surplus			**30,469**		26,106
Retained earnings			**(73,308)**		(59,578)
			762,638		660,638
		$	**1,051,150**	$	1,034,415

Commitments (note 21)

Contingencies (note 22)

See accompanying Notes to the Consolidated Interim Financial Statements

Approved by the Board:

Paul Wright
Director

Ron Miller
Director

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(thousands of United States dollars, except per share amounts)	NOTE	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Oil sales		**$ 155,717**	$ 182,996	**$ 290,024**	$ 362,790
Royalties		**(11,977)**	(25,346)	**(22,453)**	(50,186)
Revenue		**143,740**	157,650	**267,571**	312,604
Commodity risk management contracts	19	**(1,141)**	(2,670)	**(287)**	(2,182)
		142,599	154,980	**267,284**	310,422
Expenses					
Production		**18,304**	19,200	**37,883**	35,784
Transportation		**39,384**	28,724	**81,405**	60,157
Purchased oil		**12,978**	5,905	**21,543**	7,777
General and administrative		**9,280**	7,983	**18,856**	14,765
Transaction costs		**-**	504	**-**	504
Share-based compensation	14	**6,136**	7,369	**9,228**	11,856
Depletion, depreciation and amortization	8	**37,259**	49,165	**77,431**	103,817
(Gain) loss on settlement of decommissioning liabilities	13	**(25)**	147	**(25)**	147
Foreign exchange (gain) loss		**4,383**	1,563	**4,505**	(1,164)
		127,699	120,560	**250,826**	233,643
Finance income	10	**(177)**	(686)	**(371)**	(918)
Finance expense	10	**423**	14,896	**6,551**	31,601
Net finance expense		**246**	14,210	**6,180**	30,683
Income from continuing operations before income taxes		**14,654**	20,210	**10,278**	46,096
Income tax expense					
Current tax expense	15	**9,073**	13,622	**15,911**	31,164
Deferred tax (recovery) expense	15	**3,767**	(5,381)	**7,316**	(7,707)
		12,840	8,241	**23,227**	23,457
Net income (loss) and comprehensive income (loss) from continuing operations after income taxes		**$ 1,814**	$ 11,969	**$ (12,949)**	$ 22,639
Loss from discontinued operations after income taxes		**-**	(561)	**(781)**	(1,568)
Net income (loss) and comprehensive income (loss) for the period		**$ 1,814**	$ 11,408	**$ (13,730)**	$ 21,071
Basic net income (loss) per common share – continuing operations	16	**$ 0.01**	$ 0.11	**$ (0.09)**	$ 0.21
Diluted net income (loss) per common share – continuing operations	16	**$ 0.01**	$ 0.11	**$ (0.09)**	$ 0.20
Basic and diluted net loss per common share – discontinued operations	16	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.01)

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Changes in Equity (unaudited)

For the six months ended June 30, (thousands of United States dollars)		2015		2014
Share capital				
Balance, beginning of period	**$**	**694,110**	$	414,176
Issuance of common shares under option plans		**2,744**		7,801
Issued on the acquisition of Verano Energy Limited ("Verano")		-		169,333
Issued through bought deal financing		**113,620**		-
Share issue costs		**(4,997)**		(180)
Balance, end of period	**$**	**805,477**	$	591,130
Contributed surplus				
Balance, beginning of period	**$**	**26,106**	$	21,692
Share-based compensation		**5,391**		4,166
Options exercised		**(1,028)**		(2,344)
Balance, end of period	**$**	**30,469**	$	23,514
Retained earnings (deficit)				
Balance, beginning of period	**$**	**(59,578)**	$	49,195
Net income (loss) for the period		**(13,730)**		21,071
Balance, end of period	**$**	**(73,308)**	$	70,266
	$	**762,638**	$	684,910

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Cash Flows (unaudited)

(thousands of United States dollars)	NOTE	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Operating activities					
Net income (loss) from continuing operations		**$ 1,814**	$ 11,969	**$ (12,949)**	$ 22,639
Add (deduct) non-cash items					
Depletion, depreciation and amortization	**8**	**37,259**	49,165	**77,431**	103,817
Non-cash finance expense (income)	**10**	**(2,491)**	13,600	**(1,097)**	28,679
Share-based compensation	**14**	**6,136**	7,369	**9,228**	11,856
Deferred tax (recovery) expense	**15**	**3,767**	(5,381)	**7,316**	(7,707)
Unrealized foreign exchange (gain) loss		**3,572**	1,652	**3,990**	(1,280)
Unrealized (gain) loss on commodity risk management contracts	**19**	**1,141**	1,403	**287**	(565)
Gain on settlement of decommissioning liabilities	**13**	**(25)**	-	**(25)**	
Abandonment costs paid	**13**	**(176)**	(488)	**(176)**	(488)
Equity tax paid		**-**	(728)	**-**	(728)
Stock appreciation rights paid	**14**	**(760)**	(762)	**(810)**	(1,135)
		50,237	77,799	**83,195**	155,088
Net change in non-cash working capital – continuing operations	**17**	**11,384**	(24,317)	**(24,995)**	(66,265)
Cash provided by operating activities – continuing operations		**61,621**	53,482	**58,200**	88,823
Cash used in operating activities – discontinued operations	**9**	**-**	(468)	**(238)**	(1,011)
Cash provided by operating activities		**61,621**	53,014	**57,962**	87,812
Investing activities					
Property, plant and equipment expenditures	**8**	**(18,773)**	(45,304)	**(34,097)**	(84,922)
Exploration and evaluation expenditures	**7**	**(18,461)**	(49,720)	**(30,100)**	(71,428)
Corporate acquisitions		**-**	(27,131)	**-**	(27,131)
Proceeds on the disposition of assets	**8**	**-**	27	**-**	719
Net change in non-cash working capital	**17**	**(22,974)**	37,059	**(4,294)**	48,715
Cash used in investing activities – continuing operations		**(60,208)**	(85,069)	**(68,491)**	(134,047)
Cash provided by (used in) investing activities – discontinued operations	**9**	**-**	(77)	**1,672**	(156)
Cash used in investing activities		**(60,208)**	(85,146)	**(66,819)**	(134,203)
Financing activities					
Issuance of common shares under option plans	**14**	**1,400**	2,388	**1,716**	5,457
Issuance of common shares through bought deal financing	**14**	**113,620**	-	**113,620**	-
Share issue costs		**(4,997)**	(180)	**(4,997)**	(180)
Long-term debt (repaid) issued	**11**	**(39,500)**	52,000	**(35,000)**	47,470
Cash provided by financing activities - continuing operations		**70,523**	54,208	**75,339**	52,747
Increase in cash for the period		**71,936**	22,076	**66,482**	6,356
Impact of foreign exchange on foreign currency-denominated cash balances		**(625)**	664	**(1,588)**	226
Cash, beginning of period		**32,583**	40,334	**39,000**	56,492
Cash, end of period		**$ 103,894**	$ 63,074	**$ 103,894**	$ 63,074

Supplemental Disclosure of Cash Flow Information (note 17)

See accompanying Notes to the Consolidated Interim Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2015
(Tabular amounts in thousands of United States dollars, unless otherwise stated. Amounts in text are in United States dollars unless otherwise stated.)

1. Corporate Information

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

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

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 4, 2015.

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

a) Statement of compliance

The condensed interim consolidated financial information for the three and six months ended June 30, 2015 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 4, 2015, the date of approval by the Board of Directors.

b) Basis of measurement

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

c) Use of management estimates, judgments and measurement uncertainty

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

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

3. Summary of Significant Accounting Policies

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

4. Determination of Fair Values

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

5. Accounts Receivable

		June 30, 2015		December 31, 2014
Trade receivables	**$**	**44,757**	$	74,064
Colombia income taxes receivable		**38,023**		35,557
Receivables from partners		**9,603**		7,616
Value added taxes (VAT)		**313**		8,025
	$	**92,696**	$	125,262

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. Colombia income tax receivable is a result of withholding tax incurred on Colombia oil sales. The balance can either be received in cash or applied to Colombian cash income tax payable. Receivables from partners consist of cash calls outstanding from joint venture partners in Colombia to recover ongoing capital costs and operating costs, or overhead recoveries outstanding from joint venture partners. All accounts receivable are expected to be received in 2015 and are thus recognized as current assets.

6. Inventory

		June 30, 2015		December 31, 2014
Crude oil inventory	**$**	**7,718**	$	10,959

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

7. Exploration and Evaluation Assets

		Colombia		Trinidad & Tobago		Total
Cost						
Balance at December 31, 2013	$	46,769	$	23,269	$	70,038
Additions		119,670		706		120,376
Transfers to PP&E		(12,457)		-		(12,457)
Disposition of tangible assets		-		(849)		(849)
Changes in decommissioning liability		5,768		-		5,768
Corporate acquisitions		15,081		-		15,081
Intercompany transfer of assets		1,604		(1,604)		-
Exploration and evaluation impairment		(44,387)		(19,633)		(64,020)
Reclassified to assets held for sale		-		(1,889)		(1,889)
Balance at December 31, 2014	$	132,048	$	-	$	132,048
Additions		30,100		-		30,100
Changes in decommissioning liability		867		-		867
Balance at June 30, 2015	**$**	**163,015**	**$**	**-**	**$**	**163,015**

Exploration and Evaluation ("E&E") assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. Additions represent the Company's share of costs incurred on E&E assets during the period. For the six months ended June 30, 2015 no transfers from E&E to PP&E were made.

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

At June 30, 2015 the Company did not have E&E assets in Canada.

8. Property, Plant and Equipment

	Canada	Colombia	Trinidad &Tobago	Total
Cost				
Balance at December 31, 2013	$ 4,781	$ 981,215	$ 318	$ 986,314
Additions	515	175,974	11	176,500
Changes in decommissioning liability	-	7,569	-	7,569
Verano acquistion	-	247,617	-	247,617
Transfer from E&E assets	-	12,457	-	12,457
Intercompany transfer of assets	(1,903)	1,903	-	-
Dispositions	-	(624)	(91)	(715)
Balance at December 31, 2014	$ 3,393	$ 1,426,111	$ 238	$ 1,429,742
Additions	142	33,955	-	34,097
Dispositions	-	-	(238)	(238)
Changes in decommissioning liability	-	1,826	-	1,826
Balance at June 30, 2015	**$ 3,535**	**$ 1,461,892**	**$ -**	**$ 1,465,427**
Accumulated Depreciation, Depletion and Amortization				
Balance at December 31, 2013	$ 2,628	$ 451,985	$ 219	$ 454,832
Depletion and depreciation for the period	187	218,284	19	218,490
DD&A transferred to crude oil inventory costing	-	954	-	954
Impairment	-	113,264	-	113,264
Balance at December 31, 2014	$ 2,815	$ 784,487	$ 238	$ 787,540
Depletion and depreciation for the period	107	77,324	-	77,431
DD&A included in crude oil inventory costing	-	(1,819)	-	(1,819)
Dispositions	-	-	(238)	(238)
Balance at June 30, 2015	**$ 2,922**	**$ 859,992**	**$ -**	**$ 862,914**
Net book value:				
At December 31, 2013	$ 2,153	$ 529,230	$ 99	$ 531,482
At December 31, 2014	$ 578	$ 641,624	$ -	$ 642,202
At June 30, 2015	**$ 613**	**$ 601,900**	**$ -**	**$ 602,513**

In the six months ended June 30, 2015 property, plant and equipment ("PPE") additions mainly relate to development and appraisal expenditures in Colombia at Block LLA-32 and Block LLA-34. There were no transfers from E&E for the six months ended June 30, 2015 (six months ended June 30, 2014 - $nil).

For the six months ended June 30, 2015 $3.6 million of general and administrative costs (six months ended June 30, 2014 - $3.6 million) have been capitalized in respect of development and production activities during the current period.

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

9. Discontinued Operations

During the six months ended June 30, 2015, Parex Resources (Barbados) Ltd. ("Parex Barbados") sold to a third party all of the issued and outstanding shares of Parex Trinidad Ltd. for $1.5 million in cash, plus the assumption of certain liabilities and adjusted working capital. The sale closed on February 19, 2015. During the reclassification of operations for sale, assets of $20.0 million were identified as being impaired during the year ended December 31, 2014.

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

For the six months ended June 30,		2015		2014
Expenses	**$**		$	
General and administrative		**149**		850
Depletion, depreciation and amortization		**-**		10
Share-based compensation expense		**(22)**		129
Loss on sale of tangible assets		**-**		575
Accretion on decommissioning liabilities		**-**		6
Foreign exchange gain		**-**		(2)
Loss on settlement of other assets and liabilities		**654**		-
Net loss from discontinued operations	**$**	**781**	$	1,568

10. Net Finance Expense (Income)

		For the three months ended June 30,				For the six months ended June 30,		
		2015		2014		**2015**		2014
Interest expense and bank charges	**$**	**791**	$	1,467	**$**	**1,946**	$	3,093
Accretion on convertible debentures		-		1,114		-		2,135
Accretion on decommissioning and environmental liabilities		**433**		260		**828**		480
Loss on derivative financial liability		-		15,204		-		25,640
Amortization of debt issuance costs		-		167		-		321
Unrealized gain on foreign currency risk management contracts		**(2,924)**		(3,134)		**(1,925)**		118
Realized loss on foreign currency risk management contracts		**1,840**		(180)		**1,840**		(180)
Loss on disposition of tangible assets		-		203		-		575
Interest and other income		**(177)**		(686)		**(371)**		(918)
Colombian net wealth tax		**283**		-		**3,862**		-
Net finance expense	**$**	**246**	$	14,415	**$**	**6,180**	$	31,264
Finance expenses reclassified to discontinued operations		-		205		-		581
Net finance expense - continuing operations	**$**	**246**	$	14,210	**$**	**6,180**	$	30,683

		For the three months ended June 30,				For the six months ended June 30,		
		2015		2014		**2015**		2014
Non-cash finance expense	**$**	**(2,491)**	$	13,805	**$**	**(1,097)**	$	29,260
Cash finance expense		**2,737**		610		**7,277**		2,004
Net finance expense	**$**	**246**	$	14,415	**$**	**6,180**	$	31,264

11. Long-Term Debt

		June 30, 2015		December 31, 2014
Long-term debt (syndicate credit facility)	**$**	-	$	35,000

On May 23, 2012, Parex entered into a $200 million senior secured credit facility ("credit facility") with a syndicate of banks led by a major Canadian bank. At June 30, 2015, the credit facility consists of a reserve-based revolving facility of $200 million including an operating line of $20 million. The revolving facility is a rolling facility maturing on May 22, 2017, and may be extended for an additional 365 days after attaining syndicate approval. The credit facility is subject to re-determination of the borrowing base semi-annually on November 30 and May 31 of each year. The borrowing base is determined based on, among other things, the Company's current reserve report, results of operations, the lenders' view of the current and forecasted commodity prices and the current economic environment. In the event that the syndicate reduces the borrowing base below the amount drawn at the time of the redetermination, the Company has 180 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or repaying amounts in excess of the new re-determined borrowing base. US base rate and LIBOR base rate loan advances under the revolving facility bear interest at rates ranging from US base rate or LIBOR plus 2.50% - 3.50% per annum, dependent on utilization. Canadian prime rate loan advances, drawn on the operating line only, bear interest at rates ranging from Canadian prime plus 1.50% - 2.50% per annum, dependent on utilization. Undrawn amounts under the revolving facility bear a commitment fee ranging from 0.5% to 0.7% per annum, dependent on utilization.

Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. Key covenants include a rolling four quarter total funded debt to EBITDA test of 3:50: 1,

and other standard business operating covenants. The authorized borrowing amount is subject to an interim review as discussed above. As at June 30, 2015, the Company is in compliance with all covenants as there is $nil balance drawn on the facility. Security is provided for by a first fixed and floating charge debenture over all assets of Parex Resources Inc., a pledge of the shares of material subsidiaries and general assignment of book debts.

12. Other Long-Term Liabilities

Other long-term liabilities are comprised of the following:

		June 30, 2015		December 31, 2014
Long-term SARs payable	**$**	**1,399**	$	639

13. Decommissioning and Environmental Liabilities

		Decommissioning		Environmental		Total
Balance, December 31, 2013	$	13,793	$	7,295	$	21,088
Additions		9,479		3,201		12,680
Corporate acquisitions		1,300		946		2,246
Settlements of obligations during the year		(1,369)		(425)		(1,794)
Loss on settlements of obligations during the year		134		-		134
Accretion expense		864		263		1,127
Additions related to change in estimate		-		657		657
Foreign exchange gain		-		(1,660)		(1,660)
Decommissioning liabilities reclassified to liabilities held for sale		(389)		-		(389)
Balance, December 31, 2014	$	23,812	$	10,277	$	34,089
Additions		543		-		543
Settlements of obligations during the period		-		(176)		(176)
Accretion expense		601		227		828
Additions related to change in estimate		2,274		(124)		2,150
Foreign exchange gain		-		(766)		(766)
Balance, June 30, 2015	**$**	**27,230**	**$**	**9,438**	**$**	**36,668**
Current obligation		-		(2,026)		(2,026)
Long-term obligation	**$**	**27,230**	**$**	**7,412**	**$**	**34,642**

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at June 30, 2015, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $39.2 million as at June 30, 2015 (December 31, 2014 – $37.0 million) with the majority of these costs anticipated to occur in 2020 or later. A weighted average risk-free discount rate of 4.5 percent and an inflation rate of 2.5 percent were used in the valuation of the liabilities (December 31, 2014 – 5 percent weighted average risk-free discount rate and a 2 percent inflation rate). The discount rates used are a blend of US and Colombia risk-free rates.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $14.0 million as at June 30, 2015 (December 31, 2014 – $14.0 million) with the majority of these costs anticipated to occur in 2015 or later in Colombia. A risk-free discount rate of 7 percent and an inflation rate of 3 percent were used in the valuation of the liabilities (December 31, 2014 – 7 percent risk-free discount rate and a 3 percent inflation rate). The discount rate used is based on a Colombia risk-free rate.

Included in the environmental liability is $2.0 million (December 31, 2014 – $2.1 million) that is classified as a current obligation.

14. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2013	108,711,649	$	414,176
Issued for cash – exercise of options and RSUs	2,949,574		9,373
Issued in Verano Acquisition	14,688,724		169,333
Issued on conversion of convertible debentures	8,339,991		97,331
Share issue costs	-		(180)
Allocation of contributed surplus – exercise of options and RSUs	-		4,077
Balance, December 31, 2014	134,689,938	$	694,110
Issued for cash – exercise of options and RSUs	467,823		1,716
Issued through bought deal financing	14,950,000		113,620
Share issue costs	-		(4,997)
Allocation of contributed surplus – exercise of options and RSUs	-		1,028
Balance, June 30, 2015	**150,107,761**	**$**	**805,477**

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

On May 5, 2015, the Company completed a bought deal financing for gross proceeds of $113.6 million (Cdn$136.8 million) resulting in net proceeds of $108.7 million (Cdn$131.3 million) after share issue costs and issued 14.95 million common shares at a price of Cdn$9.15 per common share, which included 1.95 million common shares issued in connection with the full exercise of the underwriter's over allotment option.

b) Stock options

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

	Number of options	Weighted average exercise price Cdn$/option
Balance, December 31, 2014	7,577,010	6.78
Granted	75,000	6.54
Exercised	(406,845)	5.27
Forfeited	(133,668)	5.85
Balance, June 30, 2015	**7,111,497**	**6.88**

Stock options outstanding and the weighted average remaining life of the stock options at June 30, 2015 are as follows:

	Options outstanding			Options vested		
Exercise price Cdn$	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option
$4.06 - $5.79	1,306,269	2.19	4.53	777,352	2.13	4.50
$5.80 - $6.06	39,134	3.11	6.00	2,300	2.51	5.80
$6.07 - $6.12	3,762,969	3.30	6.07	1,234,823	3.30	6.07
$6.13 - $9.90	226,250	3.77	7.06	55,416	2.72	6.70
$9.91 - $13.93	1,776,875	4.35	10.31	10,000	3.88	11.74
	7,111,497	3.37	6.88	2,079,891	2.85	5.53

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

For the six months ended June 30,	**2015**	2014
Risk-free interest rate (%)	0.89	1.21
Expected life (years)	4	4
Expected volatility (%)	47	46
Expected dividends	-	-

The weighted average fair value at the grant date of options issued during the six months ended June 30, 2015 was Cdn$2.44 per option (six months ended June 30, 2014 - Cdn$3.09 per option). The weighted average share price on the exercise date for options exercised in the six months ended June 30, 2015 was Cdn$9.43 (six months ended June 30, 2014 – Cdn$9.08 per option).

c) Share appreciation rights ("SARs")

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

	Number of SARs	Weighted average exercise price Cdn$/SAR
Balance, December 31, 2014	2,606,643	7.12
Granted	107,800	9.49
Exercised	(226,665)	5.55
Forfeited	(66,475)	7.17
Balance, June 30, 2015	**2,421,303**	**7.37**

As at June 30, 2015, 599,247 SARs were vested (December 31, 2014 – 730,945)

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

For the six months ended June 30,	**2015**	2014
Risk-free interest rate (%)	0.58	1.26
Expected life (years)	3	4
Expected volatility (%)	46	45
Share price	$ 10.47	$ 12.55
Expected dividends	-	-

As at June 30, 2015, the total SARs liability accrued was $7.3 million (December 31, 2014 - $4.4 million) of which $1.4 million (December 31, 2014 - $0.6 million) is classified as long-term in accordance with the three year vesting period. For the six months ended June 30, 2015, Parex recorded $3.8 million of compensation cost related to the outstanding SARs (six months ended June 30, 2014 – $7.8 million) and paid $0.9 million (six months ended June 30, 2014 - $1.3 million) under the plan.

d) Restricted share units ("RSUs")

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

	Number of RSU's	Weighted average exercise price Cdn$/RSU
Balance, December 31, 2014	1,625,885	0.01
Granted	30,000	0.01
Exercised	(60,978)	0.01
Forfeited	(18,535)	0.01
Balance, June 30, 2015	**1,576,372**	**0.01**

The fair value of each RSU granted is based on the market price of Parex shares on the date of issuance. The weighted average fair value at the grant date for the six months ended June 30, 2015 was Cdn$6.53 per RSU (six months ended June 30, 2014– Cdn$8.32 per RSU). For the six months ended June 30, 2015 a weighted average forfeiture rate of 3% was applied (six months ended June 30, 2014 – 3%).

e) Deferred share units ("DSUs")

The Company has in place a deferred share unit plan pursuant to which the Company may grant deferred shares to certain non-employee directors. The deferred shares vest immediately, are equivalent in value to a common share of the Company based on the market value on the date of issuance, and are settled in either common shares or cash at the discretion of the Company. DSUs can only be redeemed following departure from the Company in accordance with the terms of the DSU Plan.

	Number of DSU's	Weighted average fair value Cdn$/DSU
Balance, December 31, 2014	-	-
Granted	5,000	9.98
Balance, June 30, 2015	**5,000**	**9.98**

f) Share-based compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Share-based compensation expense	**$ 2,828**	$ 2,141	**$ 5,391**	**$** 4,166
SARs expense	**3,308**	5,258	**3,815**	7,819
Total	**$ 6,136**	$ 7,399	**$ 9,206**	**$** 11,985
SARs (recovery) expense reclassified as discontinued operations	**-**	30	**(22)**	129
Total – continuing operations	**6,136**	7,369	**9,228**	11,856

15. Income Tax

The components of tax expense for the three and six months ended June 30, 2015 and 2014 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Current tax expense	**$ 9,073**	$ 13,622	**$ 15,911**	$ 31,164
Deferred tax recovery	**3,767**	(5,381)	**7,316**	(7,707)
Tax expense (recovery)	**$ 12,840**	$ 8,241	**$ 23,227**	$ 23,457

16. Net Income (Loss) per Share

a) Basic net income (loss) per share

	For the three months ended June 30,		For the six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income (loss)				
Net income (loss) for the purpose of basic net income (loss) per share – continuing	**$ 1,814**	$ 11,969	**$ (12,949)**	$ 22,639
Net loss for the purpose of basic net loss per share – discontinued operations	**-**	(561)	**(781)**	(1,568)
Net income (loss) for the period	**$ 1,814**	$ 11,408	**$ (13,730)**	$ 21,071
Weighted average number of shares for the purposes of basic net income (loss) per share (000s)	**144,145**	111,163	**139,468**	110,135
Basic net income (loss) per share – continuing operations	**0.01**	0.11	**(0.09)**	0.21
Basic net loss per share – discontinued operations	**(0.00)**	(0.01)	**(0.01)**	(0.01)
Basic net income (loss) per share	**$ 0.01**	**$** 0.10	**$ (0.10)**	$ 0.20

b) *Diluted net income (loss) per share*

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Net income (loss) – continuing operations				
Net income (loss) used to calculate diluted net income (loss) per share – continuing operations	**$ 1,814**	$ 11,969	**$ (12,949)**	$ 22,639
Weighted average number of shares for the purposes of basic net income (loss) per share (000s)	**144,145**	111,163	**139,468**	110,135
Dilutive effect of share options on potential common shares	**2,703**	2,309	**-**	3,264
Weighted average number of shares for the purposes of diluted net income (loss) per share	**146,848**	113,472	**139,468**	113,399
Diluted net income (loss) per share	**$ 0.01**	$ 0.11	**$ (0.09)**	$ 0.20
Net loss – discontinued operations				
Net loss used to calculate diluted net loss per share – discontinued operations	**$ -**	$ (561)	**$ (781)**	$ (1,568)
Weighted average number of shares for the purposes of diluted net loss per share	**144,145**	111,163	**139,468**	110,135
Diluted net loss per share – discontinued operations	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.01)

At June 30, 2015, 1,801,875 (December 31, 2014 - 1,801,875) share options had an exercise price in excess of the average market value of the shares from the option grant date to the end of the period. As a result, these share options are excluded from the calculation of diluted earnings per share.

17. Supplemental Disclosure of Cash Flow Information

a) *Net change in non-cash working capital*

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Accounts receivable	**$ 28,827**	$ (6,592)	**$ 32,566**	$ (42,307)
Prepaids and other current assets	**2,024**	236	**697**	(2,372)
Oil inventory	**(239)**	(4,385)	**3,241**	(688)
Accounts payable and accrued liabilities	**(42,407)**	41,379	**(63,996)**	47,614
Depletion related to oil inventory	**205**	1,433	**(1,797)**	(468)
Net non-cash working capital on corporate acquisitions	-	(19,329)	-	(19,329)
Net change in non-cash working capital	**$ (11,590)**	$ 12,742	**$ (29,289)**	$ (17,550)
Operating	**11,384**	(24,317)	**(24,995)**	(66,265)
Investing	**(22,974)**	37,059	**(4,294)**	48,715
Financing	-	-	-	-
Net change in non-cash working capital	**$ (11,590)**	$ 12,742	**$ (29,289)**	$ (17,550)

b) *Interest and taxes paid*

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Cash interest paid	**$ 372**	$ 320	**$ 571**	$ 376
Cash income and equity taxes paid	**$ 24,755**	$ 46,359	**$ 24,755**	$ 46,359

18. Capital Management

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

The Company manages its capital to achieve the following:

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

Parex has a senior secured credit facility (see note 11- Long-Term Debt) which as at June 30, 2015 had a borrowing base in the amount of $200.0 million. The credit facility is intended to serve as means to increase liquidity and fund cash needs as they arise. As at June 30, 2015, $nil (December 31, 2014 - $35.0 million) was drawn on the credit facility.

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

As at June 30, 2015, the Company's net working capital surplus is $89.8 million (December 31, 2014 – $3.3 million), of which $103.9 million is cash. This excludes the undrawn amount available under the credit facility of $200.0 million (December 31, 2014 - $140.0 million).

Parex has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure program to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity and the credit facility. As at June 30, 2015, shareholders' equity was $762.6 million (December 31, 2014 - $660.6 million).

19. Financial Instruments and Risk Management

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

a) Credit risk

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

The Company for the three months ended June 30, 2015 had the majority of its oil sales to 11 counterparties. Accounts receivable balance as at June 30, 2015 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At June 30, 2015, there are $0.8 million of accounts receivable past due, all of which are considered collectible (December 31, 2014 - $0.5 million).

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The Company's credit facility at June 30, 2015 was nil; the undrawn amount was $200.0 million.

The following are the contractual maturities of financial liabilities at June 30, 2015:

		Less than 1 year	2-3 Years	4-5 Years	Thereafter		Total
Accounts payable and accrued liabilities	$	95,103	-	-	-	$	95,103
SARs payable		5,875	1,399	-	-		7,274
Total	$	100,978	1,399	-	-	$	102,377

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

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

[1] Net of withholding tax receivable in the amount of $35.6 million.
[2] Balances denominated in Canadian dollars have been translated at the December 31, 2014 exchange rate.

c) *Commodity price risk*

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

As at June 30, 2015, the Company had outstanding fixed and swap contracts which are used to manage its exposure to fluctuations in the price of crude oil.

The following is a summary of the ICE Brent priced crude oil risk management contracts in place for the six months period ended June 30, 2015:

Period Hedged	Reference	Type	Volume bbls/d	Price/bbl
March 1, 2015 to March 31, 2015	ICE Brent	Collar	5,000	$55.00-$66.60
March 1, 2015 to March 31, 2015	ICE Brent	Collar	3,000	$55.00-$68.00
April 1, 2015 to April 30, 2015	ICE Brent	Collar	5,000	$55.00-$68.25
April 1, 2015 to April 30, 2015	ICE Brent	Collar	3,000	$55.00-$69.75
April 1, 2015 to April 30, 2015	ICE Brent	Collar	2,000	$55.00-$67.00
May 1, 2015 to May 31, 2015	ICE Brent	Collar	5,000	$55.00-$68.75
May 1, 2015 to July 31, 2015	ICE Brent	Collar	5,000	$55.00-$65.00
June 1, 2015 to July 31, 2015	ICE Brent	Collar	2,000	$57.50-$69.00
August 1, 2015 to August 31, 2015	ICE Brent	Collar	3,000	$55.00-$76.80
August 1, 2015 to December 31, 2015	ICE Brent	Put	2,000	$55.00

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Realized loss on commodity risk management contracts	**$ -**	$ 1,267	**$ -**	$ 2,747
Unrealized loss (gain) on commodity risk management contracts	**1,141**	1,403	**287**	(565)
Total	**$ 1,141**	$ 2,670	**$ 287**	$ 2,182

As shown in the table above, as at June 30, 2015, Parex had committed to the future sale of 616,000 barrels of oil with puts and costless collars from $55.00 to $76.80. The following sensitivity shows the resulting unrealized loss (gain) and impact on income (loss) before tax for the oil hedged contracts if Brent oil price were to increase/decrease by $10/bbl from the spot rate as at June 30, 2015:

	Brent Price	Impact for the six months ended June 30, 2015	
		Increase of 10/bbl	Decrease of 10/bbl
Oil hedged contract loss (gain)	Period end	**$ 1,445**	**$ (2,273)**

d) *Foreign currency risk*

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

The following is a summary of the foreign currency risk management contracts settled during the six months ended June 30, 2015:

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	**2015**	2014
Realized loss (gain) on foreign currency risk management contracts	**$ 1,840**	$ (180)	**$ 1,840**	$ (180)
Unrealized loss (gain) on foreign currency risk management contracts	**(2,924)**	(3,134)	**(1,925)**	118
Total	**$ (1,084)**	$ (3,314)	**$ (85)**	$ (62)

The Company recorded a $0.1 million gain on these contracts in the six months ended June 30, 2015 which is recorded in the financial statement line item "Finance expense" in the consolidated statements of comprehensive income (loss) (note 10).

e) Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on its credit facility. Currently the Company has not entered into any agreements to manage this risk. The following sensitivity shows the resulting (gain) loss on income (loss) before tax if the interest rate increased /decreased by 1% for the six months ended June 30, 2015:

	Impact for the six months ended June 30, 2015	
Interest rate	Increase of 1%	Decrease of 1%
Interest expense (gain)	**$ 149**	**$ (149)**

20. Segmented Information

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

For the three months ended June 30, 2015 (unaudited)

	Canada	Colombia	Trinidad & Tobago	Total
Oil sales	$ -	$ 155,717	$ -	$ 155,717
Royalties	-	(11,977)	-	(11,977)
Revenue	-	143,740	-	143,740
Commodity risk management contracts	-	(1,141)	-	(1,141)
	-	142,599	-	142,599
Expenses				
Production	-	18,304	-	18,304
Transportation	-	39,384	-	39,384
Purchased oil	-	12,978	-	12,978
General and administrative	3,413	5,867	-	9,280
Share-based compensation	2,829	3,307	-	6,136
Depletion, depreciation and amortization	55	37,204	-	37,259
Gain on settlement of decommissioning liabilities	-	(25)	-	(25)
Foreign exchange loss	533	3,850	-	4,383
	6,830	120,869	-	127,699
Finance income	(123)	(54)	-	(177)
Finance expense	2,377	(1,954)	-	423
Net finance (income) expense	2,254	(2,008)	-	246
			-	
Net income (loss) before taxes from continuing operations	(9,084)	23,738	-	14,654
Current tax expense	-	9,073	-	9,073
Deferred tax expense	-	3,767	-	3,767
Net income (loss) from continuing operations	$ (9,084)	$ 10,898	$ -	$ 1,814
Net loss from discontinued operations	-	-	-	-
Net income (loss)	$ (9,084)	$ 10,898	$ -	$ 1,814
Capital assets (end of period)	$ 613	$ 764,915	$ -	$ 765,528
Capital expenditures	$ 104	$ 37,130	$ -	$ 37,234
Total assets (end of period)	$ 66,786	$ 984,364	$ -	$ 1,051,150

For the three months ended June 30, 2014 (unaudited)

	Canada	Colombia	Trinidad & Tobago	Total
Oil sales	$ -	$ 182,996	$ -	$ 182,996
Royalties	-	(25,346)	-	(25,346)
Revenue	-	157,650	-	157,650
Commodity risk management contracts	(201)	(2,469)	-	(2,670)
	(201)	155,181	-	154,980
Expenses				
Production	-	19,200	-	19,200
Transportation	-	28,724	-	28,724
Purchased oil	-	5,905	-	5,905
General and administrative	3,605	4,378	-	7,983
Share-based compensation	2,141	5,228	-	7,369
Depletion, depreciation and amortization	24	49,141	-	49,165
Transaction costs	504	-	-	504
Loss on settlement of decommissioning liabilities	-	147	-	147
Foreign exchange (gain) loss	2,853	(1,290)	-	1,563
	9,127	111,433	-	120,560
Finance income	(7)	(679)	-	(686)
Finance expense	14,501	395	-	14,896
Net finance (income) expense	14,494	(284)	-	14,210
Net income (loss) before taxes from continuing operations	(23,822)	44,032	-	20,210
Current tax expense	-	13,622	-	13,622
Deferred tax recovery	-	(5,381)	-	(5,381)
Net income (loss) from continuing operations	$ (23,822)	$ 35,791	$ -	$ 11,969
Net loss from discontinued operations	-	-	(561)	(561)
Net income (loss)	$ (23,822)	$ 35,791	$ (561)	$ 11,408
Capital assets (end of period)	$ 2,106	$ 897,423	$ 22,220	$ 921,749
Capital expenditures	$ 49	$ 94,975	$ 77	$ 95,101
Total assets (end of period)	$ 6,953	$ 1,193,320	$ 26,710	$ 1,226,983

For the six months ended June 30, 2015 (unaudited)

	Canada	Colombia	Trinidad & Tobago	Total
Oil sales	$ -	$ 290,024	$ -	$ 290,024
Royalties	-	(22,453)	-	(22,453)
Revenue	-	267,571	-	267,571
Commodity risk management contracts	-	(287)	-	(287)
	-	267,284	-	267,284
Expenses				
Production	-	37,883	-	37,883
Transportation	-	81,405	-	81,405
Purchased oil	-	21,543	-	21,543
General and administrative	7,363	11,493	-	18,856
Share-based compensation	5,392	3,836	-	9,228
Depletion, depreciation and amortization	107	77,324	-	77,431
Gain on settlement of decommissioning liabilities	-	(25)	-	(25)
Foreign exchange loss	568	3,937	-	4,505
	13,430	237,396	-	250,826
Finance income	(227)	(144)	-	(371)
Finance expense	3,350	3,201	-	6,551
Net finance expense	3,123	3,057	-	6,180
Net income (loss) before taxes	(16,553)	26,831	-	10,278
Current tax expense	-	15,911	-	15,911
Deferred tax expense	-	7,316	-	7,316
Net income (loss) from continuing operations	$ (16,553)	$ 3,604	$ -	$ (12,949)
Net income (loss) from discontinued operations	-	-	(781)	(781)
Net income (loss)	$ (16,553)	$ 3,604	$ (781)	$ (13,730)
Capital assets (end of period)	$ 613	$ 764,915	$ -	$ 765,528
Capital expenditures	$ 142	$ 64,055	$ -	$ 64,197
Total assets (end of period)	$ 66,786	$ 984,364	$ -	$ 1,051,150

For the six months ended June 30, 2014 (unaudited)

	Canada	Colombia	Trinidad & Tobago	Total
Oil sales	$ -	$ 362,790	$ -	$ 362,790
Royalties	-	(50,186)	-	(50,186)
Revenue	-	312,604	-	312,604
Commodity risk management contracts	887	(3,069)	-	(2,182)
	887	309,535	-	310,422
Expenses				
Production	-	35,784	-	35,784
Transportation	-	60,157	-	60,157
Purchased oil	-	7,777	-	7,777
General and administrative	7,017	7,748	-	14,765
Share-based compensation	4,166	7,690	-	11,856
Depletion, depreciation and amortization	102	103,715	-	103,817
Transaction costs	504	-	-	504
Loss on settlement of decommissioning liabilities	-	147	-	147
Foreign exchange gain	(221)	(943)	-	(1,164)
	11,568	222,075	-	233,643
Finance income	(13)	(905)	-	(918)
Finance expense	30,989	612	-	31,601
Net finance (income) expense	30,976	(293)	-	30,683
Net income (loss) before taxes from continuing operations	(41,657)	87,753	-	46,096
Current tax expense	-	31,164	-	31,164
Deferred tax recovery	-	(7,707)	-	(7,707)
Net income (loss) from continuing operations	$ (41,657)	$ 64,296	$ -	$ 22,639
Net loss from discontinued operations	-	-	(1,568)	(1,568)
Net income (loss)	$ (41,657)	$ 64,296	$ (1,568)	$ 21,071
Capital assets (end of period)	$ 2,106	$ 897,423	$ 22,220	$ 921,749
Capital expenditures	$ 55	$ 156,295	$ 156	$ 156,506
Total assets (end of period)	$ 6,953	$ 1,193,320	$ 26,710	$ 1,226,983

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

21. Commitments

a) Colombia

At June 30, 2015, guarantees in place with ANH are in the form of issued letters of credit totaling $101.3 million (December 31, 2014 - $103.4 million) to support the exploration work commitments in respect of the 23 blocks in Colombia.

EDC has provided the Company's bank with performance security guarantees to support approximately 74 percent of the letters of credit issued on behalf of Parex. The EDC guarantees have been secured by a general security agreement issued by Parex in favour of EDC. The letters of credit issued to the ANH are reduced from time to time to reflect completed work on an ongoing basis.

The value of the Company's exploration commitments as at June 30, 2015 in respect of the Colombia blocks are estimated to be as follows:

2015	$	28,398
2016		102,096
Thereafter		45,204
	$	175,698

b) Operating leases

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

The existing minimum lease payments for office space and accommodations at June 30, 2015 are as follows:

		Total	2015	2016	2017	2018	2019	Thereafter
Office and accommodations	$	6,031	1,322	1,721	1,036	1,012	940	-

22. Contingencies

On May 28, 2015, ERG Resources, LLC, a Texas based private company (the "Plaintiff") currently in Chapter 11 Bankruptcy proceedings in Texas, served a Statement of Claim, as filed in the Court of Queen's Bench of Alberta (the "Alberta Statement of Claim"), on Parex and Parex Resources (Bermuda) Limited ("Parex Bermuda"), naming Parex, Parex Bermuda and RBC Dominion Securities, Inc. ("RBC") as defendants. As previously disclosed in Parex' Annual Information Form for the 2014 fiscal year, the Alberta Statement of Claim relates to a share purchase agreement the Plaintiff entered into with Nabors Global Holdings II Limited (the "Seller") respecting the Plaintiff's proposed purchase of all of the Class A Shares (the "Ramshorn Shares") of Ramshorn International Limited ("Ramshorn") owned by the Seller (which agreement was entered into prior to the agreement Parex Bermuda and the Seller entered into for the purchase of the Ramshorn Shares), which prior agreement the Plaintiff claims the Seller improperly terminated with the unlawful interference and inducement of Parex, Parex Bermuda and RBC. The Plaintiff has agreed to not take any steps against Parex or Parex Bermuda without reasonable prior notice. The Plaintiff is seeking specific performance remedies, or, in the alternative, actual and exemplary damages, however the Plaintiff has not yet identified or disclosed its actual damages (if any), or described the methodology by which it intends to calculate its alleged damages, nor has it been required to do so. On April 30, 2015 the Plaintiff filed for Chapter 11 Bankruptcy in the Northern District of Texas. In the bankruptcy, the Plaintiff has proposed to sell up to all of its operating assets in order to fund amounts owing to its creditors. It is not presently known what, if any, impact the Plaintiff's bankruptcy might have on the Alberta litigation. Parex and Parex Bermuda believe that the Plaintiff's claims against them set forth in the Alberta Statement of Claim are baseless and without merit and they intend on vigorously defending such claims if they are ultimately pursued by the Plaintiff in Alberta.

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ABBREVIATIONS

Oil and Natural Gas Liquids	
bbls	barrels
mbbls	one thousand barrels
mmbbls	one million barrels
NGLs	natural gas liquids
bbls/d or bopd	barrels of oil per day
mbbls/d	one thousand barrels per day
BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl
mboe	one thousand barrels of oil equivalent
mmboe	one million barrels of oil equivalent
bfpd	barrels of fluid per day
boe/d	barrels of oil equivalent per day
Other	
WTI	West Texas Intermediate
Brent	Brent Ice

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