

## 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 September 30, 2015 is dated November 2, 2015 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended September 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](http://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 2,630,120 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 September 30, 2015 ("third quarter or Q3") Highlights

- Managed third quarter oil production to 27,377 bopd, slightly in excess of the 26,500 bopd guidance and an increase of 9 percent over the prior year comparative period;
- Generated funds flow from operations of \$13.4 million (\$0.09 per share basic) as compared to \$0.35 per share for the prior quarter. Funds flow decreased from the comparative period due to lower oil prices and recording of the full \$31 million (\$0.21 per share basic) amount of a voluntary tax restructuring impact in the current quarter;
- For the nine months ended September 30, 2015 Brent oil price has averaged \$56.58/bbl and funds flow from operations (\$96.6 million) has been in line with capital expenditures (\$101.8 million) along with increased production from 26,500 bopd to 27,377 bopd;
- Realized Brent referenced sales price of \$44.62/bbl during the period at a \$6.54/bbl discount to the average Brent price, and an operating netback of \$20.70/bbl. Operating and transportation combined unit costs of \$20.34/bbl were approximately 6 percent less than the previous quarter and 32 percent less than the prior year comparative period;
- Participated in drilling 7 gross exploration/appraisal wells (net 4.9) resulting in 6 oil wells, and 1 dry & abandoned (D&A) well, for a success rate of 86 percent; and
- Exited Q3 with no bank debt, available credit facility of \$200 million and working capital of \$62.7 million.

## Financial Summary

(Financial figures in 000s except per share amounts)	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Average daily production (bopd)	27,377	25,175	27,047	21,172
Realized sales price (\$/bbl)	44.62	94.40	50.12	100.05
Operating netback (\$/bbl)	20.70	53.39	24.02	58.12
Oil and natural gas sales	\$ 123,249	\$ 228,648	\$ 413,273	\$ 591,438
Funds flow from continuing operations <sup>(1)</sup>	\$ 13,448	\$ 89,006	\$ 96,643	\$ 244,094
Per share – basic	0.09	0.70	0.68	2.11
Per share – diluted <sup>(2)</sup>	0.09	0.69	0.66	2.08
Net (loss) income	\$ (27,417)	\$ 16,768	\$ (41,147)	\$ 37,839
Per share – basic	(0.18)	0.13	(0.29)	0.33
Per share – diluted	(0.18)	0.13	(0.29)	0.32
Capital Expenditures, excluding corporate acquisitions	\$ 37,674	\$ 56,799	\$ 101,871	\$ 213,305
Total assets (end of period)	\$ 1,003,271	\$ 1,266,610	\$ 1,003,271	\$ 1,266,610
Working capital surplus (end of period) <sup>(3)</sup>	\$ 62,689	\$ 45,321	\$ 62,689	\$ 45,321
Bank debt (end of period) <sup>(4)</sup>	\$ -	\$ 42,305	\$ -	\$ 42,305
Weighted average shares outstanding (000s)				
Basic	150,164	126,410	143,072	115,620
Diluted	153,119	130,469	145,580	118,549
Outstanding shares (end of period (000s))	150,208	134,253	150,208	134,253

<sup>(1)</sup> Non-GAAP terms See “Non-GAAP terms”.

<sup>(2)</sup> Includes adjustment of Debenture cash interest in funds flow from continuing operations.

<sup>(3)</sup> Working capital calculation does not take into consideration the undrawn \$200.0 million (September 30, 2014 - \$132.7 million) available under the syndicated bank credit facility.

<sup>(4)</sup> Syndicated bank credit facility borrowing base of \$200 million as at November 2, 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 September 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
<b>Colombia Llanos Basin</b>			
<i>Operated Properties</i>			
LLA-16, 20, 29 and 30	100%	489,137	489,137
LLA-57	100%	104,532	104,532
Los Ocarros	50%	110,436	55,218
LLA-17	63%	108,726	68,497
El Eden	60%	109,249	65,549
Cabrestero	100%	29,562	29,562
LLA-40	50%	163,090	81,545
LLA-24	100%	147,100	147,100
LLA-26	100%	184,061	184,061
Cebucan	100%	109,150	109,150
Cerrero <sup>(1)</sup>	100%	108,973	108,973
Capachos <sup>(1)</sup>	50%	32,037	16,019
LLA-32	70%	100,325	70,228
LLA-10 <sup>(1)</sup>	50%	189,544	94,772
<i>Non-Operated Properties</i>			
LLA-34	55%	82,286	45,257
Balay	10%	4,500	450
<b>Colombia Magdalena Basin</b>			
<i>Operated Properties</i>			
VMM-11	100%	116,826	116,826
Morpho	100%	51,398	51,398
VIM-1	100%	223,651	223,651
VMM-9	100%	152,314	152,314
Aguas Blancas <sup>(1)</sup>	50%	13,223	6,611
<b>Total</b>		<b>2,630,120</b>	<b>2,220,850</b>

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

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

## 2015 Guidance

Supported by a strong balance sheet, sustained base production and an improving cost structure, Parex' 2015 capital program budget is expected to total \$140-\$145 million. Parex expects to fund the 2015 capital program from funds flow from operations. Fourth quarter 2015 oil production is forecast to be 28,500 bopd, an increase of 7 percent from production of 26,544 bopd in the fourth quarter of 2014.

## 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 September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Average daily production				
Colombia – oil (bopd)	27,377	25,175	27,047	21,172
Total (bopd)	27,377	25,175	27,047	21,172
Average daily sales				
Colombia – produced oil (bopd)	26,948	24,490	26,973	20,697
Colombia – purchased oil (bopd)	3,073	1,859	3,228	956
Total (bopd)	30,021	26,349	30,201	21,653
<b>Operating netback (\$000s)</b>				
Oil sales	\$ 123,249	\$ 228,648	\$ 413,273	\$ 591,438
Royalties	(8,883)	(24,516)	(31,336)	(74,702)
Net revenue	114,366	204,132	381,937	516,736
Production expense	(17,440)	(27,730)	(55,323)	(63,514)
Transportation expense	(36,752)	(43,106)	(118,157)	(103,263)
Purchased oil	(8,420)	(12,948)	(29,963)	(20,725)
Operating netback	\$ 51,754	\$ 120,348	\$ 178,494	\$ 329,234
<b>Operating netback (per bbl)</b>				
Oil sales <sup>(1)</sup>	\$ 44.62	\$ 94.40	\$ 50.12	\$ 100.05
Royalties	(3.58)	(10.89)	(4.26)	(13.22)
Net revenue	41.04	83.51	45.86	86.83
Production expense	(7.03)	(12.32)	(7.51)	(11.24)
Transportation expense	(13.31)	(17.80)	(14.33)	(17.47)
Operating netback	\$ 20.70	\$ 53.39	\$ 24.02	\$ 58.12

<sup>(1)</sup> 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 nine months ended September 30, 2015 was \$20.70 and \$24.02 compared to \$29.66 for the second quarter of 2015. The average realized sales price in Colombia for the three and nine months ended September 30, 2015 was \$44.62/bbl and \$50.12/bbl compared to \$56.31/bbl for the second quarter of 2015.

Royalty charges for the three and nine months ended September 30, 2015 were \$3.58/bbl and \$4.26/bbl in comparison to \$4.91/bbl for the second quarter of 2015.

Production expense for the three and nine months ended September 30, 2015 was \$7.03/bbl and \$7.51/bbl compared to \$7.50/bbl for the second quarter of 2015 and \$10.89/bbl in the comparative prior year three month period.

Transportation expense per barrel for the three and nine months ended was \$13.31/bbl and \$14.33/bbl compared to \$14.24/bbl for the second quarter of 2015 and \$17.80/bbl in the comparative prior year three month period. Transportation and marketing alternatives continue to be examined by the Company in an effort to maximize the net proceeds from production in Colombia.

Overall the price of the Company's benchmark Brent price decreased by \$12.34/bbl in the third quarter as compared to the second quarter of 2015, while the operating netback decreased by \$8.96/bbl in the same period. This outcome is attributed to the decreased transportation, production and royalty costs per barrel realized in the period.

## Colombian Oil Sales

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Block LLA-34 (Max, Tua & Tarotaro fields)	14,357	11,277	13,634	8,742
Block LLA-32 (Kananaskis, Carmentea, Maniceno and Bandola fields)	4,406	4,932	5,119	2,134
Block LLA-26 (Rumba field)	1,893	-	705	-
Block Cabrestero (Kitaro & Akira fields)	1,850	794	2,323	1,066
Block LLA-40 (Begonia field)	1,755	252	1,670	135
Block Los Ocarros (Las Maracas field)	1,745	4,548	1,878	5,607
Block LLA-16 (Kona, Sulawesi, Java, and Malawi fields)	646	1,450	765	2,209
Block LLA-30 (Adalia field)	623	1,292	779	697
Other	102	630	174	582
<b>Total Production</b>	<b>27,377</b>	<b>25,175</b>	<b>27,047</b>	<b>21,172</b>
Inventory (build) draw	(429)	(685)	(74)	(475)
Colombia average daily oil sales of produced oil	26,948	24,490	26,973	20,697
Purchased oil	3,073	1,859	3,228	956
<b>Sales Volumes</b>	<b>30,021</b>	<b>26,349</b>	<b>30,201</b>	<b>21,653</b>

Production for the third quarter of the year averaged 27,377 bopd, an increase of approximately 9 percent from the third quarter of 2014. The third quarter production increase as compared to the comparative period was a result of incremental production increases attributable to Block LLA-34 and the Rumba field on Block LLA-26. Production increased modestly from the second quarter average by 352 bopd.

Parex continues to increase quarter over quarter oil production within funds flow from operations.

The increase in oil sales in the third quarter of 2015 to 30,021 bopd compared to oil sales of 26,349 bopd for the three months ended September 30, 2014 was primarily a result of increased production and an increase in purchased oil sales over the prior period along with changes in inventory levels. Sales volumes of produced oil were lower than production volumes in Q3 due to a temporary build in inventory. On October 1, 2015 a shipment of approximately 100,000 bbls was completed.

### b) Average Reference and Realized Prices

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Reference Prices				
WTI (\$/bbl)	46.50	97.25	51.01	99.62
Brent (\$/bbl)	51.16	103.46	56.58	106.99
Vasconia (\$/bbl)	45.83	96.32	51.22	100.34
Realized sales price (\$/bbl)	44.62	94.40	50.12	100.05
Realized oil hedging gain (loss) (\$/bbl)	0.40	0.19	0.13	(0.41)
Realized price after hedging (\$/bbl)	45.02	94.59	50.25	99.64
Realized price (discount) as percentage of Brent (%)	(13)	(9)	(11)	(6)
Realized price (discount) as percentage of WTI (%)	(4)	(3)	(2)	-

The Company's oil sales contracts during the period ended September 30, 2015 were referenced to a blend of Brent and Colombia Vasconia crude denominated in US\$. The realized price discount to Brent was 13 percent in the third quarter compared to 9 percent in the comparative period and an 11 percent discount in the second quarter of 2015. On a per barrel basis the Vasconia crude blend has maintained a \$5-\$7 discount to Brent. On a percentage basis the Vasconia differential has increased due to the decrease in the Brent ICE oil price in the quarter.

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

Average price for the period	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Brent (\$/bbl)	<b>51.16</b>	63.50	55.13	77.07	103.46
Parex realized sales price (\$/bbl)	<b>44.62</b>	56.31	49.42	60.08	94.40
Parex realized price (differential) (\$/bbl)	<b>(6.54)</b>	(7.19)	(5.71)	(16.99)	(9.06)
Parex realized price (discount) as percentage of Brent (%)	<b>(12.8)</b>	(11.3)	(10.4)	(22.0)	(8.8)

### c) Oil Revenue

Third quarter 2015 oil revenue decreased \$105.4 million or 46 percent as reconciled in the table below to the third quarter of 2014:

(\$000s)	
Oil revenue, three months ended September 30, 2014	\$ <b>228,648</b>
Sales volume of produced oil, an increase of 10% (2,458 bopd)	<b>21,347</b>
Purchased oil sold increase	<b>10,543</b>
Sales price decrease of 53%	<b>(137,289)</b>
<b>Oil revenue, three months ended September 30, 2015</b>	<b>\$ 123,249</b>

Oil revenue decreased in the three months ended September 30, 2015 compared to the same period in 2014 due to the significant change in world oil prices as compared to 2014. This decrease in oil revenue was partially offset by higher sales volumes of both produced and purchased oil. Oil sales of produced oil for the three months ended September 30, 2015 were less than crude oil production and as a result crude oil inventory increased 22,600 bbls from the second quarter of 2015, see "Colombian Crude Oil Inventory in Transit" below.

### d) Colombian Crude Oil Inventory in Transit

As at September 30, (\$000s)	2015	2014
Crude oil in transit	\$ <b>8,520</b>	\$ 13,880

At September 30, 2015, the Company had 272,002 bbls of crude oil inventory in transit (249,355 bbls for the third quarter of 2014). The inventory is valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at approximately \$31/bbl (\$56/bbl for the third quarter of 2014 and \$33/bbl for the second 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 nine months ended September 30, (mmbbls)	2015	2014
Crude oil inventory in transit - beginning of the period	<b>252.0</b>	137.0
Oil production	<b>7,383.5</b>	5,780.0
Oil sales	<b>(8,194.2)</b>	(5,911.3)
Purchased oil	<b>881.2</b>	261.0
Company consumptions	<b>(50.5)</b>	(17.3)
<b>Crude oil inventory in transit - end of the period</b>	<b>272.0</b>	249.4

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

For the periods ended (mmbbls)	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014
Crude oil inventory in transit - beginning of the period	<b>232.5</b>	214.4	252.0	249.4
Oil production	<b>2,518.6</b>	2,459.3	2,405.6	2,442.1
Oil sales	<b>(2,757.1)</b>	(2,740.6)	(2,696.5)	(2,634.6)
Company consumption	<b>(4.7)</b>	(24.5)	(21.3)	(38.5)
Purchased oil	<b>282.7</b>	323.9	274.6	233.6
<b>Crude oil inventory in transit - end of the period</b>	<b>272.0</b>	232.5	214.4	252.0
<b>% of period production</b>	<b>10.8</b>	9.5	9.0	10.3

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. Crude oil inventory levels have remained consistent at between 9% and 11% of period production.

#### e) Purchased Oil

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Purchased oil expense (\$000s)	\$ 8,420	\$ 12,948	\$ 29,963	\$ 20,725

Purchased oil expense for the three and nine months ended September 30, 2015 was \$8.4 and \$30.0 million compared to \$13.0 million for the second quarter of 2015 and \$12.9 and \$20.7 million for the 2014 three and nine month periods. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

#### Colombian Royalties

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Royalties (\$000s)	\$ 8,883	\$ 24,516	\$ 31,336	\$ 74,702
Per unit (\$/bbl)	\$ 3.58	\$ 10.89	\$ 4.26	\$ 13.22
Percentage of sales <sup>(1)</sup>	7.7%	14.2%	8.2%	16.0%

<sup>(1)</sup> Calculated based on Company working interest sales volumes excluding purchased oil volumes sold

In the three and nine months ended September 30, 2015 royalties as a percentage of sales of 7.7% and 8.2% decreased substantially from the prior comparative periods of 14.2% and 16.0% in the three and nine month periods ended September 30, 2014. The second quarter of 2015 was comparable at 8.4%. 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 periods. The HPR comes into effect when accumulated production of any production area, inclusive of royalty volumes, exceeds 5 million barrels, and in the event international reference prices exceed pricing determined in the contract. The calculation is described as a "High Price Share" in the Company's Annual Information Form dated March 19, 2015, and may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

In the second half of 2015 both the Tua and Tigana oil fields are subject the HPR as they have reached cumulative production greater than 5 million barrels. Royalties however 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.

#### Colombian Production Expense

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Production expense (\$000s)	\$ 17,440	\$ 27,730	\$ 55,323	\$ 63,514
Per unit (\$/bbl) – based on sales volumes	\$ 7.03	\$ 12.32	\$ 7.51	\$ 11.24

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 September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Per unit (\$/bbl) – based on sales volumes – operated <sup>(1)</sup>	\$ 8.12	\$ 12.79	\$ 8.29	\$ 11.20
Per unit (\$/bbl) – based on sales volumes – non-operated <sup>(1)</sup>	\$ 5.97	\$ 11.78	\$ 6.70	\$ 11.30

<sup>(1)</sup> 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 third quarter was \$7.03/bbl decreasing from the second quarter of 2015 of \$7.50/bbl and \$12.32/bbl in the comparable three month period in 2014. Operated property production expense in the third quarter was \$8.12/bbl compared to \$7.88/bbl for the second quarter of 2015 and \$12.79/bbl in the comparable three month period in 2014. Non-operated properties production expense was \$5.97/bbl for the third quarter of 2015 compared to \$7.11/bbl for the second quarter of 2015 and \$11.78/bbl for the comparable three month period in 2014. Production expenses have decreased from the prior year due to cost management efforts and the depreciation of the Colombian peso compared to US\$.

In the third quarter the Company expensed a well recompletion on an operated field which resulted in higher operated production expense on a quarter over quarter basis. The quarter over quarter decrease in the non-operated properties production expense primarily relates to fixed cost absorption through higher production on the non-operated Block LLA-34.

### **Colombian Transportation Expense**

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Transportation expense (\$000s)	\$ 36,752	\$ 43,106	\$ 118,157	\$ 103,263
Per unit (\$/bbl)	\$ 13.31	\$ 17.80	\$ 14.33	\$ 17.47

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 September 30, 2015, the cost of transportation on a per barrel basis has decreased to \$13.31/bbl from the second quarter of \$14.24/bbl and decreased from the comparative period of \$17.80/bbl. This is a result of decreased pipeline tariff fees, decreased trucking costs and the depreciation of the Colombian peso compared to US\$.

On a year to date basis transportation expense has decreased to \$14.33/bbl from \$17.47/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 Company expects for the remainder of 2015 transportation costs to be in line with the third quarter with variability depending on the marketing mix, delivery points and the Colombian peso/US\$ exchange rate.

### **General and Administrative Expense ("G&A")**

(\$000s)	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Gross G&A	\$ 9,562	\$ 11,775	\$ 32,348	\$ 31,919
G&A recoveries	(124)	(273)	(272)	(1,176)
Capitalized G&A	(1,135)	(2,532)	(4,768)	(6,158)
Total Net G&A	\$ 8,303	\$ 8,970	\$ 27,308	\$ 24,585
G&A reclassified to discontinued operations	-	122	149	972
Net G&A expense – continuing operations	8,303	8,848	27,159	23,613
Per unit (\$/bbl) <sup>(1)</sup>	\$ 3.30	\$ 3.88	\$ 3.70	\$ 4.27

<sup>(1)</sup> Calculated based on Company working interest production volumes

Net G&A was \$8.3 million and \$27.3 million for the three and nine months ended September 30, 2015 compared to \$9.0 million and \$24.6 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 third quarter of 2015 net G&A was mainly comprised of \$6.7 million relating to staff, consultants and professional services and the balance to other expenses. On a per barrel basis net G&A in the third quarter decreased 15% 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.

Included in G&A in the nine months ended September 30, 2015 are approximately \$3.9 million of one-time costs associated with system and process improvement projects.

A total of 277 full-time-equivalents in two locations were working for Parex as at September 30, and June 30, 2015 compared to 261 at September 30, 2014.

## Share-Based Compensation Expense

(\$000s)	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Share-based compensation expense	\$ 1,330	\$ 1,508	\$ 4,030	\$ 4,472
Share appreciation rights (recovery) expense	(1,368)	1,292	2,447	9,111
Restricted share units expense	1,034	619	3,725	1,821
Share-based compensation expense	\$ 996	\$ 3,419	\$ 10,202	\$ 15,404
SARs recovery reclassified as discontinued operations	-	(129)	(22)	-
Total expense – continuing operations	\$ 996	\$ 3,548	\$ 10,224	\$ 15,404

Share-based compensation expense was \$1.3 million for the three months ended September 30, 2015 compared to \$1.5 million for the same period in 2014. As at September 30, 2015 stock options outstanding were 6,998,856 equaling five percent of the common shares outstanding at the end of the third quarter. A total of 503,486 options were exercised, 75,000 options were granted and 149,668 options were forfeited during the nine months ended September 30, 2015. For the nine month period ended September 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 (nine months ended September 30, 2014 - Cdn\$3.24 per option).

Share appreciation rights (“SARs”) expense was a recovery of \$1.0 million expense for the three months ended September 30, 2015 compared to an expense of \$1.3 million for the same period in 2014. The recovery was due to the decrease in the Company’s share price from \$10.47 at June 30, 2015 to \$9.25 at September 30, 2015 and due to the depreciation of the Canadian dollar. As at September, 2015, 2,543,010 SARs were outstanding all of which were granted to employees in Colombia. The weighted average exercise price at September 30, 2015 of the SARs outstanding was Cdn \$7.48 per SAR (September 30, 2014 – Cdn \$6.46 per SAR).

As at September 30, 2015, the total SARs liability accrued is \$5.7 million (December 31, 2014 - \$4.4 million).

Restricted share unit expense was \$1.0 million for the three months ended September 30, 2015 compared to \$0.6 million for the same period in 2014. A September 30, 2015 RSUs outstanding were 1,569,372. A total of 30,000 units were granted, 64,376 units were exercised, and 22,137 units were forfeited during the nine months ended September 30, 2015. For the nine month period ended September 30, 2015 the fair value upon grant date of the units issued was Cdn \$6.53 per RSU (nine months ended September 30, 2014 – Cdn \$8.73 per RSU).

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
DD&A expense (\$000s)	\$ 39,718	\$ 62,995	\$ 117,149	\$ 166,822
DD&A reclassified to discontinued operations	-	6	-	16
DD&A – continuing operations	39,718	62,989	117,149	166,806
Per unit (\$/bbl)	\$ 15.71	\$ 27.23	\$ 15.85	\$ 28.96

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

Third quarter 2015 DD&A rate of \$15.71/bbl was lower than third quarter 2014 rate of \$27.23/bbl due to an increase in the Company’s crude oil reserves year over year. Third quarter 2015 DD&A rate is consistent with the second quarter 2015 rate of \$15.15/bbl. The nine month period ended September 30, 2015 DD&A expense also decreased from \$28.96/bbl in 2014 to \$15.85/bbl for the current period. The decrease is also a result of drilling success and increased reserves as compared to the prior period. This decrease in year to date DD&A per barrel is also a result of drilling success and increased reserves as compared to the prior period.

Third quarter 2015 depletion was \$38.8 million compared to \$62.6 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 September 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
Foreign exchange (gain) loss (\$000s)	\$	5,865	\$ (1,315)	\$ 10,370	\$ (2,481)
Foreign exchange loss reclassified to discontinued operations		-	-	-	2
Foreign exchange (gain) loss – continuing operations		5,865	(1,315)	10,370	(2,479)
Foreign Exchange Rates					
CAD\$/USD\$		0.76	0.92	0.79	0.91
Colombian peso/USD\$		2,936	1,908	2,637	1,941

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 driver of foreign exchange loss and gain recorded on the consolidated statements of comprehensive income (loss) is the Colombian Peso denominated tax withholdings receivable and income tax payable balances in Colombia. For both the three and nine months ended September 30, 2015, the total foreign exchange loss of \$5.9 million and \$10.4 million relates to both the Canadian dollar and Colombian peso depreciating in value from the exchange rates at December 31, 2014. 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).

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

## Net Finance Expense

		For the three months ended September 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
Interest expense and bank charges	\$	628	\$ 2,298	\$ 2,583	\$ 5,391
Accretion on convertible debentures		-	1,075	-	3,210
Accretion on decommissioning and environmental liabilities		377	313	1,205	793
Loss on derivative financial liability		-	-	-	25,640
(Gain) on settlement of convertible debentures		-	(2,490)	-	(2,490)
Amortization of debt issuance costs		-	154	-	475
Unrealized (gain) loss on foreign currency risk management contracts		345	(118)	(1,580)	-
Realized loss on foreign currency risk management contracts		-	2,852	1,840	2,672
(Gain) loss on disposition of tangible assets		(60)	20	(60)	595
Interest and other income		(182)	(493)	(555)	(1,411)
Colombian net wealth tax		-	-	3,855	-
Net finance expense	\$	1,108	\$ 3,611	\$ 7,288	\$ 34,875
Finance expenses reclassified to discontinued operations		-	24	-	605
Net finance expense - continuing operations	\$	1,108	\$ 3,587	\$ 7,288	\$ 34,270

		For the three months ended September 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
Non-cash finance (income) expense	\$	662	\$ (1,037)	\$ (435)	\$ 28,223
Cash finance expense		446	4,648	7,723	6,652
Net finance expense	\$	1,108	\$ 3,611	\$ 7,288	\$ 34,875

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 businesses. 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 was paid in two equal semi-annual installments during the nine months ended September 30, 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 nine months period ended September 30, 2015:

<b>Period Hedged</b>	<b>Reference</b>	<b>Type</b>	<b>Volume bbls/d</b>	<b>Price/bbl</b>
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 November 30, 2015	ICE Brent	Put	2,000	\$55.00

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

		For the three months ended Sept 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
Realized (gain) loss on commodity risk management contracts	\$	(1,099)	\$ (421)	\$ (1,099)	\$ 2,326
Unrealized (gain) on commodity risk management contracts		(2,434)	(3,583)	(2,147)	(4,148)
Total	\$	(3,533)	\$ (4,004)	\$ (3,246)	\$ (1,822)

Subsequent to September 30, 2015, Parex entered into the following ICE Brent priced crude oil risk management contracts:

<b>Period Hedged</b>	<b>Reference</b>	<b>Type</b>	<b>Volume bbls/d</b>	<b>Price/bbl</b>
November 1, 2015 to November 30, 2015	ICE Brent	Collar	16,667	\$55.00-\$57.40
January 1, 2016 to June 30, 2016	ICE Brent	3-way Collar	5,000	\$47.75, \$52.50-\$70.00

The Company’s net unrealized derivative gain on risk management contracts for the nine months ended September 30, 2015 of \$2.1 million (nine month period ended September 30, 2014 – gain of \$4.1 million) is primarily attributable to the Company’s derivative contracts being in excess of Brent forward benchmark price.

## b) Risk Management Contracts – Foreign Exchange

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

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

The following is a summary of the foreign currency risk management contracts in place as at September 30, 2015:

Period Hedged	Reference	Type	Amount USD	Price (COP)
April 1, 2016 to June 30, 2016	Colombian Peso	Collar	\$8 million	3,000 - 3,228

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

		For the three months ended September 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
Realized loss on foreign currency risk management contracts	\$	-	\$ 2,852	\$ 1,840	\$ 2,672
Unrealized loss (gain) on foreign currency risk management contracts		345	(118)	(1,580)	-
Total	\$	345	\$ 2,734	\$ 260	\$ 2,672

The realized loss represents the foreign currency risk management contracts settled during the period. 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 nine months ended September 30, 2015 and 2014 were as follows:

		For the three months ended September 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
Current tax expense	\$	30,833	\$ 13,652	\$ 46,744	\$ 44,816
Deferred tax (recovery) expense		(39,574)	16,190	(32,258)	8,483
Tax (recovery) expense	\$	(8,741)	\$ 29,842	\$ 14,486	\$ 53,299

The current and future tax expense relates to the Company's operations in Colombia. Current tax in the third quarter was \$30.8 million as compared to \$13.6 million in the comparative period. The increase in the current tax expense from the prior period is a result of the Company's tax restructuring effective July 1, 2015. (See below).

Deferred tax in the third quarter of 2015 was a recovery of \$39.6 million (\$16.2 million expense for the three months ended September 30, 2014); the recovery is a result of the tax restructuring effective July 1, 2015 as noted below.

## 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 was to make the Company's tax structure more efficient for future years. The impact of this restructuring is that the company incurred recapture and capital gains taxes in 2015 however has gained increased tax basis, and use of loss carry-forwards in the consolidated entity.

After completing the transaction, the Company has recorded the full impact of the transaction with the benefit of the restructuring beginning to be realized in the fourth quarter of 2015. Beginning in the fourth quarter of 2015 and going forward for 2016 we expect the Company's effective current tax rate to be less

than 10% of Colombian segmented cash flows. For 2016 using our budget commodity price assumption of \$50/bbl, our estimated current tax expense is expected to be \$10-\$15 million. This benefit is expected to reduce over time but is dependent upon global oil prices and other factors. The deferred tax recovery in the third quarter is also a consequence of the transaction.

### Capital Expenditures

For the three months ended September 30, (\$000s)	Colombia <sup>(1)</sup>		Trinidad & Tobago		Canada		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Acquisition of unproved properties	\$ 3,292	\$ 2,199	\$ -	\$ -	\$ -	\$ -	\$ 3,292	\$ 2,199
Geological and geophysical	942	3,071	-	-	-	-	942	3,071
Drilling and completion	28,936	45,507	-	-	-	-	28,936	45,507
Well equipment and facilities	4,046	5,775	-	-	-	-	4,046	5,775
Other	471	194	-	10	(13)	43	458	247
<b>Total capital expenditures</b>	<b>\$ 37,687</b>	<b>\$ 56,746</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ (13)</b>	<b>\$ 43</b>	<b>\$ 37,674</b>	<b>\$ 56,799</b>

<sup>(1)</sup> Excludes Verano and Sorgenia corporate acquisition costs.

For the nine months ended September 30, (\$000s)	Colombia <sup>(1)</sup>		Trinidad & Tobago		Canada		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Acquisition of unproved properties	\$ 10,074	\$ 7,434	\$ -	\$ -	\$ -	\$ -	\$ 10,074	\$ 7,434
Geological and geophysical	1,651	6,550	-	-	-	-	1,651	6,550
Drilling and completion	74,959	175,966	-	-	-	-	74,959	175,966
Well equipment and facilities	13,725	22,538	-	-	-	-	13,725	22,538
Other	1,333	553	-	166	129	98	1,462	817
<b>Total capital expenditures</b>	<b>\$ 101,742</b>	<b>\$ 213,041</b>	<b>\$ -</b>	<b>\$ 166</b>	<b>\$ 129</b>	<b>\$ 98</b>	<b>\$ 101,871</b>	<b>\$ 213,305</b>

<sup>(1)</sup> Excludes Verano and Sorgenia corporate acquisition costs.

### Capital Expenditures Summary

During the nine months ended September 30, 2015 the Company incurred \$101.9 million of capital expenditures compared to \$213.3 million in the same period of 2014. During Q3, 2015 the Company drilled 7 gross (4.9 net) wells, compared to 9 gross (5.7 net) wells in the comparative period.

During Q3, 2015 drilling and completion costs totaled \$28.9 million which related to drilling, completion and capitalized workover costs in Colombia. The drilling and completion costs per well on a net basis was \$5.9 million in the second quarter of 2015 versus \$8.0 million in the comparative period.

In the third quarter of 2015 the Company's Colombian operations utilized two drilling rigs and one service rig plus equipment utilized on the non-operated block in the quarter. Spending on well equipment and facilities was \$4.0 million all focused in Colombia primarily on Block LLA-32 and LLA-34.

During the nine months ended September 30, 2015 capital expenditures of \$101.9 million were self funded from funds flow from operations of \$96.6 million. The Company has maintained its ability to fund growth from cash flow since 2012.

### Non-cash Impairment Charges

(\$000s)	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Impairment of PP&E related to Northern Llanos CGU	\$ 31,144	\$ -	\$ 31,144	\$ -
Impairment of E&E assets	4,497	-	4,497	-
<b>Total non-cash impairment charges before deferred income tax recoveries</b>	<b>\$ 35,641</b>	<b>\$ -</b>	<b>\$ 35,641</b>	<b>\$ -</b>

As a result in the decrease in forecast oil prices, an indication of impairment was identified for all CGUs at September 30, 2015 and impairment tests were performed. The Company determined that the carrying amount of the Northern Llanos Basin CGU exceeded its recoverable amount. A loss of \$31.1 million was recorded as impairment of property, plant and equipment in the consolidated statement of comprehensive income (loss). Future cash flows for the CGU declined due to lower crude oil prices, there were no negative reserve report revisions or cost structure changes.

The recoverable amount was determined using fair value less costs of disposal. The fair value for producing properties was consistent with the Company's independent qualified reserves evaluators, updated internally for changes since the 2014 reserves estimates. Updated reserves reports prepared in accordance with definitions, standards and procedures contained in the National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101") will be prepared at December 31, 2015. There are no E&E assets associated with this CGU. Future cash flows were discounted using a rate of 11 percent.

The Company completed an impairment review for certain E&E assets associated with a block in the Llanos basin in the third quarter of 2015 and determined that the carrying amount of the project assets was unlikely to be recovered by successful development or sale. The impairment review compared the carrying value of the assets to the recoverable amount. The recoverable amount was determined to be \$nil as the Company no longer has an interest in the block. It was determined that the impairment was \$4.5 million which is recorded in the consolidated statement of comprehensive income (loss) for the nine months ended September 30, 2015.

## Summary of Quarterly Results (Unaudited)

Three months ended (\$000s)	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014
Average daily production volumes (bopd)	27,377	27,025	26,729	26,544
Realized sales price (\$/bbl)	44.62	56.31	49.42	60.08
Financial (000s except per share amounts)				
Oil Sales	\$ 123,249	\$ 155,717	\$ 134,307	\$ 160,584
Funds flow from continuing operations <sup>(1)</sup>	\$ 13,448	\$ 50,237	\$ 32,958	\$ 49,759
Per share – basic	0.09	0.35	0.24	0.37
Per share – diluted	0.09	0.34	0.24	0.37
Net (loss) income	\$ (27,417)	\$ 1,814	\$ (15,544)	\$ (146,612)
Per share – basic	(0.18)	0.01	(0.12)	(1.09)
Per share – diluted	(0.18)	0.01	(0.12)	(1.09)
Capital Expenditures, excluding corporate acquisitions	\$ 37,674	\$ 37,234	\$ 26,963	\$ 83,571
Total assets (end of period)	\$ 1,003,271	\$ 1,051,150	\$ 1,010,116	\$ 1,034,415
Working capital surplus (end of period) <sup>(2)</sup>	\$ 62,689	\$ 89,754	\$ 9,878	\$ 3,261
Bank debt (end of period)	\$ -	\$ -	\$ 39,500	\$ 35,000

<sup>(1)</sup> Non-GAAP term. See "Non-GAAP Terms".

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

Three months ended (\$000s)	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013
Average daily production volumes (bopd)	25,175	19,876	18,425	17,287
Realized sales price (\$/bbl)	94.40	104.53	103.42	101.64
Financial (000s except per share amounts)				
Oil Sales	\$ 228,648	\$ 182,996	\$ 179,794	\$ 166,959
Funds flow from continuing operations <sup>(1)</sup>	\$ 89,006	\$ 77,799	\$ 77,289	\$ 76,304
Per share – basic	0.70	0.70	0.71	0.70
Per share – diluted	0.69	0.65	0.65	0.62
Net income	\$ 16,768	\$ 11,408	\$ 9,663	\$ 21,869
Per share – basic	0.13	0.10	0.09	0.20
Per share – diluted	0.13	0.10	0.09	0.18
Capital Expenditures, excluding corporate acquisitions	\$ 56,799	\$ 95,101	\$ 61,405	\$ 58,817
Total assets (end of period)	\$ 1,266,610	\$ 1,226,983	\$ 882,306	\$ 854,808
Working capital surplus (end of period) <sup>(2)</sup>	\$ 45,321	\$ 31,189	\$ 36,957	\$ 24,005
Debentures (end of period) <sup>(3)</sup>	\$ -	\$ 68,375	\$ 64,728	\$ 66,060
Bank debt (end of period)	\$ 42,305	\$ 56,000	\$ 4,000	\$ 8,530

<sup>(1)</sup> Non-GAAP terms. See "Non-GAAP terms".

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

<sup>(3)</sup> 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 \$0.3 million in cash.

## Liquidity and Capital Resources

As at September 30, 2015 the Company had a working capital surplus of \$62.7 million, excluding amounts available under the credit facility, as compared to working capital surplus at June 30, 2015 of \$89.8 million and a working capital surplus of \$45.3 million at September 30, 2014. Bank debt was \$nil million compared to \$nil million at June 30, 2015 and \$42.3 million in the comparative period. The credit facility has a current borrowing base of \$200 million. At September 30, 2015 Parex held \$109.3 million of cash, compared to \$103.9 million at June 30, 2015 and \$33.9 million at September 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 relatively in line with capital expenditures year to date September 30, 2015.

The Company values its crude oil inventory on hand using weighted average cost for the inventoried barrels. At September 30, 2015, on a fair market value basis the inventory on hand would have a value of approximately \$11.6 million or a positive fair value adjustment of approximately \$3.1 million (September 30, 2014 - value of \$25.8 million or a fair value adjustment of \$11.9 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 September 30, 2015, the Company is in compliance with all covenants. The Company had the credit facilities borrowing base confirmed and redetermined at \$200 million in October 2015 during the semi-annual review.

## Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at September 30, 2015 the Company had 150,207,800 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, RSU's and DSU's reserved for issuance under the three plans may not exceed 10 percent of the number of common shares issued and outstanding.

As at November 2, 2015 Parex has the following securities outstanding:

	Number	%
Common shares	150,437,410	95%
Stock options	6,771,945	4%
Restricted share units	1,566,673	1%
Deferred share units	5,000	0%
	158,781,028	100%

As of the date of this MD&A, total stock options, RSUs and DSUs outstanding represent approximately 6 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”) and Ecopetrol which on September 30, 2015 were \$102.6 million (June 30, 2015 - \$101.3 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 under the Company’s current \$125.0 million performance guarantee facility to support approximately \$76.4 million 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 September 30, 2015:

(\$000s)	Total	<1 year	1 – 3 years	3 – 5 years	>5 years
Exploration	\$ 236,698	\$ 33,803	\$ 199,926	\$ 2,969	\$ -
Office and accommodations <sup>(1)</sup>	5,370	1,842	2,336	1,192	-
Decommissioning and environmental expenditures	53,073	2,826	5,652	5,652	38,943
<b>Total</b>	<b>\$ 295,141</b>	<b>\$ 38,471</b>	<b>\$ 207,914</b>	<b>\$ 9,813</b>	<b>\$ 38,943</b>

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

## Legal Update

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. On October 23, 2015, the Texas Supreme Court granted all parties' Petitions For Review, and set oral argument for December 10, 2015. At the present time it is unknown how the Texas Supreme Court will ultimately rule on the jurisdictional issues or when any such ruling will be issued by the Texas Supreme Court. The claims against Ramshorn have been effectively abated until such time that the Texas Supreme Court issues its rulings. 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		920		132	1,052
Settlements of obligations during the period		(79)		(191)	(270)
Accretion expense		835		291	1,126
Additions related to change in estimate		644		(54)	590
Foreign exchange (gain)		-		(2,286)	(2,286)
<b>Balance, September 30, 2015</b>	<b>\$</b>	<b>26,132</b>	<b>\$</b>	<b>8,169</b>	<b>\$ 34,301</b>
Current obligation		-		(1,893)	(1,893)
<b>Long-term obligation</b>	<b>\$</b>	<b>26,132</b>	<b>\$</b>	<b>6,276</b>	<b>\$ 32,408</b>

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 September 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 \$38.9 million as at September 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 5 percent and an inflation rate of 2.25 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 \$14.1 million as at September 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 8 percent and an inflation rate of 4 percent were used in the valuation of the liabilities (December 31, 2014 – 7 percent risk-free discount rate and a 3 percent inflation rate). The discount rate used is based on a Colombia risk-free rate.

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

Decommissioning and environmental 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 and environmental 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 budget for 2015 and the Company's plans to fund its 2015 capital program from funds flow from operations;

- the Company's ability to continue to increase quarter over quarter oil production within cashflow;
- the Company's forecasted fourth quarter 2015 oil production;
- 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, deferred 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 primarily with financial institutions to manage movements in the price of crude oil, fluctuations in the US/COP exchange rate and interest rate movements;
- terms of the Company's risk management contracts and the Company's ability to manage and forecast cash flow;
- estimated income tax expense for the three and nine months ended September 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;
- the estimated recoverable amount of the Northern Llanos CGU as at September 30, 2015;
- terms of the Company's credit facility;
- terms of the Company's exploration and other contractual commitments;
- the status of the lawsuit filed against Parex, and Parex Bermuda and the Company's beliefs regarding the plaintiffs claims and plans to defend such claims;
- estimated amounts, timing and 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 "Decommissioning Liabilities" and "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](http://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 from, or used in continuing operations, funds flow per share, EBITDA, working capital and operating netback per barrel that do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures.

*Funds flow 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 (loss) income in the consolidated statements of cash flows. The following table reconciles funds flow from (used in) continuing operations to cash flow from continuing operations:*

(000s)	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Cash provided by operating activities – continuing operations (GAAP)	\$ 94,341	\$ 40,548	\$ 152,541	\$ 129,371
Changes in non-cash working capital including taxes and interest payable	(80,893)	48,458	(55,898)	114,723
<b>Funds flow from continuing operations (Non-GAAP)</b>	<b>\$ 13,448</b>	<b>\$ 89,006</b>	<b>\$ 96,643</b>	<b>\$ 244,094</b>

*Funds flow per share is calculated by dividing funds flow from (used in) 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 September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
<b>Funds flow from operations</b>				
Funds flow from continuing operations for the purpose of basic funds flow	\$ 13,448	\$ 89,006	\$ 96,643	\$ 244,094
Debt interest expense	-	914	-	2,948
<b>Funds flow from continuing operations for diluted funds flow</b>	<b>\$ 13,448</b>	<b>\$ 89,920</b>	<b>\$ 96,643</b>	<b>\$ 247,042</b>
Weighted average number of shares for the purposes of basic funds flow (000s)	150,164	126,410	143,072	115,620
Dilutive effect of share options on potential common shares	2,956	4,059	2,508	2,929
<b>Weighted average number of shares for the purposes of diluted funds</b>	<b>153,120</b>	<b>130,469</b>	<b>145,580</b>	<b>118,549</b>

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

*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 nine months ended September 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 nine months ended September 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 except for the following pertaining to the Deferred Share Unit (DSU) plan that was put in place during the nine month period ended September 30, 2015:

The Company has an incentive deferred share unit plan for certain non-employee directors. The Company records share-based compensation expense using the fair value method. The fair value of a DSU is calculated at the grant date using the Black-Scholes pricing model. The DSUs vest immediately on issuance therefore the share-based compensation is expensed immediately. The Company records the cumulative share-based compensation as contributed surplus. When DSUs are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated share-based compensation for the exercised security. Any consideration received on the exercise of DSUs is credited to share capital.

Compensation costs accrued for the Company's deferred share unit plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of Parex shares and expected term of the issued DSU.

## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE	September 30, 2015	December 31, 2014
<b>ASSETS</b>			
Current assets			
Cash		\$ 109,371	\$ 39,000
Accounts receivable	5	74,921	125,262
Prepays and other current assets		9,137	8,559
Crude oil inventory	6	8,520	10,959
Derivative financial instruments	19	1,897	-
Assets held for sale	9	-	2,933
		<b>203,846</b>	<b>186,713</b>
Goodwill			
Exploration and evaluation	7	73,452	73,452
Property, plant and equipment	8	135,355	132,048
		<b>590,618</b>	<b>642,202</b>
		<b>\$ 1,003,271</b>	<b>\$ 1,034,415</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 93,123	\$ 135,512
Derivative financial instruments	19	-	1,925
Current income and equity tax payable	15	46,141	43,201
Current portion of decommissioning and environmental liabilities	13	1,893	2,143
Liabilities held for sale	9	-	671
		<b>141,157</b>	<b>183,452</b>
Long-term debt			
Other long-term liabilities	11	-	35,000
Decommissioning and environmental liabilities	12	1,226	639
Deferred tax liability	13	32,408	31,946
	15	90,482	122,740
		<b>265,273</b>	<b>373,777</b>
Shareholders' equity			
Share capital	14	806,053	694,110
Contributed surplus		32,670	26,106
Retained earnings		(100,725)	(59,578)
		<b>737,998</b>	<b>660,638</b>
		<b>\$ 1,003,271</b>	<b>\$ 1,034,415</b>

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 September 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
Oil sales		\$ 123,249	\$ 228,648	\$ 413,273	\$ 591,438
Royalties		(8,883)	(24,516)	(31,336)	(74,702)
Revenue		114,366	204,132	381,937	516,736
Commodity risk management contracts	19	3,533	4,004	3,246	1,822
		117,899	208,136	385,183	518,558
<b>Expenses</b>					
Production		17,440	27,730	55,323	63,514
Transportation		36,752	43,106	118,157	103,263
Purchased oil		8,420	12,948	29,963	20,725
General and administrative		8,303	8,848	27,159	23,613
Transaction costs		-	82	-	586
Impairment of property, plant and equipment	8	31,144	-	31,144	-
Impairment of exploration and evaluation assets	7	4,497	-	4,497	-
Share-based compensation	14	996	3,548	10,224	15,404
Depletion, depreciation and amortization	8	39,718	62,989	117,149	166,806
Loss (gain) on settlement of decommissioning liabilities	13	(186)	(20)	(211)	127
Foreign exchange (gain) loss		5,865	(1,315)	10,370	(2,479)
		152,949	157,916	403,775	391,559
Finance income	10	(182)	(493)	(555)	(1,411)
Finance expense	10	1,290	4,080	7,843	35,681
<b>Net finance expense</b>		<b>1,108</b>	<b>3,587</b>	<b>7,288</b>	<b>34,270</b>
<b>(Loss) income from continuing operations before income taxes</b>		<b>(36,158)</b>	<b>46,633</b>	<b>(25,880)</b>	<b>92,729</b>
<b>Income tax expense</b>					
Current tax expense	15	30,833	13,652	46,744	44,816
Deferred tax (recovery) expense	15	(39,574)	16,190	(32,258)	8,483
		(8,741)	29,842	14,486	53,299
<b>Net (loss) income and comprehensive (loss) income from continuing operations after income taxes</b>		<b>\$ (27,417)</b>	<b>\$ 16,791</b>	<b>\$ (40,366)</b>	<b>\$ 39,430</b>
<b>(Loss) from discontinued operations after income taxes</b>	9	<b>-</b>	<b>(23)</b>	<b>(781)</b>	<b>(1,591)</b>
<b>Net (loss) income and comprehensive (loss) income for the period</b>		<b>\$ (27,417)</b>	<b>\$ 16,768</b>	<b>\$ (41,147)</b>	<b>\$ 37,839</b>
<b>Basic net (loss) income per common share – continuing operations</b>	16	<b>\$ (0.18)</b>	<b>\$ 0.13</b>	<b>\$ (0.28)</b>	<b>\$ 0.34</b>
<b>Diluted net (loss) income per common share – continuing operations</b>	16	<b>\$ (0.18)</b>	<b>\$ 0.13</b>	<b>\$ (0.28)</b>	<b>\$ 0.33</b>
<b>Basic and diluted net (loss) per common share – discontinued operations</b>	16	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>(0.01)</b>	<b>(0.01)</b>

See accompanying Notes to the Consolidated Interim Financial Statements

## Consolidated Statements of Changes in Shareholders' Equity (unaudited)

For the nine months ended September 30,  
(thousands of United States dollars)

		2015		2014
<b>Share capital</b>				
Balance, beginning of period	\$	694,110	\$	414,176
Issuance of common shares under option plans		3,320		11,476
Issued on the acquisition of Verano Energy Limited ("Verano")		-		169,333
Issued through bought deal financing		113,620		-
Share issue costs		(4,997)		(180)
Issued on conversion of convertible debentures		-		97,331
Balance, end of period	\$	806,053	\$	692,136
<b>Contributed surplus</b>				
Balance, beginning of period	\$	26,106	\$	21,692
Share-based compensation		7,755		6,293
Options exercised		(1,191)		(3,447)
Balance, end of period	\$	32,670	\$	24,538
<b>Retained earnings (deficit)</b>				
Balance, beginning of period	\$	(59,578)	\$	49,195
Net (loss) income for the period		(41,147)		37,839
Balance, end of period	\$	(100,725)	\$	87,034
	\$	737,998	\$	803,708

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 September 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
<b>Operating activities</b>					
Net (loss) income from continuing operations		\$ (27,417)	\$ 16,791	\$ (40,366)	\$ 39,430
Add (deduct) non-cash items					
Depletion, depreciation and amortization	8	39,718	62,989	117,149	166,806
Non-cash finance (income) expense	10	662	(1,061)	(435)	27,618
Share-based compensation	14	996	3,548	10,224	15,404
Deferred tax (recovery) expense	15	(39,574)	16,190	(32,258)	8,483
Impairment of property, plant and equipment	8	31,144	-	31,144	-
Impairment of exploration and evaluation assets	7	4,497	-	4,497	-
Unrealized foreign exchange loss		6,333	2,915	10,323	1,635
Unrealized (gain) on commodity risk management contracts	19	(2,434)	(3,583)	(2,147)	(4,148)
Gain on settlement of decommissioning liabilities		(186)	-	(211)	-
Abandonment costs paid	13	(94)	(511)	(270)	(999)
Equity tax paid		-	(939)	-	(1,667)
Stock appreciation rights paid	14	(197)	(901)	(1,007)	(2,036)
Settlement of cross currency interest rate swap		-	(6,432)	-	(6,432)
Net change in non-cash working capital – continuing operations	17	13,448	89,006	96,643	244,094
Cash provided by operating activities – continuing operations		\$ 94,341	\$ 40,548	\$ 152,541	\$ 129,371
Cash used in operating activities – discontinued operations	9	-	(328)	(238)	(1,339)
Cash provided by operating activities		\$ 94,341	\$ 40,220	\$ 152,303	\$ 128,032
<b>Investing activities</b>					
Property, plant and equipment expenditures	8	(16,752)	(35,007)	(50,849)	(119,929)
Exploration and evaluation expenditures	7	(20,922)	(21,782)	(51,022)	(93,210)
Corporate and property acquisitions		-	-	-	(27,131)
Proceeds on the disposition of assets	7,8	-	55	-	774
Net change in non-cash working capital	17	(48,872)	(496)	(53,166)	48,219
Cash used in investing activities – continuing operations		\$ (86,546)	\$ (57,230)	\$ (155,037)	\$ (191,277)
Cash provided by (used in) investing activities – discontinued operations	9	-	(10)	1,672	(166)
Cash used in investing activities		\$ (86,546)	\$ (57,240)	\$ (153,365)	\$ (191,443)
<b>Financing activities</b>					
Issuance of common shares under option plans	14	413	2,572	2,129	8,029
Issuance of common shares through bought deal financing	14	-	-	113,620	-
Redemption of convertible debentures		-	(316)	-	(316)
Share issue costs		-	-	(4,997)	(180)
Long term debt (repaid) issued	11	-	(13,695)	(35,000)	33,775
Cash provided by (used in) financing activities - continuing operations		\$ 413	\$ (11,439)	\$ 75,752	\$ 41,308
<b>Increase (decrease) in cash for the period</b>		<b>8,208</b>	<b>(28,459)</b>	<b>74,690</b>	<b>(22,103)</b>
<b>Impact of foreign exchange on foreign currency-denominated cash balances</b>		<b>(2,731)</b>	<b>(712)</b>	<b>(4,319)</b>	<b>(486)</b>
<b>Cash, beginning of period</b>		<b>103,894</b>	<b>63,074</b>	<b>39,000</b>	<b>56,492</b>
<b>Cash, end of period</b>		<b>\$ 109,371</b>	<b>\$ 33,903</b>	<b>\$ 109,371</b>	<b>\$ 33,903</b>

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 September 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 South America.

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

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 2, 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 nine months ended September 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 November 2, 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, except for the following pertaining to the Deferred Share Unit (“DSU”) plan that was put in place during the nine month period ended September 30, 2015:

Compensation costs accrued for the Company’s deferred share unit plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of Parex shares and expected term of the issued DSU.

### 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, except for the following pertaining to the Deferred Share Unit (DSU) plan that was put in place during the nine month period ended September 30, 2015:

The Company has an incentive deferred share unit plan for certain non-employee directors as described in note 14. The Company records share-based compensation expense using the fair value method. The fair value of a DSU is calculated at the grant date using the Black-Scholes pricing model. The DSUs vest immediately on issuance therefore the share-based compensation is expensed immediately. The Company records the cumulative share-based compensation as contributed surplus. When DSUs are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated share-based compensation for the exercised security. Any consideration received on the exercise of DSUs is credited to share capital.

### 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

	September 30, 2015	December 31, 2014
Trade receivables	\$ 20,521	\$ 74,064
Colombia income taxes receivable	43,769	35,557
Receivables from partners	8,132	7,616
Value added taxes (VAT)	2,499	8,025
	\$ 74,921	\$ 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 within one year and are thus recognized as current assets.

### 6. Inventory

	September 30, 2015	December 31, 2014
Crude oil inventory	\$ 8,520	\$ 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
<b>Cost</b>						
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		51,022		-		51,022
Transfers to PP&E		(44,121)		-		(44,121)
Changes in decommissioning liability		903		-		903
Exploration and evaluation impairment		(4,497)		-		(4,497)
<b>Balance at September 30, 2015</b>	<b>\$</b>	<b>135,355</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>135,355</b>

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. Amounts transferred to PP&E of \$44.1 million for the nine months ended September 30, 2015 are associated with Block LLA-26 assets (nine month period ended September 30, 2015 - \$19.0 million transferred from E&E assets).

The Company completed an impairment review for certain E&E assets associated with a block in the Llanos basin in the third quarter of 2015 and determined that the carrying amount of the project assets was unlikely to be recovered by successful development or sale. The impairment review compared the carrying value of the assets to the recoverable amount. The recoverable amount was estimated using fair value less costs of disposal (level 3 inputs). It was determined that the impairment was \$4.5 million which is recorded in the consolidated statement of comprehensive income (loss) for the nine months ended September 30, 2015. The recoverable amount was determined to be \$nil.

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

## 8. Property, Plant and Equipment

	Canada	Colombia	Trinidad &Tobago	Total
<b>Cost</b>				
Balance at December 31, 2013	\$ 4,781	\$ 981,215	\$ 318	\$ 986,314
Additions	515	175,974	11	176,500
Changes in decommissioning liability	-	7,569	-	7,569
Verano acquisition	-	247,617	-	247,617
Transfer from E&E assets	-	12,457	-	12,457
Intercompany transfer of assets	(1,903)	1,903	-	-
Dispositions	-	(624)	(91)	(715)
Balance at December 31, 2014	\$ 3,393	\$ 1,426,111	\$ 238	\$ 1,429,742
Additions	129	50,720	-	50,849
Transfer from E&E assets	-	44,121	-	44,121
Dispositions	-	-	(238)	(238)
Changes in decommissioning liability	-	739	-	739
<b>Balance at September 30, 2015</b>	<b>\$ 3,522</b>	<b>\$ 1,521,691</b>	<b>\$ -</b>	<b>\$ 1,525,213</b>
<b>Accumulated Depreciation, Depletion and Amortization</b>				
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 included in 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	166	116,983	-	117,149
DD&A included in crude oil inventory costing	-	(1,000)	-	(1,000)
Dispositions	-	-	(238)	(238)
Impairment	-	31,144	-	31,144
<b>Balance at September 30, 2015</b>	<b>\$ 2,981</b>	<b>\$ 931,614</b>	<b>\$ -</b>	<b>\$ 934,595</b>
Net book value:				
At December 31, 2013	\$ 2,153	\$ 529,230	\$ 99	\$ 531,482
At December 31, 2014	\$ 578	\$ 641,624	\$ -	\$ 642,202
<b>At September 30, 2015</b>	<b>\$ 541</b>	<b>\$ 590,077</b>	<b>\$ -</b>	<b>\$ 590,618</b>

In the nine months ended September 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. For the nine months ended September 30, 2015, \$44.1 million was transferred from E&E assets relating to Block LLA-26 (nine month period ended September 30, 2015 - \$19.0 million transferred from E&E assets).

As a result in the decrease in forecast oil prices, an indication of impairment was identified for all CGUs at September 30, 2015 and impairment tests were performed. The Company determined that the carrying amount of the Northern Llanos Basin CGU exceeded its recoverable amount. An impairment of \$31.1 million was recorded in the consolidated statement of comprehensive income (loss). The recoverable amount was determined using fair value less costs of disposal. The fair value for the producing properties in the Northern Llanos Basin CGU was calculated based on discounted after-tax cash flows of proved and probable reserves using forecast prices and cost estimates, consistent with the Company’s independent qualified reserves evaluators, updated internally for changes since the 2014 reserves estimates. Updated reserves reports prepared in accordance with definitions, standards and procedures contained in the National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities (“NI 51-101”) will be prepared at December 31, 2015.

This approach requires assumptions about revenue, future oil prices, tax rates and discount rates, all of which are level 3 inputs. The future oil prices used in the model are based on a forecast of crude oil prices by Parex’ independent reserve evaluator as of September 30, 2015. Prices used are as follows:

	2016	2017	2018	2019	2020	Thereafter
Brent (\$US/bbl)	55.00	60.00	65.00	70.00	75.00	2% increase per year

There are no E&E assets associated with this CGU. Future cash flows were discounted using a rate of 11 percent. As at September 30, 2015, the recoverable amount of the Northern Llanos CGU was estimated to be \$3.7 million. The impairment is due to lower crude prices assumed in the fair value calculation as compared to the prior year. A 1% change to the assumed discount rate or forward price estimates over the life of the reserves would have an insignificant impact on the impairment.

For the nine months ended September 30, 2015 \$4.8 million of general and administrative costs (nine months ended September 30, 2014 - \$6.2 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 nine months ended September 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 nine months ended September 30,	2015		2014	
<b>Expenses</b>				
General and administrative	\$	149	\$	972
Depletion, depreciation and amortization		-		16
Share-based compensation expense		(22)		-
Loss on sale of tangible assets		-		595
Accretion on decommissioning liabilities		-		10
Foreign exchange (gain)		-		(2)
Loss on settlement of other assets and liabilities		654		-
Net loss from discontinued operations	\$	781	\$	1,591

## 10. Net Finance Expense

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Interest expense and bank charges	\$ 628	\$ 2,298	\$ 2,583	\$ 5,391
Accretion on convertible debentures	-	1,075	-	3,210
Accretion on decommissioning and environmental liabilities	377	313	1,205	793
Loss on derivative financial liability	-	-	-	25,640
(Gain) on settlement of convertible debentures	-	(2,490)	-	(2,490)
Amortization of debt issuance costs	-	154	-	475
Unrealized (gain) loss on foreign currency risk management contracts	345	(118)	(1,580)	-
Realized loss on foreign currency risk management contracts	-	2,852	1,840	2,672
(Gain) loss on disposition of tangible assets	(60)	20	(60)	595
Interest and other income	(182)	(493)	(555)	(1,411)
Colombian net wealth tax	-	-	3,855	-
Net finance expense	\$ 1,108	\$ 3,611	\$ 7,288	\$ 34,875
Finance expenses reclassified to discontinued operations	-	24	-	605
Net finance expense - continuing operations	\$ 1,108	\$ 3,587	\$ 7,288	\$ 34,270

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Non-cash finance (income) expense	\$ 662	\$ (1,037)	\$ (435)	\$ 28,223
Cash finance expense	446	4,648	7,723	6,652
Net finance expense	\$ 1,108	\$ 3,611	\$ 7,288	\$ 34,875

## 11. Long-Term Debt

	September 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 September 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 September 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:

	September 30, 2015	December 31, 2014
Long-term SARs payable	\$ 1,226	\$ 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		920		132	1,052
Settlements of obligations during the period		(79)		(191)	(270)
Accretion expense		835		291	1,126
Additions related to change in estimate		644		(54)	590
Foreign exchange (gain)		-		(2,286)	(2,286)
<b>Balance, September 30, 2015</b>	<b>\$</b>	<b>26,132</b>	<b>\$</b>	<b>8,169</b>	<b>\$ 34,301</b>
Current obligation		-		(1,893)	(1,893)
<b>Long-term obligation</b>	<b>\$</b>	<b>26,132</b>	<b>\$</b>	<b>6,276</b>	<b>\$ 32,408</b>

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 September 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 \$38.9 million as at September 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 5 percent and an inflation rate of 2.25 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 \$14.1 million as at September 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 8 percent and an inflation rate of 4 percent were used in the valuation of the liabilities (December 31, 2014 – 7 percent risk-free discount rate and a 3 percent inflation rate). The discount rate used is based on a Colombia risk-free rate.

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

## 14. Share Capital

### a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2013	108,711,649	\$	414,176
Issued for cash – exercise of options and RSUs	2,949,574		9,373
Issued in Verano Acquisition	14,688,724		169,333
Issued on conversion of convertible debentures	8,339,991		97,331
Share issue costs	-		(180)
Allocation of contributed surplus – exercise of options and RSUs	-		4,077
Balance, December 31, 2014	134,689,938	\$	694,110
Issued for cash – exercise of options and RSUs	567,862		2,129
Issued through bought deal financing	14,950,000		113,620
Share issue costs	-		(4,997)
Allocation of contributed surplus – exercise of options and RSUs	-		1,191
<b>Balance, September 30, 2015</b>	<b>150,207,800</b>	<b>\$</b>	<b>806,053</b>

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	(503,486)	5.34
Forfeited	(149,668)	6.01
<b>Balance, September 30, 2015</b>	<b>6,998,856</b>	<b>6.89</b>

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

Exercise price Cdn\$	Options outstanding			Options vested		
	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn\$/option	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn\$/option
\$4.36 - \$6.06	1,301,928	2.00	4.55	1,212,175	1.94	4.50
\$6.07 - \$6.12	3,698,803	3.04	6.07	1,181,657	3.04	6.07
\$6.13 - \$9.90	226,250	3.51	7.06	55,416	2.47	6.70
\$9.91 - \$10.89	1,682,500	4.11	10.23	-	-	-
\$10.90 - \$13.93	89,375	3.88	11.86	13,125	3.70	12.26
	6,998,856	3.13	6.89	2,462,373	2.49	5.34

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 nine months ended September 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 nine months ended September 30, 2015 was Cdn\$2.44 per option (nine months ended September 30, 2014 – Cdn\$3.24 per option). The weighted average share price on the exercise date for options exercised in the nine months ended September 30, 2015 was Cdn\$9.26 (nine months ended September 30, 2014 – Cdn\$10.47).

### 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	349,083	8.49
Exercised	(293,494)	5.40
Forfeited	(119,222)	7.53
<b>Balance, September 30, 2015</b>	<b>2,543,010</b>	<b>7.48</b>

As at September 30, 2015, 741,612 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 nine months ended September 30,	2015	2014
Risk-free interest rate (%)	0.60	1.31
Expected life (years)	3	4
Expected volatility (%)	46	45
Share price	9.25	12.45
Expected dividends	-	-

As at September 30, 2015, the total SARs liability accrued is \$5.7 million (December 31, 2014 - \$4.4 million) of which \$1.2 million (December 31, 2014 - \$0.6 million) is classified as long-term in accordance with the three year vesting period. For the nine months ended September 30, 2015, Parex recorded \$2.4 million of compensation cost related to the outstanding SARs (nine months ended September 30, 2014 – expense of \$9.1 million).

**d) Restricted share units (“RSU”)**

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	(64,376)	0.01
Forfeited	(22,137)	0.01
<b>Balance, September 30, 2015</b>	<b>1,569,372</b>	<b>0.01</b>

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 nine months ended September 30, 2015 was Cdn\$6.53 per RSU (nine months ended September 30, 2014 – Cdn\$8.73 per RSU). For the nine months ended September 30, 2015 a weighted average forfeiture rate of 3% was applied (nine months ended September 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
<b>Balance, September 30, 2015</b>	<b>5,000</b>	<b>9.98</b>

**f) Share-based compensation**

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Share-based compensation expense	\$ 2,364	\$ 2,127	\$ 7,755	\$ 6,293
SARs (recovery) expense	(1,368)	1,292	2,447	9,111
Total	\$ 996	\$ 3,419	\$ 10,202	\$ 15,404
SARs recovery reclassified as discontinued operations	-	(129)	(22)	-
Total – continuing operations	\$ 996	\$ 3,548	\$ 10,224	\$ 15,404

**15. Income Tax**

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Current tax expense	\$ 30,833	\$ 13,652	\$ 46,744	\$ 44,816
Deferred tax (recovery) expense	(39,574)	16,190	(32,258)	8,483
Tax (recovery) expense	\$ (8,741)	\$ 29,842	\$ 14,486	\$ 53,299

## 16. Net (loss) income per Share

### a) Basic net (loss) income per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
<b>Net (loss) income</b>				
Net (loss) income for the purpose of basic net (loss) income per share – continuing operations	\$ (27,417)	\$ 16,791	\$ (40,366)	\$ 39,430
Net (loss) for the purpose of basic net (loss) per share – discontinued operations	-	(23)	(781)	(1,591)
<b>Net (loss) income for the period</b>	<b>\$ (27,417)</b>	<b>\$ 16,768</b>	<b>\$ (41,147)</b>	<b>\$ 37,839</b>
<b>Weighted average number of shares for the purposes of basic net (loss) income per share (000s)</b>	<b>150,164</b>	126,410	<b>143,072</b>	115,620
Basic net (loss) income per share – continuing operations	(0.18)	0.13	(0.28)	0.34
Basic net (loss) per share – discontinued operations	-	(0.00)	(0.01)	(0.01)
<b>Basic net (loss) income per share</b>	<b>\$ (0.18)</b>	<b>\$ 0.13</b>	<b>\$ (0.29)</b>	<b>\$ 0.33</b>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
<b>Net (loss) income– continuing operations</b>				
Net (loss) income used to calculate diluted net (loss) income per share – continuing operations	\$ (27,417)	\$ 16,791	\$ (40,366)	\$ 39,430
<b>Weighted average number of shares for the purposes of basic net (loss) income per share (000s)</b>	<b>150,164</b>	126,410	<b>143,072</b>	115,620
Dilutive effect of share options on potential common shares	-	4,059	-	2,929
<b>Weighted average number of shares for the purposes of diluted net (loss) income per share</b>	<b>150,164</b>	130,469	<b>143,072</b>	118,549
<b>Diluted net (loss) income per share – continuing operations</b>	<b>\$ (0.18)</b>	<b>\$ 0.13</b>	<b>\$ (0.28)</b>	<b>\$ 0.34</b>
<b>Net (loss) – discontinued operations</b>				
Net (loss) used to calculate diluted net (loss) per share – discontinued operations	\$ -	\$ (23)	\$ (781)	\$ (1,591)
<b>Weighted average number of shares for the purposes of diluted net (loss) per share</b>	<b>150,164</b>	126,410	<b>143,072</b>	115,620
<b>Diluted net (loss) per share – discontinued operations</b>	<b>\$ -</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

At September 30, 2015 1,796,875 (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 September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Accounts receivable	\$ 17,775	\$ (60,971)	\$ 50,341	\$ (103,278)
Prepaids and other current assets	(1,275)	(1,113)	(578)	(3,485)
Oil inventory	(802)	(4,498)	2,439	(5,186)
Accounts payable and accrued liabilities	15,504	21,454	(48,492)	69,068
Depletion related to oil inventory	819	2,174	(978)	1,706
Net non-cash working capital on corporate acquisitions	-	(6,000)	-	(25,329)
Net change in non-cash working capital	\$ 32,021	\$ (48,954)	\$ 2,732	\$ (66,504)
Operating	80,893	(48,458)	55,898	(114,723)
Investing	(48,872)	(496)	(53,166)	48,219
Financing	-	-	-	-
Net change in non-cash working capital	\$ 32,021	\$ (48,954)	\$ 2,732	\$ (66,504)

### b) Interest and taxes paid

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Cash interest paid	\$ 8	\$ 3,438	\$ 579	\$ 3,814
Cash income and equity taxes paid	\$ -	\$ 939	\$ 24,755	\$ 47,298

## 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 September 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 September 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). This performance guarantee facility has a limit of \$125.0 million of which \$76.4 million is utilized at September 30, 2015.

As at September 30, 2015, the Company's net working capital surplus is \$62.7 million (December 31, 2014 - \$3.3 million), of which \$109.4 million is cash.

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 September 30, 2015, shareholders' equity was \$738.0 million (December 31, 2014 - \$660.6 million).

## 19. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized in the consolidated balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, 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 September 30, 2015 had the majority of its oil sales to 10 counterparties. Accounts receivable balance as at September 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 September 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 September 30, 2015 was \$nil; the undrawn amount was \$200.0 million.

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

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 88,639	-	-	-	\$ 88,639
SARs payable	4,484	1,226	-	-	5,710
Total	\$ 93,123	1,226	-	-	\$ 94,349

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 <sup>(1)</sup>	7,156	-	-	-	7,156
Credit Facility including interest <sup>(2)</sup>	1,050	36,050	-	-	37,100
Total	\$ 145,643	36,689	-	-	\$ 182,332

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

<sup>(2)</sup> 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 September 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 nine months period ended September 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 November 30, 2015	ICE Brent	Put	2,000	\$55.00

The fair value of the ICE Brent priced crude oil risk management contracts of \$1.9 million receivable (December 31, 2014 – liability of \$1.9 million) is recorded in the financial statement line item “Derivative financial instruments” in the consolidated balance sheet.

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

		For the three months ended Sept 30,		For the nine months ended September 30,	
		2015	2014	2015	2014
Realized (gain) loss on commodity risk management contracts	\$	(1,099)	\$ (421)	\$ (1,099)	\$ 2,326
Unrealized (gain) on commodity risk management contracts		(2,434)	(3,583)	(2,147)	(4,148)
Total	\$	(3,533)	\$ (4,004)	\$ (3,246)	\$ (1,822)

As shown in the table above, as at September 30, 2015, Parex had committed to the future sale of 122,000 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 (loss) income before tax for the oil hedged contracts if Brent oil price were to increase/decrease by \$10/bbl from the spot rate as at September 30, 2015:

	Brent Price	Impact for the nine months ended September 30, 2015	
		Increase of \$10/bbl	Decrease of \$10/bbl
Oil hedged contract loss (gain)	Period end	\$ 3,591	\$ (4,913)

Subsequent to September 30, 2015, Parex entered into the following ICE Brent priced crude oil risk management contracts:

Period Hedged	Reference	Type	Volume bbls/d	Price/bbl
November 1, 2015 to November 30, 2015	ICE Brent	Collar	16,667	\$55.00-\$57.40
January 1, 2016 to June 30, 2016	ICE Brent	3-way Collar	5,000	\$47.75, \$52.50-\$70.00

#### d) Foreign currency risk

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

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

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

The following is a summary of the foreign currency risk management contracts in place as at September 30, 2015:

Period Hedged	Reference	Type	Amount USD	Price (COP)
April 1, 2016 to June 30, 2016	Colombian Peso	Collar	\$8 million	3,000 - 3,228

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Realized loss on foreign currency risk management contracts	\$ -	\$ 2,852	\$ 1,840	\$ 2,672
Unrealized loss (gain) on foreign currency risk management contracts	345	(118)	(1,580)	-
Total	\$ 345	\$ 2,734	\$ 260	\$ 2,672

The Company recorded a \$0.3 million loss on these contracts in the nine months ended September 30, 2015 (nine months ended September 30, 2014 - \$2.7 million loss) which is recorded in the financial statement line item "Finance expense" in the consolidated statements of comprehensive income (loss) (note 10).

The following sensitivity show the resulting unrealized loss (gain) and impact on (loss) income before tax for the foreign exchange risk management contracts for the respective changes in the period end foreign exchange rates at September 30, 2015:

Exchange Rate USD/COP	Impact for the nine months ended September 30, 2015	
	Increase of 10%	Decrease of 10%
Total	\$ 1,116	\$ (1,437)

**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 loss (gain) on (loss) income before tax if the interest rate increased /decreased by 1% for the nine months ended September 30, 2015:

Interest rate	Impact for the nine months ended September 30, 2015	
	Increase of 1%	Decrease of 1%
Interest expense (gain)	\$ 102	\$ (102)

## 20. Segmented Information

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

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

	Canada		Colombia		Trinidad & Tobago		Total
Oil sales	\$	-	\$	123,249	\$	-	\$ 123,249
Royalties		-		(8,883)		-	(8,883)
Revenue		-		114,366		-	114,366
Commodity risk management contracts		-		3,533		-	3,533
		-		117,899		-	117,899
Expenses		-		17,440		-	17,440
Production		-		36,752		-	36,752
Transportation		-		8,420		-	8,420
Purchased oil		-		5,060		-	8,303
General and administrative		3,243		(1,367)		-	996
Share-based compensation		2,363		39,658		-	39,718
Depletion, depreciation and amortization		60		(186)		-	(186)
(Gain) on settlement of decommissioning liabilities		-		5,620		-	5,865
Foreign exchange loss		245		31,144		-	31,144
Impairment of property, plant and equipment		-		4,497		-	4,497
Impairment of exploration and evaluation assets		-				-	
		5,911		147,038		-	152,949
Finance (income)		(118)		(66)		-	(184)
Finance expense		357		935		-	1,292
Net finance expense		239		869		-	1,108
Net (loss) before taxes from continuing operations		(6,150)		(30,008)		-	(36,158)
Current tax expense		-		30,833		-	30,833
Deferred tax (recovery)		-		(39,574)		-	(39,574)
Net (loss) from continuing operations	\$	(6,150)	\$	(21,267)	\$	-	\$ (27,417)
Net (loss) from discontinued operations		-		-		-	-
Net (loss)	\$	(6,150)	\$	(21,267)	\$	-	\$ (27,417)
Capital assets (end of period)	\$	541	\$	725,432	\$	-	\$ 725,973
Capital expenditures	\$	(13)	\$	37,687	\$	-	\$ 37,674
Total assets (end of period)	\$	75,989	\$	927,282	\$	-	\$ 1,003,271

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

	Canada		Colombia		Trinidad & Tobago		Total
Oil sales	\$	-	\$	228,648	\$	-	\$ 228,648
Royalties		-		(24,516)		-	(24,516)
Revenue		-		204,132		-	204,132
Commodity risk management contracts		(10)		4,014		-	4,004
		(10)		208,146		-	208,136
Expenses		-		27,730		-	27,730
Production		-		43,106		-	43,106
Transportation		-		12,948		-	12,948
Purchased oil		-		4,488		-	8,848
General and administrative		4,360		1,421		-	3,548
Share-based compensation		2,127		62,953		-	62,989
Depletion, depreciation and amortization		36		-		-	82
Transaction costs		82		(20)		-	(20)
(Gain) on settlement of decommissioning liabilities		-		2,025		-	(1,315)
Foreign exchange (gain) loss		(3,340)				-	
		3,265		154,651		-	157,916
Finance (income)		(5)		(488)		-	(493)
Finance expense		3,761		319		-	4,080
Net finance expense (income)		3,756		(169)		-	3,587
Net income (loss) before taxes		(7,031)		53,664		-	46,633
Current tax expense		-		13,652		-	13,652
Deferred tax expense		-		16,190		-	16,190
Net income (loss) from continuing operations	\$	(7,031)	\$	23,822	\$	-	\$ 16,791
Net (loss) from discontinued operations		-		-		(23)	(23)
Net income (loss)	\$	(7,031)	\$	23,822	\$	(23)	\$ 16,768
Capital assets (end of period)	\$	2,113	\$	899,700	\$	22,150	\$ 923,963
Capital expenditures	\$	43	\$	56,746	\$	10	\$ 56,799
Total assets (end of period)	\$	5,925	\$	1,235,628	\$	25,057	\$ 1,266,610

For the nine months ended September 30, 2015 (unaudited)

	Canada		Colombia		Trinidad & Tobago		Total	
Oil sales	\$	-	\$	413,273	\$	-	\$	413,273
Royalties		-		(31,336)		-		(31,336)
Revenue		-		381,937		-		381,937
Commodity risk management contracts		-		3,246		-		3,246
		-		385,183		-		385,183
Expenses								
Production		-		55,323		-		55,323
Transportation		-		118,157		-		118,157
Purchased oil		-		29,963		-		29,963
General and administrative		10,606		16,553		-		27,159
Share-based compensation		7,755		2,469		-		10,224
Depletion, depreciation and amortization		167		116,982		-		117,149
(Gain) on settlement of decommissioning liabilities		-		(211)		-		(211)
Foreign exchange loss		813		9,557		-		10,370
Impairment of property, plant and equipment		-		31,144		-		31,144
Impairment of exploration and evaluation assets		-		4,497		-		4,497
		19,341		384,434		-		403,775
Finance (income)		(345)		(210)		-		(555)
Finance expense		3,707		4,136		-		7,843
Net finance expense		3,362		3,926		-		7,288
Net (loss) before taxes		(22,703)		(3,177)		-		(25,880)
Current tax expense		-		46,744		-		46,744
Deferred tax (recovery)		-		(32,258)		-		(32,258)
Net (loss) from continuing operations	\$	(22,703)	\$	(17,663)	\$	-	\$	(40,366)
Net (loss) from discontinued operations		-		-		(781)		(781)
Net (loss)	\$	(22,703)	\$	(17,663)	\$	(781)	\$	(41,147)
Capital assets (end of period)	\$	541	\$	725,432	\$	-	\$	725,973
Capital expenditures	\$	129	\$	101,742	\$	-	\$	101,871
Total assets (end of period)	\$	75,989	\$	927,282	\$	-	\$	1,003,271

For the nine months ended September 30, 2014 (unaudited)

	Canada		Colombia		Trinidad & Tobago		Total	
Oil sales	\$	-	\$	591,438	\$	-	\$	591,438
Royalties		-		(74,702)		-		(74,702)
Revenue		-		516,736		-		516,736
Commodity risk management contracts		877		945		-		1,822
		877		517,681		-		518,558
Expenses								
Production		-		63,514		-		63,514
Transportation		-		103,263		-		103,263
Purchased oil		-		20,725		-		20,725
General and administrative		11,377		12,236		-		23,613
Share-based compensation		6,293		9,111		-		15,404
Depletion, depreciation and amortization		138		166,668		-		166,806
Transaction costs		586		-		-		586
Loss on settlement of decommissioning liabilities		-		127		-		127
Foreign exchange (gain) loss		(3,561)		1,082		-		(2,479)
		14,833		376,726		-		391,559
Finance income		(18)		(1,393)		-		(1,411)
Finance expense		34,750		931		-		35,681
Net finance expense (income)		34,732		(462)		-		34,270
Net income (loss) before taxes		(48,688)		141,417		-		92,729
Current tax expense		-		44,816		-		44,816
Deferred tax expense		-		8,483		-		8,483
Net income (loss) from continuing operations	\$	(48,688)	\$	88,118	\$	-	\$	39,430
Net (loss) from discontinued operations		-		-		(1,591)		(1,591)
Net income (loss)		(48,688)		88,118		(1,591)		37,839
Capital assets (end of period)	\$	2,113	\$	899,700	\$	22,150	\$	923,963
Capital expenditures	\$	98	\$	213,041	\$	166	\$	213,305
Total assets (end of period)	\$	5,925	\$	1,235,628	\$	25,057	\$	1,266,610

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

## 21. Commitments

### a) Colombia

At September 30, 2015, guarantees in place with ANH are in the form of issued letters of credit totaling \$102.6 million (December 31, 2014 - \$103.4 million) to support the exploration work commitments in respect of the 24 blocks in Colombia.

EDC has provided the Company's bank with performance security guarantees to support approximately \$76.4 million of the letters of credit issued on behalf of Parex. The EDC guarantees have been secured by a general security agreement issued by Parex in favour of EDC. 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 September 30, 2015 in respect of the Colombia blocks are estimated to be as follows:

(000's)		
2015	\$	21,563
2016		19,840
Thereafter		195,295
	\$	236,698

### 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 September 30, 2015 are as follows:

	Total	2015	2016	2017	2018	2019	Thereafter
Office and accommodations	\$ 5,371	628	1,748	1,043	1,012	940	-

## 22. Contingencies

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. On October 23, 2015, the Texas Supreme Court granted all parties' Petitions For Review, and set oral argument for December 10, 2015. At the present time it is unknown how the Texas Supreme Court will ultimately rule on the jurisdictional issues or when any such ruling will be issued by the Texas Supreme Court. The claims against Ramshorn have been effectively abated until such time that the Texas Supreme Court issues its rulings. 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.

## DIRECTORS

**Norman F. McIntyre**  
*Chairman of the Board*

**Curtis D. Bartlett**

**John F. Bechtold**

**Lisa Colnett**

**Robert J. Engbloom**

**Wayne K. Foo**

**Ron D. Miller**

**Paul D. Wright**

## OFFICERS & SENIOR EXECUTIVES

**Wayne K. Foo**  
*President, Chief Executive Officer*

**Kenneth G. Pinsky**  
*Chief Financial Officer*

**Barry B. Larson**  
*Chief Operating Officer*

**David R. Taylor**  
*Executive VP Exploration & Business Development*

**Stu R. Davie**  
*VP Human Resources & Administration*

## CORPORATE HEADQUARTERS

**Parex Resources Inc.**  
2700, Eighth Avenue Place, West Tower  
585 8 Avenue S.W.,  
Calgary, Alberta, Canada T2P 1G1

Tel: 403-265-4800  
Fax: 403-265-8216  
E-mail: [info@parexresources.com](mailto:info@parexresources.com)

## OPERATING OFFICES

**Parex Resources Colombia Ltd. Sucursal**  
Calle 113 No. 7-21, Of. 611,  
Edificio Teleport, Torre A,  
Bogotá, Colombia

Tel: 571-629-1716  
Fax: 571-629-1786

## AUDITORS

**PricewaterhouseCoopers LLP**  
Calgary, Alberta

## LEGAL COUNSEL

**Burnet, Duckworth & Palmer LLP**  
Calgary, Alberta

## TRANSFER AGENT AND REGISTRAR

**Computershare Trust Company of Canada**  
Calgary, Alberta

## RESERVES EVALUATORS

**GLJ Petroleum Consultants Ltd.**  
Calgary, Alberta

## INVESTOR RELATIONS

**Michael Kruchten**  
*VP, Corporate Planning and Investor Relations*

Tel: 403-517-1733  
Fax: 403-265-8216

E-mail: [Investor.Relations@parexresources.com](mailto:Investor.Relations@parexresources.com)

Website: [www.parexresources.com](http://www.parexresources.com)

## ABBREVIATIONS

### Oil and Natural Gas Liquids

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

### Other

WTI	West Texas Intermediate
Brent	Brent Ice

