# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Consolidated Balance Sheets (unaudited)

| As at<br>(thousands of United States dollars) | NOTE | | March 31,<br>2024 | | December 31,<br>2023 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 18 | $ | 61,052 | $ | 140,352 |
| Accounts receivable | 5 | | 146,927 | | 118,567 |
| Prepaids and other current assets | | | 39,013 | | 44,990 |
| Current income tax receivable | | | 20,458 | | 29,012 |
| Crude oil inventory | 6 | | 8,663 | | 4,254 |
| | | | 276,113 | | 337,175 |
| Deferred tax asset | | | 209,670 | | 246,678 |
| Goodwill | | | 73,452 | | 73,452 |
| Exploration and evaluation | 7 | | 255,566 | | 211,590 |
| Property, plant and equipment | 8 | | 1,323,739 | | 1,338,175 |
| Long-term inventory | 9 | | 208,544 | | 204,701 |
| Other long-term assets | 18 | | 8,428 | | 3,556 |
| | | $ | 2,355,512 | $ | 2,415,327 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | | $ | 214,457 | $ | 252,148 |
| Current portion of decommissioning and environmental liabilities | 14 | | 5,755 | | 6,000 |
| | | | 220,212 | | 258,148 |
| Bank debt | 10 | | 60,000 | | 90,000 |
| Lease obligation | 11 | | 5,557 | | 5,736 |
| Cash settled share-based compensation liabilities | 16 | | 8,575 | | 16,284 |
| Decommissioning and environmental liabilities | 14 | | 88,963 | | 89,732 |
| | | | 383,307 | | 459,900 |
| Shareholders' equity | | | | | |
| Share capital | 15 | | 656,662 | | 660,817 |
| Contributed surplus | | | 19,344 | | 19,248 |
| Retained earnings | | | 1,296,199 | | 1,275,362 |
| | | | 1,972,205 | | 1,955,427 |
| | | $ | 2,355,512 | $ | 2,415,327 |

Commitments and Contingencies (note 22)

See accompanying Notes to the Consolidated Interim Financial Statements

Approved by the Board:

"signed"
Sigmund Cornelius
Director

"signed"
Bob MacDougall
Director

## Consolidated Statements of Comprehensive Income (unaudited)

| (thousands of United States dollars, except per share amounts) | NOTE | For the three months ended March 31, 2024 | 2023 |
|---|---|---|---|
| Oil and natural gas sales[1] | **12** | **$ 335,298** | $ 327,230 |
| Royalties | | **(53,082)** | (57,631) |
| Net revenue | | **282,216** | 269,599 |
| Other revenue[1] | **12** | **1,421** | 1,761 |
| Revenue | | **283,637** | 271,360 |
| **Expenses** | | | |
| Production | | **59,824** | 41,759 |
| Transportation | | **16,097** | 14,578 |
| Purchased oil | | **101** | 1,420 |
| General and administrative | | **19,168** | 13,969 |
| Equity settled share-based compensation expense | **15** | **198** | 269 |
| Cash settled share-based compensation (recovery) expense | **16** | **(2,661)** | 10,282 |
| Depletion, depreciation and amortization | **8** | **52,231** | 41,952 |
| Foreign exchange (gain) loss | | **(1,168)** | 10,266 |
| | | **143,790** | 134,495 |
| Finance (income)[1] | **13** | **(1,257)** | (4,386) |
| Finance expense | **13** | **5,194** | 3,704 |
| **Net finance expense (income)** | | **3,937** | (682) |
| **Income before income taxes** | | **135,910** | 137,547 |
| **Income tax expense** | | | |
| Current tax expense | | **38,810** | 39,905 |
| Deferred tax expense (recovery) | | **37,007** | (6,733) |
| | | **75,817** | 33,172 |
| **Net income and comprehensive income for the period** | | **$ 60,093** | $ 104,375 |
| **Basic net income per common share** | **17** | **$ 0.58** | $ 0.96 |
| **Diluted net income per common share** | **17** | **$ 0.58** | $ 0.96 |

[1] Certain comparative figures have been reclassified to conform with the current period's presentation as described in Note 2.

See accompanying Notes to the Consolidated Interim Financial Statements

## Consolidated Statements of Changes in Equity (unaudited)

| For the three months ended March 31,<br>(thousands of United States dollars) | **2024** | 2023 |
|---|---|---|
| **Share capital** | | |
| Balance, beginning of period | **$ 660,817** | $ 682,718 |
| Issuance of common shares under share-based compensation plans | **411** | 3,722 |
| Repurchase of shares | **(4,566)** | (9,457) |
| Balance, end of period | **$ 656,662** | $ 676,983 |
| **Contributed surplus** | | |
| Balance, beginning of period | **$ 19,248** | $ 20,334 |
| Share-based compensation | **198** | 269 |
| Options and RSUs exercised | **(102)** | (1,579) |
| Balance, end of period | **$ 19,344** | $ 19,024 |
| **Retained earnings** | | |
| Balance, beginning of period | **$ 1,275,362** | $ 1,011,940 |
| Net income for the period | **60,093** | 104,375 |
| Repurchase of shares | **(10,725)** | (23,411) |
| Dividends | **(28,531)** | (29,831) |
| Balance, end of period | **$ 1,296,199** | $ 1,063,073 |
| | **$ 1,972,205** | $ 1,759,080 |

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 March 31, 2024 | 2023 |
|---|---|---|---|
| **Operating activities** | | | |
| Net income | | **$ 60,093** | $ 104,375 |
| Add (deduct) non-cash items | | | |
| Depletion, depreciation and amortization | **8** | **52,231** | 41,952 |
| Non-cash finance expense | **13** | **2,466** | 2,358 |
| Equity settled share-based compensation expense | **15** | **198** | 269 |
| Cash settled share-based compensation (recovery) expense | **16** | **(2,661)** | 10,282 |
| Deferred tax expense (recovery) | | **37,007** | (6,733) |
| Unrealized foreign exchange (gain) loss | | **(1,387)** | 8,992 |
| Loss on settlement of decommissioning liabilities | **14** | **360** | 229 |
| Net change in non-cash working capital | **18** | **(50,895)** | (30,451) |
| Cash provided by operating activities | | **97,412** | 131,273 |
| **Investing activities** | | | |
| Property, plant and equipment expenditures | **8** | **(40,831)** | (83,224) |
| Exploration and evaluation expenditures | **7** | **(44,590)** | (30,644) |
| Long-term inventory expenditures, net of transfers | **9** | **(3,843)** | (19,767) |
| Net change in non-cash working capital | **18** | **(8,674)** | 11,633 |
| Cash (used in) investing activities | | **(97,938)** | (122,002) |
| **Financing activities** | | | |
| Common shares repurchased | **15** | **(15,291)** | (32,868) |
| Dividends | **15** | **(28,531)** | (29,831) |
| Bank debt repayment | **10** | **(30,000)** | — |
| Issuance of common shares under equity-settled plans | **15** | **309** | 2,143 |
| Payments on lease obligation | **11** | **(194)** | (170) |
| Cash (used in) financing activities | | **(73,707)** | (60,726) |
| **(Decrease) in cash and cash equivalents for the period** | | **(74,233)** | (51,455) |
| **Impact of foreign exchange on foreign currency-denominated cash balances** | | **(195)** | 4,872 |
| **Cash and cash equivalents and restricted cash and cash equivalents, beginning of period** | **18** | **143,908** | 419,002 |
| **Cash and cash equivalents and restricted cash and cash equivalents, end of period** | **18** | **$ 69,480** | $ 372,419 |

Supplemental Disclosure of Cash Flow Information (note 18)
See accompanying Notes to the Consolidated Interim Financial Statements

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

## 1. Corporate Information

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

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

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 8, 2024.

## 2. Basis of Presentation and Material Accounting Policies

### a) *Statement of compliance*

The condensed interim consolidated financial statements for the three months ended March 31, 2024 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2023, which have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The policies applied in these condensed interim consolidated financial statements are based on IFRS Accounting Standards issued and outstanding as of May 8, 2024, the date the Board of Directors approved the condensed interim consolidated financial statements.

### 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) *Change in presentation*

Prior period revenue items have been reclassified to conform to the current period's presentation.

Pipeline transportation revenue, that was previously included in Oil and natural gas sales, has been included in Other revenue:

| Consolidated Statements of Comprehensive Income (unaudited) | | For the three months ended March 31, 2023 |
|---|---|---|
| Oil and natural gas sales, as previously presented | $ | 328,733 |
| Reclassification to Other revenue | | (1,503) |
| **Oil and natural gas sales, as currently presented** | **$** | **327,230** |

Revenues related to the energy generation and use of infrastructure, that were previously included in Finance income, have been included in Other revenue:

| Consolidated Statements of Comprehensive Income (unaudited) | | For the three months ended March 31, 2023 |
|---|---|---|
| Finance income, as previously presented | $ | 4,644 |
| Reclassification to Other revenue | | (258) |
| **Finance income, as currently presented** | **$** | **4,386** |

***d) 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 applied to the consolidated financial statements for the year ended December 31, 2023.

## 3. Summary of Material Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2023 with the addition of the below Amendment to IAS 1 Presentation of Financial Statements.

On January 1, 2024, the Company adopted the amendment to IAS 1 Presentation of Financial Statements. The amendment clarifies the requirements for the presentation of liabilities as current or non-current in the statements of financial position which specify the classification and disclosure of a liability with covenants. There was not a material impact to the Company's financial statements.

## 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, 2023 consolidated financial statements for details concerning determination of fair values.

## 5. Accounts Receivable

| | | **March 31, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Trade receivables | **$** | **134,034** | $ | 105,625 |
| Value added taxes (VAT) | | **12,893** | | 12,942 |
| | **$** | **146,927** | $ | 118,567 |

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is $12.9 million as at March 31, 2024 (December 31, 2023 - $12.9 million) and is recoverable within one year. All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

## 6. Crude Oil Inventory

| | | **March 31, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Crude oil inventory | **$** | **8,663** | $ | 4,254 |

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

## 7. Exploration and Evaluation Assets

| Cost | | |
|---|---|---|
| **Balance at December 31, 2022** | **$** | **115,745** |
| Additions and transfers | | 172,410 |
| Changes in decommissioning liability | | 6,293 |
| Exploration and evaluation impairment | | (82,858) |
| **Balance at December 31, 2023** | **$** | **211,590** |
| Additions and transfers | | 44,590 |
| Changes in decommissioning liability | | (614) |
| **Balance at March 31, 2024** | **$** | **255,566** |

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 and transfers of $44.6 million for the three months ended March 31, 2024 represent the Company's share of costs incurred on E&E assets during the period. For the three months ended March 31, 2024 $1.5 million of general and administrative costs (three months ended March 31, 2023 - $0.6 million) have been capitalized in respect of exploration and evaluation activities during the current period.

There were no indicators of exploration and evaluation impairment in the period ended March 31, 2024.

At March 31, 2024 and December 31, 2023 the Company did not have any E&E assets in Canada.

## 8. Property, Plant and Equipment

| | | **Canada** | | **Colombia** | | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at December 31, 2022** | **$** | **15,796** | **$** | **3,051,099** | **$** | **3,066,895** |
| Additions and transfers | | 1,816 | | 309,117 | | 310,933 |
| Changes in decommissioning and environmental liability | | — | | 25,721 | | 25,721 |
| **Balance at December 31, 2023** | **$** | **17,612** | **$** | **3,385,937** | **$** | **3,403,549** |
| Additions and transfers | | 174 | | 40,657 | | 40,831 |
| Changes in decommissioning and environmental liability | | — | | (1,794) | | (1,794) |
| **Balance at March 31, 2024** | **$** | **17,786** | **$** | **3,424,800** | **$** | **3,442,586** |
| | | | | | | |
| **Accumulated Depreciation, Depletion and Amortization** | | | | | | |
| **Balance at December 31, 2022** | **$** | **7,847** | **$** | **1,803,653** | **$** | **1,811,500** |
| Depletion and depreciation for the year | | 1,164 | | 192,225 | | 193,389 |
| Depreciation - Right-of-use-asset | | 767 | | 73 | | 840 |
| DD&A included in crude oil inventory costing | | — | | (37) | | (37) |
| Property, plant and equipment impairment | | — | | 59,682 | | 59,682 |
| **Balance at December 31, 2023** | **$** | **9,778** | **$** | **2,055,596** | **$** | **2,065,374** |
| Depletion and depreciation for the period | | 352 | | 51,668 | | 52,020 |
| Depreciation - Right-of-use-asset | | 193 | | 18 | | 211 |
| DD&A included in crude oil inventory costing | | — | | 1,242 | | 1,242 |
| **Balance at March 31, 2024** | **$** | **10,323** | **$** | **2,108,524** | **$** | **2,118,847** |
| | | | | | | |
| Net book value: | | | | | | |
| As at December 31, 2022 | $ | 7,949 | $ | 1,247,446 | $ | 1,255,395 |
| As at December 31, 2023 | $ | 7,834 | $ | 1,330,341 | $ | 1,338,175 |
| **As at March 31, 2024** | **$** | **7,463** | **$** | **1,316,276** | **$** | **1,323,739** |

In the three months ended March 31, 2024 property, plant and equipment ("PPE") additions and transfers of $40.8 million mainly relate to drilling costs in Colombia at Blocks LLA-34, Cabrestero and LLA-32 and facility costs at Blocks LLA-34, Cabrestero, Capachos and VIM-1.

For the three months ended March 31, 2024 future development costs of $396.4 million (three months ended March 31, 2023 - $469.0 million) were included in the depletion calculation for development and production assets. For the three months ended March 31, 2024 $0.2 million of general and administrative costs (three months ended March 31, 2023 - $1.3 million) have been capitalized in respect of development and production activities during the current period.

At March 31, 2024 there were no indicators of impairment noted, or indicators requiring a reversal of previously recorded impairments.

## 9. Long-term Inventory

The Company has long-lead material inventory such as drill casing, natural gas compressors, and other major equipment.

| **Cost** | | |
|---|---|---|
| **Balance at December 31, 2022** | **$** | **165,271** |
| Additions | | 114,803 |
| Transfers to E&E and PP&E assets | | (75,373) |
| **Balance at December 31, 2023** | **$** | **204,701** |
| Additions | | 22,476 |
| Transfers to E&E and PP&E assets | | (18,633) |
| **Balance at March 31, 2024** | **$** | **208,544** |

## 10. Bank Debt

| | | **March 31, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Bank debt | **$** | **60,000** | $ | 90,000 |

The Company has a senior secured credit facility with a syndicate of banks which at March 31, 2024 had a borrowing base of $200.0 million (December 31, 2023 - $200.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. At March 31, 2024, $60.0 million (December 31, 2023 - $90.0 million) was drawn on the credit facility.

The credit facility bears interest based in the following manner:
(i) each SOFR based Loan will bear interest at a rate per annum equal to SOFR plus the applicable margin indicated in the pricing table in the agreement; payable on repayment date in arrears; and
(ii) each U.S. Base Rate Loan will bear interest at a variable rate of interest per annum equal to the U.S. Base Rate plus the applicable margin indicated in the pricing table in the agreement; payable quarterly in arrears;
(iii) each Canadian Prime Rate Loan will bear interest at a variable rate of interest per annum equal to the Canadian Prime Rate plus the applicable margin indicated in the pricing table in the agreement; payable quarterly in arrears; and
(iv) the commitment fees payable quarterly in arrears will be calculated based in the pricing table in the agreement.

The credit facility is secured by the Company's Colombian assets and has final maturity date of May 21, 2025. The next annual review is scheduled to occur in May 2024.

Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at March 31, 2024.

At March 31, 2024, performance guarantees are in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $147.7 million (December 31, 2023 - $141.0 million) (see note 22 - Commitments and Contingencies). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

## 11. Lease Obligation

| | | Canada | | Colombia | | Total |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2022** | **$** | **5,779** | **$** | **1,055** | **$** | **6,834** |
| Interest expense | | 43 | | 151 | | 194 |
| Lease payments | | (746) | | (160) | | (906) |
| Foreign exchange loss | | 78 | | 270 | | 348 |
| **Balance at December 31, 2023** | **$** | **5,154** | **$** | **1,316** | **$** | **6,470** |
| Interest expense | | 10 | | 34 | | 44 |
| Lease payments | | (195) | | (43) | | (238) |
| Foreign exchange (gain) | | (138) | | (2) | | (140) |
| **Balance at March 31, 2024** | **$** | **4,831** | **$** | **1,305** | **$** | **6,136** |
| Current obligation | | (566) | | (13) | | (579) |
| **Long-term obligation** | **$** | **4,265** | **$** | **1,292** | **$** | **5,557** |

## 12. Oil and Natural Gas Sales and Other Revenue

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

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

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| | | **2024** | | 2023 |
| Crude oil | **$** | **332,743** | $ | 325,031 |
| Natural gas | | **2,555** | | 2,199 |
| Oil and natural gas sales | **$** | **335,298** | $ | 327,230 |

At March 31, 2024, receivables from contracts with customers, which are included in accounts receivable, were $134.0 million (December 31, 2023 - $105.6 million).

The Company's other revenue includes pipeline transportation revenue and revenue related to the energy generation and use of infrastructure.

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| | | **2024** | | 2023 |
| Other revenue | **$** | **1,421** | $ | 1,761 |

## 13. Net Finance Expense (Income)

| | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| Bank charges and credit facility fees | **$ 1,889** | $ 1,076 |
| Accretion on decommissioning and environmental liabilities | **2,390** | 1,899 |
| Interest and other income | **(1,257)** | (4,386) |
| Right-of-use-asset interest | **44** | 45 |
| Loss on settlement of decommissioning liabilities | **360** | 229 |
| Expected credit loss provision | **75** | 455 |
| Other | **436** | — |
| Net finance expense (income) | **$ 3,937** | $ (682) |

| | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| Non-cash finance expense | **$ 2,826** | $ 2,587 |
| Cash finance expense (income) | **1,111** | (3,269) |
| Net finance expense (income) | **$ 3,937** | $ (682) |

## 14. Decommissioning and Environmental Liabilities

| | Decommissioning | Environmental | Total |
|---|---|---|---|
| Balance, December 31, 2022 | $ 38,818 | $ 14,474 | $ 53,292 |
| Additions | 9,676 | 1,379 | 11,055 |
| Settlements of obligations during the year | (3,110) | (3,695) | (6,805) |
| Loss on settlement of obligations | 199 | — | 199 |
| Accretion expense | 6,098 | 2,603 | 8,701 |
| Change in estimate - inflation and discount rates | 17,592 | 2,316 | 19,908 |
| Change in estimate - costs | (1,331) | 2,382 | 1,051 |
| Foreign exchange loss | 3,581 | 4,750 | 8,331 |
| Balance, December 31, 2023 | $ 71,523 | $ 24,209 | $ 95,732 |
| Additions | 331 | 170 | 501 |
| Settlements of obligations during the period | (890) | (246) | (1,136) |
| Loss on settlement of obligations | 360 | — | 360 |
| Accretion expense | 1,624 | 766 | 2,390 |
| Change in estimate - inflation and discount rates | (758) | (2,629) | (3,387) |
| Change in estimate - costs | 372 | 106 | 478 |
| Foreign exchange (gain) | (76) | (144) | (220) |
| **Balance, March 31, 2024** | **$ 72,486** | **$ 22,232** | **$ 94,718** |
| Current obligation | (3,000) | (2,755) | (5,755) |
| **Long-term obligation** | **$ 69,486** | **$ 19,477** | **$ 88,963** |

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at March 31, 2024, 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 $202.9 million as at March 31, 2024 (December 31, 2023 – $201.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 9.5% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $3.0 million (December 31, 2023 – $3.0 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $33.4 million as at March 31, 2024 (December 31, 2023 – $33.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 9.5% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $2.8 million (December 31, 2023 – $3.0 million) that is classified as a current obligation.

## 15. Share Capital

### *a) Issued and outstanding common shares*

| | Number of shares | | Amount |
|---|---|---|---|
| Balance, December 31, 2022 | 109,112,290 | $ | 682,718 |
| Issued for cash – exercise of options and RSUs | 327,528 | | 3,827 |
| Allocation of contributed surplus – exercise of options and RSUs | — | | 2,129 |
| Repurchase of shares | (5,628,100) | | (27,857) |
| Balance, December 31, 2023 | 103,811,718 | $ | 660,817 |
| Issued for cash - exercise of options | 22,168 | | 309 |
| Allocation of contributed surplus – exercise of options | — | | 102 |
| Repurchase of shares | (919,900) | | (4,566) |
| **Balance, March 31, 2024** | **102,913,986** | **$** | **656,662** |

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

In the three months ended March 31, 2024, a total of 22,168 options were exercised for proceeds of $0.3 million (year ended December 31, 2023 - 327,528 options and RSUs were exercised for proceeds of $3.8 million). Also in the three months ended March 31, 2024, the Company repurchased 919,900 common shares pursuant to its Normal Course Issuer Bid at a cost of $15.3 million (average cost per share of Cdn$21.56).

For the year ended December 31, 2023, the Company repurchased 5,628,100 common shares pursuant to its Normal Course Issuer Bid at a cost of $105.1 million (average cost per share of Cdn$25.16). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

Dividends paid in 2024 were $28.5 million or Cdn$0.375 per share (for the year ended December 31, 2023 - $118.7 million or Cdn$1.50 per share) to shareholders on record for each dividend payment.

### *b) Stock options*

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

| | Number of stock options | Weighted average exercise price Cdn$/option |
|---|---|---|
| Balance, December 31, 2022 | 758,048 | 22.12 |
| Granted | 196,583 | 22.77 |
| Exercised | (263,986) | 19.47 |
| Balance, December 31, 2023 | 690,645 | 23.32 |
| Granted | 248,842 | 21.06 |
| Exercised | (22,168) | 18.75 |
| Forfeited | (2,732) | 25.03 |
| **Balance, March 31, 2024** | **914,587** | **22.81** |

Stock options outstanding and the weighted average remaining life of the stock options at March 31, 2024 are as follows:

| | Options outstanding | | | | Options vested | | | |
|---|---|---|---|---|---|---|---|---|
| Exercise price Cdn$ | Number of options | Weighted average remaining life (years) | | Weighted average exercise price Cdn$/option | Number of options | Weighted average remaining life (years) | | Weighted average exercise price Cdn$/option |
| $18.24 - $21.35 | 250,665 | 4.90 | $ | 21.04 | 1,823 | 1.69 | $ | 18.28 |
| $21.36 - $21.92 | 151,076 | 1.85 | $ | 21.65 | 151,076 | 1.85 | $ | 21.65 |
| $21.93 - $22.71 | 145,879 | 0.91 | $ | 22.20 | 145,879 | 0.91 | $ | 22.20 |
| $22.72 - $24.12 | 196,583 | 3.85 | $ | 22.77 | 65,519 | 3.85 | $ | 22.77 |
| $24.13 - $28.39 | 170,384 | 2.81 | $ | 27.01 | 112,554 | 2.80 | $ | 27.02 |
| | **914,587** | **3.15** | **$** | **22.81** | **476,851** | **2.06** | **$** | **23.23** |

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

| For the three months ended March 31, | **2024** | 2023 |
|---|---|---|
| Risk-free interest rate (%) | **3.67** | 3.37 |
| Expected life (years) | **4** | 4 |
| Expected volatility (%) | **47** | 48 |
| Forfeiture rate (%) | **3** | 3 |
| Expected dividend yield (%) | **6.93** | 5.97 |

The weighted average fair value at the grant date for the three months ended March 31, 2024 was Cdn$5.10 per option (three months ended March 31, 2023 - Cdn$5.97 per option). The weighted average share price on the exercise date for options exercised in the three months ended March 31, 2024 was Cdn$22.14 (three months ended March 31, 2023 - Cdn$22.18).

### *d) Equity settled share-based compensation*

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| | | **2024** | | 2023 |
| Option expense | **$** | **198** | $ | 269 |
| **Total equity settled share-based compensation expense** | **$** | **198** | $ | 269 |

## 16. Cash Settled Share-Based Compensation Plans

### *a) Cash or Share Settled Restricted Share Units and Performance Share Units ("CosRSU and CosPSU")*

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

**CosRSU:**

| | Number of CosRSUs |
|---|---|
| Balance, December 31, 2022 | 1,151,704 |
| Granted(1) | 676,119 |
| Exercised | (582,105) |
| Forfeited | (9,203) |
| Balance, December 31, 2023 | 1,236,515 |
| Granted(1) | 662,176 |
| Exercised | (537,551) |
| Forfeited | (49,179) |
| **Balance, March 31, 2024** | **1,311,961** |

(1) Grants include units related to dividend equivalents granted on awards outstanding.

**CosPSU:**

| | Number of CosPSUs |
|---|---|
| Balance, December 31, 2022 | 722,186 |
| Granted(1) | 328,679 |
| Granted by performance factor | (19,468) |
| Exercised | (209,532) |
| Balance, December 31, 2023 | 821,865 |
| Granted(1) | 298,016 |
| Granted by performance factor | 57,567 |
| Exercised | (345,774) |
| Forfeited | (2,850) |
| **Balance, March 31, 2024** | **828,824** |

(1) Grants include units related to dividend equivalents granted on awards outstanding.

As at March 31, 2024, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the three months ended March 31, 2024 was Cdn$21.06 per CosRSU and CosPSU (three months ended March 31, 2023 - Cdn$22.77 per CosRSU and CosPSU).

Pursuant to the cash or share settled restricted share unit and performance share unit plan, the Company has granted cash or share settled performance share units to certain employees. The CosPSUs vest three years after the grant date. CosPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to CosPSUs eligible to vest at the end of the performance period. In March 2024 the board of directors approved a multiplier of 1.25X be applied to the 2021 CosPSU grant resulting in 57,567 CosPSU's issues. In March 2023 the board of directors approved a multiplier of 0.93X be applied to the 2020 CosPSU grant resulting in 19,468 CosPSU's reduction.

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at March 31, 2024, the total CosRSUs and CosPSUs liability accrued is $9.7 million (December 31, 2023 - $24.7 million) of which $3.0 million (December 31, 2023 - $8.4 million) is classified as long-term in accordance with the three-year vesting period.

### *b) Deferred share units ("DSUs")*

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

| | Number of DSU's |
|---|---|
| Balance, December 31, 2022 | 299,765 |
| Granted(1) | 43,529 |
| Exercised on board retirement | (30,000) |
| Balance, December 31, 2023 | 313,294 |
| Granted(1) | 5,573 |
| **Balance, March 31, 2024** | **318,867** |

(1) Grants include units related to dividend equivalents granted on awards outstanding.

Given the DSUs vest immediately, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately based on the fair value of the DSU.

As at March 31, 2024, the total DSUs liability accrued is $5.1 million (December 31, 2023 - $5.9 million) of which $4.7 million (December 31, 2023 - $5.5 million) is classified as long-term in accordance with the terms of the DSU plan.

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

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

| | Number of CRSUs |
|---|---|
| Balance, December 31, 2022 | 757,640 |
| Granted(1) | 344,653 |
| Exercised | (377,086) |
| Forfeited | (46,095) |
| Balance, December 31, 2023 | 679,112 |
| Granted(1) | 476,589 |
| Exercised | (304,956) |
| Forfeited | (11,565) |
| **Balance, March 31, 2024** | **839,180** |

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The weighted average fair value at the grant date for three months ended March 31, 2024 was Cdn$21.07 per CRSU (three months ended March 31, 2023 - Cdn$22.70 per CRSU).

Obligations for payments of cash under the CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at March 31, 2024, the total CRSUs liability accrued is $3.3 million (December 31, 2023 - $8.0 million) of which $0.8 million (December 31, 2023 - $2.4 million) is classified as long-term in accordance with the three-year vesting period.

***d) Cash settled share-based compensation***

| | | For the three months ended March 31, | | |
|---|---|---|---|---|
| | | **2024** | | 2023 |
| CosRSUs and CosPSUs (recovery) expense | **$** | **(600)** | $ | 7,383 |
| DSUs (recovery) expense | | **(827)** | | 1,200 |
| CRSUs (recovery) expense | | **(1,234)** | | 1,699 |
| **Total cash settled share-based compensation (recovery) expense** | **$** | **(2,661)** | $ | 10,282 |
| | | | | |
| **Cash payments made upon exercise in the period** | **$** | **18,962** | $ | 17,859 |

## 17. Net Income per Share

***a) Basic net income per share***

| | | For the three months ended March 31, | | |
|---|---|---|---|---|
| | | **2024** | | 2023 |
| **Net income** | | | | |
| Net income for the purpose of basic net income per share | **$** | **60,093** | $ | 104,375 |
| | | | | |
| **Weighted average number of shares for the purposes of basic net income per share (000s)** | | **103,474** | | 108,192 |
| **Basic net income per share** | **$** | **0.58** | $ | 0.96 |

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

| | | For the three months ended March 31, | | |
|---|---|---|---|---|
| | | **2024** | | 2023 |
| **Net income** | | | | |
| Net income used to calculate diluted net income per share | **$** | **60,093** | $ | 104,375 |
| | | | | |
| **Weighted average number of shares for the purposes of basic net income per share (000s)** | | **103,474** | | 108,192 |
| Dilutive effect of stock options on potential common shares | | **3** | | 23 |
| **Weighted average number of shares for the purposes of diluted net income per share (000s)** | | **103,477** | | 108,215 |
| **Diluted net income per share** | **$** | **0.58** | $ | 0.96 |

For the three months ended March 31, 2024, 761,688 stock options (three months ended March 31, 2023 - 430,462 stock options) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

## 18. Supplemental Disclosure of Cash Flow Information

### *a) Reconciliation of cash and cash equivalents and restricted cash and cash equivalents*

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents to the amounts shown in the consolidated statement of cash flows:

| | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | **$ 61,052** | $ 372,419 |
| Restricted cash and cash equivalents - long-term[1] | **8,428** | — |
| | **$ 69,480** | $ 372,419 |

(1) Included in Other long-term assets on the consolidated balance sheet.

### *b) Net change in non-cash working capital*

| | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| Accounts receivable | **$ (28,360)** | $ 18,510 |
| Prepaids and other current assets | **5,977** | (2,974) |
| Oil inventory | **(4,409)** | 3,144 |
| Accounts payable and accrued liabilities | **(32,883)** | (36,370) |
| Depletion related to oil inventory | **1,242** | (855) |
| Decommissioning and environmental liabilities | **(1,136)** | (273) |
| Net change in non-cash working capital | **$ (59,569)** | $ (18,818) |
| Operating | **$ (50,895)** | $ (30,451) |
| Investing | **(8,674)** | 11,633 |
| Net change in non-cash working capital | **$ (59,569)** | $ (18,818) |

### *c) Interest and taxes paid*

| | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| Cash interest paid | **$ 1,117** | $ — |
| Cash income taxes paid | **$ —** | $ 5,368 |

## 19. 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 has a senior secured credit facility with a syndicate of banks which as at March 31, 2024 had a borrowing base in the amount of $200.0 million (December 31, 2023 - $200.0 million). The credit facility is intended to serve as a means to increase liquidity and fund cash or letter of credit needs as they arise. As at March 31, 2024, $60.0 million (December 31, 2023 - $90.0 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”) and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions (see note 22 - Commitments and Contingencies). This performance guarantee facility has a limit of $150.0 million (December 31, 2023 - limit of $150.0 million) of which $0.6 million is utilized at March 31, 2024 (December 31, 2023 - $8.0 million). At March 31, 2024, there is an additional $147.1 million (December 31, 2023 - $133.0 million) of letters of credit that are provided by select Latin American banks on an unsecured basis.

As at March 31, 2024 the Company had a working capital surplus of $55.9 million (December 31, 2023 - $79.0 million), of which $61.1 million is cash.

The Company has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure and share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders’ equity, the credit facility and its working capital. As at March 31, 2024 shareholders’ equity was $1,972.2 million (December 31, 2023 - $1,955.4 million).

## 20. Financial Instruments and Risk Management

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

As at March 31, 2024, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Canadian dollar and COP against the US dollar would have decreased (increased) net income by approximately $6.4 million.

### *a) Credit risk*

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

The Company for the three months ended March 31, 2024 had the majority of its oil sales to three counterparties. The accounts receivable balance as at March 31, 2024 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At March 31, 2024, there were no accounts receivable past due (December 31, 2023 - $nil).

None of the Company’s receivables are impaired at March 31, 2024. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

***b) Liquidity risk***

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's $200.0 million credit facility at March 31, 2024 was $60.0 million.

The following are the contractual maturities of financial liabilities at March 31, 2024:

| | Less than 1 year | 2-3 Years | 4-5 Years | Thereafter | Total |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 204,383 | — | — | — | $ 204,383 |
| Bank debt | — | 60,000 | — | — | 60,000 |
| Lease obligation | 579 | 5,557 | — | — | 6,136 |
| Cash settled equity plans payable | 9,495 | 8,575 | — | — | 18,070 |
| **Total** | **$ 214,457** | **74,132** | **—** | **—** | **$ 288,589** |

The following are the contractual maturities of financial liabilities at December 31, 2023:

| | Less than 1 year | 2-3 Years | 4-5 Years | Thereafter | Total |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 229,063 | — | — | — | $ 229,063 |
| Bank debt | — | 90,000 | — | — | 90,000 |
| Lease obligation | 734 | 5,736 | — | — | 6,470 |
| Cash settled equity plans payable | 22,351 | 16,284 | — | — | 38,635 |
| **Total** | **$ 252,148** | **112,020** | **—** | **—** | **$ 364,168** |

***c) Commodity price risk***

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

As at March 31, 2024, the Company had no outstanding commodity price risk management contracts.

***d) Foreign currency risk***

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

As at March 31, 2024, the Company had no foreign currency risk management contracts in place.

The following is a summary of the foreign currency risk management contracts put in place since March 31, 2024:

| Period Hedged | Reference | Currency Option Type | Amount CAD | Strike Adjustment CAD |
|---|---|---|---|---|
| April 10, 2024 to June 11, 2024 | CAD | Strike Forward | $37,000,000 | -0.0028 |

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three months ended March 31, 2024 and 2023:

| | For the three months ended March 31, | |
|---|---|---|
| | **2024** | 2023 |
| Unrealized (gain) on foreign currency risk management contracts | **$ —** | $ (1,683) |
| **Total** | **$ —** | $ (1,683) |

## 21. Segmented Information

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

| For the three months ended March 31, 2024 | Canada | Colombia | Total |
|---|---|---|---|
| Oil and natural gas sales | $ — | $ 335,298 | $ 335,298 |
| Royalties | — | (53,082) | (53,082) |
| Net revenue | — | 282,216 | 282,216 |
| Other revenue | — | 1,421 | 1,421 |
| Revenue | — | 283,637 | 283,637 |
| **Expenses** | | | |
| Production | — | 59,824 | 59,824 |
| Transportation | — | 16,097 | 16,097 |
| Purchased oil | — | 101 | 101 |
| General and administrative | 11,042 | 8,126 | 19,168 |
| Equity settled share-based compensation expense | 198 | — | 198 |
| Cash settled share-based compensation (recovery) | (1,427) | (1,234) | (2,661) |
| Depletion, depreciation and amortization | 545 | 51,686 | 52,231 |
| Foreign exchange (gain) loss | 198 | (1,366) | (1,168) |
| | 10,556 | 133,234 | 143,790 |
| Finance (income) | (358) | (899) | (1,257) |
| Finance expense | 1,416 | 3,778 | 5,194 |
| **Net finance expense** | 1,058 | 2,879 | 3,937 |
| **Income (loss) before taxes** | (11,614) | 147,524 | 135,910 |
| Current tax expense (recovery) | (3,571) | 42,381 | 38,810 |
| Deferred tax expense | 3,624 | 33,383 | 37,007 |
| **Net income (loss)** | **$ (11,667)** | **$ 71,760** | **$ 60,093** |
| Capital assets (end of period) | $ 7,463 | $ 1,571,842 | $ 1,579,305 |
| Capital expenditures | $ 174 | $ 85,247 | $ 85,421 |
| Total assets (end of period) | $ 61,599 | $ 2,293,913 | $ 2,355,512 |

| For the three months ended March 31, 2023 | | Canada | | Colombia | | Total |
|---|---|---|---|---|---|---|
| Oil and natural gas sales | $ | — | $ | 327,230 | $ | 327,230 |
| Royalties | | — | | (57,631) | | (57,631) |
| Net revenue | | — | | 269,599 | | 269,599 |
| Other revenue | | — | | 1,761 | | 1,761 |
| Revenue | | — | | 271,360 | | 271,360 |
| **Expenses** | | | | | | |
| Production | | — | | 41,759 | | 41,759 |
| Transportation | | — | | 14,578 | | 14,578 |
| Purchased oil | | — | | 1,420 | | 1,420 |
| General and administrative | | 8,673 | | 5,296 | | 13,969 |
| Equity settled share-based compensation expense | | 269 | | — | | 269 |
| Cash settled share-based compensation expense | | 8,584 | | 1,698 | | 10,282 |
| Depletion, depreciation and amortization | | 416 | | 41,536 | | 41,952 |
| Foreign exchange (gain) loss | | (138) | | 10,404 | | 10,266 |
| | | 17,804 | | 116,691 | | 134,495 |
| Finance (income) | | (2,080) | | (2,306) | | (4,386) |
| Finance expense | | 305 | | 3,399 | | 3,704 |
| **Net finance (income) expense** | | (1,775) | | 1,093 | | (682) |
| **Income (loss) before taxes** | | (16,029) | | 153,576 | | 137,547 |
| Current tax expense (recovery) | | (569) | | 40,474 | | 39,905 |
| Deferred tax (recovery) expense | | 1,118 | | (7,851) | | (6,733) |
| **Net income (loss)** | **$** | **(16,578)** | **$** | **120,953** | **$** | **104,375** |
| Capital assets (end of period) | $ | 7,792 | $ | 1,445,928 | $ | 1,453,720 |
| Capital expenditures | $ | 258 | $ | 113,610 | $ | 113,868 |
| Total assets (end of period) | $ | 211,244 | $ | 2,138,504 | $ | 2,349,748 |

For the period ending March 31, 2024, the Company had three external customers (period ended March 31, 2023 - two external customers), in the oil and gas industry that subject to normal industry credit risks, constituted more than 10% of commodity sales from production. Sales to these customers totaled $324.3 million for the period ending March 31, 2024 and $300.7 million for the period ending March 31, 2023.

## 22. Commitments and Contingencies

### *a) Colombia*

At March 31, 2024, performance guarantees are in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $147.7 million (December 31, 2023 - $141.0 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The value of the Company's exploration commitments as at March 31, 2024 in respect of the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements are estimated to be as follows:

| | | |
|---|---|---|
| 2024 | $ | 21,630 |
| 2025 | | 78,530 |
| 2026 | | 17,304 |
| 2027 | | 11,763 |
| 2028 | | 68,429 |
| Thereafter | | 214,029 |
| | **$** | **411,685** |

### *b) Operating leases*

In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations. The existing minimum lease payments for office space and accommodations at March 31, 2024 are as follows:

| | | Total | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter |
|---|---|---|---|---|---|---|---|---|
| Office and accommodations | $ | 6,495 | 1,807 | 1,124 | 840 | 760 | 760 | 1,204 |

PAREX RESOURCES

MD&A

FOR THE INTERIM PERIOD ENDED **MARCH 31, 2024**

PAREXRESOURCES.COM TSX | PXT

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or "the Company") for the period ended March 31, 2024 was prepared and approved by the Board of Directors of Parex (the "Board") and is dated May 8, 2024 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended March 31, 2024, as well as the Company's audited consolidated annual financial statements for the year ended December 31, 2023. The unaudited condensed interim consolidated financial statements and the audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

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 February 29, 2024 ("AIF"), and may be accessed through the SEDAR+ website at www.sedarplus.ca.

**All financial amounts are in United States dollars ("USD") unless otherwise stated.**

## Company Profile

Parex is the largest independent oil and gas company in Colombia, focusing on sustainable, conventional production. Parex's corporate headquarters are in Calgary, Canada, and the Company has an operating office in Bogotá, Colombia. Parex common shares trade on the Toronto Stock Exchange ("TSX") under the symbol PXT.

## Abbreviations

Refer to the final page of the MD&A for commonly used abbreviations in the document. Refer to the Advisory on Forward-Looking Statements and Non-GAAP and Other Financial Measures Advisory.

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

## Three months ended March 31, 2024 ("first quarter" or "Q1") Highlights

- Quarterly average oil and natural gas production was 53,338 boe/d (99% crude oil and 1% natural gas), an increase of 4% from the first quarter of 2023. Production per share*** increased by 9% compared to the same quarter in the prior year, primarily as a result of development drilling and the reduction of outstanding shares. Refer to "Consolidated Results of Operations" for production split by product type.
- Recognized net income of $60.1 million ($0.58 per share basic) compared to net income of $104.4 million ($0.96 per share basic) in the comparative quarter of 2023.
- Generated quarterly funds flow provided by operations ("FFO")* of $148.3 million ($1.43 per share basic**) compared to $161.7 million ($1.49 per share basic**) in the comparative quarter of 2023.
- Generated an operating netback of $43.55/boe** (Q1 2023 - $44.95/boe**) and an FFO netback of $31.32/boe** (Q1 2023 - $34.27/boe**) from an average Brent price of $81.87/bbl (Q1 2023 - $82.16/bbl).

* Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".

** Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".

***Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

**Corporate Guidance**

Parex's 2024 average production guidance of 54,000 to 60,000 boe/d (57,000 boe/d midpoint) and capital expenditure guidance of $390 to $430 million ($410 million midpoint) remain unchanged.

## Financial Summary

| | For the three months ended March 31, | |
|---|---|---|
| (Financial figures in $'000s except per share amounts) | **2024** | 2023 |
| Light Crude Oil and Medium Crude Oil (bbl/d) | **7,237** | 7,115 |
| Heavy Crude Oil (bbl/d) | **45,543** | 43,435 |
| Average oil production (bbl/d)(1) | **52,780** | 50,550 |
| Average conventional natural gas production (mcf/d)(1) | **3,348** | 4,692 |
| Average oil and natural gas production (boe/d) | **53,338** | 51,332 |
| Production split (% crude oil) | **99** | 98 |
| Oil and natural gas sales price ($/boe)(6) | **70.80** | 69.09 |
| Operating netback ($/boe) (1) | **43.55** | 44.95 |
| Oil and natural gas sales | **335,298** | 327,230 |
| Funds flow provided by operations(7) | **148,307** | 161,724 |
| Per share – basic(1)(3) | **1.43** | 1.49 |
| Per share – diluted (1)(3) | **1.43** | 1.49 |
| Net income | **60,093** | 104,375 |
| Per share – basic(3) | **0.58** | 0.96 |
| Per share – diluted(3) | **0.58** | 0.96 |
| Dividends paid | **28,531** | 29,831 |
| Per share - Cdn$(3)(6) | **0.375** | 0.375 |
| Share repurchases | **15,291** | 32,868 |
| Number of shares repurchased (000s) | **920** | 1,909 |
| Capital expenditures(2) | **85,421** | 113,868 |
| Long-term inventory expenditures | **3,843** | 19,767 |
| Free funds flow(2) | **62,886** | 47,856 |
| EBITDA(2) | **192,078** | 178,817 |
| Adjusted EBITDA(2) | **188,228** | 198,360 |
| Total assets (end of period) | **2,355,512** | 2,349,748 |
| Working capital surplus (end of period)(4)(7) | **55,901** | 29,662 |
| Bank debt (end of period)(5) | **60,000** | — |
| Weighted average shares outstanding (000s) | | |
| Basic | **103,474** | 108,192 |
| Diluted | **103,477** | 108,215 |
| Outstanding shares (end of period) (000s) | **102,914** | 107,419 |

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(4) Working capital calculation does not take into consideration the undrawn amount available under the syndicated bank credit facility.
(5) Syndicated bank credit facility borrowing base of $200.0 million as at March 31, 2024.
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(7) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".

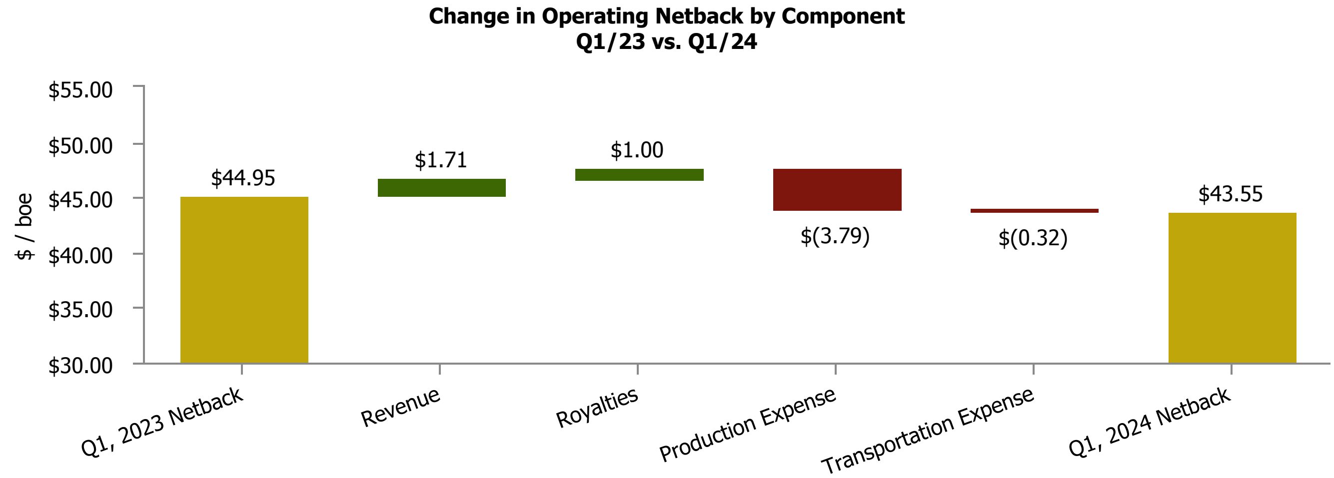
## Financial and Operational Results

### *Consolidated Results of Operations*

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

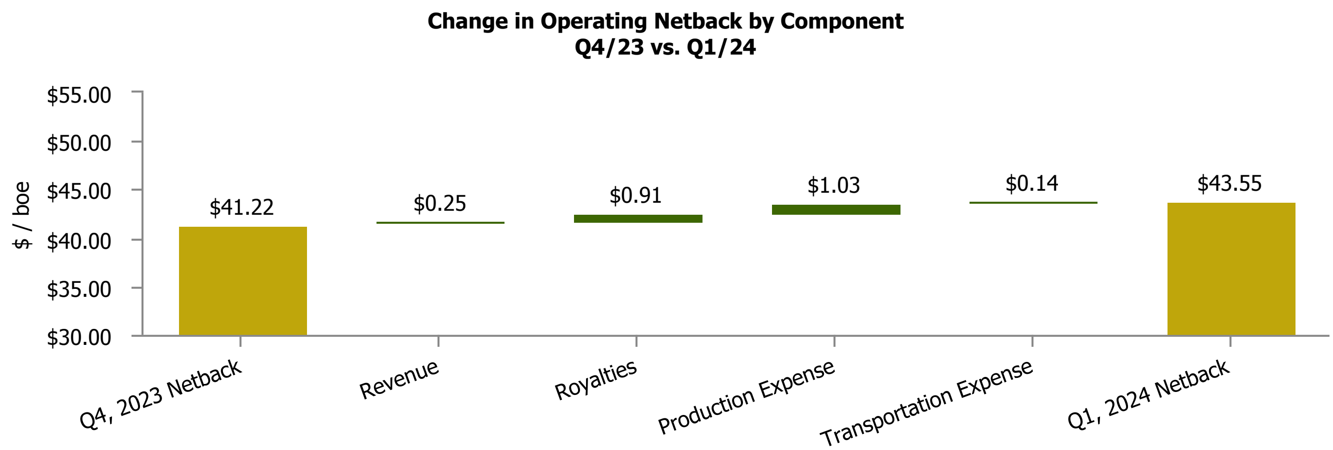
| | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| **Average daily production** | | |
| Light Crude Oil and Medium Crude Oil (bbl/d) | **7,237** | 7,115 |
| Heavy Crude Oil (bbl/d) | **45,543** | 43,435 |
| Crude Oil (bbl/d) | **52,780** | 50,550 |
| Conventional Natural Gas (mcf/d) | **3,348** | 4,692 |
| Total (boe/d) | **53,338** | 51,332 |
| Production split (% crude oil production) | **99** | 98 |
| **Average daily sales of oil and natural gas** | | |
| Produced crude oil (bbl/d) | **51,472** | 51,648 |
| Purchased crude oil (bbl/d) | **11** | 196 |
| Produced natural gas (mcf/d) | **3,348** | 4,692 |
| Total (boe/d) | **52,041** | 52,626 |
| Operating netback ($000s) | | |
| Oil and natural gas sales | **$ 335,298** | $ 327,230 |
| Royalties | **(53,082)** | (57,631) |
| Net revenue | **282,216** | 269,599 |
| Production expense | **(59,824)** | (41,759) |
| Transportation expense | **(16,097)** | (14,578) |
| Purchased oil | **(101)** | (1,420) |
| Operating netback(1) | **$ 206,194** | $ 211,842 |
| Operating netback (per boe) | | |
| Brent ($/bbl) | **$ 81.87** | $ 82.16 |
| Parex price differential | **(11.07)** | (13.07) |
| Oil and natural gas sales(2) | **70.80** | 69.09 |
| Royalties(2) | **(11.21)** | (12.21) |
| Net revenue(2) | **59.59** | 56.88 |
| Production expense(2) | **(12.64)** | (8.85) |
| Transportation expense(2) | **(3.40)** | (3.08) |
| Operating netback(3) | **$ 43.55** | $ 44.95 |

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".




Overall, the Company's benchmark Brent crude oil price decreased by $0.29/bbl, while revenue increased by $1.71/boe in the first quarter of 2024 as compared to the first quarter of 2023. The increase in revenue relative to the Brent crude benchmark decrease was mainly the result of a higher realized sales price per boe resulting from lower location and quality differentials (and thereby lower differential to Brent oil price). Royalties decreased by $1.00/boe mainly a result of lower production in the first quarter of 2024 in areas where high price share royalties are applicable resulting in lower higher price share royalties. Production expense increased by $3.79/boe mainly as a result of increasing electrical power costs, increased well services and Colombian peso appreciation. Transportation expense in the quarter increased by $0.32/boe compared to the first quarter of 2023.

Overall, the operating netback decreased by $1.40/boe compared to a Brent benchmark crude price decrease of $0.29/bbl.




In the first quarter of 2024, the Company's benchmark Brent oil price decreased by $1.03/bbl, while revenue increased by $0.25/boe as compared to the fourth quarter of 2023. The increase in revenue relative to the Brent crude oil benchmark decrease was mainly a result of higher realized sales price per boe resulting from decreased gas sales. Royalties decreased by $0.91/boe mainly a result of lower production in the first quarter of 2024 in areas where high price share royalties are applicable resulting in lower higher price share royalties, shut-in production at Capachos and decrease in realized oil prices. Production expense decreased by $1.03/boe mainly as a result of decreased power costs and well services in the current quarter on Block LLA-34, Cabrestero and Capachos Blocks, partially offset by the appreciation of the Colombian peso. Transportation expense in the quarter decreased by $0.14/boe compared to the fourth quarter of 2023.

Overall, the operating netback increased by $2.33/boe compared to a Brent benchmark crude price decrease of $1.03/bbl.

*Oil and Natural Gas Sales and Other Revenue*

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

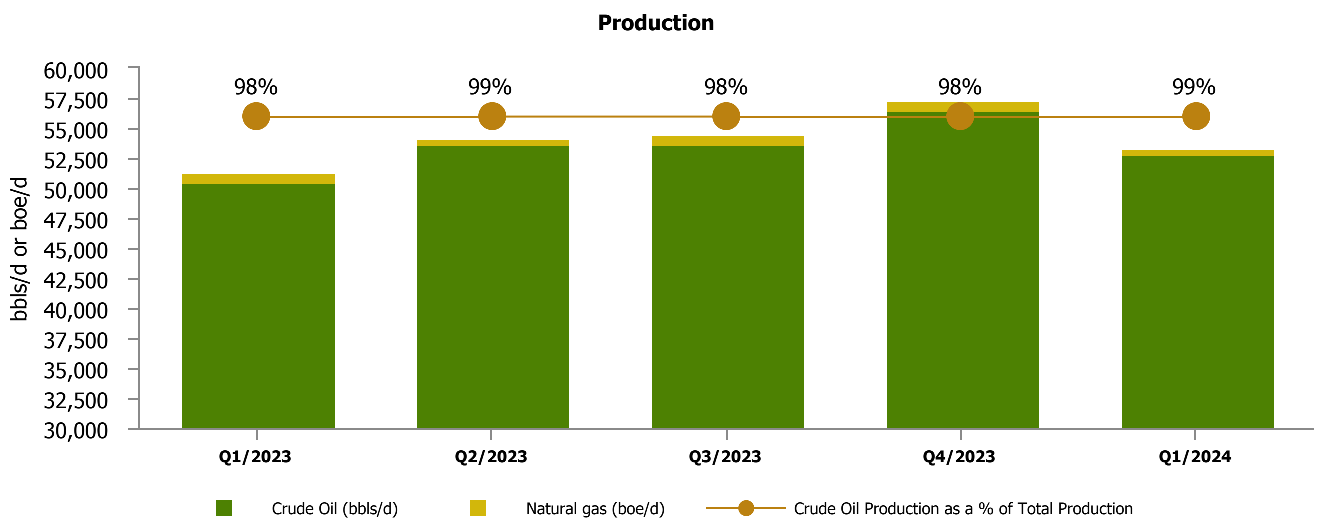
| | For the three months ended March 31, **2024** | 2023 |
|---|---|---|
| Block LLA-34 | **29,149** | 30,139 |
| Southern Llanos | **18,820** | 17,362 |
| Northern Llanos | **2,808** | 1,279 |
| Magdalena Basin | **2,003** | 1,770 |
| **Total Crude Oil Production** | **52,780** | 50,550 |
| Natural gas production | **558** | 782 |
| **Total Crude oil and natural gas production** | **53,338** | 51,332 |
| Crude oil inventory draw (build) | **(1,308)** | 1,098 |
| **Average daily sales of produced oil and natural gas** | **52,030** | 52,430 |
| Purchased oil | **11** | 196 |
| **Sales Volumes** | **52,041** | 52,626 |

Crude oil and natural gas production for the first quarter of 2024 averaged 53,338 boe/d, a decrease of approximately 7% from the fourth quarter of 2023 production of 57,329 boe/d and an increase of approximately 4% from the first quarter of 2023 production of 51,332 boe/d.

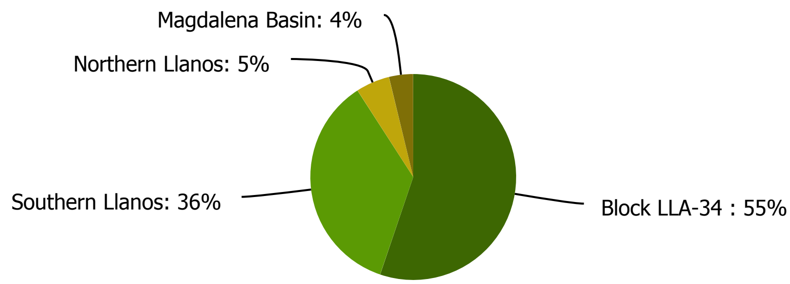
The increase in oil and natural gas production in the first quarter of 2024 compared to the first quarter of 2023 is mainly the result of development on the Cabrestero, LLA-26, LLA-40 and VIM-1 Blocks, partially offset by increased downtime in Block LLA-34 and proactive shut-ins in the Capachos Block due to security concerns in the first quarter of 2024.

The decrease in oil and natural gas production in the first quarter of 2024 compared to the fourth quarter of 2023 is mainly the result of proactive shut-ins in the Capachos Block due to security concerns in the first quarter of 2024 and increased downtime in Blocks LLA-34, LLA-26, LLA-81 and the Cabrestero Block.

Oil and natural gas sales in the first quarter of 2024 were 52,041 boe/d compared to 52,626 boe/d for the first quarter of 2023. The decrease in oil and natural gas sales volumes was a result of the build in inventory, partially offset by the increase in oil and natural gas production over the comparative period.



**Production By Area**
**(Three Months ended March 31, 2024)**




## b) Crude Oil Reference and Realized Prices

| Average price for the period | **Q1 2024** | Q4 2023 | Q3 2023 | Q2 2023 | Q1 2023 |
|---|---|---|---|---|---|
| Brent ($/bbl) | **81.87** | 82.90 | 85.92 | 77.84 | 82.16 |
| Parex location and quality differential ($/bbl) | **(4.75)** | (4.29) | (3.23) | (5.13) | (6.90) |
| Parex wellhead sales discount ($/bbl) | **(6.10)** | (7.55) | (6.11) | (5.35) | (5.60) |
| **Parex realized oil sales price ($/bbl)(2)** | **71.02** | 71.06 | 76.58 | 67.36 | 69.66 |
| | | | | | |
| Parex realized price (differential) to Brent crude ($/bbl) | **(10.85)** | (11.84) | (9.34) | (10.48) | (12.50) |
| Parex transportation expense ($/bbl)(1)(2) | **(3.43)** | (3.58) | (3.62) | (3.53) | (2.96) |
| **Parex price differential and transportation expense ($/bbl)(2)** | **(14.28)** | (15.42) | (12.96) | (14.01) | (15.46) |

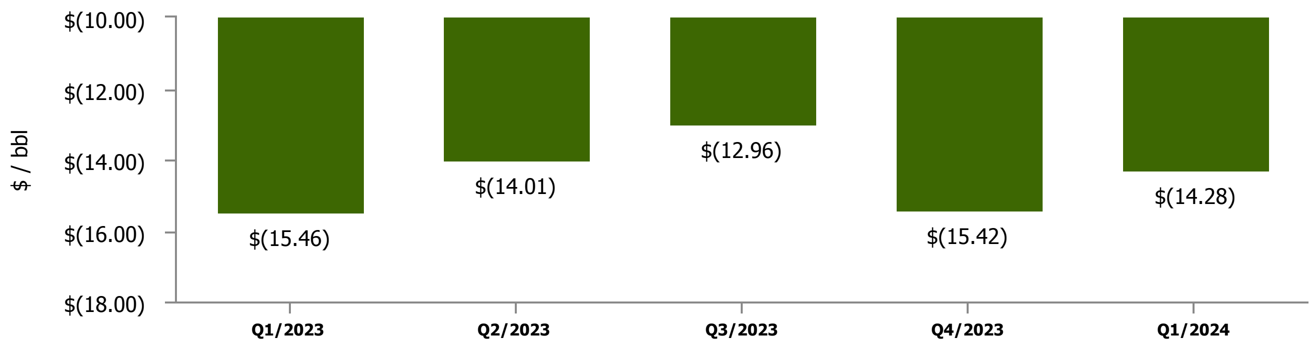
(1) Applies only to direct export cargo sales where Parex incurs the pipeline fees directly. See "Transportation Expense".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the first quarter of 2024, the differential between Brent reference pricing and the Company's realized oil sale price was $10.85/bbl. The differential to Brent crude during the first quarter of 2024 decreased by $0.99/bbl compared to the fourth quarter of 2023 where the differential was $11.84/bbl. This decrease was primarily the result of the wellhead sales discount decreasing $1.45/bbl as result of decreased sales at the wellhead compared to the prior period, partially offset by the location and quality differential increasing $0.46/bbl mainly related to increased differentials on heavy oil. Compared to the first quarter of 2023 Parex's realized price improved from a differential of $12.50/bbl to $10.85/bbl which was mainly driven by a decrease in location and quality differential.

Differences between Parex’s realized price and Brent crude price is mainly related to location and quality adjustments, wellhead sale marketing contracts, and the timing of oil sales compared to quarter averages. The location and quality differential between Brent crude pricing also affects Parex’s realized sales price and is set in liquid global markets and therefore attributed to factors that are beyond the Company’s control making it inherently difficult to forecast.

Parex's realized price differential to Brent crude can fluctuate period over period due to, among other factors, the type of sales contract and the accounting treatment for oil sold at the wellhead versus direct export sales contracts.

**Parex Realized Price Differential & Transportation Expense**




### c) Natural Gas Sales and Realized Prices

| | For the three months ended March 31, | |
|---|---|---|
| | **2024** | 2023 |
| Natural gas sales ($000's) | **$ 2,555** | $ 2,199 |
| Realized sales price ($/Mcf)(1) | **8.39** | 5.21 |

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Parex natural gas sales were $2.6 million for the three months ended March 31, 2024 compared to $2.2 million in the comparative period of 2023. The increase in natural gas sales from the comparative periods of 2023 is related to increased volumes sold from the VIM-1 Block, partially offset by decreased natural gas volumes sold from Block LLA-32 as sales to Block LLA-34 for power generation have been reduced due to the tie-in of Block LLA-34 to the national electricity grid.

### d) Oil and Natural Gas Sales

First quarter 2024 oil and natural gas sales increased by $8.1 million or 2% as reconciled in the table below to the first quarter of 2023:

| ($000s) | |
|---|---|
| Oil and natural gas sales, three months ended March 31, 2023 | **$ 327,230** |
| Sales volume of produced oil, an increase of 0.3% (176 bopd) | **2,482** |
| Sales volume of purchased oil, a decrease of 94% (185 bopd) | **(1,159)** |
| Oil sales price increase of 2% | **6,389** |
| Sales volume and price change of produced natural gas | **356** |
| **Oil and natural gas sales, three months ended March 31, 2024** | **$ 335,298** |

Oil and natural gas sales increased in the three months ended March 31, 2024 compared to the same period in 2023 mainly due to the increase in world oil prices.

### e) Crude Oil Inventory in Transit

| As at March 31, ($000s) | **2024** | 2023 |
|---|---|---|
| Crude oil in transit | **$ 8,663** | $ 1,489 |

At March 31, 2024, the Company had 224.7 mbbls of crude oil inventory compared to 44.9 mbbls at March 31, 2023, which was injected into Colombian pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at $39/bbl at March 31, 2024 compared to $33/bbl at March 31, 2023 incurred in bringing the crude oil to its existing condition and location.

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

| For the periods ended (mbbls) | **Mar. 31, 2024** | Dec. 31, 2023 | Sep. 30, 2023 | Jun. 30, 2023 |
|---|---|---|---|---|
| Crude oil inventory in transit - beginning of the period | **105.6** | 85.4 | 110.3 | 44.9 |
| Oil production | **4,803.0** | 5,194.3 | 4,932.7 | 4,880.0 |
| Oil sales | **(4,685.0)** | (5,174.1) | (4,965.8) | (4,834.2) |
| Purchased oil | **1.1** | — | 8.2 | 19.6 |
| Crude oil inventory in transit - end of the period | **224.7** | 105.6 | 85.4 | 110.3 |
| % of period production | **4.7** | 2.0 | 1.7 | 2.3 |

Crude oil inventory build and (draw) from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export. The Company expects crude oil inventory in future periods to remain in line with normal historic levels of below 5% of period production.

### f) Purchased Oil

| | For the three months ended March 31, | |
|---|---|---|
| | **2024** | 2023 |
| Purchased oil expense ($000s) | **$ 101** | $ 1,420 |

Purchased oil expense for the three months ended March 31, 2024 was $0.1 million compared to $1.4 million for the three months ended March 31, 2023 and $0.5 million in the fourth quarter of 2023.

Purchased oil expense has decreased compared to the comparative period of 2023 as a result of a decrease in oil blending operations and a decrease in purchases of partner crude oil from the Capachos Block. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

### g) Other Revenue

The Company's other revenue includes pipeline transportation revenue and revenue related to the energy generation and use of infrastructure.

| | For the three months ended March 31, | |
|---|---|---|
| | **2024** | 2023 |
| Other revenue | **$ 1,421** | $ 1,761 |

***Royalties***

| | | For the three months ended March 31, | | |
|---|---|---|---|---|
| | | **2024** | | 2023 |
| Base royalties[1] | **$** | **27,658** | $ | 27,771 |
| Economic rights[2] | | **25,424** | | 29,860 |
| Royalties ($000s) | **$** | **53,082** | $ | 57,631 |
| Per unit ($/boe)[3] | | **11.21** | | 12.21 |
| Percentage of sales[3] | | **16** | | 18 |

| | | |
|---|---|---|
| Percentage of base royalties paid in cash | **3** | 24 |
| Percentage of base royalties paid in kind[4] | **97** | 76 |

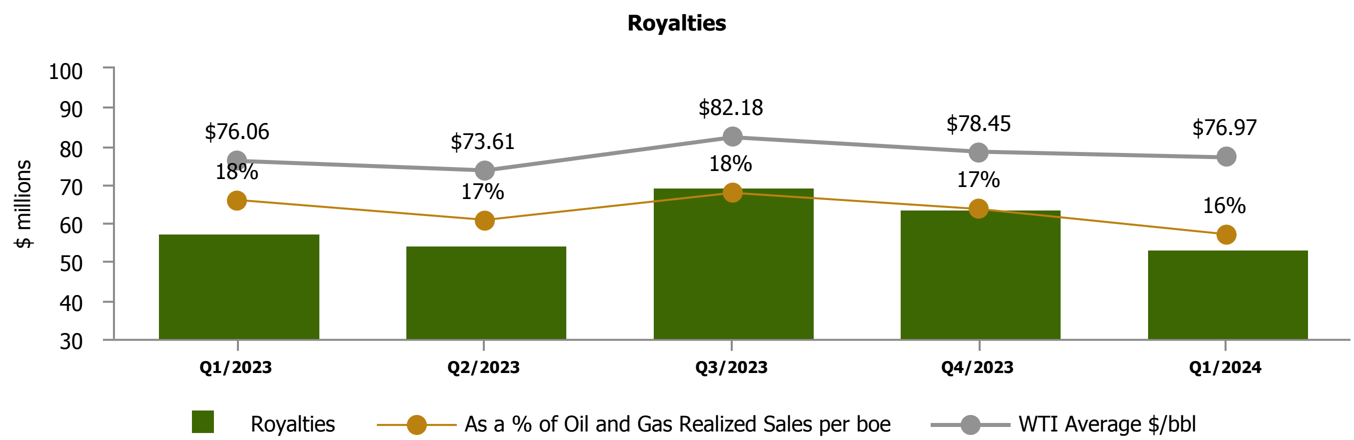
(1) Base royalties are sliding scale royalties based on field production and payable to the Colombian National Hydrocarbon Agency ("ANH"). Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.
(2) Economic rights include high price share royalties applicable to production in excess of 5 million barrels of oil and X-Factor royalties are an additional royalty applicable to heavy oil production, both payable to ANH. Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.
(3) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(4) Royalties paid in kind reduce the Company's sales volumes.

For the three months ended March 31, 2024 royalties as a percentage of sales were 16% compared to 18% for the three months ended March 31, 2023. Fourth quarter of 2023 royalties as a percentage of sales were 17%. The decrease in royalties as a percentage of sales from the 2023 comparative period was mainly a result of lower production in the first quarter of 2024 in areas where high price share royalties are applicable resulting in decreased higher price share royalties.

Benchmark WTI prices which are used in the high price share royalty ("HPR") calculation. Effectively higher realized WTI oil prices result in a higher royalty percentage realized. Benchmark WTI price for the three months ended March 31, 2024 was $76.97 compared to $76.06 for the 2023 comparative periods and $78.45 in the fourth quarter of 2023.

The decrease in royalty expense to $53.1 million in the three months ended March 31, 2024 compared to $57.6 million for the 2023 comparative period is mainly as a result of lower production in the first quarter of 2024 in areas where high price share royalties are applicable resulting in lower higher price share royalties.

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



***Production Expense***

| | For the three months ended March 31, | |
|---|---|---|
| | **2024** | 2023 |
| Production expense ($000s) | $ **59,824** | $ 41,759 |
| Per unit ($/boe)(1) | **12.64** | 8.85 |

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Production expense for the three months ended March 31, 2024 was $12.64/boe compared to $8.85/boe for the three months ended March 31, 2023. Production expense for the fourth quarter of 2023 was $13.67/boe.

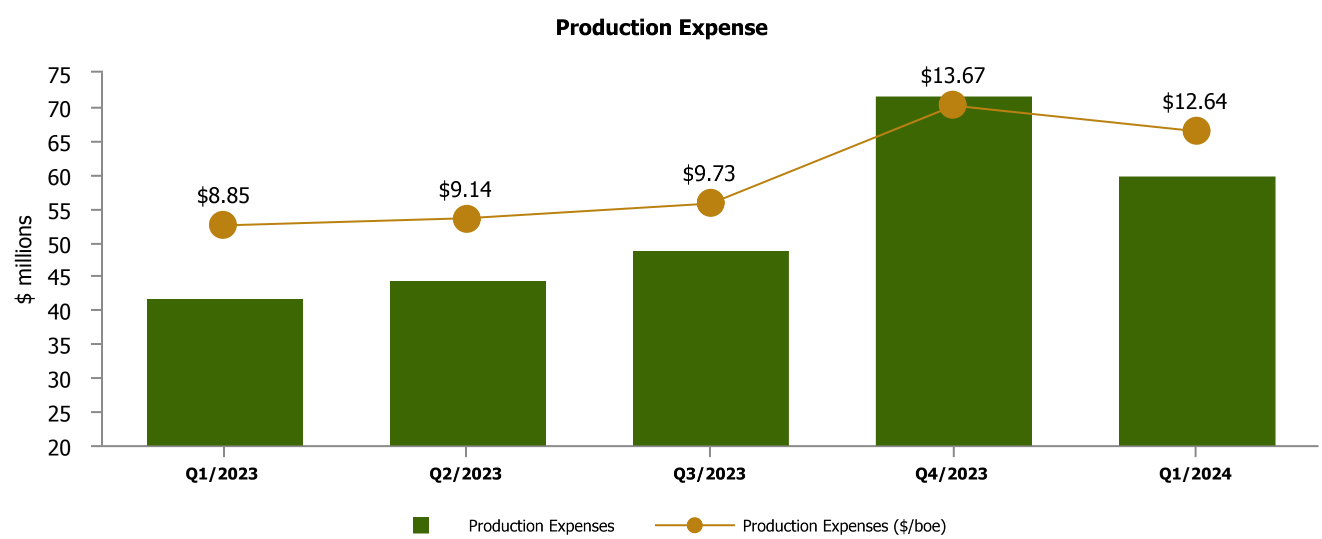
The table below provides a reconciliation of the increase in production expense per boe by main components:

| | **Q1 2024 vs Q1 2023** |
|---|---|
| Prior period production expense per boe(1) | **$ 8.85** |
| Power generation | **0.97** |
| Workover and well maintenance | **0.97** |
| Colombian pesos ("COP") appreciation | **1.65** |
| Other | **0.20** |
| **Current period production expense per boe(1)** | **$ 12.64** |

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

The increase in production expense for the three months ended March 31, 2024 over the three months ended March 31, 2023 is mainly the result of the appreciation of the COP, increased cost of electrical power that supplies fields with required power to operate, and workover and well maintenance on Block LLA-34 and the Cabrestero Block.

Colombia has experienced an El Niño-induced drought that has led to an escalation in power costs across the country during the past year. Colombia is heavily reliant on hydroelectric power. In late April 2024, power costs have begun to decline, with the expectation that full year 2024 operating costs will be within the original guidance range of $10-12/boe.



***Transportation Expense***

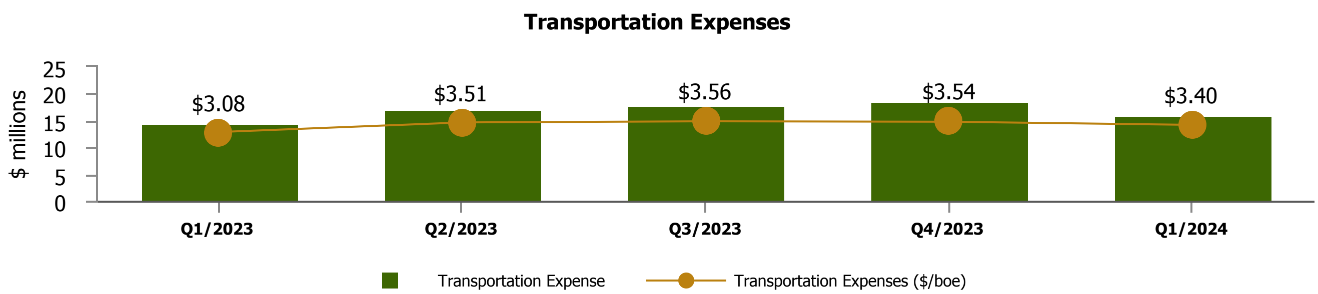
| | For the three months ended March 31, | |
|---|---|---|
| | **2024** | 2023 |
| Transportation expense ($000s) | **$ 16,097** | $ 14,578 |
| Per unit ($/boe)(1) | **3.40** | 3.08 |

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Transportation expense includes trucking costs incurred to transport production to several offloading stations for sale and in some instances an oil transportation tariff from delivery point to the buyer's facility and pipeline tariffs.

For the three months ended March 31, 2024 the cost of transportation on a per boe basis was $3.40/boe compared to $3.54/boe in the fourth quarter of 2023 and $3.08/boe for the three months ended March 31, 2023. Transportation expense will fluctuate period over period due to the mix of sales contract types in force during the period.

The combined transportation expense and price differential from Brent, on a per boe basis, has decreased from the first quarter of 2023 and the fourth quarter of 2023. See "Crude Oil Reference and Realized Prices".




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

| ($000s) | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| Gross G&A | **$ 21,982** | $ 16,268 |
| G&A recoveries | **(1,055)** | (389) |
| Capitalized G&A | **(1,759)** | (1,910) |
| Total net G&A | **$ 19,168** | $ 13,969 |
| Per unit ($/boe) (1) | **3.95** | 3.02 |

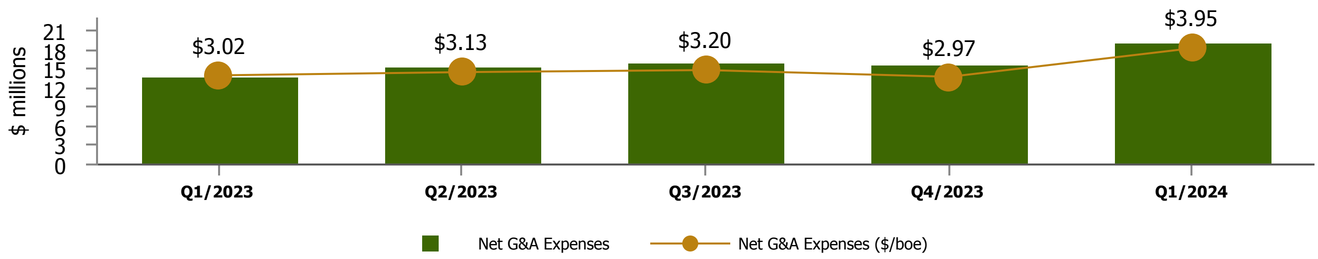
(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Net G&A was $19.2 million for the three months ended March 31, 2024 compared to $14.0 million for the three months ended March 31, 2023. Gross G&A was $22.0 million for the three months ended March 31, 2024 (three months ended March 31, 2023 - $16.3 million). Gross and net G&A has increased mainly as a result of increased staffing levels during 2023 and the appreciation of the Colombian peso ("COP").

For the three months ended March 31, 2024, on a per boe basis, net G&A has increased by 31% compared to the three months ended March 31, 2023 mainly as result of increased staffing levels and staff salary increases mainly in Colombia as a result of high inflation levels in Colombia during 2023 and the appreciation of the COP.

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

**Net General and Administrative Expenses**




***Share-Based Compensation***

| | | For the three months ended March 31, | | |
|---|---|---|---|---|
| ($000s) | | **2024** | | 2023 |
| Equity settled share-based compensation expense | **$** | **198** | $ | 269 |
| Cash settled share-based compensation (recovery) expense | | **(2,661)** | | 10,282 |
| Total share-based compensation (recovery) expense | **$** | **(2,463)** | $ | 10,551 |

Share-based compensation recovery was $2.5 million for the three months ended March 31, 2024 compared to an expense of $10.6 million for the three months ended March 31, 2023.

Equity settled share-based compensation expense was $0.2 million for the three months ended March 31, 2024 compared to $0.3 million for the three months ended March 31, 2023. Equity settled share-based compensation includes the Company's stock option plan.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes cash or share settled restricted share units and performance share units ("CosRSUs and "CosPSUs"), cash settled restricted share units ("CRSUs") and deferred share units ("DSUs"). For the three months ended March 31, 2024 there was a recovery of $2.7 million related to cash settled incentive plans compared to an expense of $10.3 million for the same period in 2023. This decrease in expense is mainly attributable to the decrease in Parex share price from the comparative period end date.

Obligations for payments of cash under the Company's cash settled incentive plans are accrued as an expense over the vesting period based on the fair value of the units as described in note 16 of the interim financial statements for the three months ended March 31, 2024. As at March 31, 2024, the total cash settled incentive plans liability accrued was $18.1 million (December 31, 2023 - $38.6 million).

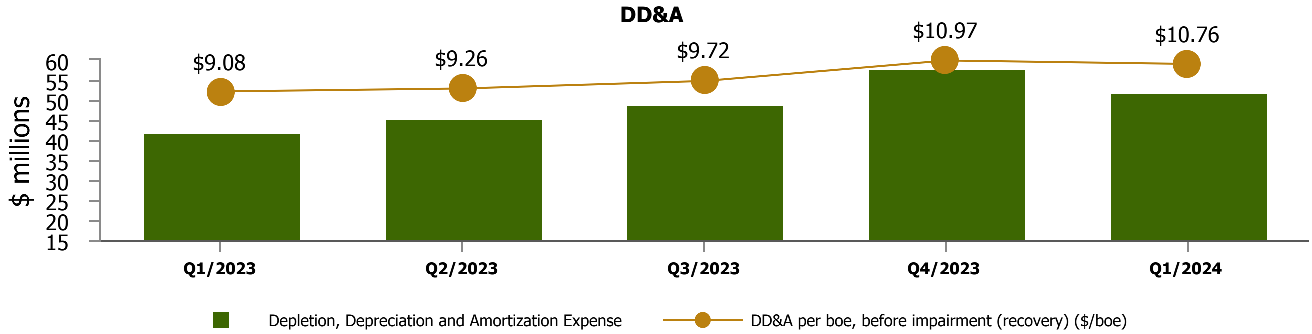
Cash payments to settle cash settled share-based compensation in the three months ended March 31, 2024 were $19.0 million compared to $17.9 million for the same period in 2023. The increase in the three months ended March 31, 2024 compared to the 2023 comparative period is mainly related to the increase in the number of CosPSUs being vested, partially offset by the decrease in Parex share price at the time of settlement.

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

| | For the three months ended March 31, | |
|---|---|---|
| | **2024** | 2023 |
| DD&A expense ($000s) | **$ 52,231** | $ 41,952 |
| Per unit ($/boe)(1) | **10.76** | 9.08 |

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

First quarter 2024 DD&A was $52.2 million ($10.76/boe) compared to $42.0 million ($9.08/boe) for the same period in 2023. DD&A on a $/boe basis increased compared to the prior period mainly due to the increase in the depletable base through an increase in 2023 annual capital expenditures.




### *Foreign Exchange*

| | For the three months ended March 31, | |
|---|---|---|
| ($000s) | **2024** | 2023 |
| Foreign exchange (gain) loss | **$ (1,168)** | $ 11,949 |
| Foreign currency risk management contracts (gain) | **—** | (1,683) |
| Total foreign exchange (gain) loss | **$ (1,168)** | $ 10,266 |
| Average foreign exchange rates | | |
| USD$/Cdn$ | **1.35** | 1.35 |
| USD$/COP | **3,915** | 4,760 |

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Cdn and COP, as the Company's functional currency is the USD. The Company has exposure in Colombia and Canada on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies. The main drivers of foreign exchange gains and losses recorded on the consolidated statements of comprehensive income is the COP denominated income tax payable and tax withholdings receivable, accounts payable and accounts receivable. The timing of payment settlements, accruals and their adjustments have impacts on foreign exchange gains/losses.

For the three months ended March 31, 2024, a total foreign exchange gain of $1.2 million was recorded compared to a loss of $10.3 million in the three months ended March 31, 2023. Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of comprehensive income.

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

***Foreign Exchange Sensitivity Analysis***

| Cost component | Estimated percent of cost denominated in local currency | $/boe Impact of change in local currency/$USD exchange rate<br>10% appreciation of local currency | 10% depreciation of local currency |
|---|---|---|---|
| Production expense | 90% | $ 1.14 | $ (1.14) |
| Transportation expense | 50% | $ 0.17 | $ (0.17) |
| G&A expense | 100% | $ 0.40 | $ (0.40) |

The table above displays the estimated per boe impact of a change in Parex's local currencies and the effect on Parex's key cost components. The component impact in $/boe terms uses Q1 2024 per boe costs. This analysis ignores all other factors impacting cost structure including, but not limited to, efficiencies, cost reduction strategies, and cost inflation.

As at March 31, 2024, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Cdn and COP against the USD would have decreased (increased) net income by approximately $6.4 million.

***Net Finance Expense (Income)***

| ($000s) | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| Bank charges and credit facility fees | **$ 1,889** | $ 1,076 |
| Accretion on decommissioning and environmental liabilities | **2,390** | 1,899 |
| Interest and other income | **(1,257)** | (4,386) |
| Right-of-use-asset interest | **44** | 45 |
| Loss on settlement of decommissioning liabilities | **360** | 229 |
| Expected credit loss provision | **75** | 455 |
| Other | **436** | — |
| Net finance expense (income) | **$ 3,937** | $ (682) |

| ($000s) | For the three months ended March 31, 2024 | 2023 |
|---|---|---|
| Non-cash finance expense | **$ 2,826** | $ 2,587 |
| Cash finance expense (income) | **1,111** | (3,269) |
| Net finance expense (income) | **$ 3,937** | $ (682) |

Bank charges and credit facility fees relate to bank taxes paid in Colombia and the interest and standby fees related to the Company's credit facility. The non-cash components of net finance expense (income) include the accretion on decommissioning and environmental liabilities, loss on settlement of decommissioning liabilities, other and the expected credit loss provision.

***Risk Management***

Management of cash flow variability is an integral component of Parex's 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 USD/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's syndicated bank credit facility. The Company considers these derivative contracts to be an effective means to manage and forecast cash flow.

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

## a) Risk Management Contracts - Brent Crude

As at March 31, 2024 the Company had no crude oil risk management contracts in place.

## b) Risk Management Contracts – Foreign Exchange

The Company is exposed to foreign currency risk as various portions of its cash balances are held in COP and Cdn to fund ongoing costs denominated in those currencies while its committed capital expenditures are primarily denominated in USD.

As at March 31, 2024, the Company had no foreign currency risk management contracts in place.

The following is a summary of the foreign currency risk management contracts put in place since March 31, 2024:

| Period Hedged | Reference | Currency Option Type | Amount CAD | Strike Adjustment CAD |
|---|---|---|---|---|
| April 10, 2024 to June 11, 2024 | CAD | Strike Forward | $37,000,000 | -0.0028 |

The table below summarizes the (gain) on the foreign currency risk management contracts that were in place during the three months ended March 31, 2024 and 2023:

| | For the three months ended March 31, | |
|---|---|---|
| | **2024** | 2023 |
| Unrealized (gain) on foreign currency risk management contracts | **$ —** | $ (1,683) |
| **Total** | **$ —** | $ (1,683) |

***Income Tax***

The components of tax expense for the three months ended March 31, 2024 and 2023 were as follows:

| | For the three months ended March 31, | |
|---|---|---|
| ($000s) | **2024** | 2023 |
| Current tax expense | **$ 38,810** | $ 39,905 |
| Deferred tax expense (recovery) | **37,007** | (6,733) |
| **Tax expense** | **$ 75,817** | $ 33,172 |
| **Effective current tax rate on funds flow provided by operations before tax** | **21 %** | 20 % |

Current tax expense in the first quarter of 2024 was $38.8 million as compared to $39.9 million in the three months ended March 31, 2023 comparative period. The slight decrease from the three months ended March 31, 2023 comparative period is a result of lower operating cash flows compared to the prior period, however this is offset by the Company being subject to a 15% Colombian surtax in the period compared to being in the 10% surtax band in the prior comparative period. The 15% surtax band is based on the average Brent crude price being above approximately $81.25/bbl. The 10% band for 2024 is applicable if Brent crude averages between $76.00 and $81.25/bbl. Brent crude has averaged $81.87/bbl for the three months ended March 31, 2024.

Deferred tax expense for the three months ended March 31, 2024 was $37.0 million as compared to a recovery of $6.7 million in the three months ended March 31, 2023 comparative period. The increase in deferred tax expense from the comparative period is mainly a result of the temporary difference reversal between the Company's accounting basis and tax basis, also having an impact in Q1 2023 was the movement of the COP exchange rate between December 31, 2022 and March 31, 2023. In that period the peso strengthened against the USD by approximately 4%.

**Deductibility of Royalties**

Included in the 2023 Colombian tax reform bill enacted in November 2022, was the inability for oil and gas producing companies to deduct royalty costs from taxable income. In late 2023, the Constitutional Court of Colombia ruled that this inability to deduct royalties was unconstitutional. In February 2024, the Colombian government appealed this decision made by the Constitutional Court of Colombia and in April 2024 the Constitutional Court of Colombia agreed to hear the governments appeal. The appeal is scheduled to be heard by the Constitutional Court of Colombia in late May, with a decision expected sometime in late Q2 2024.

The Company has completed its Q1 2024 tax accrual on the assumption that royalties will continue to be deductible for tax purposes. If the Constitutional Court of Colombia was to reverse their decision and royalties became nondeductible, this would have an approximate impact of $8-12 million for the first quarter of 2024. The Company has filed its 2023 Colombian tax returns and does not expect this ruling would be applied retroactively.

**2024 Current Tax Guidance**

The table below reflects the expected effective current tax rate on funds flow provided by operations before tax in 2024:

| Brent price assumption | **$65/bbl** | **$75/bbl** | **$85/bbl** |
|---|---|---|---|
| Effect current tax rate on before tax funds flow from operations | 10-12% | 19-21% | 25-27% |

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

***Capital Expenditures***

| For the three months ended March 31, | Colombia | | Canada | | Total | |
|---|---|---|---|---|---|---|
| ($000s) | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| Acquisition of unproved properties | **$ 1,034** | $ 779 | **$ —** | $ — | **$ 1,034** | $ 779 |
| Geological and geophysical | **21** | 1,071 | **—** | — | **21** | 1,071 |
| Drilling and completion | **63,969** | 98,336 | **—** | — | **63,969** | 98,336 |
| Well equipment and facilities | **20,223** | 13,424 | **—** | — | **20,223** | 13,424 |
| Other | **—** | — | **174** | 258 | **174** | 258 |
| **Total capital expenditures(1)** | **$ 85,247** | $ 113,610 | **$ 174** | $ 258 | **$ 85,421** | $ 113,868 |

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Below is additional information related to capital expenditures in the period by key operating area:

| | For the three months ended March 31, | |
|---|---|---|
| ($000s) | **2024** | 2023 |
| Block LLA-34 | **$ 28,770** | $ 21,275 |
| Southern Llanos | **20,710** | 58,495 |
| Northern Llanos | **33,027** | 7,896 |
| Magdalena Basin | **2,740** | 25,944 |
| Canada and Colombia - Corporate | **174** | 258 |
| **Total capital expenditures(1)** | **$ 85,421** | $ 113,868 |

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the first quarter of 2024 the Company incurred $85.4 million of capital expenditures compared to $113.9 million in the same period of 2023. During the first quarter of 2024, total drilling and completion costs were $64.0 million mainly related to drilling and completion costs in Colombia at the Arauca Block, the Cabrestero Block, and Blocks LLA-34 and LLA-122.

***Long-Term Inventory***

The Company has long-lead material and equipment inventory such as drill casing, natural gas compressors, and other major equipment. With strong demand for material and equipment used in oil and gas operations, the Company took an active, first mover approach to securing material and equipment ahead of its 2023 and 2024 capital programs, specifically specialty casing and tubing for the Northern Llanos drilling program. The Northern Llanos drilling program (Capachos and Arauca projects) experienced delays in the first half of 2023 and the first quarter of 2024 which has resulted in an increase in inventory levels.

Parex expects to draw on long-lead inventory from current levels through the next six to nine months and thereby will reduce this balance over time.

| **Cost** | | |
|---|---|---|
| **Balance at December 31, 2022** | **$** | **165,271** |
| Additions | | 114,803 |
| Transfers to E&E and PP&E assets | | (75,373) |
| **Balance at December 31, 2023** | **$** | **204,701** |
| Additions | | 22,476 |
| Transfers to E&E and PP&E assets | | (18,633) |
| **Balance at March 31, 2024** | **$** | **208,544** |

The below table represents the other long-term inventory expenditures for the three months ended March 31, 2024 and 2023:

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| ($000s) | | **2024** | | 2023 |
| Additions | **$** | **22,476** | $ | 33,712 |
| Transfers to D&P and E&E | | **(18,633)** | | (13,945) |
| **Total other long-term asset expenditures, net of transfers** | **$** | **3,843** | $ | 19,767 |

## Summary of Quarterly Results

| Three months ended ($000s) | **Mar. 31, 2024** | Dec. 31, 2023 | Sep. 30, 2023 | Jun. 30, 2023 |
|---|---|---|---|---|
| Average daily production | | | | |
| Light Crude Oil and Medium Crude Oil (bbl/d) | **7,237** | 9,700 | 8,837 | 7,982 |
| Heavy Crude Oil (bbl/d) | **45,543** | 46,760 | 44,779 | 45,644 |
| Crude Oil (bbl/d) | **52,780** | 56,460 | 53,616 | 53,626 |
| Conventional Natural Gas (mcf/d) | **3,348** | 5,214 | 5,742 | 2,964 |
| Total (boe/d) | **53,338** | 57,329 | 54,573 | 54,120 |
| Realized sales price - oil ($/bbl)(6) | **71.02** | 71.06 | 76.58 | 67.36 |
| Financial ($000s except per share amounts) | | | | |
| Oil and natural gas sales | **$ 335,298** | $ 370,688 | $ 383,244 | $ 327,541 |
| Funds flow provided by operations(5) | **$ 148,307** | $ 193,377 | $ 157,839 | $ 154,842 |
| Per share – basic(2) | **1.43** | 1.85 | 1.49 | 1.45 |
| Per share – diluted(2) | **1.43** | 1.85 | 1.49 | 1.45 |
| Net income | **$ 60,093** | $ 133,783 | $ 119,736 | $ 101,415 |
| Per share – basic | **0.58** | 1.28 | 1.13 | 0.95 |
| Per share – diluted | **0.58** | 1.28 | 1.13 | 0.95 |
| Dividends paid | **$ 28,531** | $ 29,505 | $ 29,239 | $ 30,101 |
| Per share - Cdn$(4)(6) | **0.375** | 0.375 | 0.375 | 0.375 |
| Capital Expenditures(1) | **$ 85,421** | $ 91,419 | $ 156,747 | $ 121,309 |
| Long-term inventory expenditures | **$ 3,843** | $ (866) | $ (374) | $ 20,903 |
| Total assets (end of period) | **$ 2,355,512** | $ 2,415,327 | $ 2,263,479 | $ 2,225,799 |
| Outstanding shares (end of period) (000s) | **102,914** | 103,812 | 105,014 | 106,194 |
| Working capital surplus (deficit) (end of period)(3)(5) | **$ 55,901** | $ 79,027 | $ (57,511) | $ (2,957) |

| Three months ended ($000s) | Mar. 31, 2023 | Dec. 31, 2022 | Sep. 30, 2022 | Jun. 30, 2022 |
|---|---|---|---|---|
| Average daily production | | | | |
| Light Crude Oil and Medium Crude Oil (bbl/d) | 7,115 | 10,511 | 6,903 | 6,734 |
| Heavy Crude Oil (bbl/d) | 43,435 | 42,746 | 43,063 | 42,373 |
| Crude Oil (bbl/d) | 50,550 | 53,257 | 49,966 | 49,107 |
| Conventional Natural Gas (mcf/d) | 4,692 | 6,000 | 6,750 | 12,216 |
| Total (boe/d) | 51,332 | 54,257 | 51,091 | 51,143 |
| Realized sales price - oil ($/bbl)(6) | 69.66 | 75.55 | 89.33 | 100.83 |
| Financial ($000s except per share amounts) | | | | |
| Oil and natural gas sales | $ 327,230 | $ 376,347 | $ 405,371 | $ 448,255 |
| Funds flow provided by operations(5) | $ 161,724 | $ 85,194 | $ 206,412 | $ 227,796 |
| Per share – basic(2) | 1.49 | 0.78 | 1.85 | 1.98 |
| Per share – diluted(2) | 1.49 | 0.78 | 1.85 | 1.98 |
| Net income | $ 104,375 | $ 249,958 | $ 65,632 | $ 143,128 |
| Per share – basic | 0.96 | 2.29 | 0.59 | 1.24 |
| Per share – diluted | 0.96 | 2.29 | 0.59 | 1.24 |
| Dividends paid | $ 29,831 | $ 20,108 | $ 20,042 | $ 22,226 |
| Per share - Cdn$(4)(6) | 0.375 | 0.250 | 0.250 | 0.250 |
| Capital Expenditures(1) | $ 113,868 | $ 147,746 | $ 127,353 | $ 126,240 |
| Long-term inventory expenditures | $ 19,767 | $ 56,415 | $ 65,725 | $ 6,541 |
| Total assets (end of period) | $ 2,349,748 | $ 2,314,373 | $ 2,089,253 | $ 2,086,407 |
| Outstanding shares (end of period) (000s) | 107,419 | 109,112 | 109,323 | 113,810 |
| Working capital surplus (end of period)(3)(5) | $ 29,662 | $ 84,988 | $ 229,763 | $ 311,496 |

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Working capital does not include the undrawn amount available on the credit facility.
(4) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(5) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory". For the three months ended December 31, 2022 funds flow provided by operations includes a $100.0 million ($0.92 per share basic) increased current tax expense as a result of a voluntary internal corporate restructuring.
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

**Factors that Caused Variations Quarter Over Quarter**

During the first quarter of 2024, production of 53,338 boe/d (consisting of 7,237 bbls/d of light and medium crude oil, 45,543 bbls/d of heavy crude oil and 3,348 mcf/d of conventional natural gas) was 7% lower than the previous quarter ended December 31, 2023. Revenue was lower than the previous quarter mainly due to a decrease in sales volumes related to the suspension of operations in the Northern Llanos basin due to security concerns in the first quarter of 2024. Funds flow provided by operations was lower than the previous quarter due to lower revenue and higher current income taxes due to a number of factors. Refer to "Income Tax" for a detailed description of the main drivers of the increase in current tax in the first quarter. Working capital decreased to $55.9 million from $79.0 million at December 31, 2023 largely due to the $30.0 million repayment of bank debt borrowings during the first quarter and lower funds flow provided by operations. Dividends paid on common shares for the quarter were $28.5 million (Cdn$ 0.375 per common share***). The cost associated with the repurchase of common shares under the Company's normal course issuer bid ("NCIB") program during the quarter was $15.3 million.

During the fourth quarter of 2023, production of 57,329 boe/d (consisting of 9,700 bbls/d light crude oil and medium crude oil, 46,760 bbls/d of heavy crude oil and 5,214 mcf/d of conventional natural gas) increased by 5% over the previous quarter ended September 30, 2023. Revenue was lower than the previous quarter due a decrease in realized prices. Funds flow provided by operations was higher than the previous quarter due to a decrease in current income tax expense due to a number of factors. Working capital increased to $79.0 million* from a deficit of $57.5 million* at September 30, 2023 largely due to bank debt borrowings of $90.0 million. Dividends paid on common shares for the quarter were $29.5 million (Cdn$0.375 per common share***). The cost associated with the repurchase of common shares under the NCIB program during the quarter was $22.5 million.

During the third quarter of 2023, production of 54,573 boe/d (consisting of 8,837 bbls/d light crude oil and medium crude oil, 44,779 bbls/d of heavy crude oil and 5,742 mcf/d of conventional natural gas) was higher than the previous quarter ended June 30, 2023. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in realized prices. The decrease in working capital to a deficit of $57.5 million* from a deficit of $3.0 million* at June 30, 2023 is primarily a result of increased capital expenditures on resumption of full operations in the Northern Llanos basin, as well as the Company's common share repurchases under the NCIB and the Colombian income tax payables being settled in the third quarter of 2023. Dividends paid on common shares for the quarter were $29.2 million (Cdn$0.375 per common share***). The repurchase of common shares under the NCIB during the quarter was $24.3 million.

During the second quarter of 2023, production of 54,120 boe/d (consisting of 7,982 bbls/d light crude oil and medium crude oil, 45,644 bbls/d of heavy crude oil and 2,964 mcf/d of conventional natural gas) was higher than the previous quarter ended March 31, 2023. Revenue and funds flow provided by operations were lower than the previous quarter due to a decrease in realized prices. The decrease in working capital to a deficit of $3.0 million* from $29.7 million* surplus at March 31, 2023 is primarily a result from inventory build due to the suspension of operations in the Northern Llanos basin, as well as the Company's common share repurchases under the NCIB and the purchase of additional long lead capital inventory items and the Colombian income tax payables being settled in the first half of 2023. Dividends paid on common shares for the quarter were $30.1 million (Cdn$0.375 per common share***). Purchases of long-lead inventory for capital projects were $20.9 million for the quarter. The repurchase of common shares under the NCIB during the quarter was $25.5 million.

During the first quarter of 2023, production of 51,332 boe/d (consisting of 7,115 bbls/d light crude oil and medium crude oil, 43,435 bbls/d of heavy crude oil and 4,692 mcf/d of conventional natural gas) was lower than the previous quarter ended December 31, 2022. Revenue was lower than the previous quarter due to a decrease in realized prices. Funds flow provided by operations were higher than the previous quarter as the fourth quarter of 2022 included approximately $100.0 million* ($0.92 per share basic**) related to increased current tax expense as a result of a voluntary internal corporate restructuring. Working capital decreased to $29.7 million* from $85.0 million* at December 31, 2022 primarily from inventory build due to the suspension of operations in the Northern Llanos basin. Dividends paid on common shares for the quarter were $29.8 million (Cdn$0.375 per common share***). Purchases of long-lead inventory for capital projects were $19.8 million for the quarter. The repurchase of common shares under the NCIB during the quarter was $32.9 million.

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

* Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
** Non-GAAP ratio". See "Non-GAAP and Other Financial Measures Advisory".
*** Supplementary financial measure". See "Non-GAAP and Other Financial Measures Advisory".

## Liquidity and Capital Resources

As at March 31, 2024 the Company had a working capital surplus of $55.9 million as compared to a working capital surplus at December 31, 2023 of $79.0 million. The decrease in working capital is primarily a result from the suspension of operations in the Northern Llanos basin during the quarter and the $30.0 million repayment of bank debt borrowings.

The credit facility has a current borrowing base of $200.0 million, which is subject to a borrowing base redetermination to be completed by the end of May 2024 and matures on May 21, 2025. As at March 31, 2024 Parex held $61.1 million of cash compared to $140.4 million on December 31, 2023 and $372.4 million at March 31, 2023. The Company's cash balances reside primarily in current accounts with chartered financial institutions, the majority of which are held on account in Canada, Switzerland and Colombia in USD.

Parex expects working capital to build throughout 2024, with forecast production growth, declining capital expenditures and inventory deployment, subject to commodity prices remaining in line with the fourth quarter of 2023. Parex expects to draw on the credit facility at various times throughout 2024 to manage timing differences associated with timing of vendor payments and oil sales collections.

Parex's senior secured credit facility with a syndicate of banks has a current borrowing base of $200.0 million (December 31, 2023 - $200.0 million). Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants. There is $60.0 million drawn on the facility as at March 31, 2024 (December 31, 2023 - $90.0 million). The Company is in compliance with all covenants. The next annual review is scheduled to occur in May 2024. The next re-determination of the credit facility is not expected to impact the Company's current or future operations or reduce the 2024 outlook or change the Company's guidance.

Refer to note 22 - Commitments and Contingencies of the interim financial statements for the period ended March 31, 2024 for a description of the performance guarantee facility with Export Development Canada as well as the unsecured letters of credit.

## Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at March 31, 2024 the Company had 102,913,986 common shares outstanding compared to 103,811,718 at December 31, 2023 a decrease of 0.9%. At May 8, 2024 the number of common shares outstanding has been reduced to 102,193,986 as a result of the Company's NCIB.

The Company has a stock option plan that provides for the issuance of stock options to acquire common shares to the Company's officers, executive and certain employees resulting in common shares issued from treasury.

As at May 8, 2024 Parex has the following securities outstanding:

| | Number | % |
|---|---|---|
| Common shares | 102,193,986 | 99 % |
| Stock options | 912,871 | 1 % |
| | **103,106,857** | **100 %** |

As of the date of this MD&A, total stock options outstanding represent approximately 1% 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 joint venture farm-in arrangements and exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts or the Company can negotiate extensions of the exploration periods. The Company's exploration commitments are described in the Company's AIF under "Principal Properties". These obligations and commitments are considered in assessing cash requirements in the discussion of future liquidity.

In Colombia, the Company has provided guarantees to the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $147.7 million as at March 31, 2024 (December 31, 2023 - $141.0 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The following table summarizes the Company's estimated undiscounted commitments as at March 31, 2024:

| (000s) | **Total** | **<1 year** | **1 – 3 years** | **3 – 5 years** | **>5 years** |
|---|---|---|---|---|---|
| Exploration | $ 411,685 | $ 26,789 | $ 102,437 | $ 282,459 | $ — |
| Office and accommodations(1) | 6,495 | 1,025 | 2,874 | 1,582 | 1,014 |
| Decommissioning and Environmental Obligations | 236,320 | 5,755 | — | — | 230,565 |
| **Total** | **$ 654,500** | **$ 33,569** | **$ 105,311** | **$ 284,041** | **$ 231,579** |

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

## Decommissioning and Environmental Liabilities

| | Decommissioning | Environmental | Total |
|---|---|---|---|
| Balance, December 31, 2022 | $ 38,818 | $ 14,474 | $ 53,292 |
| Additions | 9,676 | 1,379 | 11,055 |
| Settlements of obligations during the year | (3,110) | (3,695) | (6,805) |
| Loss on settlement of obligations | 199 | — | 199 |
| Accretion expense | 6,098 | 2,603 | 8,701 |
| Change in estimate - inflation and discount rates | 17,592 | 2,316 | 19,908 |
| Change in estimate - costs | (1,331) | 2,382 | 1,051 |
| Foreign exchange loss | 3,581 | 4,750 | 8,331 |
| Balance, December 31, 2023 | $ 71,523 | $ 24,209 | $ 95,732 |
| Additions | 331 | 170 | 501 |
| Settlements of obligations during the period | (890) | (246) | (1,136) |
| Loss on settlement of obligations | 360 | — | 360 |
| Accretion expense | 1,624 | 766 | 2,390 |
| Change in estimate - inflation and discount rates | (758) | (2,629) | (3,387) |
| Change in estimate - costs | 372 | 106 | 478 |
| Foreign exchange (gain) | (76) | (144) | (220) |
| **Balance, March 31, 2024** | **$ 72,486** | **$ 22,232** | **$ 94,718** |
| Current obligation | (3,000) | (2,755) | (5,755) |
| **Long-term obligation** | **$ 69,486** | **$ 19,477** | **$ 88,963** |

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at March 31, 2024, 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 $202.9 million as at March 31, 2024 (December 31, 2023 – $201.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 9.5% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $3.0 million (December 31, 2023 – $3.0 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $33.4 million as at March 31, 2024 (December 31, 2023 – $33.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 9.5% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $2.8 million (December 31, 2023 – $3.0 million) that is classified as a current obligation.

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

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

## Advisory on Forward-Looking Statements

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

- the Company's operational strategy, plans, priorities and focus;
- Parex's expectations as to debt levels, commodity risk management and other hedging activities;
- Parex's expectation regarding increased future production costs;
- Parex's 2024 guidance, including its anticipated capital expenditure and annual average production;
- Parex's expectation that its crude oil inventory will remain in line with normal historic levels;
- the terms of the Company's credit facility including the timing of the next annual review and borrowing base redetermination;
- the Company's expectation that the next redetermination of its credit facility will not impact its current or future operations or reduce its 2024 outlook or change the Company's guidance;
- the Company's plan to draw on the credit facility through 2024;
- the Company's expectation that only the grants under the Company's stock option plan will result in common shares issued from treasury;
- estimated amounts, timing and the anticipated sources of funding for the Company's exploration, capital expenditure programs, office and accommodations, environmental, decommissioning and restoration obligations;
- the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement;
- Parex's estimated per boe impact of a change in its local currencies and the effect on its key cost assumptions;
- the Company's expectation that higher realized WTI oil prices will result in higher royalty percentage realized;

- Parex's anticipated average production costs for the remainder of 2024;
- Parex's expectation that power costs will continue to be inflated from prior years and prior quarters;
- Parex's expectation that full year 2024 operating costs will be within the original guidance range;
- Parex's expectation that transportation expense will fluctuate due to the mix of sales contract types in force during the period;
- the Company's estimated undiscounted commitments and the anticipated timing thereof;
- the Company’s expectations regarding the per boe and G&A expense impact caused by appreciation and depreciation of the COP;
- 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 USD/COP exchange rate and interest rate movements;
- that the Company will be able to manage and forecast cash flow through derivative contracts;
- Parex's anticipated effective current tax rate on operating cash flow based on certain Brent crude prices and its assumption that the Company will be subject to the full 15% surtax band for the full year;
- terms of the Company's credit facility including the anticipated timing of the next borrowing base redetermination;
- Parex's expectations that the majority of its long-lead material and equipment inventory will be put into use with the its 2024 capital program;
- Parex's expectation that it will draw on its long-lead inventory from current levels through the next six to nine months;
- terms of certain contractual obligations;
- Parex's expectations with respect to Colombian judicial determinations on the deduction of royalties; and
- Parex's expectations that its working capital will build throughout 2024, with forecast production growth, declining capital expenditures and inventory deployment, subject to commodity prices remaining in line with the fourth quarter of 2023.

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’s 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; the risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risk of failure to achieve the anticipated benefits associated with acquisitions; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; the timing of the number of crude oil shipments from storage to export; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; failure to meet expected production targets; the risk that Parex may not have sufficient financial resources in the future to provide distributions to its shareholders; the risk that the Board may not declare dividends in the future or that Parex dividend policy changes; the risk that Parex may not meet its production guidance for 2024; the risk that Parex's 2024 full year capital expenditures may be greater than anticipated; the risk that Parex's working capital in 2024 may be less than anticipated; the risk that crude oil inventory in future periods may be less than normal historic levels; the risk of currency fluctuations; the risk that the Company may not be able to fund its environmental, decommissioning and restoration obligations in the manner anticipated; the risk that the Company's borrowing base under its credit facility after its next redetermination may be lower than anticipated; the risk that Parex's long-lead material and equipment inventory may not be put into use with the 2024 capital program; the risk that Parex's average production costs for the remainder of 2024 may be greater than anticipated; risks associated with Colombian judicial determinations on the deduction of royalties; the risks discussed under "Risk Factors" in the Company’s December 31, 2023 MD&A and under “Decommissioning and Environmental Liabilities” in this MD&A, and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company’s operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca).

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, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; royalty rates; future operating costs; the status of litigation; timing of drilling and completion of wells; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient financial resources to pay dividends and acquire its shares pursuant to its NCIB in the future; that higher realized WTI oil prices result in higher realized royalty percentages; the impact that Columbian judicial determinations will have on the deduction of royalties; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

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

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

This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to: Parex's 2024 capital expenditure guidance, Parex's anticipated 2024 capital expenditures; Parex's anticipated average production costs for the remainder of 2024; the Company's estimated undiscounted commitments and the anticipated timing thereof; the amount and timing of payment of the Company's environmental, decommissioning and restoration obligations and the Company's anticipated means of funding such obligations; and Parex's anticipated effective current tax rate on operating cash flow; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change. The Company disclaims any intention or obligations to update or revise any financial outlook contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.

## Distribution Advisory

The Company's future shareholder distributions, including but not limited to the payment of dividends and the acquisition by the Company of its shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to pay further dividends on the common shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith) or acquire shares of the Company will be subject to the discretion of the Board and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Company under applicable corporate law. Further, the actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that the Company will pay dividends or repurchase any shares of the Company in the future.

## Oil & Gas Matters Advisory

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

The term "Boe" means a barrel of oil equivalent on the basis of 6 thousand cubic feet ("Mcf") of natural gas to 1 bbl. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1 Bbl, utilizing a conversion ratio at 6 Mcf:1 Bbl may be misleading as an indication of value.

## Non-GAAP and Other Financial Measures Advisory

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex's performance.

These measures facilitate management's comparisons to the Company’s historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company’s performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures used in this MD&A.

## Non-GAAP Financial Measures

***Capital expenditures,*** *is a non-GAAP financial measure which the Company uses to describe its capital costs associated with oil and gas expenditures. The measure considers both property, plant and equipment expenditures and exploration and evaluation asset expenditures which are items in the Company's statement of cash flows for the period.*

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| ($000s) | | **2024** | | 2023 |
| Property, plant and equipment expenditures | **$** | **40,831** | $ | 83,224 |
| Exploration and evaluation expenditures | | **44,590** | | 30,644 |
| **Capital expenditures** | **$** | **85,421** | $ | 113,868 |

| | For the three months ended | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | December 31, | | September 30, | | June 30, | | December 31, | | September 30, | | June 30, | |
| ($000s) | 2023 | | 2023 | | 2023 | | 2022 | | 2022 | | 2022 | |
| Property, plant and equipment expenditures | $ | 50,753 | $ | 93,957 | $ | 82,999 | $ | 111,512 | $ | 101,253 | $ | 93,346 |
| Exploration and evaluation expenditures | | 40,666 | | 62,790 | | 38,310 | | 36,234 | | 26,100 | | 32,894 |
| **Capital expenditures** | $ | 91,419 | $ | 156,747 | $ | 121,309 | $ | 147,746 | $ | 127,353 | $ | 126,240 |

***Free funds flow,*** *is a non-GAAP financial measure that is determined by funds flow provided by operations less capital expenditures. The Company considers free funds flow to be a key measure as it demonstrates Parex's ability to fund return of capital, such as the NCIB or dividends, without accessing outside funds and is calculated as follows:*

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| ($000s) | | **2024** | | 2023 |
| **Cash provided by operating activities** | **$** | **97,412** | $ | 131,273 |
| Net change in non-cash working capital | | **50,895** | | 30,451 |
| **Funds flow provided by operations** | | **148,307** | | 161,724 |
| Capital expenditures, excluding corporate acquisitions | | **85,421** | | 113,868 |
| **Free funds flow** | **$** | **62,886** | $ | 47,856 |

***EBITDA****, is a non-GAAP financial measure that is defined as net income adjusted for finance income and expenses, income tax expense (recovery) and depletion, depreciation and amortization.*

***Adjusted EBITDA,*** *is a non-GAAP financial measure defined as EBITDA adjusted for non-cash impairment charges, unrealized foreign exchange gains (losses), unrealized gains (losses) on risk management contracts and share-based compensation expense.*

*The Company considers EBITDA and Adjusted EBITDA to be key measures as they demonstrates Parex's profitability before finance income and expenses, taxes, depletion, depreciation and amortization and other non-cash items. A reconciliation from net income to EBITDA and Adjusted EBITDA is as follows:*

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| ($000s) | | **2024** | | 2023 |
| **Net income** | **$** | **60,093** | $ | 104,375 |
| Adjustments to reconcile net income to EBITDA: | | | | |
| Finance income | | **(1,257)** | | (4,386) |
| Finance expense | | **5,194** | | 3,704 |
| Income tax expense | | **75,817** | | 33,172 |
| Depletion, depreciation and amortization | | **52,231** | | 41,952 |
| **EBITDA** | | **192,078** | | 178,817 |
| Share-based compensation expense | | **(2,463)** | | 10,551 |
| Unrealized foreign exchange (gain) loss | | **(1,387)** | | 8,992 |
| **Adjusted EBITDA** | **$** | **188,228** | $ | 198,360 |

***Operating netback**, is a non-GAAP financial measure that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback as oil and natural gas sales from production less royalties, operating, and transportation expense. Refer to "Financial and Operational Results – Consolidated Results of Operations" for the calculation of operating netback.*

**Non-GAAP Ratios**

***Operating netback per boe**, is a non-GAAP ratio that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback per boe as operating netback divided by the total equivalent sales volume including purchased oil volumes for oil and natural gas sales price and transportation expense per boe and by the total equivalent sales volume excluding purchased oil volumes for royalties and operating expense per boe.*

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

***Basic and diluted funds flow provided by operations per share or FFO per share**, is a non-GAAP ratio that is calculated by dividing funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. Parex presents basic and diluted funds flow provided by operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. The Company considers basic and diluted funds flow provided by operations per share or FFO per share to be a key measure as it demonstrates Parex's profitability after all cash costs relative to the weighted average number of basic and diluted shares outstanding.*

**Capital Management Measures**

***Funds flow provided by operations,** is a capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. The Company considers funds flow provided by operations to be a key measure as it demonstrates Parex's profitability after all cash costs. A reconciliation from cash provided by (used in) operating activities to funds flow provided by operations is as follows:*

| | For the three months ended March 31, | |
|---|---|---|
| ($000s) | **2024** | 2023 |
| **Cash provided by operating activities** | **$ 97,412** | $ 131,273 |
| Net change in non-cash working capital | **50,895** | 30,451 |
| **Funds flow provided by operations** | **$ 148,307** | $ 161,724 |

| | For the three months ended | | | | | |
|---|---|---|---|---|---|---|
| | December 31, | September 30, | June 30, | December 31, | September 30, | June 30, |
| ($000s) | 2023 | 2023 | 2023 | 2022 | 2022 | 2022 |
| **Cash provided by (used in) operating activities** | $ 194,242 | $ 87,568 | $ (36,612) | $ 297,569 | $ 250,643 | $ 244,783 |
| Net change in non-cash working capital | (865) | 70,271 | 191,454 | (212,375) | (44,231) | (16,987) |
| **Funds flow provided by operations** | $ 193,377 | $ 157,839 | $ 154,842 | $ 85,194 | $ 206,412 | $ 227,796 |

***Working capital surplus (deficit),** is a capital management measure which the Company uses to describe its liquidity position and ability to meet its short-term liabilities. Working capital surplus (deficit) surplus is defined as current assets less current liabilities:*

| | For the three months ended March 31, | |
|---|---|---|
| ($000s) | **2024** | 2023 |
| Current Assets | **$ 276,113** | $ 528,744 |
| Current Liabilities | **220,212** | 499,082 |
| **Working capital surplus** | **$ 55,901** | $ 29,662 |

| ($000s) | | December 31, 2023 | | September 30, 2023 | | June 30, 2023 | | December 31, 2022 | | September 30, 2022 | | June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the three months ended | | | | | | | | | | | |
| Current assets | $ | 337,175 | $ | 240,559 | $ | 322,146 | $ | 593,602 | $ | 613,900 | $ | 695,053 |
| Current liabilities | | 258,148 | | 298,070 | | 325,103 | | 508,614 | | 384,137 | | 383,557 |
| **Working capital surplus (deficit)** | $ | 79,027 | $ | (57,511) | $ | (2,957) | $ | 84,988 | $ | 229,763 | $ | 311,496 |

**Supplementary Financial Measures**

**"DD&A expense per boe"** is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

**"Dividends paid per share"** is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

**"Effective current tax rate as a per cent of funds flow provided by operations before tax"** is comprised of current income tax expense, as determined in accordance with IFRS, divided by funds flow provided by operations before tax.

**"G&A expense per boe"** is comprised of net G&A expense after recoveries and capitalization, as determined in accordance with IFRS, divided by the Company's total production.

**"Net revenue per boe"** is comprised of net revenue, as determined in accordance with IFRS, divided by the total equivalent sales volume and includes purchased oil volumes.

**"Oil and natural gas sales price per boe"** is comprised of total commodity sales from oil and natural gas production, as determined in accordance with IFRS, divided by the Company's total oil and natural gas sales volumes including purchased oil volumes.

**"Production expense per boe"** is comprised of production expense, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased oil volumes.

**"Production per share growth"** is comprised of the Company's total oil and natural gas production volumes divided by the weighted average number of basic shares outstanding, whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. Growth is determined in comparison to the comparative year.

**"Realized oil sales price per bbl"** is comprised of total oil sales, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased oil volumes.

**"Realized natural gas price per Mcf"** is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas sales volumes.

**"Royalties per boe"** is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased oil volumes.

**"Royalties as a percentage of sales"** is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales from production, excluding purchased oil volumes, as determined in accordance with IFRS.
**"Transportation expense per bbl"** is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased oil volumes.

**"Transportation expense per boe"** is comprised of transportation expense, as determined in accordance with IFRS, divided by the total equivalent sales volumes including purchased oil volumes.

## Business Environment and Risks

Parex is exposed to various market and operational risks. For a discussion of these risks please refer to the Parex's MD&A for the year ended December 31, 2023 as filed on SEDAR+ at www.sedarplus.ca or Parex's website at www.parexresources.com.

## Internal Controls over Financial Reporting

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

## Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the three months ended March 31, 2024 other than normal course guarantees entered into in the form of letters of credit to support the exploration work commitments on its blocks. For further information refer to "Contractual Obligations, Commitments and Guarantees" section above and note 22 - Commitments and Contingencies in the unaudited condensed interim consolidated financial statements.

## Financial Instruments and Other Instruments

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

## Material Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2023 with the addition of the below Amendment to IAS 1 Presentation of Financial Statements.

On January 1, 2024, the Company adopted the amendment to IAS 1 Presentation of Financial Statements. The amendment clarifies the requirements for the presentation of liabilities as current or non-current in the statements of financial position which specify the classification and disclosure of a liability with covenants. There was not a material impact to the Company's financial statements.

***Change in presentation***

Prior period revenue items have been reclassified to conform to the current period's presentation.

Pipeline transportation revenue, that was previously included in oil and natural gas sales, has been included in other revenue:

| Consolidated Statements of Comprehensive Income (unaudited) | | For the three months ended March 31, 2023 |
|---|---|---|
| Oil and natural gas sales, as previously presented | $ | 328,733 |
| Reclassification to Other revenue | | (1,503) |
| **Oil and natural gas sales, as currently presented** | **$** | **327,230** |

Revenues related to the energy generation and use of infrastructure, that were previously included in finance income, have been included in other revenue:

| Consolidated Statements of Comprehensive Income (unaudited) | | For the three months ended March 31, 2023 |
|---|---|---|
| Finance income, as previously presented | $ | 4,644 |
| Reclassification to Other revenue | | (258) |
| **Finance income, as currently presented** | **$** | **4,386** |

**DIRECTORS**

**Wayne Foo**
*Chairman of the Board*

**Robert Engbloom**

**Lynn Azar**

**Lisa Colnett**

**Sigmund Cornelius**

**G.R. (Bob) MacDougall**

**Glenn McNamara**
*Lead Director*

**Imad Mohsen**

**Carmen Sylvain**

**OFFICERS & SENIOR EXECUTIVES**

**Imad Mohsen**
*President & Chief Executive Officer*

**Daniel Ferreiro**
*President & Country Manager, Parex Resources Colombia*

**Sanjay Bishnoi**
*Chief Financial Officer & Corporate Secretary*

**Eric Furlan**
*Chief Operating Officer*

**Mike Kruchten**
*Sr. Vice President, Capital Markets & Corporate Planning*

**Joshua Share**
*Sr. Vice President, Corporate Services*

**Katie Bernard**
*Vice President, New Ventures*

**CORPORATE HEADQUARTERS**

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**TRANSFER AGENT AND REGISTRAR**

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

**RESERVES EVALUATORS**

**GLJ Ltd.**
Calgary, Alberta

**INVESTOR RELATIONS**

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**ABBREVIATIONS**

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

| Other | |
|---|---|
| WTI | West Texas Intermediate |
| Brent | Brent Ice |
| FFO | Funds flow provided by operations |