

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**Consolidated Balance Sheets (unaudited)**

As at (thousands of United States dollars)	NOTE	March 31, 2020	December 31, 2019
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 397,424	\$ 396,839
Accounts receivable	5	91,825	149,510
Prepays and other current assets		11,904	8,363
Derivative financial instruments	19	3	511
Crude oil inventory	6	5,336	653
		\$ 506,492	\$ 555,876
Deferred tax asset	15	34,113	89,254
Goodwill		73,452	73,452
Exploration and evaluation	7	150,595	142,916
Property, plant and equipment	8	845,689	823,083
		\$ 1,610,341	\$ 1,684,581
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 137,426	\$ 141,716
Current income tax payable	15	34,204	61,763
Current portion of decommissioning and environmental liabilities	12	4,506	8,366
		176,136	211,845
Lease obligation	9	544	770
Cash settled share-based compensation liabilities	14	4,123	12,379
Decommissioning and environmental liabilities	12	35,346	43,569
Deferred tax liability	15	43,133	13,573
		259,282	282,136
Shareholders' equity			
Share capital	13	799,053	812,684
Contributed surplus		47,862	48,573
Retained earnings		504,144	541,188
		1,351,059	1,402,445
		\$ 1,610,341	\$ 1,684,581

Commitments (note 21)

See accompanying Notes to the Consolidated Interim Financial Statements

Approved by the Board:

 "signed"  
 Paul Wright  
 Director

 "signed"  
 Ron Miller  
 Director

## Consolidated Statements of Comprehensive (Loss) Income (unaudited)

(thousands of United States dollars, except per share amounts)	NOTE	For the three months ended March 31,	
		2020	2019
Oil and natural gas sales	10	\$ 193,618	\$ 246,594
Royalties		(22,217)	(29,270)
Revenue		171,401	217,324
<b>Expenses</b>			
Production		25,062	26,157
Transportation		20,336	19,146
Purchased oil		10,241	5,653
General and administrative		9,099	8,527
Impairment of property, plant and equipment assets	8	7,000	—
Equity settled share-based compensation expense	13	1,156	2,219
Cash settled share-based compensation (recovery) expense	14	(9,291)	6,938
Depletion, depreciation and amortization	8	29,669	29,465
Foreign exchange (gain) loss		(16,148)	3,013
		77,124	101,118
Finance (income)	11	(922)	(2,599)
Finance expense	11	4,177	1,680
<b>Net finance expense (income)</b>		3,255	(919)
<b>Income before income taxes</b>		91,022	117,125
<b>Income tax expense</b>			
Current tax expense	15	10,099	24,466
Deferred tax expense	15	84,702	10,645
		94,801	35,111
<b>Net (loss) income and comprehensive (loss) income for the period</b>		\$ (3,779)	\$ 82,014
<b>Basic net (loss) income per common share</b>	16	\$ (0.03)	\$ 0.54
<b>Diluted net (loss) income per common share</b>	16	\$ (0.03)	\$ 0.53

See accompanying Notes to the Consolidated Interim Financial Statements

## Consolidated Statements of Changes in Equity (unaudited)

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

	2020	2019
<b>Share capital</b>		
Balance, beginning of period	\$ 812,684	\$ 848,946
Issuance of common shares under share-based compensation plans	4,066	6,200
Repurchase of shares	(17,697)	(28,616)
Balance, end of period	<b>799,053</b>	826,530
<b>Contributed surplus</b>		
Balance, beginning of period	48,573	54,742
Share-based compensation	1,156	2,219
Options and RSUs exercised	(1,867)	(3,894)
Balance, end of period	<b>47,862</b>	53,067
<b>Retained earnings</b>		
Balance, beginning of period	541,188	369,344
Net (loss) income for the period	(3,779)	82,014
Repurchase of shares	(33,265)	(59,975)
Balance, end of period	<b>504,144</b>	391,383
	<b>\$ 1,351,059</b>	<b>\$ 1,270,980</b>

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,	
		2020	2019
<b>Operating activities</b>			
Net (loss) income		\$ (3,779)	\$ 82,014
Add (deduct) non-cash items			
Depletion, depreciation and amortization	8	29,669	29,465
Non-cash finance expense	11	3,513	1,067
Equity settled share-based compensation expense	13	1,156	2,219
Cash settled share-based compensation (recovery) expense	14	(9,291)	6,938
Deferred tax expense	15	84,702	10,645
Impairment of property, plant and equipment assets	8	7,000	—
Unrealized foreign exchange (gain) loss		(15,561)	1,168
Gain on settlement of decommissioning liabilities	12	(96)	(11)
Net change in non-cash working capital	17	57,986	(20,429)
Cash provided by operating activities		155,299	113,076
<b>Investing activities</b>			
Property, plant and equipment expenditures	8	(63,819)	(46,013)
Exploration and evaluation expenditures	7	(7,447)	(6,520)
Net change in non-cash working capital	17	(18,182)	(6,759)
Cash (used in) investing activities		(89,448)	(59,292)
<b>Financing activities</b>			
Issuance of common shares under equity-settled plans	13	2,199	2,306
Common shares repurchased	13	(50,962)	(88,591)
Payments on lease obligation	9	(212)	(167)
Net change in non-cash working capital	17	(2,046)	2,333
Cash (used in) financing activities		(51,021)	(84,119)
<b>Increase (decrease) in cash for the period</b>		<b>14,830</b>	<b>(30,335)</b>
<b>Impact of foreign exchange on foreign currency-denominated cash balances</b>		<b>(14,245)</b>	<b>350</b>
<b>Cash, beginning of period</b>		<b>396,839</b>	<b>462,891</b>
<b>Cash, end of period</b>		<b>\$ 397,424</b>	<b>\$ 432,906</b>

Supplemental Disclosure of Cash Flow Information (note 17)  
See accompanying Notes to the Consolidated Interim Financial Statements

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended March 31, 2020

(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 13, 2020.

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

#### a) Statement of compliance

The condensed interim consolidated financial information for the three months ended March 31, 2020 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 13, 2020, the date of approval by the Board of Directors.

#### b) Basis of measurement

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

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

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. Crude oil prices have also been severely impacted by increased global supply due to disagreements over production restrictions between the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members, primarily Saudi Arabia and Russia. As a result of declining commodity prices and financial markets, the Company's share price and market capitalization significantly declined from December 31, 2019.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by Management in the preparation of its financial results.

A full list of the key sources of estimation uncertainty can be found in the Company's annual consolidated financial statements for the year ended December 31, 2019. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the interim consolidated financial statements, particularly related to the estimation of recoverable amounts.

Determining the recoverable amount of a cash-generating unit ("CGU") or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. The severe drop in commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating economic crude oil and natural gas reserves and estimating forward commodity prices.

### 3. Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2019.

### 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, 2019 consolidated financial statements for details concerning determination of fair values.

### 5. Accounts Receivable

	<b>March 31, 2020</b>	December 31, 2019
Trade receivables	\$ 71,022	\$ 143,577
Receivables from partners	10,738	—
Value added taxes (VAT)	10,065	5,933
	<b>\$ 91,825</b>	<b>\$ 149,510</b>

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is \$10.1 million as at March 31, 2020 (December 31, 2019 - \$5.9 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

	<b>March 31, 2020</b>	December 31, 2019
Crude oil inventory	\$ 5,336	\$ 653

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

<b>Cost</b>		
<b>Balance at December 31, 2018</b>	<b>\$</b>	<b>127,800</b>
Additions		59,677
Transfers to PP&E		(25,590)
Changes in decommissioning liability		3,796
Exploration and evaluation impairment		(22,767)
<b>Balance at December 31, 2019</b>	<b>\$</b>	<b>142,916</b>
Additions		7,447
Changes in decommissioning liability		232
<b>Balance at March 31, 2020</b>	<b>\$</b>	<b>150,595</b>

Exploration and Evaluation ("E&E") assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. Additions of \$7.4 million for the three months ended March 31, 2020 represent the Company's share of costs incurred on E&E assets during the period primarily on the CPO-11 and Fortuna blocks.

There were no indicators of exploration and evaluation impairment in the period ended March 31, 2020.

During the year ended December 31, 2019, additions of \$59.7 million represent the Company's share of costs incurred on E&E assets during the period. During the year ended December 31, 2019 \$25.6 million of E&E assets were transferred to PP&E mainly related to the Boranda Block. Also in 2019, the Company recorded \$22.8 million of impairment charges primarily associated with LLA-10 Block in the Llanos basin.

At March 31, 2020 and December 31, 2019 the Company did not have any E&E assets in Canada.

## 8. Property, Plant and Equipment

	Canada	Colombia	Total
<b>Cost</b>			
<b>Balance at December 31, 2018</b>	<b>\$ 3,867</b>	<b>\$ 2,064,880</b>	<b>\$ 2,068,747</b>
Additions	121	148,398	148,519
Right-of-use-asset addition (non-cash)	2,227	—	2,227
Transfers from E&E assets	—	25,590	25,590
Changes in decommissioning and environmental liability	—	(3,077)	(3,077)
<b>Balance at December 31, 2019</b>	<b>\$ 6,215</b>	<b>\$ 2,235,791</b>	<b>\$ 2,242,006</b>
Additions	64	63,755	63,819
Changes in decommissioning and environmental liability	—	(3,158)	(3,158)
<b>Balance at March 31, 2020</b>	<b>\$ 6,279</b>	<b>\$ 2,296,388</b>	<b>\$ 2,302,667</b>

### Accumulated Depreciation, Depletion and Amortization

<b>Balance at December 31, 2018</b>	<b>\$ 3,678</b>	<b>\$ 1,289,538</b>	<b>\$ 1,293,216</b>
Depletion and depreciation for the year	136	124,996	125,132
Depreciation - Right of Use Asset	767	—	767
DD&A included in crude oil inventory costing	—	(192)	(192)
<b>Balance at December 31, 2019</b>	<b>\$ 4,581</b>	<b>\$ 1,414,342</b>	<b>\$ 1,418,923</b>
Depletion and depreciation for the period	24	29,452	29,476
Depreciation - Right of Use Asset	193	—	193
DD&A included in crude oil inventory costing	—	1,386	1,386
Property, plant and equipment impairment	—	7,000	7,000
<b>Balance at March 31, 2020</b>	<b>\$ 4,798</b>	<b>\$ 1,452,180</b>	<b>\$ 1,456,978</b>

### Net book value:

As at December 31, 2018	\$ 189	\$ 775,342	\$ 775,531
As at December 31, 2019	\$ 1,634	\$ 821,449	\$ 823,083
<b>As at March 31, 2020</b>	<b>\$ 1,481</b>	<b>\$ 844,208</b>	<b>\$ 845,689</b>

In the three months ended March 31, 2020 property, plant and equipment ("PPE") additions of \$63.8 million mainly relate to drilling costs in Colombia at Block LLA-34 and Cabrestero block and facility costs at Block LLA-34 and Capachos block.

For the three months ended March 31, 2020 future development costs of \$394.2 million (three months ended March 31, 2019 - \$399.8 million) were included in the depletion calculation for development and production assets. For the three months ended March 31, 2020 \$2.1 million of general and administrative costs (three months ended March 31, 2019 - \$2.2 million) have been capitalized in respect of development and production activities during the current period.

As a result of the COVID-19 pandemic and the drastic decrease in forecast global crude oil prices compared to those at December 31, 2019, an indication of impairment was identified for all CGUs at March 31, 2020 and impairment tests were performed. The Company determined that the carrying amount of the Boranda CGU in the Magdalena Basin exceeded its recoverable amount and an impairment of \$7.0 million was recorded in the consolidated statements of comprehensive (loss) income. All other CGU's were found to have recoverable amounts greater than carrying amounts. The recoverable amount for this testing was determined using fair value less cost of disposal. Future cash flows for the CGU's declined due to lower crude oil prices.

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

The fair value estimation approach used, requires assumptions about revenue, future oil prices, tax rate and discount rates, all of which are level 3 inputs. The future oil prices used in the model are based on a forecast of crude oil prices by Parex' independent reserve evaluators.

Prices used at March 31, 2020 are as follows:

	2020	2021	2022	2023	2024	Thereafter
Brent (\$US/bbl)	38.64	45.50	52.50	57.50	62.50	2% increase per year

Prices used at December 31, 2019 are as follows:

	2020	2021	2022	2023	2024	Thereafter
Brent (\$US/bbl)	67.00	68.00	71.00	73.00	75.00	2% increase per year

## 9. Lease Obligation

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

	March 31, 2020
Less than 1 year	\$ 877
2-3 years	604
Total lease payments	1,481
Amounts representing interest over the term of the lease	(59)
Present value of net lease payments	1,422
Current portion of lease obligations	(878)
Non-current portion of lease obligations	\$ 544

The consolidated statements of comprehensive loss for the three months ended March 31, 2020 includes expenses related to leases as follows: \$20,106 of interest expense related to the lease obligation, \$0.1 million of depreciation for right-of-use assets, \$0.2 million of non-lease components associated with the office lease obligation and \$0.3 million related to short-term and low value leases.

Total cash outflows were \$0.7 million for the three months ended March 31, 2020.

## 10. Revenue

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

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

	For the three months ended March 31,	
	2020	2019
Crude oil	\$ 189,644	\$ 243,732
Natural gas	3,974	2,862
Oil and natural gas sales	\$ 193,618	\$ 246,594

At March 31, 2020, receivables from contracts with customers, which are included in accounts receivable, were \$71.0 million (December 31, 2019 - \$143.6 million).

## 11. Net Finance Expense (Income)

	For the three months ended March 31,	
	2020	2019
Bank charges and credit facility fees	\$ 740	\$ 624
Accretion on decommissioning and environmental liabilities	1,093	1,040
Interest and other income	(922)	(2,599)
Right of use asset interest	20	27
Gain on settlement of decommissioning liabilities	(96)	(11)
Expected credit loss provision	1,343	—
Other	1,077	—
<b>Net finance expense (income)</b>	<b>\$ 3,255</b>	<b>\$ (919)</b>

	For the three months ended March 31,	
	2020	2019
Non-cash finance expense	\$ 3,417	\$ 1,056
Cash finance (income)	(162)	(1,975)
<b>Net finance expense (income)</b>	<b>\$ 3,255</b>	<b>\$ (919)</b>

## 12. Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2018	\$ 42,052	\$ 15,549	\$ 57,601
Additions	10,524	1,355	11,879
Settlements of obligations during the year	(10,536)	(1,229)	(11,765)
Loss on settlement of obligations	359	—	359
Accretion expense	3,166	1,426	4,592
Change in estimate - inflation and discount rates	1,455	170	1,625
Change in estimate - costs	(10,253)	(2,532)	(12,785)
Foreign exchange loss (gain)	477	(48)	429
Balance, December 31, 2019	\$ 37,244	\$ 14,691	\$ 51,935
Additions	1,189	335	1,524
Settlements of obligations during the period	(46)	(415)	(461)
Gain on settlement of obligations	(96)	—	(96)
Accretion expense	567	526	1,093
Change in estimate - inflation and discount rates	(2,742)	(729)	(3,471)
Change in estimate - costs	—	(979)	(979)
Foreign exchange (gain)	(7,285)	(2,408)	(9,693)
<b>Balance, March 31, 2020</b>	<b>\$ 28,831</b>	<b>\$ 11,021</b>	<b>\$ 39,852</b>
Current obligation	(1,948)	(2,558)	(4,506)
<b>Long-term obligation</b>	<b>\$ 26,883</b>	<b>\$ 8,463</b>	<b>\$ 35,346</b>

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at March 31, 2020, 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 \$54.0 million as at March 31, 2020 (December 31, 2019 – \$63.3 million) with the majority of these costs anticipated to occur in 2022 or later. A risk-free discount rate of 8.26% and an inflation rate of 3.1% were used in the valuation of the liabilities (December 31, 2019 – 6.74% risk-free discount rate and a 3.1% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is \$1.9 million (December 31, 2019 – \$4.3 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 \$18.3 million as at March 31, 2020 (December 31, 2019 – \$21.5 million) with the majority of these costs anticipated to occur in 2020 or later in Colombia. A risk-free discount rate of 8.26% and an inflation rate of 3.1% were used in the valuation of the liabilities (December 31, 2019 – 6.74% risk-free discount rate and a 3.1% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is \$2.6 million (December 31, 2019 – \$4.1 million) that is classified as a current obligation.

### 13. Share Capital

#### a) Issued and outstanding common shares

	Number of shares	Amount
Balance, December 31, 2018	155,013,908	\$ 848,946
Issued for cash – exercise of options and RSUs	2,960,620	17,737
Allocation of contributed surplus – exercise of options and RSUs	—	13,772
Repurchase of shares	(14,679,474)	(67,771)
Balance, December 31, 2019	143,295,054	\$ 812,684
Issued for Cash - exercise of options and RSUs	370,787	2,199
Allocation of contributed surplus – exercise of options and RSUs	—	1,867
Repurchase of shares	(3,865,000)	(17,697)
<b>Balance, March 31, 2020</b>	<b>139,800,841</b>	<b>\$ 799,053</b>

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

In the three months ended March 31, 2020, a total of 370,787 options and RSUs were exercised for proceeds of \$2.2 million (year ended December 31, 2019 - 2,960,620 options and RSUs were exercised for proceeds of \$17.7 million).

Also in 2020, the Company repurchased 3,865,000 common shares pursuant to its Normal Course Issuer Bid at a cost of \$51.0 million (average cost per share of Cdn\$18.53). In 2019, the Company repurchased 14,679,474 common shares pursuant to its Normal Course Issuer Bid at a cost of \$223.9 million (average cost per share of Cdn\$20.41). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

#### b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's officers and certain employees to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 9% 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, 2018	4,341,747	13.14
Granted	228,300	19.23
Exercised	(2,104,304)	11.12
Balance, December 31, 2019	2,465,743	15.42
Granted	260,400	21.91
Exercised	(198,966)	14.45
<b>Balance, March 31, 2020</b>	<b>2,527,177</b>	<b>16.16</b>

Stock options outstanding and the weighted average remaining life of the stock options at March 31, 2020 are as follows:

Exercise price Cdn\$	Options outstanding			Options vested		
	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn\$/option	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn\$/option
\$10.94 - \$15.41	434,402	0.76	\$ 11.32	419,684	0.70	\$ 11.20
\$15.42 - \$15.84	920,852	1.62	\$ 15.66	920,852	1.62	\$ 15.66
\$15.85 - \$17.13	494,189	1.94	\$ 16.02	494,189	1.94	\$ 16.02
\$17.14 - \$19.81	367,584	3.35	\$ 18.63	183,976	3.18	\$ 18.60
\$19.82 - \$22.18	310,150	4.75	\$ 21.75	583	3.94	\$ 20.88
	<b>2,527,177</b>	<b>2.17</b>	<b>\$ 16.16</b>	<b>2,019,284</b>	<b>1.65</b>	<b>\$ 15.09</b>

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,	2020	2019
Risk-free interest rate (%)	<b>1.33</b>	1.80
Expected life (years)	<b>4</b>	4
Expected volatility (%)	<b>37</b>	40
Forfeiture rate (%)	<b>3</b>	3
Expected dividends	<b>—</b>	—

The weighted average fair value at the grant date for the three months ended March 31, 2020 was Cdn\$6.69 per option (three months ended March 31, 2019 - Cdn\$6.30 per option). The weighted average share price on the exercise date for options exercised in the three months ended March 31, 2020 was Cdn\$23.74 (three months ended March 31, 2019 - Cdn\$20.08).

### c) Restricted and performance share units

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

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

	Number of RSU's	Weighted average exercise price Cdn\$/RSU
Balance, December 31, 2018	2,527,068	0.01
Exercised	(856,316)	0.01
Cancelled/Forfeited/Expired	(7,434)	0.01
Balance, December 31, 2019	1,663,318	0.01
Exercised	(171,821)	0.01
Cancelled/Forfeited/Expired	(30,000)	0.01
<b>Balance, March 31, 2020</b>	<b>1,461,497</b>	<b>0.01</b>

RSUs outstanding and the weighted average remaining life of the RSUs at March 31, 2020 are as follows:

Exercise price Cdn\$	RSUs outstanding		RSUs vested	
	Number of RSUs	Weighted average remaining life (years)	Number of RSUs	Weighted average remaining life (years)
0.01	1,461,497	1.86	1,257,485	1.71

The fair value of each RSU granted is based on the market price of Parex shares on the date of issuance. For the three months ended March 31, 2020 a weighted average forfeiture rate of 3% was applied (three months ended March 31, 2019 - 3%).

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

	Number of PSU's	Weighted average exercise price Cdn\$/PSU
Balance, December 31, 2018	320,500	0.01
Balance, December 31, 2019	320,500	0.01
Granted by performance factor	101,430	0.01
<b>Balance, March 31, 2020</b>	<b>421,930</b>	<b>0.01</b>

The fair value of each PSU granted is based on the share price at which the common shares of the Company traded for on the grant date. The weighted average fair value at the grant date for three months ended March 31, 2020 was Cdn\$13.47 per PSU.

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

	For the three months ended March 31,	
	2020	2019
Option expense	\$ 302	\$ 469
Restricted and performance share units expense	854	1,750
<b>Total equity settled share-based compensation expense</b>	<b>\$ 1,156</b>	<b>\$ 2,219</b>

## 14. Cash Settled Share-Based Compensation Plans

### a) Share appreciation rights ("SARs")

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

	Number of SARs	Weighted average exercise price Cdn\$/SAR
Balance, December 31, 2018	1,591,866	13.90
Exercised	(989,225)	13.33
Forfeited	(33,869)	15.42
Balance, December 31, 2019	568,772	14.80
Exercised	(127,419)	15.02
<b>Balance, March 31, 2020</b>	<b>441,353</b>	<b>14.73</b>

As at March 31, 2020, 433,549 SARs were vested (December 31, 2019 - 531,844).

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

For the three months ended March 31,	2020	2019
Risk-free interest rate (%)	1.10	1.64
Expected life (years)	0.6	1.5
Expected volatility (%)	46	35
Share price (\$/Cdn)	11.90	20.92
Expected dividends	—	—

As at March 31, 2020, the total SARs liability accrued is \$0.7 million (December 31, 2019 - \$4.6 million) of which \$nil (December 31, 2019 - \$nil) 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	Weighted average exercise price Cdn\$/DSU
Balance, December 31, 2018	219,350	—
Granted	26,435	—
Balance, December 31, 2019	245,785	—
<b>Balance, March 31, 2020</b>	<b>245,785</b>	—

The fair value at the grant date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the grant date. There were no DSUs granted during the three months ended March 31, 2020 and 2019.

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, 2020, the total DSUs liability accrued is \$2.1 million (December 31, 2019 - \$4.5 million) of which \$1.5 million is classified as long-term in accordance with the terms of the DSU plan (December 31, 2019 - \$4.5 million was classified as long-term).

### **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	Weighted average exercise price Cdn\$/CRSU
Balance, December 31, 2018	785,075	—
Granted	551,020	—
Exercised	(306,251)	—
Forfeited	(38,174)	—
Balance, December 31, 2019	991,670	—
Granted	321,878	—
Exercised	(6,800)	—
<b>Balance, March 31, 2020</b>	<b>1,306,748</b>	—

The weighted average fair value at the grant date for three months ended March 31, 2020 was Cdn\$21.75 per CRSU (three months ended March 31, 2019 Cdn\$18.90 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, 2020, the total CRSUs liability accrued is \$6.3 million (December 31, 2019 - \$11.8 million) of which \$0.7 million (December 31, 2019 - \$4.0 million) is classified as long-term in accordance with the three-year vesting period.

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

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

**CosRSU:**

	Number of CosRSUs
Balance, December 31, 2019	649,185
Granted	554,700
Exercised	(147,768)
<b>Balance, March 31, 2020</b>	<b>1,056,117</b>

**CosPSU:**

	Number of CosPSUs
Balance, December 31, 2019	222,100
Granted	211,600
<b>Balance, March 31, 2020</b>	<b>433,700</b>

As at March 31, 2020, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the three months ended March 31, 2020 was Cdn\$21.72 per CosRSU and CosPSU (three months ended March 31, 2019 Cdn\$18.77 per CosRSU and CosPSU.)

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of RSUs and PSUs. The fair value of CosRSUs and CosPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at March 31, 2020, the total CosRSUs and CosPSUs liability accrued is \$3.3 million (December 31, 2019 - \$7.1 million) of which \$1.9 million (December 31, 2019 - \$3.9 million) is classified as long-term in accordance with the three-year vesting period.

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

	For the three months ended March 31,	
	<b>2020</b>	2019
SARs (recovery) expense	\$ (2,858)	\$ 2,726
DSUs (recovery) expense	(2,434)	750
CRSUs (recovery) expense	(2,659)	2,733
CosRSUs and CosPSUs (recovery) expense	(1,340)	729
<b>Total cash settled share-based compensation (recovery) expense</b>	<b>\$ (9,291)</b>	<b>\$ 6,938</b>
<b>Cash payments made upon exercise in the period</b>	<b>\$ 8,330</b>	<b>\$ 4,266</b>

**15. Income Tax**

The components of tax expense for the three months ended March 31, 2020, and 2019 were as follows:

	For the three months ended March 31,	
	<b>2020</b>	2019
Current tax expense	\$ 10,099	\$ 24,466
Deferred tax expense	84,702	10,645
<b>Income tax expense</b>	<b>\$ 94,801</b>	<b>\$ 35,111</b>

## 16. Net (Loss) Income per Share

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

	For the three months ended March 31,	
	2020	2019
<b>Net (loss) income</b>		
Net (loss) income for the purpose of basic net (loss) income per share	\$ (3,779)	\$ 82,014
<b>Weighted average number of shares for the purposes of basic net (loss) income per share (000s)</b>	<b>141,805</b>	151,581
<b>Basic net (loss) income per share</b>	<b>\$ (0.03)</b>	\$ 0.54

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

	For the three months ended March 31,	
	2020	2019
<b>Net (loss) income</b>		
Net (loss) income used to calculate diluted net (loss) income per share	\$ (3,779)	\$ 82,014
<b>Weighted average number of shares for the purposes of basic net (loss) income per share (000s)</b>	<b>141,805</b>	151,581
Dilutive effect of stock options, RSUs and PSUs on potential common shares	—	3,765
<b>Weighted average number of shares for the purposes of diluted net (loss) income per share (000s)</b>	<b>141,805</b>	155,346
<b>Diluted net (loss) income per share</b>	<b>\$ (0.03)</b>	\$ 0.53

For the three months ended March 31, 2020, 2,685,034 stock options (three months ended March 31, 2019 - 309,406) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

## 17. Supplemental Disclosure of Cash Flow Information

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

	For the three months ended March 31,	
	2020	2019
Accounts receivable	\$ 57,685	\$ (46,357)
Prepays and other current assets	(3,541)	(1,391)
Oil inventory	(4,683)	(603)
Accounts payable and accrued liabilities	(12,628)	25,955
Depletion related to oil inventory	1,386	200
Decommissioning and environmental liabilities	(461)	(2,659)
<b>Net change in non-cash working capital</b>	<b>\$ 37,758</b>	<b>\$ (24,855)</b>
Operating	\$ 57,986	\$ (20,429)
Investing	(18,182)	(6,759)
Financing	(2,046)	2,333
<b>Net change in non-cash working capital</b>	<b>\$ 37,758</b>	<b>\$ (24,855)</b>

### b) Interest and taxes paid

	For the three months ended March 31,	
	2020	2019
Cash interest paid	\$ —	\$ 3
Cash income taxes paid	\$ 8,944	\$ —

## 18. Capital Management

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

Parex has a senior secured credit facility which as at March 31, 2020 had a borrowing base in the amount of \$200.0 million (December 31, 2019 - \$200.0 million). The credit facility is intended to serve as a means to increase liquidity and fund cash needs as they arise. As at March 31, 2020, \$nil (December 31, 2019 - \$nil) was drawn on the credit facility.

The Company has also provided a general security agreement to Export Development Canada ("EDC") in connection with the performance security guarantees that support letters of credit provided to the Colombian National Hydrocarbon Agency ("ANH") related to the exploration work commitments on its Colombian concessions (see note 21 - Commitments). This performance guarantee facility has a limit of \$150.0 million (December 31, 2019 - limit of \$150.0 million) of which \$18.0 million (December 31, 2019 - \$25.4 million) is utilized at March 31, 2020. At March 31, 2020, there is an additional \$22.6 million (December 31, 2019 - \$22.5 million) of letters of credit that are provided by a Latin American bank on an unsecured basis.

As at March 31, 2020, the Company's net working capital surplus was \$330.4 million (December 31, 2019 - \$344.0 million), of which \$397.4 million is cash.

Parex has the ability to adjust its capital structure by drawing on its existing secured credit facility and making adjustments to its capital expenditure and share buy back programs to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity and the credit facility. As at March 31, 2020 shareholders' equity was \$1,351.1 million (December 31, 2019 - \$1,402.4 million).

## 19. Financial Instruments and Risk Management

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

### **a) Credit risk**

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

The Company for the three months ended March 31, 2020 had the majority of its oil sales to 10 counterparties. The accounts receivable balance as at March 31, 2020 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, 2020, there were no accounts receivable past due (December 31, 2019 - \$nil).

### **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, 2020 was \$nil.

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

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 128,386	—	—	—	\$ 128,386
Current income tax payable	34,204	—	—	—	34,204
Lease obligation	878	544	—	—	1,422
Cash settled equity plans payable	8,162	4,123	—	—	12,285
<b>Total</b>	<b>\$ 171,630</b>	<b>4,667</b>	<b>—</b>	<b>—</b>	<b>\$ 176,297</b>

The following are the contractual maturities of financial liabilities at December 31, 2019:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 125,282	—	—	—	\$ 125,282
Current income tax payable	61,763	—	—	—	61,763
Lease obligation	867	770	—	—	1,637
Cash settled equity plans payable	15,567	12,379	—	—	27,946
<b>Total</b>	<b>\$ 203,479</b>	<b>13,149</b>	<b>—</b>	<b>—</b>	<b>\$ 216,628</b>

**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, 2020 and December 31, 2019, the Company had no outstanding commodity price risk management contracts.

Subsequent to March 31, 2020, the Company entered into the following commodity price risk management contracts:

**Purchased Collar**

Period Hedged	Reference	Volumes bbls/d	Purchased Put	Sold Call	Premium
May 1, 2020 to June 30, 2020	ICE Brent	20,000	\$30.00	\$37.50	\$1.00

**Swap**

Period Hedged	Reference	Volumes bbls/d	Fixed Price
May 1, 2020 to May 31, 2020	ICE Brent	3,226	\$25.00

**d) Foreign currency risk**

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

The following is a summary of the foreign currency risk management contracts in place as at March 31, 2020:

Period Hedged	Reference	Currency Option Type	Amount USD	Strike Price COP
August 29, 2019 to April 30, 2020	COP	Purchased Put Option	\$10,000,000	3,200
November 13, 2019 to April 30, 2020	COP	Purchased Put Option	\$10,000,000	3,200
August 29, 2019 to June 30, 2020	COP	Purchased Put Option	\$10,000,000	3,200
November 13, 2019 to June 30, 2020	COP	Purchased Put Option	\$10,000,000	3,200

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

	For the three months ended March 31,	
	2020	2019
Realized loss on foreign currency risk management contracts	\$ —	\$ 1,359
Unrealized loss (gain) on foreign currency risk management contracts	508	(5,032)
<b>Total</b>	<b>\$ 508</b>	<b>\$ (3,673)</b>

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

The Company recorded a \$0.5 million unrealized loss on these contracts in the three months ended March 31, 2020 which is recorded in the financial statement line item "Foreign exchange (gain) loss" in the consolidated statements of comprehensive (loss) income. The Company recorded a \$5.0 million unrealized gain and a \$1.4 million realized loss on these contracts in the three months ended March 31, 2019 which is recorded in the financial statement line item "Foreign exchange (gain) loss" while it was previously recorded in the financial statement line item "Finance income".

## 20. Segmented Information

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

<b>For the three months ended March 31, 2020 (unaudited)</b>	<b>Canada</b>	<b>Colombia</b>	<b>Total</b>
Oil and natural gas sales	\$ —	\$ 193,618	\$ 193,618
Royalties	—	(22,217)	(22,217)
Revenue	—	171,401	171,401
<b>Expenses</b>			
Production	—	25,062	25,062
Transportation	—	20,336	20,336
Purchased oil	—	10,241	10,241
General and administrative	4,706	4,393	9,099
Impairment of property, plant and equipment assets	—	7,000	7,000
Equity settled share-based compensation expense	1,156	—	1,156
Cash settled share-based compensation recovery	(3,775)	(5,516)	(9,291)
Depletion, depreciation and amortization	217	29,452	29,669
Foreign exchange (gain) loss	2,981	(19,129)	(16,148)
	5,285	71,839	77,124
Finance (income)	(284)	(638)	(922)
Finance expense	250	3,927	4,177
<b>Net finance expense (income)</b>	<b>(34)</b>	<b>3,289</b>	<b>3,255</b>
<b>Income (loss) before taxes</b>	<b>\$ (5,251)</b>	<b>\$ 96,273</b>	<b>\$ 91,022</b>
Current tax expense	2	10,097	10,099
Deferred tax expense	522	84,180	84,702
<b>Net (loss) income</b>	<b>\$ (5,775)</b>	<b>\$ 1,996</b>	<b>\$ (3,779)</b>
Capital assets (end of period)	\$ 1,451	\$ 994,833	\$ 996,284
Capital expenditures	\$ 64	\$ 71,202	\$ 71,266
Total assets (end of period)	\$ 170	\$ 1,610,171	\$ 1,610,341

<b>For the three months ended March 31, 2019 (unaudited)</b>	<b>Canada</b>		<b>Colombia</b>		<b>Total</b>
Oil and natural gas sales	\$	—	\$	246,594	\$ 246,594
Royalties		—		(29,270)	(29,270)
Revenue		—		217,324	217,324
<b>Expenses</b>					
Production		—		26,157	26,157
Transportation		—		19,146	19,146
Purchased oil		—		5,653	5,653
General and administrative		4,215		4,312	8,527
Equity settled share-based compensation expense		2,219		—	2,219
Cash settled share-based compensation expense		1,479		5,459	6,938
Depletion, depreciation and amortization		224		29,241	29,465
Foreign exchange loss (gain)		(608)		3,621	3,013
		7,529		93,589	101,118
Finance (income)		(1,745)		(854)	(2,599)
Finance expense		344		1,336	1,680
<b>Net finance (income) expense</b>		<b>(1,401)</b>		<b>482</b>	<b>(919)</b>
<b>Income (loss) before taxes</b>	\$	<b>(6,128)</b>	\$	<b>123,253</b>	\$ <b>117,125</b>
Current tax expense		449		24,017	24,466
Deferred tax expense		1,554		9,091	10,645
<b>Net income (loss)</b>	\$	<b>(8,131)</b>	\$	<b>90,145</b>	\$ <b>82,014</b>
Capital assets (end of period)	\$	2,184	\$	925,405	\$ 927,589
Capital expenditures	\$	22	\$	52,511	\$ 52,533
Total assets (end of period)	\$	115,006	\$	1,542,950	\$ 1,657,956

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

## 21. Commitments

### a) Colombia

At March 31, 2020, performance guarantees are in place with the Colombian National Hydrocarbon Agency ("ANH") for certain blocks. The guarantees are in the form of issued letters of credit totaling \$40.6 million (December 31, 2019 - \$47.9 million) to support the exploration work commitments in respect of the 22 blocks in Colombia.

At March 31, 2020, Export Development Canada ("EDC") has provided the Company's bank with performance security guarantees to support approximately \$18.0 million (December 31, 2019 - \$25.4 million) of the letters of credit issued on behalf of Parex. The EDC guarantees have been secured by a general security agreement issued by Parex in favour of EDC. At March 31, 2020, there is an additional \$22.6 million (December 31, 2019 - \$22.5 million) of letters of credit that are provided by a Latin American bank on an unsecured basis. The letters of credit issued to the ANH are reduced from time to time to reflect completed work on an ongoing basis.

The value of the Company's exploration commitments as at March 31, 2020 in respect of the Colombia work commitments are estimated to be as follows:

2020		\$	13,625
2021			65,154
Thereafter			89,091
		\$	<b>167,870</b>

### 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, 2020 are as follows:

	Total	2020	2021	2022	2023	2024	Thereafter
Office and accommodations	\$ 8,917	2,242	1,924	1,603	1,628	1,520	—

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or "the Company") for the period ended March 31, 2020 is dated May 13, 2020 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended March 31, 2020, as well as the Company's audited consolidated annual financial statements for the year ended December 31, 2019. The unaudited condensed interim consolidated financial statements and the audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board.

Additional information related to Parex and factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated March 10, 2020 ("AIF"), and may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

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

### Company Profile

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

### Abbreviations

Refer to the end of the MD&A for commonly used abbreviations in the document. Refer to page 20 for the Advisory on Forward-Looking Statements and page 22 for Non-GAAP Terms used.

### Three months ended March 31, 2020 ("first quarter or Q1") Highlights

- Quarterly average production was 54,295 boe/d (98% crude oil), an increase of 15% on a per basic share basis over the prior year comparative period;
- Recognized a net loss of \$3.8 million (\$0.03 per share basic) compared to net income of \$87.2 million (\$0.61 per share basic) in the previous quarter ended December 31, 2019 and net income of \$82.0 million (\$0.54 basic per share) in the comparative quarter of 2019. The net loss is primarily a result of a \$84.7 million reduction in deferred tax assets as a result of a 24% depreciation of the Colombian peso to US dollar exchange rate in Q1 2020;
- Generated an operating netback of \$24.41/boe (2019 - \$36.17/boe) and funds flow provided by operations ("FFO") netback of \$20.63/boe (2019 - \$29.16/boe) from an average Brent price of \$51.05/bbl (2019 - \$63.83/bbl);
- Funds flow provided by operations was \$97.3 million (\$0.69 per share basic) as compared to funds flow provided by operations of \$133.5 million (\$0.88 per share basic) for the prior year comparative period; FFO was reduced due to a higher percentage of March sales at lower Brent prices and an inventory build;
- Utilized free cash flow of \$26.0 million to purchase and cancel 3,865,000 of the Company's common shares for a total cost of \$51.0 million (average price of Cdn\$18.53/share) pursuant to the Company's normal course issuer bid program ("NCIB");
- Capital expenditures were \$71.3 million in the period compared to \$52.5 million in the comparative period of 2019. Capital expenditures were fully funded from FFO;
- Working capital was \$330.4 million at March 31, 2020 compared to \$344.0 million at December 31, 2019 and \$207.4 million at March 31, 2019. The Company has an undrawn syndicated bank credit facility of \$200.0 million; and
- Participated in drilling 20 gross (13.05 net) wells in Colombia resulting in 10 oil wells, 2 abandoned wells, 3 suspended wells and 5 wells under test, for a success rate of 83% compared to 8 gross (5.30 net) wells in the comparative period of 2019.

## Financial Summary

	For the three months ended March 31,	
(Financial figures in \$'000s except per share amounts)	2020	2019
Average daily oil production (bbl/d) <sup>(1)</sup>	<b>53,037</b>	50,376
Average daily natural gas production (mcf/d) <sup>(1)</sup>	<b>7,548</b>	4,992
Average oil and natural gas production (boe/d)	<b>54,295</b>	51,208
Production split (% crude oil)	<b>98</b>	98
Realized sales price (\$/boe)	<b>38.47</b>	52.33
Operating netback (\$/boe) <sup>(2)</sup>	<b>24.41</b>	36.17
Oil and natural gas sales	<b>193,618</b>	246,594
Funds flow provided by operations <sup>(2)(5)</sup>	<b>97,313</b>	133,505
Per share – basic	<b>0.69</b>	0.88
Per share – diluted <sup>(2)</sup>	<b>0.68</b>	0.86
Net (loss) income	<b>(3,779)</b>	82,014
Per share – basic	<b>(0.03)</b>	0.54
Per share – diluted	<b>(0.03)</b>	0.53
Capital expenditures	<b>71,266</b>	52,533
Free funds flow <sup>(2)</sup>	<b>26,047</b>	80,972
Total assets (end of period)	<b>1,610,341</b>	1,657,956
Working capital surplus (end of period) <sup>(3)</sup>	<b>330,356</b>	207,414
Bank debt (end of period) <sup>(4)</sup>	<b>—</b>	—
Weighted average shares outstanding (000s)		
Basic	<b>141,805</b>	151,581
Diluted	<b>143,996</b>	155,346
Outstanding shares (end of period) (000s)	<b>139,801</b>	149,375

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

(2) Non-GAAP term. See "Non-GAAP Terms" on page 22.

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

(4) Syndicated bank credit facility borrowing base of \$200.0 million as at March 31, 2020.

(5) In the second quarter of 2019, Parex changed the way it calculates and presents funds flow from operations. For further details refer to the "Non-GAAP Terms" on page 22. Comparative periods have also been adjusted for this change.

## 2020 Corporate Guidance

Parex is well-positioned for the challenges presented in the current business environment, as the Company exited Q1 2020 debt-free with a cash position of \$397.4 million, working capital of \$330.4 million and an undrawn credit facility of \$200 million. With low sustaining capital requirements, the Company is able to withstand a prolonged period of low and volatile energy pricing.

Due to the significant decline in realized oil prices and the ongoing uncertainty in market conditions resulting from the COVID-19 pandemic, on April 2, 2020, Parex announced the withdrawal of its fiscal year 2020 guidance for Brent pricing, production, funds flow provided by operations, netback, and capital expenditures, as set in the March 10, 2020 press release and the suspension of the 2020 drilling programs.

For the Second Quarter of 2020, Parex' guidance is:

### Production

- April 2020 average approximately 47,000 boe/d
- May-June 2020 expected average range of 30,000-40,000 boe/d depending on realized crude pricing. Parex is able to voluntarily curtail production volumes without reservoir damage. As such, the Company has voluntarily curtailed production and will continue to do so, in order to maximize long-term shareholder value as crude oil prices are in contango, versus attempting to maintain funds flow at current low oil prices.

### Capital Expenditures

- April 2020 Capex is estimated at approximately \$6 million
- Total Q2 Capex approximately \$8-10 million

Parex will continue to be responsive to changes in commodity prices by managing its production volumes, capital budget and cash costs, further protecting its balance sheet and shareholder value.

## Financial and Operational Results

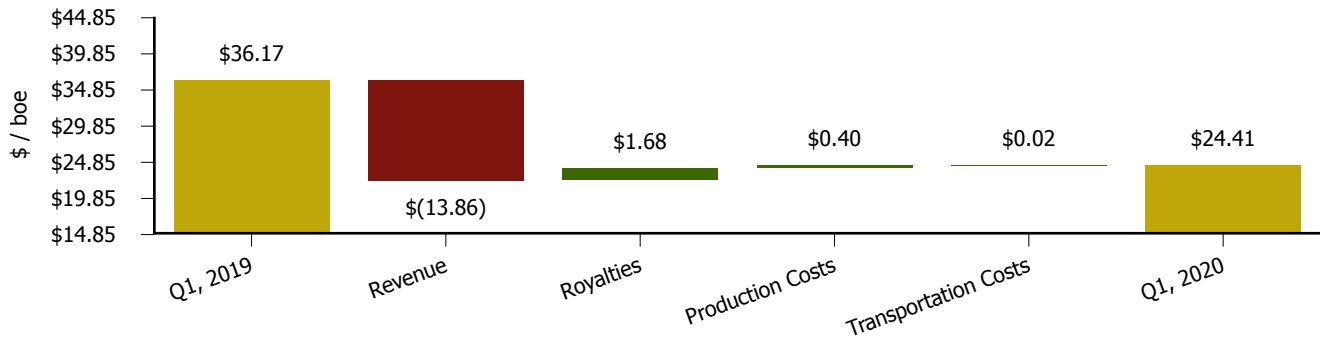
### Consolidated Results of Operations

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

	For the three months ended March 31,	
	2020	2019
<b>Average daily production</b>		
Crude oil (bbl/d)	<b>53,037</b>	50,376
Natural gas (mcf/d)	<b>7,548</b>	4,992
Total (boe/d)	<b>54,295</b>	51,208
Production split (% crude oil production)	<b>98</b>	98
<b>Average daily sales of oil and natural gas</b>		
Produced crude oil (bbl/d)	<b>50,589</b>	50,042
Purchased crude oil (bbl/d)	<b>3,463</b>	1,488
Produced natural gas (mcf/d)	<b>7,548</b>	4,992
Total (boe/d)	<b>55,310</b>	52,362
Operating netback (000s) <sup>(1)</sup>		
Oil and natural gas sales	\$ <b>193,618</b>	\$ 246,594
Royalties	<b>(22,217)</b>	(29,270)
Net revenue	<b>171,401</b>	217,324
Production expense	<b>(25,062)</b>	(26,157)
Transportation expense	<b>(20,336)</b>	(19,146)
Purchased oil	<b>(10,241)</b>	(5,653)
Operating netback	\$ <b>115,762</b>	\$ 166,368
Operating netback (per boe) <sup>(1)</sup>		
Oil and natural gas sales	\$ <b>38.47</b>	\$ 52.33
Royalties	<b>(4.71)</b>	(6.39)
Net revenue	<b>33.76</b>	45.94
Production expense	<b>(5.31)</b>	(5.71)
Transportation expense	<b>(4.04)</b>	(4.06)
Operating netback	\$ <b>24.41</b>	\$ 36.17

(1) Refer to page 22 "Non-GAAP Terms" for a description and details of the operating netback calculation.

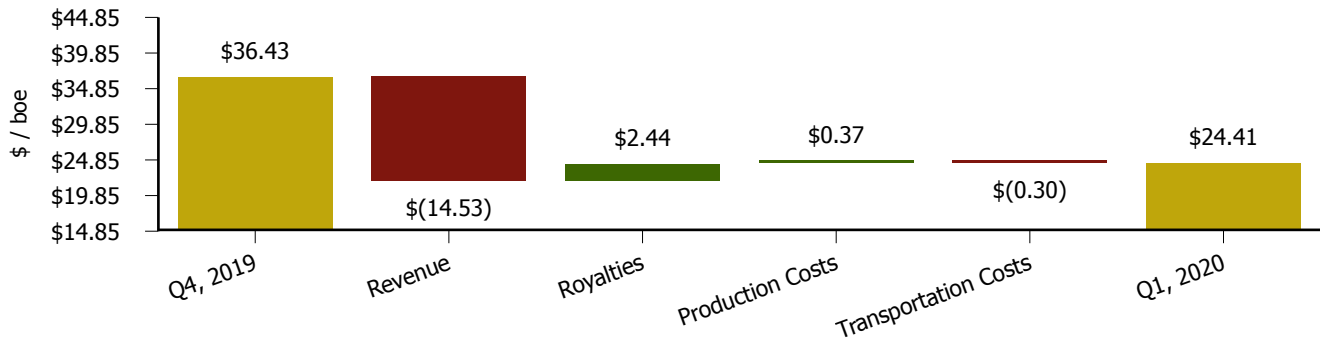
**Change in Operating Netback by Component  
Q1/19 vs. Q1/20**



Overall, the Company's benchmark Brent price decreased by \$12.78/bbl, while revenue decreased by \$13.86/boe in the first quarter of 2020 as compared to the first quarter of 2019. The price decrease relative to the Brent crude benchmark decrease is mainly a result of weaker Vasconia pricing. Royalties decreased by \$1.68/boe as a result of lower crude prices in the quarter. Production costs decreased by \$0.40/boe mainly as a result of the depreciation of the Colombian peso.

Overall, the operating netback decreased by \$11.76/boe vs a Brent benchmark crude decrease of \$12.78 /bbl.

**Change in Operating Netback by Component  
Q4/19 vs. Q1/20**



In the first quarter of 2020 revenue decreased by \$14.53/boe. The Company's benchmark Brent price decreased by \$11.44/bbl. The decrease in revenue on a per boe basis is mainly a result of weaker Vasconia pricing as compared to the comparative period. Royalties decreased by \$2.44/boe as a result of lower crude prices in the quarter. Production costs decreased by \$0.37/boe mainly as a result of the depreciation of the Colombian peso.

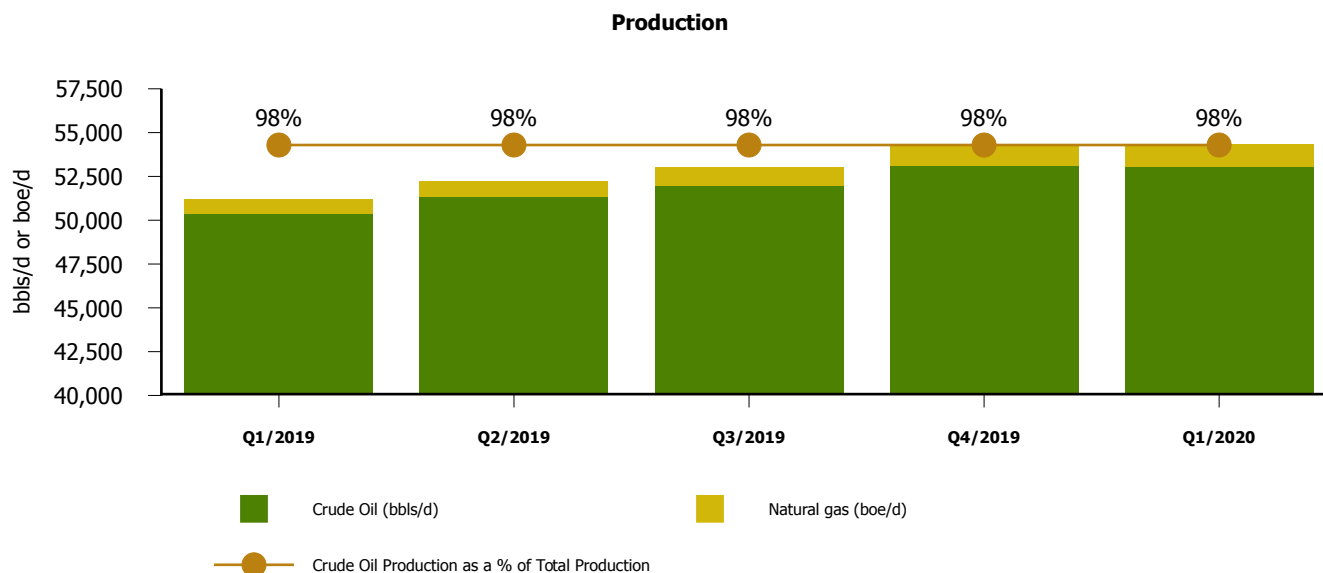
Overall, the operating netback decreased by \$12.02/boe vs a Brent benchmark crude decrease of \$11.44/bbl.

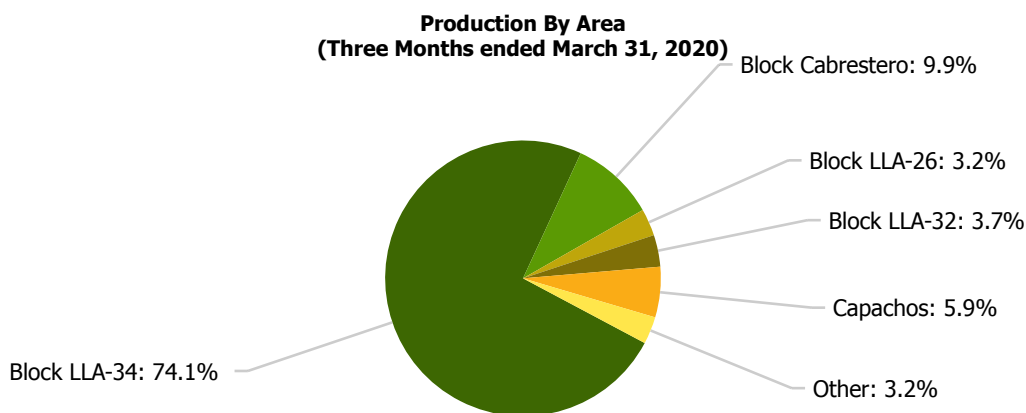
## Colombian Oil and Natural Gas Sales

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

	For the three months ended March 31,	
	2020	2019
Block LLA-34 (Tigana, Jacana, Tua, Tarotaro, Guaco and Tilo fields)	39,303	37,868
Block Cabrestero (Bacano, Akira and Kitano fields)	5,233	6,756
Block Capachos (Capachos and Andina fields)	3,140	1,305
Block LLA-26 (Rumba field)	1,686	1,399
Block LLA-32 (Kananaskis, Calona, Carmentea and Azogue fields)	1,974	1,370
Other	1,701	1,678
<b>Total Crude Oil Production</b>	<b>53,037</b>	<b>50,376</b>
Natural gas production	1,258	832
<b>Total Crude oil and natural gas production</b>	<b>54,295</b>	<b>51,208</b>
Crude oil inventory (build)	(2,448)	(334)
<b>Average daily sales of produced oil and natural gas</b>	<b>51,847</b>	<b>50,874</b>
Purchased oil	3,463	1,488
<b>Sales Volumes</b>	<b>55,310</b>	<b>52,362</b>

Oil and natural gas production for the first quarter of 2020 averaged 54,295 boe/d, an increase of approximately 6% from the comparative first quarter of 2019 and was comparable to the fourth quarter of 2019. Oil and natural gas sales in the first quarter of 2020 were 55,310 boe/d compared to 52,362 boe/d for the first quarter of 2019. The increase in oil sales was a result of the increase in oil production and purchased oil purchases/sales over the comparative period.





**b) Crude Oil Reference and Realized Prices**

	For the three months ended March 31,	
	<b>2020</b>	2019
<b>Reference Prices</b>		
Brent (\$/bbl)	<b>51.05</b>	63.83
Vasconia (\$/bbl)	<b>45.97</b>	60.34
WTI (\$/bbl)	<b>46.10</b>	54.87
<b>Average Realized Prices</b>		
Realized sales price (\$/boe)	<b>38.47</b>	52.33
Realized price (differential) to Brent crude (\$/boe)	<b>(12.58)</b>	(11.50)

During Q1 2020, the differential between Brent reference pricing and the Company's realized sale price was \$12.58/boe. The differential to Brent crude during Q1 2020 increased by \$3.09/boe compared to the fourth quarter of 2019 where the differential was \$9.49/boe (see below).

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

Average price for the period	<b>Q1 2020</b>	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Brent (\$/bbl)	<b>51.05</b>	62.49	62.03	68.52	63.83
Vasconia (\$/bbl)	<b>45.97</b>	58.50	59.18	65.60	60.34
Brent/Vasconia crude (differential) (\$/bbl)	<b>(5.08)</b>	(3.99)	(2.85)	(2.92)	(3.49)
Parex quality differential (\$/bbl)	<b>(0.18)</b>	(0.72)	(0.38)	(0.19)	(0.06)
Parex wellhead and cargo export sales discount (\$/bbl)	<b>(7.32)</b>	(4.78)	(5.21)	(5.49)	(7.95)
<b>Parex realized sales price (\$/boe)</b>	<b>38.47</b>	53.00	53.59	59.92	52.33
Parex realized price (differential) to Brent crude (\$/boe)	<b>(12.58)</b>	(9.49)	(8.44)	(8.60)	(11.50)
Parex transportation expense (\$/boe) <sup>(1)</sup>	<b>(4.04)</b>	(3.74)	(4.51)	(5.19)	(4.06)
<b>Parex price differential and transportation expense (\$/boe)</b>	<b>(16.62)</b>	(13.23)	(12.95)	(13.79)	(15.56)

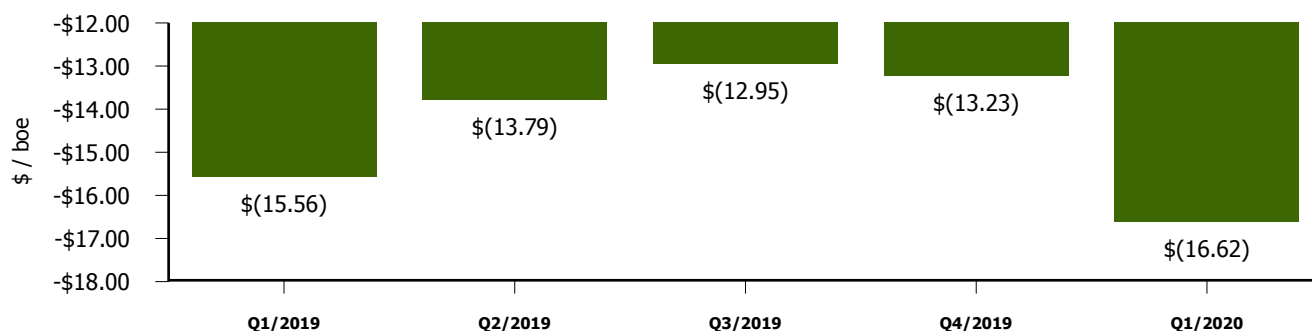
(1) See Transportation section below.

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

Parex realized price differential to Brent and Vasconia crudes can fluctuate period over period due to, among other factors, the type of sales contract and the accounting treatment for a contract sold at the wellhead versus a direct export sales contract.

In 2019 the combined price differential and transportation expense had trended downward due to the shrinking of Vasconia crude differential and the depreciation of the Colombian peso, however in the fourth quarter of 2019 this differential began to widen. In the first quarter of 2020, this differential widened further by approximately \$1.09/boe compared to the fourth quarter of 2019 and the total price differential plus transportation expense increased by \$3.39/boe mainly as a result of timing of oil sales in quarter. In the month of March 2020 the company sold 40% of the first quarter's total oil sales. March 2020 saw a dramatic decrease in world oil prices where prices in March averaged approximately \$34/bbl compared to \$60/bbl in the January and February period. This timing of oil sales plus the Brent/Vasconia differential widening by \$1.09/bbl explains the \$3.39/bbl change from Q4 2019.

**Brent Realized Price Differential & Transportation Expense**



**c) Natural Gas Revenue and Realized Prices**

	For the three months ended March 31,	
	2020	2019
Revenue (000's)	\$ 3,974	\$ 2,862
Realized sales price (\$/Mcf)	5.79	6.37

Parex natural gas revenues were \$4.0 million for the three months and year ended March 31, 2020 compared to \$2.9 million in the same period of 2019. The increase in natural gas sales from the prior periods is related to increased natural gas volumes sold from Block LLA-32 and the Capachos block.

**d) Oil and Natural Gas Revenue**

First quarter 2020 oil and natural gas revenue decreased \$53.0 million or 21% as reconciled in the table below to the first quarter of 2019:

(\$000s)	
Oil and natural gas revenue, three months ended March 31, 2019	\$ 246,594
Sales volume of produced oil, an increase of 1% (547 bopd)	5,202
Sales volume of purchased oil, an increase of 133% (1,975 bopd)	9,523
Oil sales price decrease of 27%	(68,813)
Sales volume and price change of produced natural gas	1,112
<b>Oil and natural gas revenue, three months ended March 31, 2020</b>	<b>\$ 193,618</b>

Oil and natural gas revenue decreased in the three months ended March 31, 2020 compared to the same period in 2019 mainly due to the decrease in world oil prices, partially offset by the increased sales volumes of produced and purchased oil.

### e) Colombian Crude Oil Inventory in Transit

As at March 31,  
(\$000s)

	2020	2019
Crude oil in transit	\$ 5,336	\$ 2,049

As at March 31, 2020, the Company had 250.5 mbbbls of crude oil inventory in transit compared to 91.0 mbbbls at March 31, 2019, which was injected into the Colombian pipelines. The inventory was valued at the lower of cost and realizable value. At March 31, 2020, realizable value was less than cost at approximately \$21/bbl. Cost at March 31, 2020 was approximately \$26/bbl based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) 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, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019
Crude oil inventory in transit - beginning of the period	27.7	175.8	116.6	91.0
Oil production	4,830.4	4,885.2	4,783.6	4,673.2
Oil sales	(4,922.8)	(5,360.9)	(5,047.6)	(4,954.4)
Purchased oil	315.2	327.6	323.2	306.8
Crude oil inventory in transit - end of the period	250.5	27.7	175.8	116.6
% of period production	5.2	0.6	3.7	2.5

Crude oil inventory build and (draw) from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export. Crude oil inventory as a percentage of quarterly production at March 31, 2020 was 5.2%. Parex expects crude oil inventory in future periods to be line with normal historic levels of below 5% of period production.

### f) Purchased Oil

	For the three months ended March 31,	
	2020	2019
Purchased oil expense (\$000s)	\$ 10,241	\$ 5,653

Purchased oil expense for the three months ended March 31, 2020 was \$10.2 million compared to \$5.7 million for the 2019 comparative period and \$16.2 million in the fourth quarter of 2019. Purchased oil expense has increased in the first quarter of 2020 compared to the same period of 2019 as a result of an increase in oil blending operations and the purchase of partner crude at certain fields, primarily at the Capachos field. Purchased oil expense had decreased in the first quarter of 2020 compared to the fourth quarter of 2019 as a result of a decrease in the purchase of partner crude. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

### Colombian Royalties

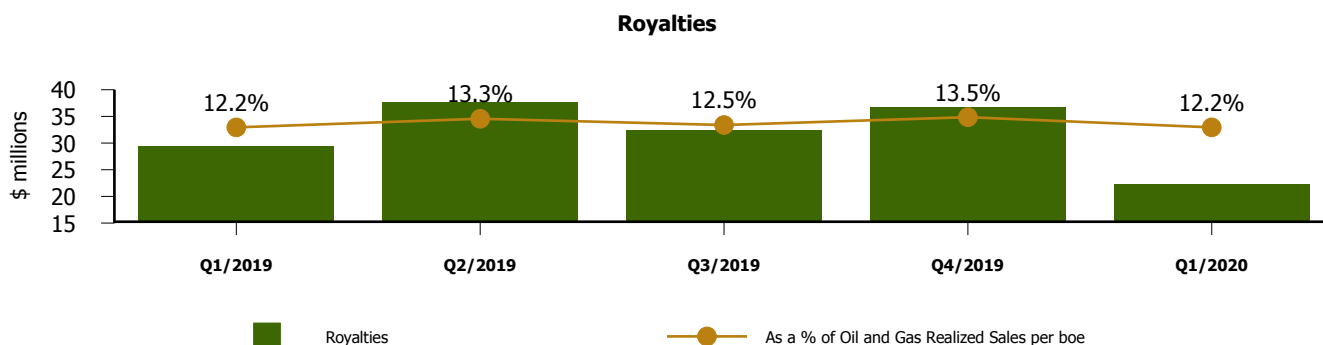
	For the three months ended March 31,	
	2020	2019
Royalties (\$000s)	\$ 22,217	\$ 29,270
Per unit (\$/boe)	4.71	6.39
Percentage of sales <sup>(1)</sup>	12.2	12.2

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

In the three months ended March 31, 2020 royalties as a percentage of sales were 12.2% compared to 13.5% during the three months ended December 31, 2019, and 12.2% for the 2019 comparative period. The decrease in royalties as a percentage of sales in the quarter from the fourth quarter of 2019 is a result of lower benchmark WTI prices which are used in the HPR calculation. Benchmark WTI price for three months ended March 31, 2020 were \$46.10 compared to \$56.94 during the three months ended December 31, 2019, and \$54.87 for the 2019 comparative period.

The decrease in royalty expense to \$22.2 million in the three months ended March 31, 2020 compared to \$29.3 million for the 2019 comparative prior year period is a result of lower benchmark WTI prices used in the calculation of royalties, partially offset by increased oil production and sales over the prior period.

For further information concerning the HPR please refer to the Company's AIF, which may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).



### Colombian Production Expense

	For the three months ended March 31,	
	2020	2019
Production expense (000s)	\$ <b>25,062</b>	\$ 26,157
Per unit (\$/boe) <sup>(1)</sup>	<b>5.31</b>	5.71

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

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

	For the three months ended March 31,	
	2020	2019
Per unit (\$/boe) – based on sales volumes – operated <sup>(1)</sup>	<b>8.52</b>	9.99
Per unit (\$/boe) – based on sales volumes – non-operated <sup>(1)</sup>	<b>4.16</b>	4.33

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

Production expense includes the cost of activities in the field to operate wells and facilities, lift to surface, gather, process, treat and store production.

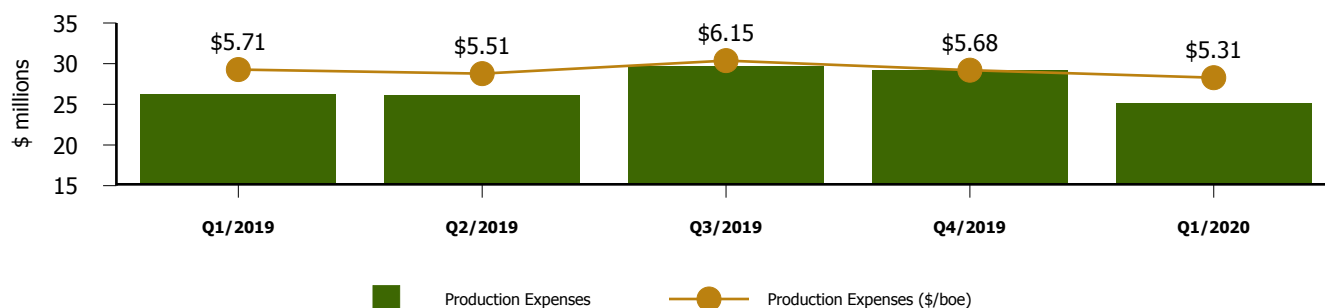
Production expense for the three months ended March 31, 2020 was \$5.31/boe compared to \$5.71 in the three months ended March 31, 2019. Production expense for the fourth quarter of 2019 was \$5.68/boe.

Operated properties production expense in the first quarter of 2020 was \$8.52/boe compared to \$8.88/boe for the fourth quarter of 2019 and non-operated properties production expense in the first quarter of 2020 was \$4.16/boe compared to \$4.45/boe for the fourth quarter of 2019.

The decrease in operated production expense for the three months ended March 31, 2020 over the 2019 comparative period is a mainly the result of the depreciation of the Colombian peso and additional production from the Capachos field compared to the prior period.

The decrease in non-operated production expense for three months ended March 31, 2020 over the 2019 comparative period is a mainly the result of the depreciation of the Colombian peso and Block LLA-34 additional production.

### Production Expense



### Colombian Transportation Expense

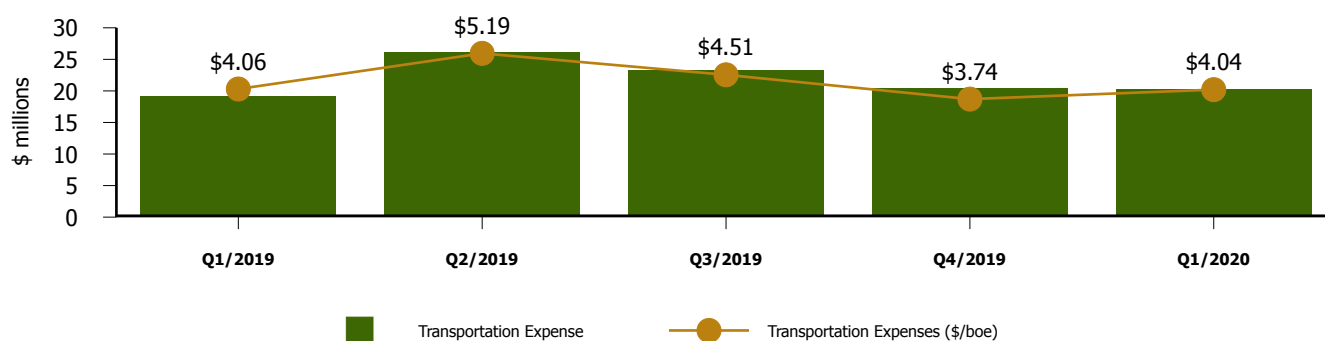
	For the three months ended March 31,	
	2020	2019
Transportation expense (\$000s)	\$ 20,336	\$ 19,146
Per unit (\$/boe)	4.04	4.06

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, 2020 the cost of transportation on a per boe basis has increased to \$4.04/boe from the fourth quarter of 2019 of \$3.74/boe and decreased from the comparative period in 2019 of \$4.06/boe. Transportation expense will fluctuate period over period due to the mix of sales contracts types in force during the period. The increase from the fourth quarter of 2019 is mainly due to a slight increase in oil sale cargo exports where Parex records the full cost of transportation to the point of export vs. wellhead sales in the period.

The combined transportation expense and price differential from Brent, on a per boe basis, has increased from the previous years prior downward trend. See "Crude Oil Reference and Realized Prices".

### Transportation Expenses



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

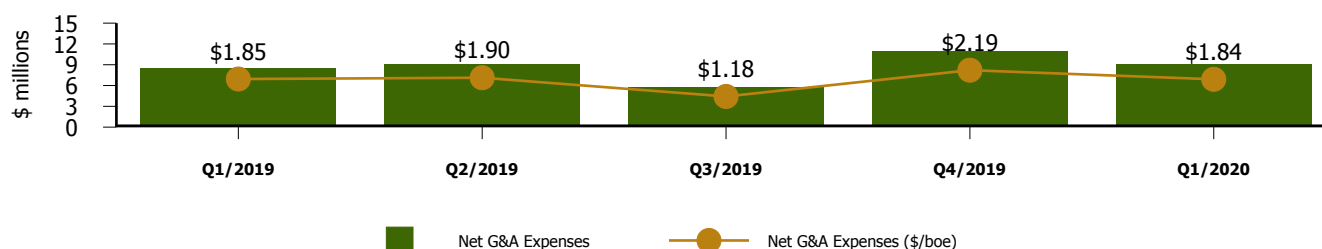
(000s)	For the three months ended March 31,	
	2020	2019
Gross G&A	\$ 11,423	\$ 10,971
G&A recoveries	(263)	(258)
Capitalized G&A	(2,061)	(2,186)
Total net G&A	\$ 9,099	\$ 8,527
Per unit (\$/boe) <sup>(1)</sup>	1.84	1.85

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

Net G&A was \$9.1 million for the three months ended March 31, 2020 compared to \$8.5 million for the same period in 2019. Gross G&A \$11.4 million for the three months ended March 31, 2020 (three months ended March 31, 2019 - \$11.0 million). For the three months ended March 31, 2020 on a per boe basis net G&A has decreased 1% compared to the comparative period in 2019.

The Company's G&A expense is denominated in local currencies of COP and Cdn dollar which as they appreciate/depreciate have an impact on G&A expense. Refer to the foreign exchange sensitivity analysis on page 13 for further information.

### Net General and Administrative Expenses



## Share-Based Compensation

(\$000s)	For the three months ended March 31,	
	2020	2019
Equity settled share-based compensation expense	\$ 1,156	\$ 2,219
Cash settled share-based compensation (recovery) expense	(9,291)	6,938
Total net (recovery) expense	\$ (8,135)	\$ 9,157

Share-based compensation recovery was \$8.1 million for the three months ended March 31, 2020 compared to \$9.2 million expense for the same period in 2019. The decrease is primarily due to the decrease in cash settled share-based compensation as explained below.

Equity settled share-based compensation expense was \$1.2 million for the three months ended March 31, 2020 compared to \$2.2 million for the same period in 2019. Equity settled share-based compensation includes the Company's stock option plan and the restricted share unit ("RSU") plan pursuant to which RSUs and performance based RSUs ("PSUs") have been awarded up until 2019. The decrease in the equity settled plan expense from the prior year is mainly related to a significant decrease in the issuance of equity settled compensation (options, RSUs, and PSUs, as applicable) under these plans as compared to the prior year.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes share appreciation rights ("SARs"), cash settled restricted share units ("CRSUs"), cash or share settled restricted share units ("CosRSUs"), cash or share settled performance share units ("CosPSUs") and deferred share units ("DSUs"). The CRSU plan will replace the current SAR plan for the Colombian employees as granted SAR's vest, and are exercised. There will be no SAR grants going forward. For the three months ended March 31, 2020 there was a recovery of \$9.3 million related to cash settled incentive plans compared to \$6.9 million expense for the same period in 2019. The decrease in expense is attributable to the decrease in Parex share price to Cdn\$11.90 at March 31, 2020 from Cdn\$20.92 at March 31, 2019. Obligations for payments of cash under the Company's cash settled incentive plans are accrued as expense over the vesting period based on the fair value of the units as

described in note 14 of the interim financial statements for the three months ended March 31, 2020. As at March 31, 2020, the total cash settled incentive plans liability accrued was \$12.3 million (December 31, 2019 - \$27.9 million).

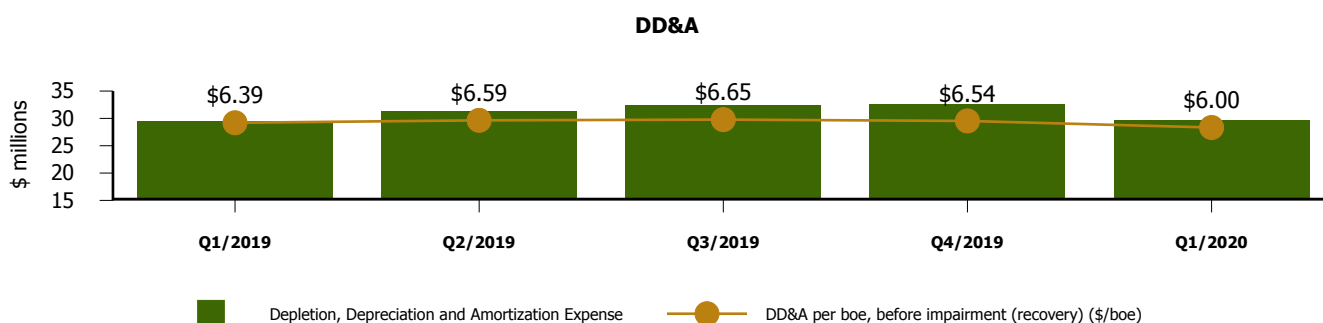
Cash payments to settle cash settled share-based compensation in the three months ended March 31, 2020 was \$8.3 million (March 31, 2019 - \$4.3 million).

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

	For the three months ended March 31,	
	2020	2019
DD&A expense (000s)	\$ 29,669	\$ 29,465
Per unit (\$/boe) <sup>(1)</sup>	6.00	6.39

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

First quarter 2020 DD&A was \$29.7 million (\$6.00/boe) compared to \$29.5 million (\$6.39/boe) for the same period in 2019. The decrease in DD&A on a \$/boe basis is due to the increase in proved and probable reserves, offset by an increase in oil and gas production as well as a change in the CGU production mix from the prior comparative period.



### Foreign Exchange (Gain) Loss

	For the three months ended March 31,	
	2020	2019
Foreign exchange (gain) loss	\$ (16,656)	\$ 6,686
Foreign currency risk management contracts loss (gain)	508	(3,673)
Total foreign exchange (gain) loss	\$ (16,148)	\$ 3,013
Foreign Exchange Rates		
USD\$/CAD <sup>(1)</sup>	1.34	1.33
USD\$/Colombian peso <sup>(1)</sup>	3,536	3,137

(1) Average exchange rates for the period.

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

The foreign currency derivative contracts in place manage the foreign currency risk of the tax payable obligation that is denominated in COP. See "Risk Management".

For the three months ended March 31, 2020, the total foreign exchange gain was \$16.1 million (three months ended March 31, 2019 – loss of \$3.0 million) attributable to the depreciation of COP against the USD. Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of comprehensive (loss) income.

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

### Foreign Exchange Sensitivity Analysis

Cost component	Estimated percent of cost denominated in local currency	\$/boe Impact of change in local currency/\$USD exchange rate	
		10% appreciation of local currency	10% depreciation of local currency
Production expense	80%	\$ 0.42	\$ (0.42)
Transportation expense	50%	\$ 0.20	\$ (0.20)
G&A expense	100%	\$ 0.18	\$ (0.18)

The table above displays the estimated per boe impact of a change in Parex' local currencies and the effect on Parex' key cost components. The component impact in \$/boe terms uses Q1 2020 per boe costs. This analysis ignores all other factors impacting cost structure including efficiencies, cost reduction strategies, etc.

### Net Finance Expense (Income)

	For the three months ended March 31,	
	2020	2019
Bank charges and credit facility fees	\$ 740	\$ 624
Accretion on decommissioning and environmental liabilities	1,093	1,040
Interest and other income	(922)	(2,599)
Right of use asset interest	20	27
Gain on settlement of decommissioning liabilities	(96)	(11)
Expected credit loss provision	1,343	—
Other	1,077	—
<b>Net finance expense (income)</b>	<b>\$ 3,255</b>	<b>\$ (919)</b>

	For the three months ended March 31,	
	2020	2019
Non-cash finance expense	\$ 3,417	\$ 1,056
Cash finance (income)	(162)	(1,975)
<b>Net finance expense (income)</b>	<b>\$ 3,255</b>	<b>\$ (919)</b>

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

### Risk Management

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

Parex has elected not to apply IFRS prescribed "hedge accounting" rules and, accordingly, pursuant to IFRS the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity and foreign exchange

forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the earnings for that period. As a result, earnings may fluctuate considerably based on the period-ending commodity and foreign exchange forward strip prices, in respect of any outstanding commodity or foreign exchange derivative contracts.

#### a) Risk Management Contracts - Brent Crude

At March 31, 2020 the Company had no crude oil risk management contracts in place.

Subsequent to March 31, 2020, the Company entered into the following commodity price risk management contracts:

##### Collar

Period Hedged	Reference	Volumes bbls/d	Purchased Put	Sold Call	Premium
May 1, 2020 to June 30, 2020	ICE Brent	20,000	\$30.00	\$37.50	\$1.00

##### Swap

Period Hedged	Reference	Volumes bbls/d	Fixed Price
May 1, 2020 to May 31, 2020	ICE Brent	3,226	\$25.00

#### b) Risk Management Contracts – Foreign Exchange

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

The following is a summary of the foreign currency risk management contracts in place as at March 31, 2020:

Period Hedged	Reference	Currency Option Type	Amount USD	Strike Price COP
August 29, 2019 to April 30, 2020	COP	Purchased Put Option	\$10,000,000	3,200
November 13, 2019 to April 30, 2020	COP	Purchased Put Option	\$10,000,000	3,200
August 29, 2019 to June 30, 2020	COP	Purchased Put Option	\$10,000,000	3,200
November 13, 2019 to June 30, 2020	COP	Purchased Put Option	\$10,000,000	3,200

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

	For the three months ended March 31,	
	2020	2019
Realized loss on foreign currency risk management contracts	\$ —	\$ 1,359
Unrealized loss (gain) on foreign currency risk management contracts	\$ 508	\$ (5,032)
<b>Total</b>	<b>\$ 508</b>	<b>\$ (3,673)</b>

The fair value of the foreign currency risk management contracts is recorded in the financial statement line item "Derivative financial instruments" in the consolidated balance sheet. Parex has in place foreign currency derivative contracts to manage foreign currency risk of its tax payable obligation that is denominated in COP.

The Company recorded a \$0.5 million unrealized loss on these contracts in the three months ended March 31, 2020 which is recorded in the financial statement line item "Foreign exchange (gain) loss" in the consolidated statements of comprehensive (loss) income. The Company recorded a \$5.0 million unrealized gain and a \$1.4 million realized loss on these contracts in the three months ended March 31, 2019 which is recorded in the financial statement line item "Foreign exchange (gain) loss" while it was previously recorded in the financial statement line item "Finance income".

## Income Tax

The components of tax expense for the three and three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
Current tax expense	\$ 10,099	\$ 24,466
Deferred tax expense	84,702	10,645
<b>Tax expense</b>	<b>\$ 94,801</b>	<b>\$ 35,111</b>

Current tax expense in the first quarter of 2020 was \$10.1 million as compared to \$24.5 million expense in the comparative period. The decrease from the prior year comparative period is mainly a result of a decrease in operating cash flows from the prior period.

Deferred tax in the three month ended March 31, 2020 was \$84.7 million, the increase from the comparative period is mainly related to the foreign exchange impact of the Colombian peso denominated tax basis, which has decreased as a result of the drastic depreciation of the Colombian peso to US dollar from December 31, 2019 to March 31, 2020. The Colombian peso decreased 24% versus the US dollar from these period end dates.

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

## Capital Expenditures

For the three months ended March 31, (\$000s)	Colombia		Canada		Total	
	2020	2019	2020	2019	2020	2019
Acquisition of unproved properties	\$ 66	\$ 80	\$ —	\$ —	\$ 66	\$ 80
Geological and geophysical	740	133	—	—	740	133
Drilling and completion	67,944	39,578	—	—	67,944	39,578
Well equipment and facilities	2,377	12,639	—	—	2,377	12,639
Other	75	81	64	22	139	103
<b>Total capital expenditures</b>	<b>\$ 71,202</b>	<b>\$ 52,511</b>	<b>\$ 64</b>	<b>\$ 22</b>	<b>\$ 71,266</b>	<b>\$ 52,533</b>

## Capital Expenditures Summary

During the three months ended March 31, 2020 the Company incurred \$71.3 million of capital expenditures compared to \$52.5 million in the same period of 2019. During Q1, 2020 the Company drilled 20 gross (13.05 net) wells, compared to 8 gross (5.30 net) wells in the comparative period. During Q1, 2020, total drilling and completion costs were \$67.9 million of which the majority related to drilling, completion and capitalized workover costs at Block LLA-34, Cabrestero Block, Aguas Blancas and CPO-11 block. Facilities costs in Q1, 2020 were due to the building of the Capachos block natural gas processing facility and Block LLA-34 flowline construction. In March the Company began to reduce its drilling activities and by April 2020 all drilling rigs had been released.

During the three months ended March 31, 2020 capital expenditures of \$71.3 million were self funded from funds flow provided by operations of \$97.3 million. The Company strives to fund its annual capital expenditures from funds flow and has demonstrated this goal since 2012 however on a quarterly basis funds flow may be greater or less than capital expenditures due to timing of capital programs and other variables.

## Non-cash Impairment Charges

	For the three months ended March 31,	
(\$000s)	2020	2019
Impairment of PP&E related to Boranda CGU	\$ 7,000	\$ —
Total non-cash impairment charges before deferred income tax recoveries	\$ 7,000	\$ —

As a result of the COVID-19 pandemic and the significant decrease in forecast global crude oil prices compared to those at December 31, 2019, an indication of impairment was identified for all CGUs at March 31, 2020 and impairment tests were performed. The Company determined that

the carrying amount of the Boranda CGU in the Magdalena Basin exceeded its recoverable amount and an impairment of \$7.0 million was recorded in the consolidated statements of comprehensive (loss) income. All other CGU's were found to have recoverable amounts greater than carrying amounts. The recoverable amount for this testing was determined using fair value less cost of disposal. Future cash flows for the CGU's declined due to lower crude oil prices.

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

The future oil prices used in the model are based on a forecast of crude oil prices by Parex' independent reserve evaluators.

Prices used at March 31, 2020 are as follows:

	2020	2021	2022	2023	2024	Thereafter
Brent (\$US/bbl)	38.64	45.50	52.50	57.50	62.50	2% increase per year

Prices used at December 31, 2019 are as follows:

	2020	2021	2022	2023	2024	Thereafter
Brent (\$US/bbl)	67.00	68.00	71.00	73.00	75.00	2% increase per year

### Summary of Quarterly Results

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

(1) Non-GAAP term. See "Non-GAAP Terms" below. In the second quarter of 2019, Parex changed the way it calculates and presents funds flow from operations. Comparative periods have also been adjusted for this change.

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

Three months ended (\$000s)	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018
Average daily oil and natural gas production (boe/d)	51,208	49,300	45,020	42,625
Average realized sales price - oil (\$/boe)	52.33	55.42	61.69	61.96
Financial (000s except per share amounts)				
Oil and natural gas sales	\$ 246,594	\$ 270,599	\$ 250,909	\$ 241,765
Funds flow provided by (used in) operations <sup>(1)</sup>	\$ 133,505	\$ 154,211	\$ 150,616	\$ (7,937)
Per share – basic	0.88	0.99	0.97	(0.05)
Per share – diluted <sup>(1)</sup>	0.86	0.97	0.94	(0.05)
Net income	\$ 82,014	\$ 54,060	\$ 88,731	\$ 188,601
Per share – basic	0.54	0.35	0.57	1.21
Per share – diluted	0.53	0.34	0.55	1.18
Capital Expenditures, excluding corporate acquisitions	\$ 52,533	\$ 76,758	\$ 66,808	\$ 100,567
Total assets (end of period)	\$ 1,657,956	\$ 1,642,120	\$ 1,613,547	\$ 1,529,692
Working capital surplus (end of period) <sup>(2)</sup>	\$ 207,414	\$ 218,526	\$ 143,243	\$ 66,050

(1) Non-GAAP term. See "Non-GAAP Terms" below. In the second quarter of 2019, Parex changed the way it calculates and presents funds flow from operations. Comparative periods have also been adjusted for this change. For the three months ended June 30, 2018, funds flow provided by operations includes a \$137.5 million (\$0.88 per share basic) charge for a voluntary tax restructuring, refer to the "Income Tax" section.

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

### Factors that Caused Variations Quarter Over Quarter

During the first quarter of 2020, production of 54,295 boe/d was in excess of oil production for the previous quarter ended December 31, 2019. Revenue and funds flow provided by operations were lower than the previous quarter mainly due to a decrease in realized prices and volumes sold. Working capital decreased to \$330.4 million from \$344.0 million at December 31, 2019.

During the fourth quarter of 2019, production of 54,221 boe/d was in excess of oil production for the previous quarter ended September 30, 2019. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in volumes sold, partially offset by a decrease in realized prices. Working capital increased to \$344.0 million from \$279.9 million at September 30, 2019.

During the third quarter of 2019, production of 53,045 boe/d was in excess of oil production for the previous quarter ended June 30, 2019. Revenue and funds flow provided by operations were lower than the previous quarter due to a decrease in realized prices, partially offset by an increase in volumes sold. Working capital increased to \$279.9 million from \$240.1 million at June 30, 2019.

During the second quarter of 2019, production of 52,252 boe/d was in excess of oil production for the previous quarter ended March 31, 2019. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in realized prices and volumes sold. Working capital increased to \$240.1 million from \$207.4 million at March 31, 2019.

During the first quarter of 2019, production of 51,208 boe/d was in excess of oil production for the previous quarter ended December 31, 2018. Revenue and funds flow provided by operations were lower than the previous quarter mainly due to a decrease in realized prices and volumes sold. Working capital decreased to \$207.4 million from \$218.5 million at December 31, 2018 primarily due to the share buy-back program which commenced at the end of Q4, 2018.

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

## Liquidity and Capital Resources

As at March 31, 2020 the Company had a working capital surplus of \$330.4 million, excluding funds available under the credit facility, as compared to working capital surplus at December 31, 2019 of \$344.0 million. Bank debt was \$nil as at March 31, 2020, December 31, 2019 and March 31, 2019. The credit facility has a current borrowing base of \$200.0 million (December 31, 2019 - \$200.0 million). At March 31, 2020 Parex held \$397.4 million of cash, compared to \$396.8 million at December 31, 2019 and \$432.9 million at March 31, 2019. The Company's cash balances reside in current accounts, the majority of which are held on account in Canada, Barbados, Bermuda and Colombia in USD.

Parex' senior secured credit facility with a syndicate of banks has a current borrowing base of \$200.0 million. Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants. Given there is \$nil balance drawn on the facility as at March 31, 2020, the Company is in compliance with all covenants. The next annual review is scheduled to occur in May 2020 and as there is no draw on the facility the bank syndicate annual review will not have an impact on Parex' 2020 guidance. It is expected the credit facility will be redetermined at a borrowing base of \$200.0 million.

Refer to note 21 - Commitments of the interim financial statements for the period ended March 31, 2020 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, 2020 the Company had 139,800,841 common shares outstanding compared to 143,295,054 at December 31, 2019 a decrease of 2.4%. At May 13, 2020 the common shares outstanding has been reduced to 139,664,280.

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

As at May 13, 2020 Parex has the following securities outstanding:

	Number	%
Common shares	139,664,280	97 %
Stock options	2,525,577	2 %
Restricted and performance share units	1,663,545	1 %
	<b>143,853,402</b>	<b>100%</b>

As of the date of this MD&A, total stock options, RSUs and PSUs outstanding represent approximately 3% of the total issued and outstanding common shares.

## Contractual Obligations, Commitments and Guarantees

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

In Colombia, the Company has provided guarantees to the Colombian National Hydrocarbon Agency ("ANH") which on March 31, 2020 were \$40.6 million (December 31, 2019 - \$47.9 million) to support the exploration work commitments on its blocks. The guarantees have been provided in the form of letters of credit for varying terms. Export Development Canada has provided performance security guarantees under the Company's \$150.0 million (December 31, 2019 - \$150.0 million) performance guarantee facility to support approximately \$18.0 million (December 31, 2019 - \$25.4 million) of the letters of credit issued on behalf of Parex at March 31, 2020. Also at March 31, 2020, there is an additional \$22.6 million (December 31, 2019 - \$22.5 million) of letters of credit that are provided by a Latin American bank on an unsecured basis. The letters of credit issued to the ANH are reduced from time to time to reflect the work performed on the various blocks.

The following table summarizes the Company's estimated undiscounted commitments as at March 31, 2020:

(000s)	Total	<1 year	1 – 3 years	3 – 5 years	>5 years
Exploration	\$ 167,870	13,625	65,154	89,091	—
Office and accommodations <sup>(1)</sup>	8,917	2,760	5,052	1,105	—
Decommissioning and Environmental Obligations	39,852	4,506	—	—	35,346
<b>Total</b>	<b>\$ 216,639</b>	<b>20,891</b>	<b>70,206</b>	<b>90,196</b>	<b>35,346</b>

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

## Decommissioning and Environmental Liabilities

	Decommissioning		Environmental		Total
Balance, December 31, 2018	\$	42,052	\$	15,549	\$ 57,601
Additions		10,524		1,355	11,879
Settlements of obligations during the year		(10,536)		(1,229)	(11,765)
Loss on settlement of obligations		359		—	359
Accretion expense		3,166		1,426	4,592
Change in estimate - inflation and discount rates		1,455		170	1,625
Change in estimate - costs		(10,253)		(2,532)	(12,785)
Foreign exchange loss (gain)		477		(48)	429
Balance, December 31, 2019	\$	37,244	\$	14,691	\$ 51,935
Additions		1,189		335	1,524
Settlements of obligations during the period		(46)		(415)	(461)
Gain on settlement of obligations		(96)		—	(96)
Accretion expense		567		526	1,093
Change in estimate - inflation and discount rates		(2,742)		(729)	(3,471)
Change in estimate - costs		—		(979)	(979)
Foreign exchange (gain)		(7,285)		(2,408)	(9,693)
<b>Balance, March 31, 2020</b>	<b>\$</b>	<b>28,831</b>	<b>\$</b>	<b>11,021</b>	<b>\$ 39,852</b>
Current obligation		(1,948)		(2,558)	(4,506)
<b>Long-term obligation</b>	<b>\$</b>	<b>26,883</b>	<b>\$</b>	<b>8,463</b>	<b>\$ 35,346</b>

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at March 31, 2020, 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 \$54.0 million as at March 31, 2020 (December 31, 2019 – \$63.3 million) with the majority of these costs anticipated to occur in 2022 or later. A risk-free discount rate of 8.26% and an inflation rate of 3.1% were used in the valuation of the liabilities (December 31, 2019 – 6.74% risk-free discount rate and a 3.1% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is \$1.9 million (December 31, 2019 – \$4.3 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 \$18.3 million as at March 31, 2020 (December 31, 2019 – \$21.5 million) with the majority of these costs anticipated to occur in 2020 or later in Colombia. A risk-free discount rate of 8.26% and an inflation rate of 3.1% were used in the valuation of the liabilities (December 31, 2019 – 6.74% risk-free discount rate and a 3.1% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is \$2.6 million (December 31, 2019 – \$4.1 million) that is classified as a current obligation.

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

- Changes in laws and legislation;
- Construction of new facilities;
- Change in commodity price;
- Change in the estimate of oil reserves and the resulting amendment to the life of reserves;
- 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' position in the business environment and its ability to withstand a prolonged period of low and volatile energy pricing;
- estimated April 2020 and Q2 2020 capital expenditures;
- April 2020 estimated average production and expectations with respect to May-June 2020 average production range;
- the Company's plans to fund its 2020 capital program from funds flow provided by operations;
- the Company's expectation regarding 2020 Brent oil prices;
- expectation that crude oil inventory in future periods to be in line with normal historic levels;
- the timing of payment of total decommissioning and environmental liability cost;
- the Company's expectations regarding the per boe and G&A expense impact caused by appreciation and depreciation of the Colombian peso;
- the effect of the Colombian peso/US\$ exchange rate on the variability of general and administrative, transportation, and production costs;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the use of derivatives primarily with financial institutions to manage movements in the price of crude oil, fluctuations in the US/COP exchange rate and interest rate movements;
- terms of the Company's risk management contracts;
- terms of the Company's credit facility including the timing of the next borrowing base redetermination;
- the Company's expectation that the next redetermination of its credit facility will not impact the 2020 guidance;
- the Company's expectation that only the grants under the Company's stock option plan and the exercise of previously issued RSUs and PSUs will result in common shares issued from treasury; and
- estimated amounts, timing and the anticipated sources of funding for the Company's exploration, office and accommodations, decommissioning and environmental obligations.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; continued volatility in market prices for oil; the impact of significant declines in market prices for oil; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve and resource estimates; the production and growth potential of Parex' assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; risk that the Company will not be able to

obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risk of failure to achieve the anticipated benefits associated with acquisitions; risk of failure to achieve perceived benefits from voluntary tax restructuring; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; failure to meet expected production targets; risk that the review of strategic repositioning alternatives will not result in a transaction; the risks discussed under "Risk Factors" in the Company's AIF and under "Decommissioning and Environmental Liabilities" in this MD&A, and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and future commodity prices and royalty regimes; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil and conventional natural gas; (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires; and (iii) the Corporation's ability to produce, transport and/or sell its crude oil and conventional natural gas; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to areas of the Company's operations and infrastructure; future exchange rates; the price of oil; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; royalty rates; future operating costs; foreign exchange rates; the status of litigation; timing of drilling and completion of wells; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; the benefits of initiating a review of strategic repositioning alternatives; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

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

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

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

## Non-GAAP Terms

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

Adoption of IFRS 16 Leases had an immaterial impact on netbacks, funds flow provided by operations and EBITDA non-GAAP measures.

**Funds flow provided by operations**, is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. In Q2 2019, the Company changed how it presents funds flow provided by operations to present on a more comparable basis to industry presentation. Amounts have been restated for prior periods. A reconciliation from cash provided by operating activities to funds flow provided by operations is as follows:

(\$000s)	For the three months ended March 31,	
	2020	2019
<b>Cash provided by operating activities</b>	\$ 155,299	\$ 113,076
Net change in non-cash working capital	(57,986)	20,429
<b>Funds flow provided by operations</b>	<b>\$ 97,313</b>	<b>\$ 133,505</b>

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

(\$000s)	For the three months ended March 31,	
	2020	2019
<b>Funds flow provided by operations</b>	<b>\$ 97,313</b>	<b>\$ 133,505</b>
<b>Denominator (BOEs)</b>		
<b>Company produced oil and natural gas sales in period</b>	<b>4,718,077</b>	<b>4,578,660</b>
<b>Funds flow provided by operations per boe</b>	<b>\$ 20.63</b>	<b>\$ 29.16</b>

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

(\$000s)	For the three months ended March 31,	
	2020	2019
Funds flow provided by operations	\$ 97,313	\$ 133,505
Capital expenditures, excluding corporate acquisitions	71,266	52,533
<b>Free funds flow</b>	<b>\$ 26,047</b>	<b>\$ 80,972</b>

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

(000s)	For the three months ended March 31,	
	2020	2019
<b>Funds flow provided by operations</b>	<b>\$ 97,313</b>	\$ 133,505
Weighted average number of shares for the purposes of basic funds flow	<b>141,805</b>	151,581
Dilutive effect of share options on potential common shares	<b>2,191</b>	3,765
<b>Weighted average number of shares for the purposes of diluted funds flow</b>	<b>143,996</b>	155,346

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

#### Operating netback per boe

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

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

(\$000s)	For the three months ended March 31,	
	2020	2019
Oil and natural gas revenue excluding risk management contracts	<b>\$ 193,618</b>	\$ 246,594
<b>Denominator (BOEs)</b>		
Company produced oil and natural gas sales in period	<b>4,718,077</b>	4,578,660
Purchased oil volumes sold	<b>315,133</b>	133,920
<b>Total oil and natural gas sales volumes</b>	<b>5,033,210</b>	4,712,580
<b>Sales price per boe</b>	<b>\$ 38.47</b>	\$ 52.33

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

(\$000s)	For the three months ended March 31,	
	2020	2019
<b>Royalty expense</b>	<b>\$ 22,217</b>	\$ 29,270
<b>Denominator (BOEs)</b>		
<b>Company produced oil and natural gas sales in period</b>	<b>4,718,077</b>	4,578,660
<b>Royalty expense per boe</b>	<b>\$ 4.71</b>	\$ 6.39

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

(\$000s)	For the three months ended March 31,	
	2020	2019
<b>Production Expense</b>	<b>\$ 25,062</b>	\$ 26,157
<b>Denominator (BOEs)</b>		
<b>Company produced oil and natural gas sales in period</b>	<b>4,718,077</b>	4,578,660
<b>Production expense per boe</b>	<b>\$ 5.31</b>	\$ 5.71

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

(\$000s)	For the three months ended March 31,	
	2020	2019
<b>Transportation Expense</b>	<b>\$ 20,336</b>	\$ 19,146
<b>Denominator (BOEs)</b>		
Company produced oil and natural gas sales in period	<b>4,718,077</b>	4,578,660
Purchased oil volumes sold	<b>315,133</b>	133,920
<b>Total oil and natural gas sales volumes</b>	<b>5,033,210</b>	4,712,580
<b>Transportation expense per boe</b>	<b>\$ 4.04</b>	\$ 4.06

## Business Environment and Risks

Parex is exposed to various market and operational risks. For a discussion of these risks please refer to the Parex' AIF for the year ended December 31, 2019 as filed on SEDAR at [www.sedar.com](http://www.sedar.com) or Parex' website at [www.parexresources.com](http://www.parexresources.com).

### COVID-19

The COVID-19 pandemic has resulted in emergency actions taken by governments worldwide which has had an effect in all of our operating jurisdictions. The actions taken by these governments have typically included, but is not limited to travel bans, mandatory and self-imposed quarantines and isolations, social distancing, and the closing of non-essential businesses which has had significant negative effects on economies, including a substantial decline in crude oil and natural gas demand. Additionally, such actions have resulted in volatility and disruptions in regular business operations, supply chains and financial markets as well as declining trade and market sentiment. COVID-19 as well as other factors have resulted in the deepest drop in crude oil prices that global markets have seen since 1991. With the rapid spread of COVID-19, oil prices and the global equity markets have deteriorated significantly and are expected to remain under pressure. The extreme supply/demand imbalance is anticipated to cause a reduction in industry spending in 2020. These events and conditions have caused a significant decrease in the valuation of oil and natural gas companies and a decrease in confidence in the oil and natural gas industry. COVID-19 also poses a risk on the financial capacity of Parex' contract counterparties and potentially their ability to perform contractual obligations.

The full extent of the risks surrounding the COVID-19 pandemic is continually evolving. The following risks disclosed in our Annual Information Form for the year ended December 31, 2019 may be exacerbated as a result of the COVID-19 pandemic: market risks related to the volatility of oil and gas prices, volatility of foreign exchange rates, volatility of the market price of common shares, and hedging arrangements; operational risks related to increasing operating costs or declines in production levels, operator performance and payment delays, and government regulations, ability to obtain additional financing, and variations in foreign exchange rates; and other risks related to cyber-security as our workforce moves to remote connections, accounting adjustments, effectiveness of internal controls, and reliance on key personnel, management, and labour.

## **Internal Controls over Financial Reporting**

There has been no change in Parex' internal controls over financial reporting ("ICFR") during the period covered by this MD&A that materially affected, or is reasonably likely to materially affect, its ICFR. Due to the COVID-19 pandemic, Parex has implemented social distancing measures which require deemed non-critical employees to work remotely and has encouraged critical staff to do the same. Going forward, these measures will be continually monitored to determine whether they materially affect, or is reasonably likely to materially affect, Parex' ICFR.

## **Off-Balance-Sheet Arrangements**

The Company did not enter into any off-balance-sheet arrangements during the three months ended March 31, 2020.

## **Financial Instruments and Other Instruments**

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

## **Summary of Significant Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2019.

**DIRECTORS**

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

**Curtis Bartlett**

**Lisa Colnett**

**Robert Engbloom**

**Bob MacDougall**

**Glenn McNamara**

**Ron Miller**

**Carmen Sylvain**

**David Taylor**

**Paul Wright**

**OFFICERS & SENIOR EXECUTIVES**

**David Taylor**  
*President and Chief Executive Officer*

**Eric Furlan**  
*Chief Operating Officer*

**Kenneth Pinsky**  
*Chief Financial Officer & Corporate Secretary*

**Lee DiStefano**  
*President, Parex Colombia & Country Manager*

**Ryan Fowler**  
*Sr. Vice President, Exploration & Business Development*

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

**Jeff Meunier**  
*Vice President, New Ventures*

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

**CORPORATE HEADQUARTERS**

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

Tel: 403-265-4800  
Fax: 403-265-8216  
E-mail: info@parexresources.com

**OPERATING OFFICES**

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

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

**AUDITORS**

**PricewaterhouseCoopers LLP**  
Calgary, Alberta

**LEGAL COUNSEL**

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

**TRANSFER AGENT AND REGISTRAR**

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

**RESERVES EVALUATORS**

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

**INVESTOR RELATIONS**

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

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

E-mail:  
Investor.Relations@parexresources.com

Website: www.parexresources.com

**ABBREVIATIONS****Oil and Natural Gas Liquids**

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

**Other**

WTI	West Texas Intermediate
Brent	Brent Ice
Vasconia	Vasconia Crude
FFO	Funds flow provided by (used in) operations

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