CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE		June 30, 2024		December 31, 2023
ASSETS					
Current assets					
Cash and cash equivalents	**18**	**$**	**119,468**	$	140,352
Restricted cash and cash equivalents	**18**		**615**		—
Accounts receivable	**5**		**100,569**		118,567
Prepaids and other current assets			**48,195**		44,990
Current income tax receivable			**2,696**		29,012
Crude oil inventory	**6**		**10,303**		4,254
			281,846		337,175
Deferred tax asset			**126,718**		246,678
Goodwill			**73,452**		73,452
Exploration and evaluation	**7**		**131,844**		211,590
Property, plant and equipment	**8**		**1,481,079**		1,338,175
Long-term inventory	**9**		**218,361**		204,701
Other long-term assets	**18**		**11,183**		3,556
		$	**2,324,483**	$	2,415,327
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**242,584**	$	252,148
Current portion of decommissioning and environmental liabilities	**14**		**5,106**		6,000
			247,690		258,148
Bank debt	**10**		**50,000**		90,000
Lease obligation	**11**		**5,242**		5,736
Cash settled share-based compensation liabilities	**16**		**11,113**		16,284
Decommissioning and environmental liabilities	**14**		**84,788**		89,732
			398,833		459,900
Shareholders' equity					
Share capital	**15**		**649,555**		660,817
Contributed surplus			**19,572**		19,248
Retained earnings			**1,256,523**		1,275,362
			1,925,650		1,955,427
		$	**2,324,483**	$	2,415,327

Commitments and Contingencies (note 22)

See accompanying Notes to the Consolidated Interim Financial Statements

Approved by the Board:

"signed"
Sigmund Cornelius
Director

"signed"
Bob MacDougall
Director

Consolidated Statements of Comprehensive Income (unaudited)

(thousands of United States dollars, except per share amounts)	NOTE	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Oil and natural gas sales[1]	12	**$ 364,874**	$ 327,541	**$ 700,172**	$ 654,771
Royalties		**(60,772)**	(54,163)	**(113,854)**	(111,794)
Net revenue		**304,102**	273,378	**586,318**	542,977
Other revenue[1]	12	**1,759**	637	**3,180**	2,398
Revenue		**305,861**	274,015	**589,498**	545,375
Expenses					
Production		**62,741**	44,422	**122,565**	86,181
Transportation		**16,472**	17,111	**32,569**	31,689
Purchased oil		**356**	1,647	**457**	3,067
General and administrative		**18,807**	15,402	**37,975**	29,371
Impairment of exploration and evaluation assets	7	**4,661**	55,021	**4,661**	55,021
Equity settled share-based compensation expense	15	**228**	256	**426**	525
Cash settled share-based compensation expense	16	**5,542**	7,241	**2,881**	17,523
Depletion, depreciation and amortization	8	**56,883**	45,627	**109,114**	87,579
Foreign exchange (gain) loss		**1,114**	(6,966)	**(54)**	3,300
		166,804	179,761	**310,594**	314,256
Finance (income)[1]	13	**(1,097)**	(5,106)	**(2,354)**	(9,492)
Finance expense	13	**5,421**	4,253	**10,615**	7,957
Net finance expense (income)		**4,324**	(853)	**8,261**	(1,535)
Income before income taxes		**134,733**	95,107	**270,643**	232,654
Income tax expense (recovery)					
Current tax expense		**47,936**	39,157	**86,746**	79,062
Deferred tax expense (recovery)		**82,952**	(45,465)	**119,959**	(52,198)
		130,888	(6,308)	**206,705**	26,864
Net income and comprehensive income for the period		**$ 3,845**	$ 101,415	**$ 63,938**	$ 205,790
Basic net income per common share	17	**$ 0.04**	$ 0.95	**$ 0.62**	$ 1.91
Diluted net income per common share	17	**$ 0.04**	$ 0.95	**$ 0.62**	$ 1.91

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

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Changes in Equity (unaudited)

For the six months ended June 30, (thousands of United States dollars)		2024		2023
Share capital				
Balance, beginning of period	**$**	**660,817**	$	682,718
Issuance of common shares under share-based compensation plans		**411**		4,439
Repurchase of shares		**(11,673)**		(15,720)
Balance, end of period	**$**	**649,555**	$	671,437
Contributed surplus				
Balance, beginning of period	**$**	**19,248**	$	20,334
Share-based compensation		**426**		525
Options and RSUs exercised		**(102)**		(1,755)
Balance, end of period	**$**	**19,572**	$	19,104
Retained earnings				
Balance, beginning of period	**$**	**1,275,362**	$	1,011,940
Net income for the period		**63,938**		205,790
Repurchase of shares		**(25,718)**		(42,622)
Dividends		**(57,059)**		(59,932)
Balance, end of period	**$**	**1,256,523**	$	1,115,176
	$	**1,925,650**	$	1,805,717

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Cash Flows (unaudited)

(thousands of United States dollars)	NOTE	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Operating activities					
Net income		**$ 3,845**	$ 101,415	**$ 63,938**	$ 205,790
Add (deduct) non-cash items					
Depletion, depreciation and amortization	**8**	**56,883**	45,627	**109,114**	87,579
Non-cash finance expense	**13**	**2,619**	1,595	**5,085**	3,953
Equity settled share-based compensation expense	**15**	**228**	256	**426**	525
Cash settled share-based compensation expense	**16**	**5,542**	7,241	**2,881**	17,523
Deferred tax expense (recovery)		**82,952**	(45,465)	**119,959**	(52,198)
Impairment of exploration and evaluation assets	**7**	**4,661**	55,021	**4,661**	55,021
Unrealized foreign exchange loss (gain)		**24,176**	(10,815)	**22,789**	(1,823)
Loss (gain) on settlement of decommissioning liabilities	**14**	**46**	(33)	**406**	196
Net change in non-cash working capital	**18**	**41,830**	(191,454)	**(9,065)**	(221,905)
Cash provided by (used in) operating activities		**222,782**	(36,612)	**320,194**	94,661
Investing activities					
Property, plant and equipment expenditures	**8**	**(49,214)**	(82,999)	**(90,045)**	(166,223)
Exploration and evaluation expenditures	**7**	**(48,583)**	(38,310)	**(93,173)**	(68,954)
Long-term inventory expenditures, net of transfers	**9**	**(9,817)**	(20,903)	**(13,660)**	(40,670)
Net change in non-cash working capital	**18**	**6,952**	(12,208)	**(1,722)**	(575)
Cash (used in) investing activities		**(100,662)**	(154,420)	**(198,600)**	(276,422)
Financing activities					
Common shares repurchased	**15**	**(21,367)**	(25,474)	**(36,658)**	(58,342)
Dividends	**15**	**(28,528)**	(30,101)	**(57,059)**	(59,932)
Bank debt repayment	**10**	**(10,000)**	—	**(40,000)**	—
Issuance of common shares under equity-settled plans	**15**	**—**	541	**309**	2,684
Payments on lease obligation	**11**	**(185)**	(173)	**(379)**	(343)
Net change in non-cash working capital	**18**	**733**	—	**733**	—
Cash (used in) financing activities		**(59,347)**	(55,207)	**(133,054)**	(115,933)
(Decrease) increase in cash and cash equivalents and restricted cash and cash equivalents for the period		**62,773**	(246,239)	**(11,460)**	(297,694)
Impact of foreign exchange on foreign currency-denominated cash balances		**(2,818)**	7,195	**(3,013)**	12,067
Cash and cash equivalents and restricted cash and cash equivalents, beginning of period	**18**	**69,480**	372,419	**143,908**	419,002
Cash and cash equivalents and restricted cash and cash equivalents, end of period	**18**	**$ 129,435**	$ 133,375	**$ 129,435**	$ 133,375

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

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2024
(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 July 31, 2024.

2. Basis of Presentation and Material Accounting Policies

a) Statement of compliance

The condensed interim consolidated financial statements for the three and six months ended June 30, 2024 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2023, which have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The policies applied in these condensed interim consolidated financial statements are based on IFRS Accounting Standards issued and outstanding as of July 31, 2024, the date the Board of Directors approved the condensed interim consolidated financial statements.

b) Basis of measurement

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

c) Change in presentation

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

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

Consolidated Statements of Comprehensive Income (unaudited)	For the three months ended June 30, 2023	For the six months ended June 30, 2023
Oil and natural gas sales, as previously presented	$ 328,178	$ 656,911
Reclassification to Other revenue	(637)	(2,140)
Oil and natural gas sales, as currently presented	**$ 327,541**	**$ 654,771**

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

Consolidated Statements of Comprehensive Income (unaudited)	For the three months ended June 30, 2023	For the six months ended June 30, 2023
Finance income, as previously presented	$ 5,106	$ 9,750
Reclassification to Other revenue	—	(258)
Finance income, as currently presented	**$ 5,106**	**$ 9,492**

d) Use of management estimates, judgments and measurement uncertainty

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

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2023.

3. Summary of Material Accounting Policies

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

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

In April 2024, the IASB issued new IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") replacing IAS 1. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. Parex is currently assessing the impact of this new IFRS accounting standard on its consolidated financial statements.

4. Determination of Fair Values

The methods used in the determination of fair value, for financial and non-financial assets and liabilities have not changed from the previous financial year. Refer to note 4 of the December 31, 2023 consolidated financial statements for details concerning determination of fair values.

5. Accounts Receivable

		June 30, 2024		December 31, 2023
Trade receivables	**$**	**98,445**	$	105,625
Value added taxes (VAT)		**2,124**		12,942
	$	**100,569**	$	118,567

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is $2.1 million as at June 30, 2024 (December 31, 2023 - $12.9 million) and is recoverable within one year. All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Crude Oil Inventory

		June 30, 2024		December 31, 2023
Crude oil inventory	**$**	**10,303**	$	4,254

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

7. Exploration and Evaluation Assets

Cost		
Balance at December 31, 2022	**$**	**115,745**
Additions and transfers		172,410
Changes in decommissioning liability		6,293
Exploration and evaluation impairment		(82,858)
Balance at December 31, 2023	**$**	**211,590**
Additions and transfers		93,173
Transfers to PP&E		(168,053)
Changes in decommissioning liability		(205)
Exploration and evaluation impairment		(4,661)
Balance at June 30, 2024	**$**	**131,844**

Exploration and Evaluation ("E&E") assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. Additions and transfers of $93.2 million for the six months ended June 30, 2024 represent the Company's share of costs incurred on E&E assets during the period. During the six months ended June 30, 2024 $168.1 million of E&E assets were transferred to PP&E related to the Arauca Block.

For the six months ended June 30, 2024 $2.2 million of general and administrative costs (six months ended June 30, 2023 - $0.9 million) have been capitalized in respect of exploration and evaluation activities during the current period.

At June 30, 2024 and December 31, 2023 the Company did not have any E&E assets in Canada.

8. Property, Plant and Equipment

		Canada		**Colombia**		**Total**
Cost						
Balance at December 31, 2022	**$**	**15,796**	**$**	**3,051,099**	**$**	**3,066,895**
Additions and transfers		1,816		309,117		310,933
Changes in decommissioning and environmental liability		—		25,721		25,721
Balance at December 31, 2023	**$**	**17,612**	**$**	**3,385,937**	**$**	**3,403,549**
Additions and transfers		363		89,682		90,045
Transfers from E&E assets		—		168,053		168,053
Changes in decommissioning and environmental liability		—		(4,310)		(4,310)
Balance at June 30, 2024	**$**	**17,975**	**$**	**3,639,362**	**$**	**3,657,337**
Accumulated Depreciation, Depletion and Amortization						
Balance at December 31, 2022	**$**	**7,847**	**$**	**1,803,653**	**$**	**1,811,500**
Depletion and depreciation for the year		1,164		192,225		193,389
Depreciation - Right-of-use-asset		767		73		840
DD&A included in crude oil inventory costing		—		(37)		(37)
Property, plant and equipment impairment		—		59,682		59,682
Balance at December 31, 2023	**$**	**9,778**	**$**	**2,055,596**	**$**	**2,065,374**
Depletion and depreciation for the period		724		107,970		108,694
Depreciation - Right-of-use-asset		383		37		420
DD&A included in crude oil inventory costing		—		1,770		1,770
Balance at June 30, 2024	**$**	**10,885**	**$**	**2,165,373**	**$**	**2,176,258**
Net book value:						
As at December 31, 2022	$	7,949	$	1,247,446	$	1,255,395
As at December 31, 2023	$	7,834	$	1,330,341	$	1,338,175
As at June 30, 2024	**$**	**7,090**	**$**	**1,473,989**	**$**	**1,481,079**

In the six months ended June 30, 2024 property, plant and equipment ("PPE") additions and transfers of $90.0 million mainly relate to drilling costs in Colombia at Blocks LLA-34, Cabrestero, LLA-30 and LLA-32 and facility costs at Blocks LLA-34, Cabrestero, Capachos and VIM-1. During the six months ended June 30, 2024 $168.1 million of E&E assets were transferred to PP&E related to the Arauca Block.

For the six months ended June 30, 2024 future development costs of $459.6 million (six months ended June 30, 2023 - $422.5 million) were included in the depletion calculation for development and production assets. For the six months ended June 30, 2024 $1.0 million of general and administrative costs (six months ended June 30, 2023 - $3.4 million) have been capitalized in respect of development and production activities during the current period.

At June 30, 2024 there were no indicators of impairment noted, or indicators requiring a reversal of previously recorded impairments.

9. Long-term Inventory

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

Cost		
Balance at December 31, 2022	**$**	**165,271**
Additions		114,803
Transfers to E&E and PP&E assets		(75,373)
Balance at December 31, 2023	**$**	**204,701**
Additions		41,776
Transfers to E&E and PP&E assets		(23,669)
Transfer to production costs		(2,484)
Sale of inventory		(1,963)
Balance at June 30, 2024	**$**	**218,361**

10. Bank Debt

		June 30, 2024		December 31, 2023
Bank debt	**$**	**50,000**	$	90,000

The Company has a senior secured credit facility with a syndicate of banks which at June 30, 2024 had a borrowing base of $200.0 million (December 31, 2023 - $200.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. At June 30, 2024, $50.0 million (December 31, 2023 - $90.0 million) was drawn on the credit facility.

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

The credit facility is secured by the Company's Colombian assets and has final maturity date of May 21, 2026. The next annual review is scheduled to occur in May 2025.

Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2024.

At June 30, 2024, performance guarantees are in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $151.3 million (December 31, 2023 - $141.0 million) (see note 22 - Commitments and Contingencies). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

11. Lease Obligation

	Canada	Colombia	Total
Balance at December 31, 2022	**$ 5,779**	**$ 1,055**	**$ 6,834**
Interest expense	43	151	194
Lease payments	(746)	(160)	(906)
Foreign exchange loss	78	270	348
Balance at December 31, 2023	**$ 5,154**	**$ 1,316**	**$ 6,470**
Interest expense	21	74	95
Lease payments	(387)	(87)	(474)
Foreign exchange (gain)	(190)	(96)	(286)
Balance at June 30, 2024	**$ 4,598**	**$ 1,207**	**$ 5,805**
Current obligation	(550)	(13)	(563)
Long-term obligation	**$ 4,048**	**$ 1,194**	**$ 5,242**

12. Oil and Natural Gas Sales and Other Revenue

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Crude oil	**$ 361,690**	$ 325,627	**$ 694,433**	$ 650,658
Natural gas	**3,184**	1,914	**5,739**	4,113
Oil and natural gas sales	**$ 364,874**	$ 327,541	**$ 700,172**	$ 654,771

At June 30, 2024, receivables from contracts with customers, which are included in accounts receivable, were $98.4 million (December 31, 2023 - $105.6 million).

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Other revenue	**$ 1,759**	$ 637	**$ 3,180**	$ 2,398

13. Net Finance Expense (Income)

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Bank charges and credit facility fees	**$ 648**	$ 2,007	**$ 1,401**	$ 3,083
Interest on bank debt	**1,460**	—	**2,596**	—
Accretion on decommissioning and environmental liabilities	**2,441**	2,106	**4,831**	4,005
Interest and other income	**(1,097)**	(5,106)	**(2,354)**	(9,492)
Right-of-use-asset interest	**51**	48	**95**	93
Loss (gain) on settlement of decommissioning liabilities	**46**	(33)	**406**	196
Expected credit loss provision (recovery)	**(41)**	(547)	**34**	(92)
Other	**816**	672	**1,252**	672
Net finance expense (income)	**$ 4,324**	$ (853)	**$ 8,261**	$ (1,535)

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Non-cash finance expense	**$ 2,665**	$ 1,562	**$ 5,491**	$ 4,149
Cash finance expense (income)	**1,659**	(2,415)	**2,770**	(5,684)
Net finance expense (income)	**$ 4,324**	$ (853)	**$ 8,261**	$ (1,535)

14. Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2022	$ 38,818	$ 14,474	$ 53,292
Additions	9,676	1,379	11,055
Settlements of obligations during the year	(3,110)	(3,695)	(6,805)
Loss on settlement of obligations	199	—	199
Accretion expense	6,098	2,603	8,701
Change in estimate - inflation and discount rates	17,592	2,316	19,908
Change in estimate - costs	(1,331)	2,382	1,051
Foreign exchange loss	3,581	4,750	8,331
Balance, December 31, 2023	$ 71,523	$ 24,209	$ 95,732
Additions	1,334	170	1,504
Settlements of obligations during the period	(2,458)	(1,186)	(3,644)
Loss on settlement of obligations	406	—	406
Accretion expense	3,299	1,532	4,831
Change in estimate - inflation and discount rates	(3,230)	(2,629)	(5,859)
Change in estimate - costs	(266)	106	(160)
Foreign exchange (gain)	(1,272)	(1,644)	(2,916)
Balance, June 30, 2024	**$ 69,336**	**$ 20,558**	**$ 89,894**
Current obligation	(3,000)	(2,106)	(5,106)
Long-term obligation	**$ 66,336**	**$ 18,452**	**$ 84,788**

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at June 30, 2024, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $202.7 million as at June 30, 2024 (December 31, 2023 – $201.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.1% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

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

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $33.4 million as at June 30, 2024 (December 31, 2023 – $33.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.1% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $2.1 million (December 31, 2023 – $3.0 million) that is classified as a current obligation.

15. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2022	109,112,290	$	682,718
Issued for cash – exercise of options and RSUs	327,528		3,827
Allocation of contributed surplus – exercise of options and RSUs	—		2,129
Repurchase of shares	(5,628,100)		(27,857)
Balance, December 31, 2023	103,811,718	$	660,817
Issued for cash - exercise of options	22,168		309
Allocation of contributed surplus – exercise of options	—		102
Repurchase of shares	(2,218,200)		(11,673)
Balance, June 30, 2024	**101,615,686**	**$**	**649,555**

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

In the six months ended June 30, 2024, a total of 22,168 options were exercised for proceeds of $0.3 million (year ended December 31, 2023 - 327,528 options and RSUs were exercised for proceeds of $3.8 million). Also in the six months ended June 30, 2024, the Company repurchased 2,218,200 common shares pursuant to its Normal Course Issuer Bid at a cost of $36.7 million (average cost per share of Cdn$22.32).

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

Dividends paid in 2024 were $57.1 million or Cdn$0.76 per share (for the year ended December 31, 2023 - $118.7 million or Cdn$1.50 per share) to shareholders on record for each dividend payment.

b) Stock options

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

	Number of stock options	Weighted average exercise price Cdn$/option
Balance, December 31, 2022	758,048	22.12
Granted	196,583	22.77
Exercised	(263,986)	19.47
Balance, December 31, 2023	690,645	23.32
Granted	248,842	21.06
Exercised	(22,168)	18.75
Forfeited	(5,308)	26.18
Balance, June 30, 2024	**912,011**	**22.80**

Stock options outstanding and the weighted average remaining life of the stock options at June 30, 2024 are as follows:

	Options outstanding				Options vested			
Exercise price Cdn$	Number of options	Weighted average remaining life (years)		Weighted average exercise price Cdn$/option	Number of options	Weighted average remaining life (years)		Weighted average exercise price Cdn$/option
$18.24 - $21.35	250,638	4.66	$	21.04	1,796	1.46	$	18.24
$21.36 - $21.92	151,076	1.60	$	21.65	151,076	1.60	$	21.65
$21.93 - $22.71	145,879	0.66	$	22.20	145,879	0.66	$	22.20
$22.72 - $24.12	196,583	3.61	$	22.77	65,519	3.61	$	22.77
$24.13 - $28.39	167,835	2.57	$	27.00	112,992	2.54	$	27.01
	912,011	**2.90**	**$**	**22.80**	**477,262**	**1.81**	**$**	**23.23**

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

For the six months ended June 30,	**2024**	2023
Risk-free interest rate (%)	**3.67**	3.37
Expected life (years)	**4**	4
Expected volatility (%)	**47**	48
Forfeiture rate (%)	**3**	3
Expected dividend yield (%)	**7.03**	5.65

The weighted average fair value at the grant date for the six months ended June 30, 2024 was Cdn$5.10 per option (six months ended June 30, 2023 - Cdn$5.97 per option). The weighted average share price on the exercise date for options exercised in the six months ended June 30, 2024 was Cdn$22.14 (six months ended June 30, 2023 - Cdn$23.20).

c) Equity settled share-based compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Option expense	**$ 228**	$ 256	**$ 426**	$ 525
Total equity settled share-based compensation expense	**$ 228**	$ 256	**$ 426**	$ 525

16. Cash Settled Share-Based Compensation Plans

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

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

CosRSU:

	Number of CosRSUs
Balance, December 31, 2022	1,151,704
Granted(1)	676,119
Exercised	(582,105)
Forfeited	(9,203)
Balance, December 31, 2023	1,236,515
Granted(1)	581,838
Exercised	(558,056)
Forfeited	(87,943)
Balance, June 30, 2024	**1,172,354**

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

CosPSU:

	Number of CosPSUs
Balance, December 31, 2022	722,186
Granted(1)	328,679
Granted by performance factor	(19,468)
Exercised	(209,532)
Balance, December 31, 2023	821,865
Granted(1)	115,140
Granted by performance factor	57,567
Exercised	(345,774)
Forfeited	(2,850)
Balance, June 30, 2024	**645,948**

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

As at June 30, 2024, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the six months ended June 30, 2024 was Cdn$21.06 per CosRSU and CosPSU (six months ended June 30, 2023 - Cdn$22.77 per CosRSU and CosPSU).

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

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at June 30, 2024, the total CosRSUs and CosPSUs liability accrued is $12.2 million (December 31, 2023 - $24.7 million) of which $4.1 million (December 31, 2023 - $8.4 million) is classified as long-term in accordance with the three-year vesting period.

b) Long Duration Restricted Share Units and Performance Share Units ("LDRSU/LDPSU")

In May 2024, Parex put in place the new long duration RSU/PSU incentive plan. This plan provides for the issuance of LDRSUs and LDPSUs 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 common shares. LDRSUs and LDPSUs vest over a three-year period and expire ten years from the date of grant.

LDRSU:

	Number of LDRSUs
Balance, December 31, 2023	—
Granted(1)	149,036
Balance, June 30, 2024	**149,036**

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

LDPSU:

	Number of LDPSUs
Balance, December 31, 2023	—
Granted(1)	197,282
Balance, June 30, 2024	**197,282**

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

As at June 30, 2024, no LDRSUs and LDPSUs were vested.

The weighted average fair value at the grant date for the six months ended June 30, 2024 was Cdn$21.06 per LDRSU and LDPSU.

Pursuant to the long duration restricted share unit and performance share unit plan, the Company has granted performance share units to certain employees. The LDPSUs vest three years after the grant date and expire 10 years after the grant date. LDPSUs 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 LDPSUs eligible to vest at the end of the performance period.

Obligations for payments of cash under the LDRSUs and LDPSUs plans are accrued as compensation expense over the vesting period based on the fair value of LDRSUs and LDPSUs. The fair value of LDRSUs and LDPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at June 30, 2024, the total LDRSUs and LDPSUs liability accrued is $0.6 million of which $0.4 million is classified as long-term in accordance with the three-year vesting period.

c) Deferred share units ("DSUs")

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

	Number of DSU's
Balance, December 31, 2022	299,765
Granted(1)	43,529
Exercised on board retirement	(30,000)
Balance, December 31, 2023	313,294
Granted(1)	38,152
Exercised on board retirement	(10,000)
Balance, June 30, 2024	**341,446**

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

The weighted average fair value at the grant date for the six months ended June 30, 2024 was Cdn$23.87 per DSU. There were no DSU grants during the six months ended June 30, 2023.

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 June 30, 2024, the total DSUs liability accrued is $5.5 million (December 31, 2023 - $5.9 million) of which $5.3 million (December 31, 2023 - $5.5 million) is classified as long-term in accordance with the terms of the DSU plan.

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

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

	Number of CRSUs
Balance, December 31, 2022	757,640
Granted(1)	344,653
Exercised	(377,086)
Forfeited	(46,095)
Balance, December 31, 2023	679,112
Granted(1)	511,109
Exercised	(314,968)
Forfeited	(16,224)
Balance, June 30, 2024	**859,029**

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

The weighted average fair value at the grant date for six months ended June 30, 2024 was Cdn$21.13 per CRSU (six months ended June 30, 2023 - Cdn$22.92 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 June 30, 2024, the total CRSUs liability accrued is $4.7 million (December 31, 2023 - $8.0 million) of which $1.4 million (December 31, 2023 - $2.4 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 June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
CosRSUs and CosPSUs expense	**$ 2,934**	$ 5,264	**$ 2,334**	$ 12,647
LDRSUs and LDPSUs expense	**625**	—	**625**	—
DSUs (recovery) expense	**550**	551	**(277)**	1,751
CRSUs expense	**1,433**	1,426	**199**	3,125
Total cash settled share-based compensation expense	**$ 5,542**	$ 7,241	**$ 2,881**	$ 17,523
Cash payments made upon exercise in the period	**$ 715**	$ 861	**$ 19,677**	$ 18,720

17. Net Income per Share

a) Basic net income per share

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Net income				
Net income for the purpose of basic net income per share	**$ 3,845**	$ 101,415	**$ 63,938**	$ 205,790
Weighted average number of shares for the purposes of basic net income per share (000s)	**102,259**	106,830	**102,866**	107,507
Basic net income per share	**$ 0.04**	$ 0.95	**$ 0.62**	$ 1.91

b) Diluted net income per share

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Net income				
Net income used to calculate diluted net income per share	**$ 3,845**	$ 101,415	**$ 63,938**	$ 205,790
Weighted average number of shares for the purposes of basic net income per share (000s)	**102,259**	106,830	**102,866**	107,507
Dilutive effect of stock options on potential common shares	**13**	84	**8**	56
Weighted average number of shares for the purposes of diluted net income per share (000s)	**102,272**	106,914	**102,874**	107,563
Diluted net income per share	**$ 0.04**	$ 0.95	**$ 0.62**	$ 1.91

For the three and six months ended June 30, 2024, 547,741 and 618,805 stock options (three and six months ended June 30, 2023 - 115,576 and 368,686 stock options) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

18. Supplemental Disclosure of Cash Flow Information

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

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

	As at June 30		As at December 31	
	2024	2023	2023	2022
Cash and cash equivalents	**$ 119,468**	$ 133,375	$ 140,352	$ 419,002
Restricted cash and cash equivalents - current	**615**	—	—	—
Restricted cash and cash equivalents - long-term[1]	**9,352**	—	3,556	—
	$ 129,435	$ 133,375	$ 143,908	$ 419,002

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

b) Net change in non-cash working capital

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Accounts receivable	**$ 46,358**	$ (29,378)	**$ 17,998**	$ (10,868)
Prepaids and other current assets	**(9,182)**	(1,324)	**(3,205)**	(4,298)
Oil inventory	**(1,640)**	(2,149)	**(6,049)**	995
Accounts payable and accrued liabilities	**15,959**	(170,970)	**(16,924)**	(207,340)
Depletion related to oil inventory	**528**	642	**1,770**	(213)
Decommissioning and environmental liabilities	**(2,508)**	(483)	**(3,644)**	(756)
Net change in non-cash working capital	**$ 49,515**	$ (203,662)	**$ (10,054)**	$ (222,480)
Operating	**$ 41,830**	$ (191,454)	**$ (9,065)**	$ (221,905)
Investing	**6,952**	(12,208)	**(1,722)**	(575)
Financing	**733**	—	**733**	—
Net change in non-cash working capital	**$ 49,515**	$ (203,662)	**$ (10,054)**	$ (222,480)

c) Interest and taxes paid

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Cash interest paid	**$ 1,708**	$ —	**$ 2,825**	$ —
Cash income taxes paid	**$ —**	$ 141,054	**$ —**	$ 146,422

19. Capital Management

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

The Company has a senior secured credit facility with a syndicate of banks which as at June 30, 2024 had a borrowing base in the amount of $200.0 million (December 31, 2023 - $200.0 million). The credit facility is intended to serve as a means to increase liquidity and fund cash or letter of credit needs as they arise. As at June 30, 2024, $50.0 million (December 31, 2023 - $90.0 million) was drawn on the credit facility.

At June 30, 2024, performance guarantees are in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $151.3 million (December 31, 2023 - $141.0 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks (see note 22 - Commitments and Contingencies).

As at June 30, 2024 the Company had a working capital surplus of $34.2 million (December 31, 2023 - $79.0 million), of which $119.5 million is cash.

The Company has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure and share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity, the credit facility and its working capital. As at June 30, 2024 shareholders' equity was $1,925.7 million (December 31, 2023 - $1,955.4 million).

20. Financial Instruments and Risk Management

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

As at June 30, 2024, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Canadian dollar and COP against the US dollar would have decreased (increased) net income by approximately $7.1 million.

a) Credit risk

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

For the six months ended June 30, 2024 the Company had the majority of its oil sales to one counterparty. The accounts receivable balance as at June 30, 2024 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At June 30, 2024, there were no accounts receivable past due (December 31, 2023 - $nil).

None of the Company's receivables are impaired at June 30, 2024. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's $200.0 million credit facility at June 30, 2024 was $50.0 million.

The following are the contractual maturities of financial liabilities at June 30, 2024:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 230,109	—	—	—	$ 230,109
Bank debt	—	50,000	—	—	50,000
Lease obligation	563	5,242	—	—	5,805
Cash settled equity plans payable	11,912	11,113	—	—	23,025
Total	**$ 242,584**	**66,355**	**—**	**—**	**$ 308,939**

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

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

c) *Commodity price risk*

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

As at June 30, 2024, the Company had no outstanding commodity price risk management contracts.

d) *Foreign currency risk*

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

As at June 30, 2024, the Company had no foreign currency risk management contracts in place.

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three and six months ended June 30, 2024 and 2023:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Realized gain on foreign currency risk management contracts	**$ —**	$ (4,831)	**$ —**	$ (4,831)
Unrealized (gain) loss on foreign currency risk management contracts	**—**	405	**—**	(1,278)
Total	**$ —**	$ (4,426)	**$ —**	$ (6,109)

21. Segmented Information

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

For the three months ended June 30, 2024	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 364,874	$ 364,874
Royalties	—	(60,772)	(60,772)
Net revenue	—	304,102	304,102
Other revenue	—	1,759	1,759
Revenue	—	305,861	305,861
Expenses			
Production	—	62,741	62,741
Transportation	—	16,472	16,472
Purchased oil	—	356	356
General and administrative	7,422	11,385	18,807
Impairment of exploration and evaluation assets	—	4,661	4,661
Equity settled share-based compensation expense	228	—	228
Cash settled share-based compensation expense	4,109	1,433	5,542
Depletion, depreciation and amortization	562	56,321	56,883
Foreign exchange loss	170	944	1,114
	12,491	154,313	166,804
Finance (income)	(228)	(869)	(1,097)
Finance expense	1,579	3,842	5,421
Net finance expense	1,351	2,973	4,324
Income (loss) before taxes	(13,842)	148,575	134,733
Current tax expense	1,425	46,511	47,936
Deferred tax expense (recovery)	(690)	83,642	82,952
Net income (loss)	**$ (14,577)**	**$ 18,422**	**$ 3,845**
Capital assets (end of period)	$ 7,090	$ 1,605,833	$ 1,612,923
Capital expenditures	$ 189	$ 97,608	$ 97,797
Total assets (end of period)	$ 74,069	$ 2,250,414	$ 2,324,483

For the three months ended June 30, 2023		Canada		Colombia		Total
Oil and natural gas sales	$	—	$	327,541	$	327,541
Royalties		—		(54,163)		(54,163)
Net revenue		—		273,378		273,378
Other revenue		—		637		637
Revenue		—		274,015		274,015
Expenses						
Production		—		44,422		44,422
Transportation		—		17,111		17,111
Purchased oil		—		1,647		1,647
General and administrative		9,971		5,431		15,402
Impairment of exploration and evaluation assets		—		55,021		55,021
Equity settled share-based compensation expense		256		—		256
Cash settled share-based compensation		5,814		1,427		7,241
Depletion, depreciation and amortization		449		45,178		45,627
Foreign exchange (gain) loss		13		(6,979)		(6,966)
		16,503		163,258		179,761
Finance (income)		(1,230)		(3,876)		(5,106)
Finance expense		891		3,362		4,253
Net finance (income)		(339)		(514)		(853)
Income (loss) before taxes		(16,164)		111,271		95,107
Current tax expense		3,788		35,369		39,157
Deferred tax (recovery)		(1,339)		(44,126)		(45,465)
Net income (loss)	**$**	**(18,613)**	**$**	**120,028**	**$**	**101,415**
Capital assets (end of period)	$	7,609	$	1,478,529	$	1,486,138
Capital expenditures	$	267	$	121,042	$	121,309
Total assets (end of period)	$	115,567	$	2,110,232	$	2,225,799

For the six months ended June 30, 2024	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 700,172	$ 700,172
Royalties	—	(113,854)	(113,854)
Net revenue	—	586,318	586,318
Other revenue	—	3,180	3,180
Revenue	—	589,498	589,498
Expenses			
Production	—	122,565	122,565
Transportation	—	32,569	32,569
Purchased oil	—	457	457
General and administrative	18,464	19,511	37,975
Impairment of exploration and evaluation assets	—	4,661	4,661
Equity settled share-based compensation expense	426	—	426
Cash settled share-based compensation expense	2,682	199	2,881
Depletion, depreciation and amortization	1,107	108,007	109,114
Foreign exchange (gain) loss	368	(422)	(54)
	23,047	287,547	310,594
Finance (income)	(586)	(1,768)	(2,354)
Finance expense	2,995	7,620	10,615
Net finance expense	2,409	5,852	8,261
Income (loss) before taxes	(25,456)	296,099	270,643
Current tax expense (recovery)	(2,146)	88,892	86,746
Deferred tax expense	2,934	117,025	119,959
Net income (loss)	**$ (26,244)**	**$ 90,182**	**$ 63,938**
Capital assets (end of period)	$ 7,090	$ 1,605,833	$ 1,612,923
Capital expenditures	$ 363	$ 182,855	$ 183,218
Total assets (end of period)	$ 74,069	$ 2,250,414	$ 2,324,483

For the six months ended June 30, 2023	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 654,771	$ 654,771
Royalties	—	(111,794)	(111,794)
Net revenue	—	542,977	542,977
Other revenue	—	2,398	2,398
Revenue	—	545,375	545,375
Expenses			
Production	—	86,181	86,181
Transportation	—	31,689	31,689
Purchased oil	—	3,067	3,067
General and administrative	18,644	10,727	29,371
Impairment of exploration and evaluation assets	—	55,021	55,021
Equity settled share-based compensation expense	525	—	525
Cash settled share-based compensation expense	14,398	3,125	17,523
Depletion, depreciation and amortization	865	86,714	87,579
Foreign exchange loss (gain)	(125)	3,425	3,300
	34,307	279,949	314,256
Finance (income)	(3,310)	(6,182)	(9,492)
Finance expense	1,196	6,761	7,957
Net finance (income) expense	(2,114)	579	(1,535)
Income (loss) before taxes	(32,193)	264,847	232,654
Current tax expense	3,219	75,843	79,062
Deferred tax (recovery)	(221)	(51,977)	(52,198)
Net income (loss)	**$ (35,191)**	**$ 240,981**	**$ 205,790**
Capital assets (end of period)	$ 7,609	$ 1,478,529	$ 1,486,138
Capital expenditures	$ 525	$ 234,652	$ 235,177
Total assets (end of period)	$ 115,567	$ 2,110,232	$ 2,225,799

For the three months ending June 30, 2024, the Company had two external customers (three months ended June 30, 2023 - three external customers), in the oil and gas industry that subject to normal industry credit risks, constituted more than 10% of commodity sales from production. Sales to these customers totaled $356.9 million for the three months ending June 30, 2024 and $300.4 million for the three months ending June 30, 2023.

For the six months ending June 30, 2024, the Company had one external customer (period ended June 30, 2023 - two external customers), in the oil and gas industry that subject to normal industry credit risks, constituted more than 10% of commodity sales from production. Sales to these customers totaled $471.6 million for the six months ending June 30, 2024 and $558.2 million for the six months ending June 30, 2023.

22. Commitments and Contingencies

a) Colombia

At June 30, 2024, performance guarantees are in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $151.3 million (December 31, 2023 - $141.0 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The value of the Company's exploration commitments as at June 30, 2024 in respect of the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements are estimated to be as follows:

2024	$	23,948
2025		84,375
2026		18,868
2027		19,263
2028		68,429
Thereafter		179,073
	$	**393,956**

b) Operating leases

In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations. The existing minimum lease payments for office space and accommodations at June 30, 2024 are as follows:

		Total	2024	2025	2026	2027	2028	Thereafter
Office and accommodations	$	6,065	1,234	1,213	894	778	778	1,168

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or "the Company") for the period ended June 30, 2024 was prepared and approved by the Board of Directors of Parex (the "Board") and is dated July 31, 2024 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended June 30, 2024, as well as the Company's audited consolidated annual financial statements for the year ended December 31, 2023. The unaudited condensed interim consolidated financial statements and the audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Additional information related to Parex and factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated February 29, 2024 ("AIF"), and may be accessed through the SEDAR+ website at www.sedarplus.ca.

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

Company Profile

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

Abbreviations

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

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

Three months ended June 30, 2024 ("second quarter" or "Q2") Highlights

- Quarterly average oil and natural gas production was 53,568 boe/d (99% crude oil and 1% natural gas), comparable to the first quarter of 2024 production of 53,338 boe/d. Production per share*** increased by 3% compared to the same quarter in the prior year, from steady production and the reduction of outstanding shares. Refer to "Consolidated Results of Operations" and "Summary of Quarterly Results" for production split by product type.
- Recognized net income of $3.8 million ($0.04 per share basic) compared to net income of $101.4 million ($0.95 per share basic) in the comparative quarter of 2023. The decrease from the comparative quarter is related to an increase in deferred tax expense.
- Generated quarterly funds flow provided by operations ("FFO")* of $181.0 million ($1.77 per share basic**) compared to $154.8 million ($1.45 per share basic**) in the comparative quarter of 2023.
- Generated an operating netback of $46.32/boe** (Q2 2023 - $43.33/boe**) and an FFO netback of $37.34/boe** (Q2 2023 - $31.86/boe**) from an average Brent price of $85.03/bbl (Q2 2023 - $77.84/bbl).

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

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

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

Corporate Guidance

Parex's FY 2024 average production guidance of 54,000 to 60,000 boe/d and capital expenditure guidance of $390 to $430 million are trending towards the lower end of their respective ranges.

Lower production primarily reflects underperformance at Arauca as well as previously disclosed temporary shut-ins in the Northern Llanos, while lower capital reflects reduced spending at Arauca and LLA-38, with some offset from increased spending at LLA-32, LLA-122 and Capachos.

Financial Summary

	For the three months ended June 30,		For the six months ended June 30,	
(Financial figures in $'000s except per share amounts)	**2024**	2023	**2024**	2023
Light Crude Oil and Medium Crude Oil (bbl/d)	**9,541**	7,982	**8,389**	7,551
Heavy Crude Oil (bbl/d)	**43,229**	45,644	**44,386**	44,545
Average oil production (bbl/d)(1)	**52,770**	53,626	**52,775**	52,096
Average conventional natural gas production (mcf/d)(1)	**4,788**	2,964	**4,068**	3,822
Average oil and natural gas production (boe/d)	**53,568**	54,120	**53,453**	52,733
Production split (% crude oil)	**99**	99	**99**	99
Oil and natural gas sales price ($/boe)(6)	**75.21**	67.13	**73.03**	68.10
Operating netback ($/boe) (1)	**46.32**	43.33	**44.96**	44.13
Oil and natural gas sales	**364,874**	327,541	**700,172**	654,771
Funds flow provided by operations(7)	**180,952**	154,842	**329,259**	316,566
Per share – basic(1)(3)	**1.77**	1.45	**3.20**	2.94
Per share – diluted (1)(3)	**1.77**	1.45	**3.20**	2.94
Net income	**3,845**	101,415	**63,938**	205,790
Per share – basic(3)	**0.04**	0.95	**0.62**	1.91
Per share – diluted(3)	**0.04**	0.95	**0.62**	1.91
Dividends paid	**28,528**	30,101	**57,059**	59,932
Per share - Cdn$(3)(6)	**0.385**	0.375	**0.760**	0.750
Share repurchases	**21,367**	25,474	**36,658**	58,342
Number of shares repurchased (000s)	**1,298**	1,260	**2,218**	3,169
Capital expenditures(2)	**97,797**	121,309	**183,218**	235,177
Long-term inventory expenditures	**9,817**	20,903	**13,660**	40,670
Free funds flow(2)	**83,155**	33,533	**146,041**	81,389
EBITDA(2)	**195,940**	139,881	**388,018**	318,698
Adjusted EBITDA(2)	**230,547**	191,584	**418,775**	389,944
Total assets (end of period)	**2,324,483**	2,225,799	**2,324,483**	2,225,799
Working capital surplus (deficit) (end of period)(4)(7)	**34,156**	(2,957)	**34,156**	(2,957)
Bank debt (end of period)(5)	**50,000**	—	**50,000**	—
Weighted average shares outstanding (000s)				
Basic	**102,259**	106,830	**102,866**	107,507
Diluted	**102,272**	106,914	**102,874**	107,563
Outstanding shares (end of period) (000s)	**101,616**	106,194	**101,616**	106,194

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(4) Working capital calculation does not take into consideration the undrawn amount available under the syndicated bank credit facility.
(5) Syndicated bank credit facility borrowing base of $200.0 million as at June 30, 2024.
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(7) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".

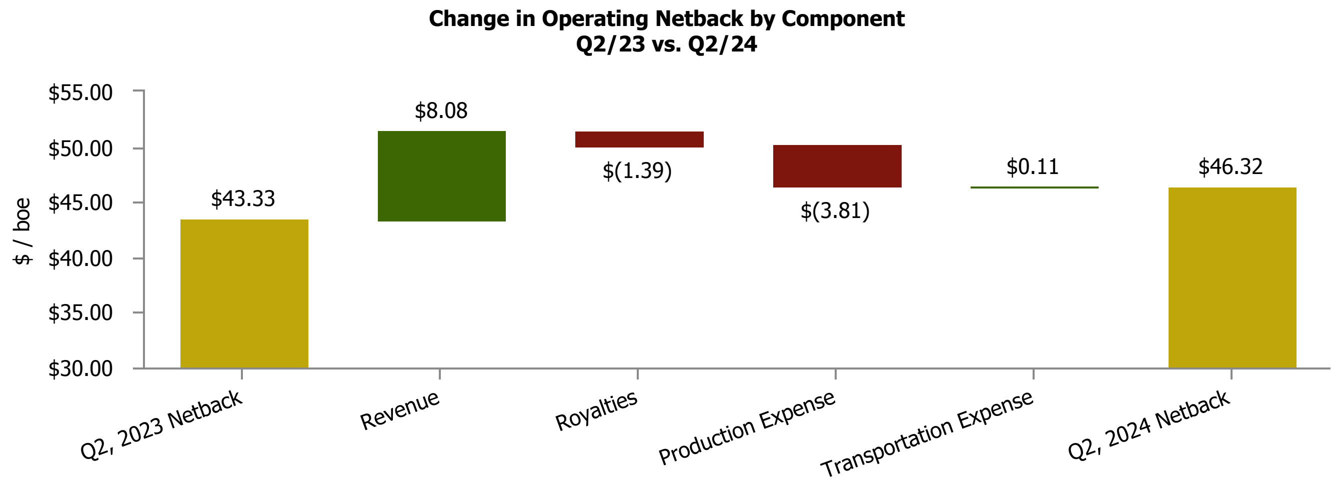
Financial and Operational Results

Consolidated Results of Operations

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

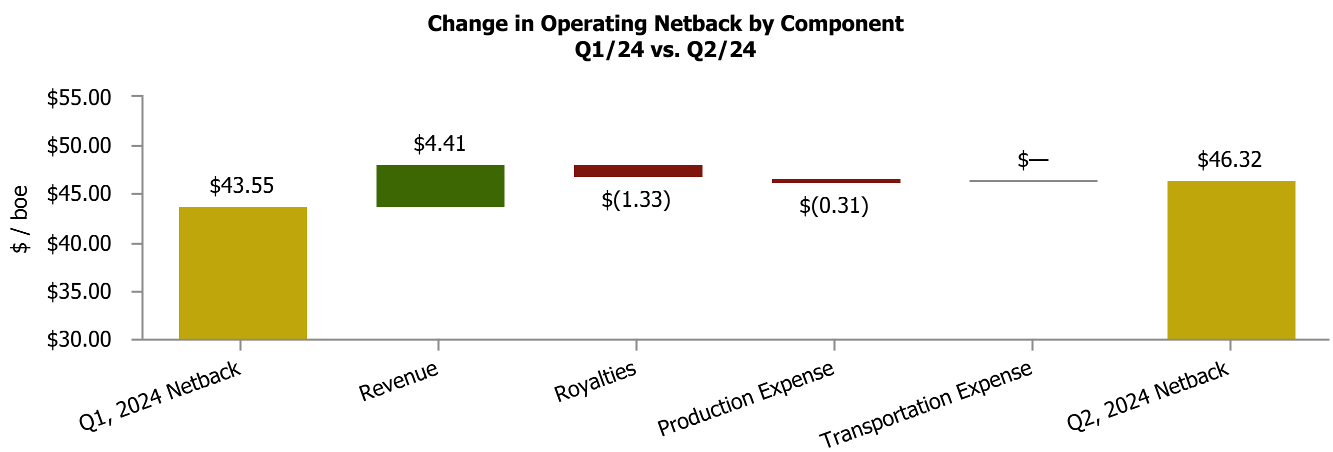
	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	**9,541**	7,982	**8,389**	7,551
Heavy Crude Oil (bbl/d)	**43,229**	45,644	**44,386**	44,545
Crude Oil (bbl/d)	**52,770**	53,626	**52,775**	52,096
Conventional Natural Gas (mcf/d)	**4,788**	2,964	**4,068**	3,822
Total (boe/d)	**53,568**	54,120	**53,453**	52,733
Production split (% crude oil production)	**99**	99	**99**	99
Average daily sales of oil and natural gas				
Produced crude oil (bbl/d)	**52,457**	52,907	**51,964**	52,281
Purchased crude oil (bbl/d)	**55**	216	**33**	206
Produced natural gas (mcf/d)	**4,788**	2,964	**4,068**	3,822
Total (boe/d)	**53,310**	53,617	**52,675**	53,124
Operating netback ($000s)				
Oil and natural gas sales	**$ 364,874**	$ 327,541	**$ 700,172**	$ 654,771
Royalties	**(60,772)**	(54,163)	**(113,854)**	(111,794)
Net revenue	**304,102**	273,378	**586,318**	542,977
Production expense	**(62,741)**	(44,422)	**(122,565)**	(86,181)
Transportation expense	**(16,472)**	(17,111)	**(32,569)**	(31,689)
Purchased oil	**(356)**	(1,647)	**(457)**	(3,067)
Operating netback(1)	**$ 224,533**	$ 210,198	**$ 430,727**	$ 422,040
Operating netback (per boe)				
Brent ($/bbl)	**$ 85.03**	$ 77.84	**$ 83.42**	$ 80.00
Parex price differential	**(9.82)**	(10.71)	**(10.39)**	(11.90)
Oil and natural gas sales(2)	**75.21**	67.13	**73.03**	68.10
Royalties(2)	**(12.54)**	(11.15)	**(11.88)**	(11.67)
Net revenue(2)	**62.67**	55.98	**61.15**	56.43
Production expense(2)	**(12.95)**	(9.14)	**(12.79)**	(9.00)
Transportation expense(2)	**(3.40)**	(3.51)	**(3.40)**	(3.30)
Operating netback(3)	**$ 46.32**	$ 43.33	**$ 44.96**	$ 44.13

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



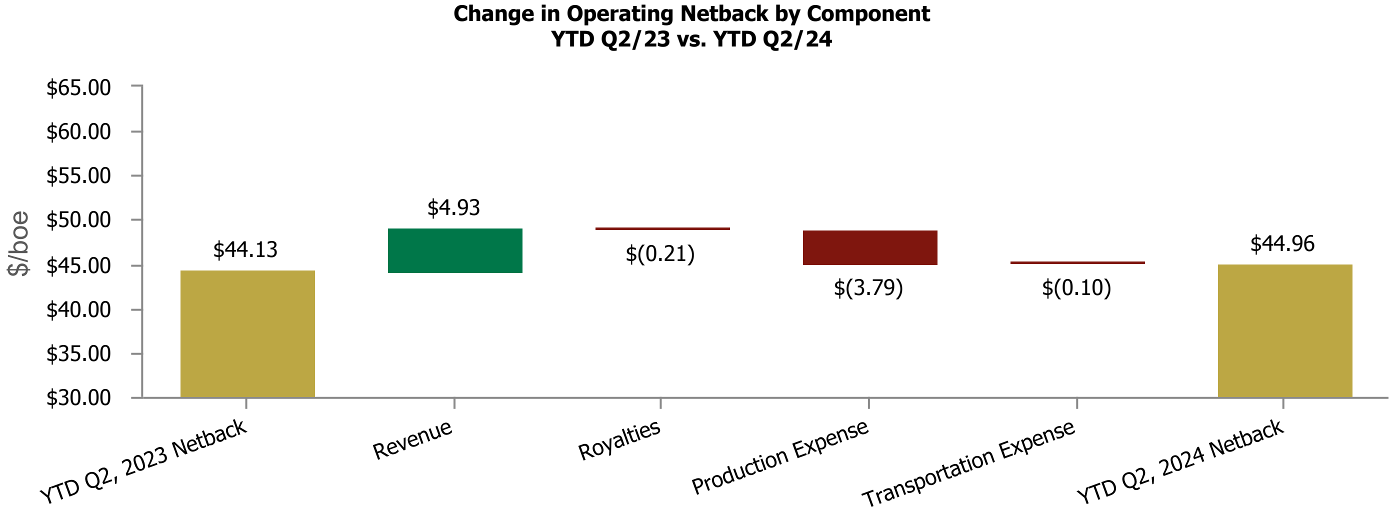
Overall, the Company's benchmark Brent crude oil price increased by $7.19/bbl, while revenue increased by $8.08/boe in the second quarter of 2024 as compared to the second quarter of 2023. The increase in revenue relative to the Brent crude benchmark increase was mainly the result of higher realized sales price per boe resulting from lower location and quality differentials (and thereby lower differential to Brent oil price). Royalties increased by $1.39/boe in the quarter compared to the second quarter of 2023 mainly a result of higher realized prices. Production expense in the quarter increased by $3.81/boe compared to the second quarter of 2023 mainly as a result of increased electrical power costs, increased well services and facility maintenance and Colombian peso appreciation. Transportation expense in the quarter decreased by $0.11/boe compared to the second quarter of 2023.

Overall, the operating netback increased by $2.99/boe compared to a Brent benchmark crude price increase of $7.19/bbl.



In the second quarter of 2024, the Company's benchmark Brent oil price increased by $3.16/bbl, while revenue increased by $4.41/boe as compared to the first quarter of 2024. The increase in revenue relative to the Brent crude oil benchmark increase was mainly the result of higher realized sales price per boe resulting from lower location and quality differentials (and thereby lower differential to Brent oil price). Royalties increased by $1.33/boe mainly a result of higher realized prices. Production expense increased by $0.31/boe mainly as a result of increased facility maintenance, partially offset by the reduction in electrical power costs and depreciation of the Colombian peso. Transportation expense in the quarter was comparable to the first quarter of 2024.

Overall, the operating netback increased by $2.77/boe compared to a Brent benchmark crude price increase of $3.16/bbl.



Year to date 2024, the Company's benchmark Brent oil price increased by $3.42/bbl, while revenue increased by $4.93/boe compared to the 2023 year to date comparative period. The increase in revenue relative to the Brent crude oil benchmark increase was mainly the result of higher realized sales price per boe resulting from lower location and quality differentials (and thereby lower differential to Brent oil price). Royalties increased by $0.21/boe mainly a result of higher realized prices. Production expense increased by $3.79/boe mainly as a result of increased electrical power costs, increased well services and facility maintenance and Colombian peso appreciation. Transportation expense in the quarter increased by $0.10/boe compared to the 2023 comparative period.

Overall, the operating netback increased by $0.83/boe compared to a Brent benchmark crude price increase of $3.42/bbl.

Oil and Natural Gas Sales and Other Revenue

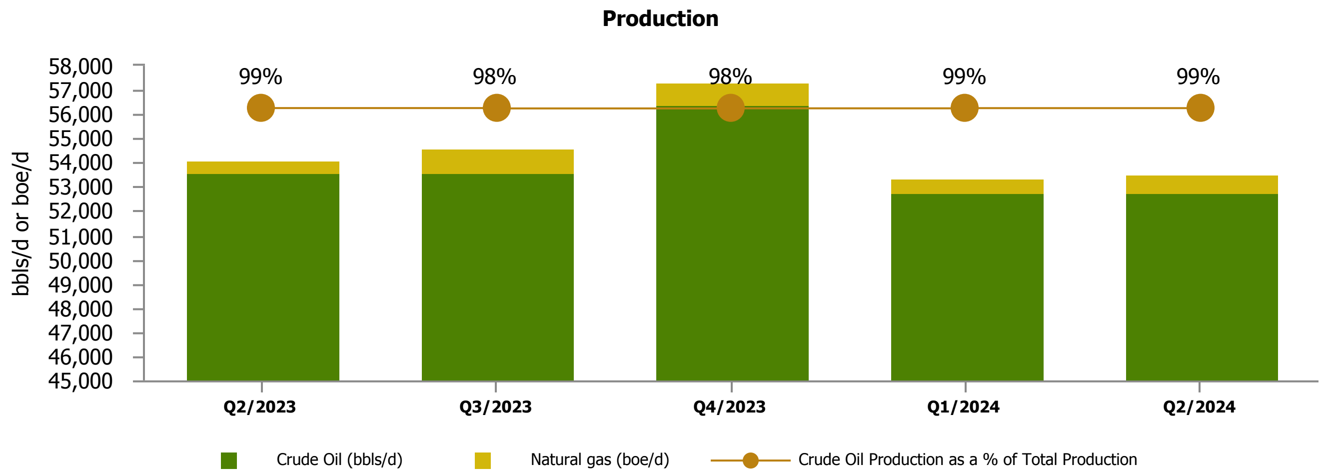
a) Average Daily Production and Sales Volumes (boe/d)

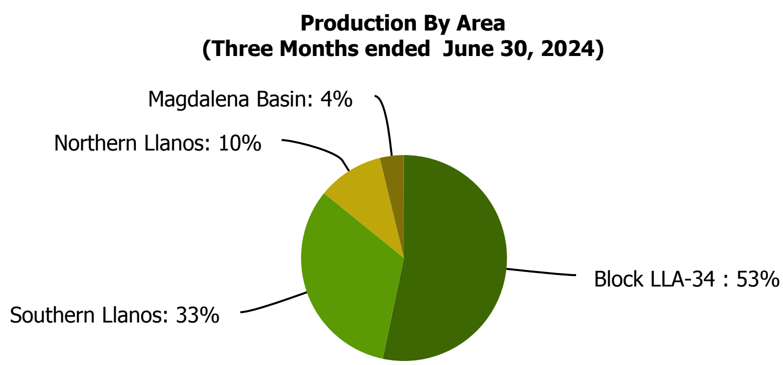
	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Block LLA-34	**28,153**	30,349	**28,651**	30,243
Southern Llanos	**17,157**	18,132	**17,988**	17,750
Northern Llanos	**5,455**	2,874	**4,132**	2,081
Magdalena Basin	**2,005**	2,271	**2,004**	2,022
Total Crude Oil Production	**52,770**	53,626	**52,775**	52,096
Natural gas production	**798**	494	**678**	637
Total Crude oil and natural gas production	**53,568**	54,120	**53,453**	52,733
Crude oil inventory draw (build)	**(313)**	(719)	**(811)**	185
Average daily sales of produced oil and natural gas	**53,255**	53,401	**52,642**	52,918
Purchased oil	**55**	216	**33**	206
Sales Volumes	**53,310**	53,617	**52,675**	53,124

Crude oil and natural gas production for the second quarter of 2024 averaged 53,568 boe/d, comparable to the first quarter of 2024 production of 53,338 boe/d and a decrease of approximately 1% from the second quarter of 2023 production of 54,120 boe/d.

The decrease in oil and natural gas production in the second quarter of 2024 compared to the second quarter of 2023 is mainly the result of increased downtime at the LLA-34 and Cabrestero Blocks, which were partially offset by fully operational production at the Capachos Block as well as the Arauca Block being brought on production in Q2 2024.

Oil and natural gas sales in the second quarter of 2024 were 53,310 boe/d compared to 53,617 boe/d for the second quarter of 2023.


Production
58,000
57,000
56,000
55,000
54,000
53,000
52,000
51,000
50,000
49,000
48,000
47,000
46,000
45,000
bbls/d or boe/d
99%
98%
98%
99%
99%
Q2/2023
Q3/2023
Q4/2023
Q1/2024
Q2/2024
Crude Oil (bbls/d)
Natural gas (boe/d)
Crude Oil Production as a % of Total Production


Production By Area
(Three Months ended June 30, 2024)
Magdalena Basin: 4%
Northern Llanos: 10%
Block LLA-34 : 53%
Southern Llanos: 33%

b) Crude Oil Reference and Realized Prices

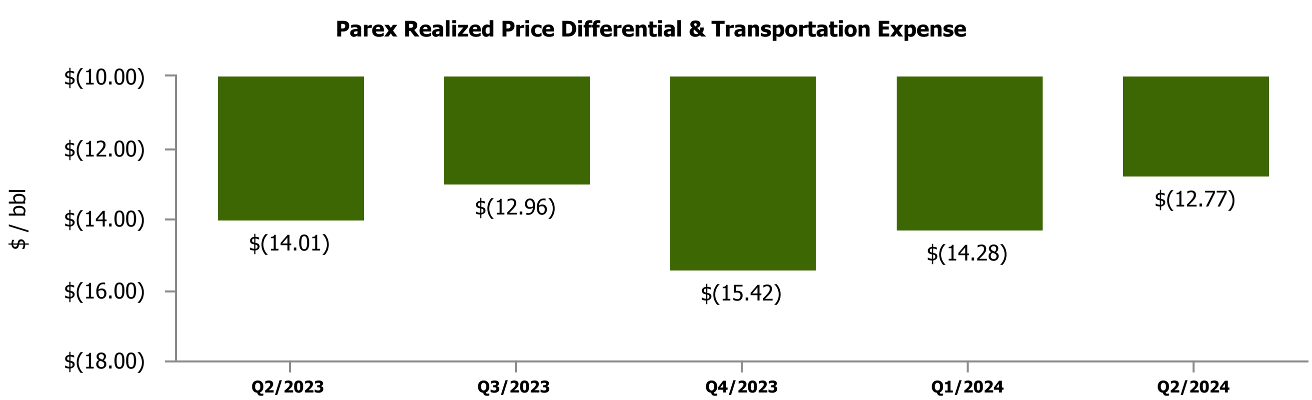
Average price for the period	**Q2 2024**	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Brent ($/bbl)	**85.03**	81.87	82.90	85.92	77.84
Parex location and quality differential ($/bbl)	**(3.84)**	(4.75)	(4.29)	(3.23)	(5.13)
Parex wellhead sales discount ($/bbl)	**(5.50)**	(6.10)	(7.55)	(6.11)	(5.35)
Parex realized oil sales price ($/bbl)(2)	**75.69**	71.02	71.06	76.58	67.36
Parex realized price (differential) to Brent crude ($/bbl)	**(9.34)**	(10.85)	(11.84)	(9.34)	(10.48)
Parex transportation expense ($/bbl)(1)(2)	**(3.43)**	(3.43)	(3.58)	(3.62)	(3.53)
Parex price differential and transportation expense ($/bbl)(2)	**(12.77)**	(14.28)	(15.42)	(12.96)	(14.01)

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

During the second quarter of 2024, the differential between Brent reference pricing and the Company's realized oil sale price was $9.34/bbl. The differential to Brent crude during the second quarter of 2024 decreased by $1.51/bbl compared to the first quarter of 2024 where the differential was $10.85/bbl. This decrease was primarily the result of the wellhead sales discount decreasing $0.60/bbl as result of decreased sales at the wellhead compared to the prior period and the decrease in location and quality differential of $0.91/bbl mainly related to decreased differentials on heavy oil. Compared to the second quarter of 2023 Parex's realized price improved from a differential of $10.48/bbl to $9.34/bbl which was mainly driven by a decrease in location and quality differential.

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

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



c) Natural Gas Sales and Realized Prices

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Natural gas sales ($000's)	**$ 3,184**	$ 1,914	**$ 5,739**	$ 4,113
Realized sales price ($/Mcf)(1)	**7.31**	7.10	**7.75**	5.95

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

Parex natural gas sales were $3.2 million and $5.7 million for the three and six months ended June 30, 2024 compared to $1.9 million and $4.1 million in the comparative periods of 2023. The increase in natural gas sales from the comparative periods of 2023 is primarily related to increased volumes sold from the Capachos and VIM-1 Blocks.

d) Oil and Natural Gas Sales

Second quarter 2024 oil and natural gas sales increased by $37.3 million or 11% as reconciled in the table below to the second quarter of 2023:

($000s)	
Oil and natural gas sales, three months ended June 30, 2023	**$ 327,541**
Sales volume of produced oil, a decrease of 1% (450 bopd)	**(2,758)**
Sales volume of purchased oil, a decrease of 75% (161 bopd)	**(987)**
Oil sales price increase of 12%	**39,808**
Sales volume and price change of produced natural gas	**1,270**
Oil and natural gas sales, three months ended June 30, 2024	**$ 364,874**

Oil and natural gas sales increased in the three months ended June 30, 2024 compared to the same period in 2023 mainly due to the increase in world oil prices.

e) Crude Oil Inventory in Transit

As at June 30, ($000s)	**2024**	2023
Crude oil in transit	**$ 10,303**	$ 3,638

At June 30, 2024, the Company had 253.1 mbbls of crude oil inventory compared to 110.3 mbbls at June 30, 2023, which was injected into Colombian pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at $41/bbl at June 30, 2024 compared to $33/bbl at June 30, 2023 incurred in bringing the crude oil to its existing condition and location.

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

For the periods ended (mbbls)	**Jun. 30, 2024**	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023
Crude oil inventory in transit - beginning of the period	**224.7**	105.6	85.4	110.3
Oil production	**4,802.1**	4,803.0	5,194.3	4,932.7
Oil sales	**(4,778.6)**	(4,685.0)	(5,174.1)	(4,965.8)
Purchased oil	**4.9**	1.1	—	8.2
Crude oil inventory in transit - end of the period	**253.1**	224.7	105.6	85.4
% of period production	**5.3**	4.7	2.0	1.7

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

f) Purchased Oil

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Purchased oil expense ($000s)	**$ 356**	$ 1,647	**$ 457**	$ 3,067

Purchased oil expense for the three and six months ended June 30, 2024 was $0.4 million and $0.5 million compared to $1.6 million and $3.1 million for the three and six months ended June 30, 2023 and $0.1 million in the first quarter of 2024.

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

g) Other Revenue

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Other revenue	**$ 1,759**	$ 637	**$ 3,180**	$ 1,761

Royalties

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Base royalties(1)	**$ 31,359**	$ 27,871	**$ 59,017**	$ 55,642
Economic rights(2)	**29,413**	26,292	**54,837**	56,152
Royalties ($000s)	**$ 60,772**	$ 54,163	**$ 113,854**	$ 111,794
Per unit ($/boe)(3)	**12.54**	11.15	**11.88**	11.67
Percentage of sales(3)	**17**	17	**16**	17

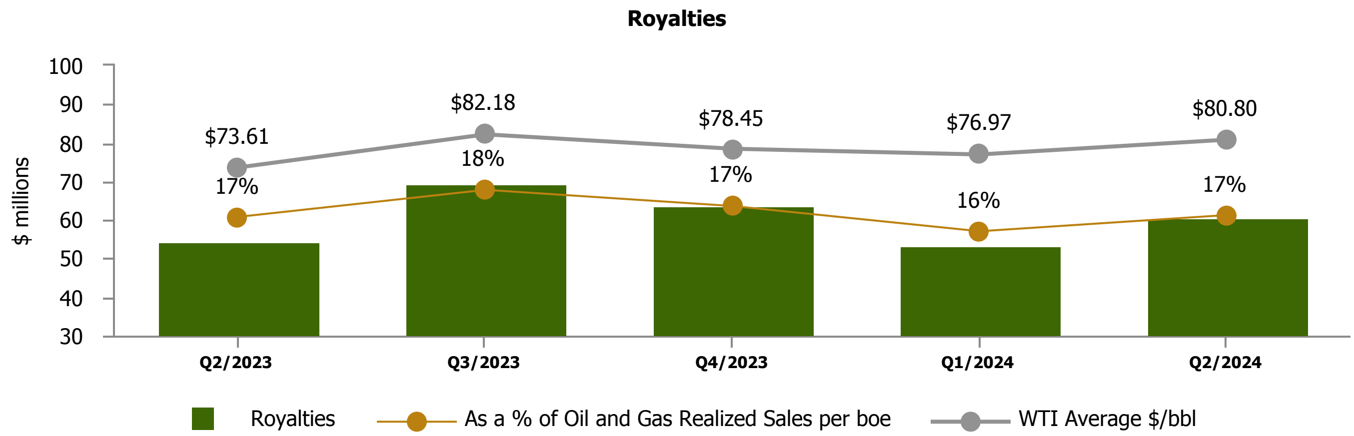
(1) Base royalties are sliding scale royalties based on field production and payable to the Colombian National Hydrocarbon Agency ("ANH"). Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.
(2) Economic rights include high price share royalties applicable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

For the three and six months ended June 30, 2024 royalties as a percentage of sales were 17% and 16% compared to 17% for the three and six months ended June 30, 2023. First quarter of 2024 royalties as a percentage of sales were 16%.

Benchmark WTI prices are used in the high price share royalty ("HPR") calculation. Effectively higher realized WTI oil prices result in a higher royalty percentage realized. Benchmark WTI prices for the three and six months ended June 30, 2024 were $80.80 and $78.92 compared to $73.61 and $74.83 for the 2023 comparative periods and $76.97 in the first quarter of 2024.

The increase in royalty expense to $60.8 million and $113.9 million in the three and six months ended June 30, 2024 compared to $54.2 million and $111.8 million for the 2023 comparative periods is mainly as a result of higher benchmark WTI prices which are used in the HPR calculation and higher world oil prices.

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



Production Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Production expense ($000s)	**$ 62,741**	$ 44,422	**$ 122,565**	$ 86,181
Per unit ($/boe)(1)	**12.95**	9.14	**12.79**	9.00

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

Production expense for the three and six months ended June 30, 2024 was $12.95/boe and $12.79/boe compared to $9.14/boe and $9.00/boe for the three and six months ended June 30, 2023. Production expense for the first quarter of 2024 was $12.64/boe.

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

	Q2 2024 vs Q1 2024	**Q2 2024 vs Q2 2023**	**YTD 2024 vs YTD 2023**
Comparative period production expense per boe(1)	**$ 12.64**	**$ 9.14**	**$ 9.00**
Power generation	**(1.00)**	**0.59**	**0.51**
Well workovers and facility maintenance	**1.17**	**1.98**	**1.35**
Colombian pesos ("COP") appreciation (depreciation)	**(0.22)**	**0.50**	**1.13**
Other	**0.36**	**0.74**	**0.80**
Current period production expense per boe(1)	**$ 12.95**	**$ 12.95**	**$ 12.79**

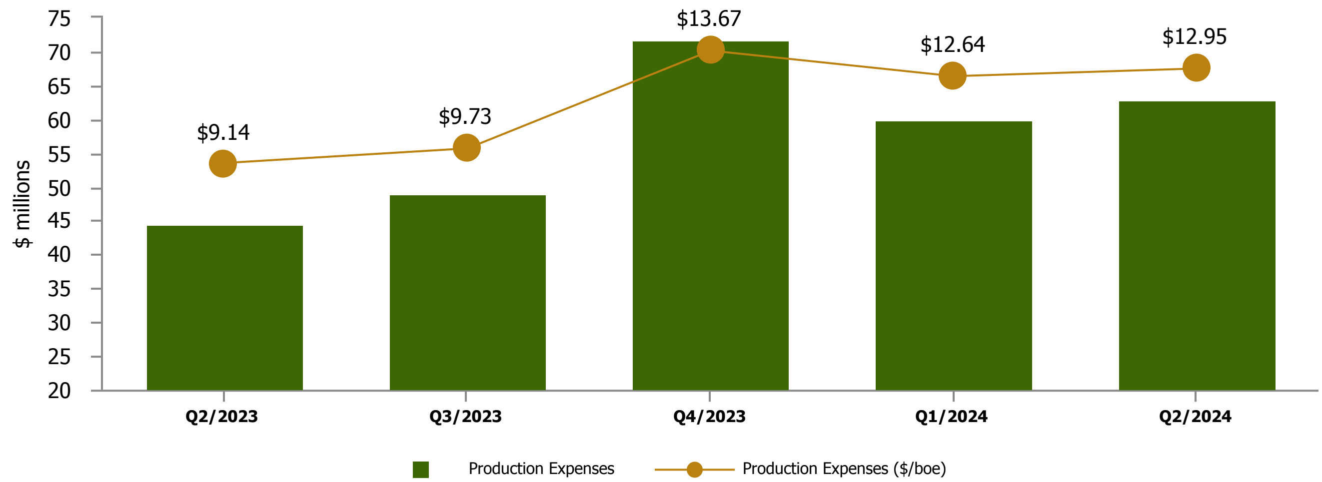
(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

The increase in production expense for the three and six months ended June 30, 2024 over the three and six months ended June 30, 2023 comparative periods is mainly the result of increased workover and well/facility maintenance on Block LLA-34, the Capachos Block, and the Cabrestero Block. The cost of electrical power that supplies fields with required power to operate, and the appreciation of the COP has subsided in Q2 2024 as compared to Q1 2024.

Colombia has experienced an El Niño-induced drought that has led to an escalation in power costs across the country during the past year. Colombia is heavily reliant on hydroelectric power. In late April 2024, power costs began to decline and as noted above power costs have reduced by $1.00/boe in Q2 2024 compared to Q1 2024.

Compared to the first quarter of 2024, second quarter 2024 production expense per boe has increased due to increased workover and facility maintenance, partially offset by reduced electrical power costs and the depreciation of the Colombian peso.

Production Expense



Transportation Expense

		For the three months ended June 30,			For the six months ended June 30,		
		2024		2023		**2024**		2023
Transportation expense ($000s)	**$**	**16,472**	$	17,111	**$**	**32,569**	$	31,689
Per unit ($/boe)(1)		**3.40**		3.51		**3.40**		3.30

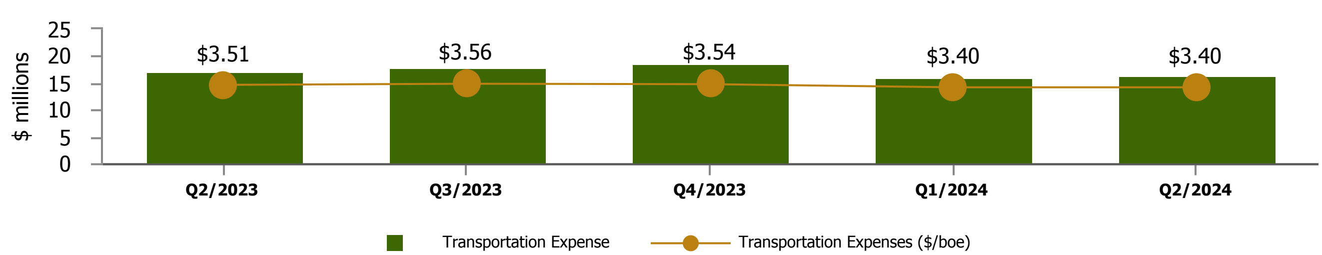
(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

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

For the three and six months ended June 30, 2024 the cost of transportation on a per boe basis was $3.40/boe compared to $3.40/boe in the first quarter of 2024 and $3.51/boe and $3.30/boe for the three and six months ended June 30, 2023. Transportation expense will fluctuate period over period due to the mix of sales contract types in force during the period.

The combined transportation expense and price differential from Brent, on a per boe basis, has decreased from the second quarter of 2023 and the first quarter of 2024. See "Crude Oil Reference and Realized Prices".

Transportation Expenses



General and Administrative Expense ("G&A")

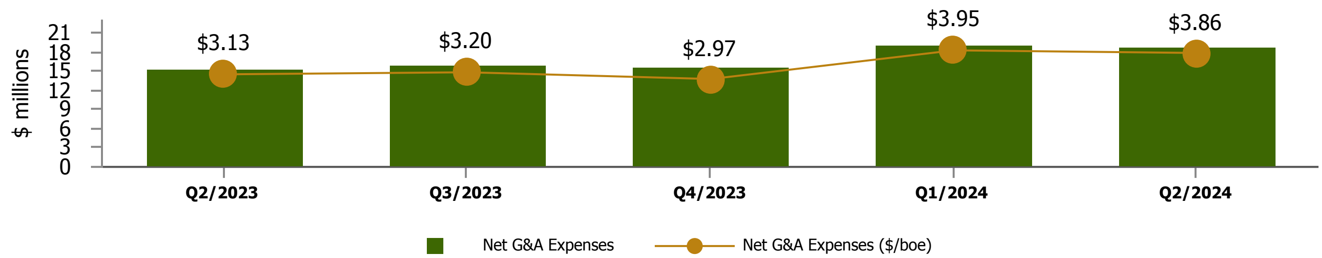
($000s)		For the three months ended June 30, **2024**		2023		For the six months ended June 30, **2024**		2023
Gross G&A	**$**	**21,184**	$	18,379	**$**	**43,166**	$	34,647
G&A recoveries		**(947)**		(578)		**(2,002)**		(967)
Capitalized G&A		**(1,430)**		(2,399)		**(3,189)**		(4,309)
Total net G&A	**$**	**18,807**	$	15,402	**$**	**37,975**	$	29,371
Per unit ($/boe) (1)		**3.86**		3.13		**3.90**		3.08

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

Net G&A was $18.8 million and $38.0 million for the three and six months ended June 30, 2024 compared to $15.4 million and $29.4 million for the three and six months ended June 30, 2023. Gross G&A was $21.2 million and $43.2 million for the three and six months ended June 30, 2024 (three and six months ended June 30, 2023 - $18.4 million and $34.6 million). Gross and net G&A has increased mainly as a result of increased staffing levels compared to prior periods and the appreciation of the COP from prior periods.

For the six months ended June 30, 2024, on a per boe basis, net G&A has increased by 27% compared to the six months ended June 30, 2023. This is mainly a result of increased staffing levels and staff salary increases, primarily in Colombia, as a result of high inflation levels in Colombia during 2023 and the appreciation of the COP from comparative periods.

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



Share-Based Compensation

($000s)		For the three months ended June 30, **2024**		2023		For the six months ended June 30, **2024**		2023
Equity settled share-based compensation expense	**$**	**228**	$	256	**$**	**426**	$	525
Cash settled share-based compensation expense		**5,542**		7,241		**2,881**		17,523
Total share-based compensation expense	**$**	**5,770**	$	7,497	**$**	**3,307**	$	18,048

Share-based compensation expense was $5.8 million and $3.3 million for the three and six months ended June 30, 2024 compared to an expense of $7.5 million and $18.0 million for the three and six months ended June 30, 2023.

Equity settled share-based compensation expense was $0.2 million and $0.4 million for the three and six months ended June 30, 2024 compared to $0.3 million and $0.5 million for the three and six months ended June 30, 2023. Equity settled share-based compensation includes the Company's stock option plan.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes cash or share settled restricted share units and performance share units ("CosRSUs and "CosPSUs"), long duration restricted share units and performance share units ("LDRSUs and "LDPSUs"), cash settled restricted share units ("CRSUs") and deferred share units ("DSUs"). For the three and six months ended June 30, 2024 there was an expense of $5.5 million and $2.9 million related to cash settled incentive plans compared to an expense of $7.2 million and $17.5 million for the same periods in 2023. This decrease in expense is mainly attributable to the decrease in Parex's share price from the comparative period end dates.

Obligations for payments of cash under the Company's cash settled incentive plans are accrued as an expense over the vesting period based on the fair value of the units as described in note 16 of the interim financial statements for the six months ended June 30, 2024. As at June 30, 2024, the total cash settled incentive plans liability accrued was $23.0 million (December 31, 2023 - $38.6 million).

Cash payments to settle cash settled share-based compensation in the three and six months ended June 30, 2024 were $0.7 million and $19.7 million compared to $0.9 million and $18.7 million for the same periods in 2023. The increase in the six months ended June 30, 2024 compared to the 2023 comparative period is mainly related to the increase in the number of CosPSUs being vested, partially offset by the decrease in Parex's share price at the time of settlement.

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

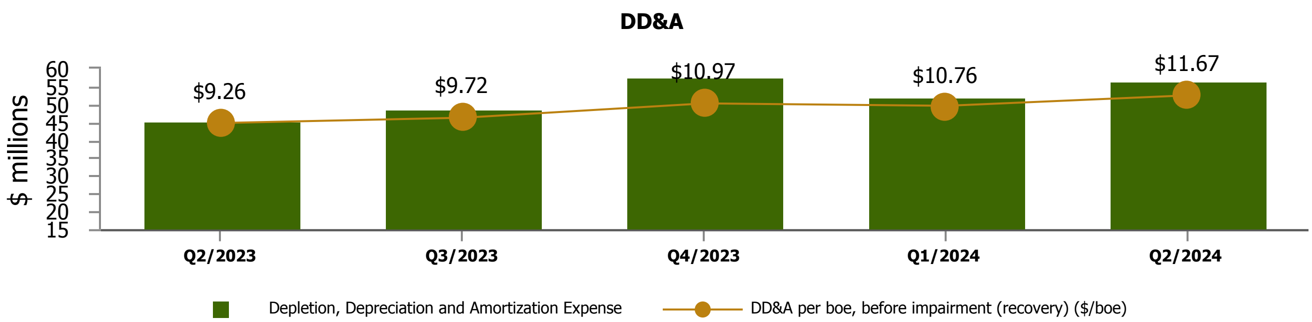
	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
DD&A expense ($000s)	**$ 56,883**	$ 45,627	**$ 109,114**	$ 87,579
Per unit ($/boe)(1)	**11.67**	9.26	**11.22**	9.18

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

Second quarter 2024 DD&A was $56.9 million ($11.67/boe) compared to $45.6 million ($9.26/boe) for the same period in 2023. For the six months ended June 30, 2024 DD&A was $109.1 million ($11.22/boe) compared to $87.6 million ($9.18/boe) for the same period in 2023.

For the six months ended June 30, 2024 future development costs of $459.6 million (six months ended June 30, 2023 - $422.5 million) were included in the depletion calculation for development and production assets.

DD&A on a $/boe basis increased compared to the prior periods mainly due to the increase in the depletable base through an increase in 2023 annual capital expenditures and the transfer of Arauca from exploration and evaluation assets to property, plant and equipment in the second quarter of 2024, along with an increase in the depletion rate over the previous comparative periods.



Foreign Exchange

($000s)	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Foreign exchange (gain) loss	**$ 1,114**	$ (2,540)	**$ (54)**	$ 9,409
Foreign currency risk management contracts (gain)	**—**	(4,426)	**—**	(6,109)
Total foreign exchange (gain) loss	**$ 1,114**	$ (6,966)	**$ (54)**	$ 3,300
Average foreign exchange rates				
USD$/Cdn$	**1.37**	1.34	**1.36**	1.35
USD$/COP	**3,926**	4,432	**3,920**	4,595

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

For the three and six months ended June 30, 2024, a total foreign exchange loss of $1.1 million and gain of $0.1 million were recorded compared to a gain of $7.0 million and loss of $3.3 million in the three and six months ended June 30, 2023. For the six months ended June 30, 2024, the appreciation of the Colombian peso resulted in a realized gain of $20.8 million and an offsetting $20.8 million unrealized foreign exchange loss in the second quarter of 2024 on the settlement of the 2023 Colombian income taxes.

Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of comprehensive income.

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

Foreign Exchange Sensitivity Analysis

Cost component	Estimated percent of cost denominated in local currency	$/boe Impact of change in local currency/$USD exchange rate: 10% appreciation of local currency	10% depreciation of local currency
Production expense	90%	$ 1.17	$ (1.17)
Transportation expense	50%	$ 0.17	$ (0.17)
G&A expense	100%	$ 0.39	$ (0.39)

The table above displays the estimated per boe impact of a change in Parex's local currencies and the effect on Parex's key cost components. The component impact in $/boe terms uses Q2 2024 per boe costs. This analysis ignores all other factors impacting cost structure including, but not limited to, efficiencies, cost reduction strategies, and cost inflation.

As at June 30, 2024, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Cdn and COP against the USD would have decreased (increased) net income by approximately $7.1 million.

Net Finance Expense (Income)

($000s)	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Bank charges and credit facility fees	**$ 648**	$ 2,007	**$ 1,401**	$ 3,083
Interest on bank debt	**1,460**	—	**2,596**	—
Accretion on decommissioning and environmental liabilities	**2,441**	2,106	**4,831**	4,005
Interest and other income	**(1,097)**	(5,106)	**(2,354)**	(9,492)
Right-of-use-asset interest	**51**	48	**95**	93
Loss (gain) on settlement of decommissioning liabilities	**46**	(33)	**406**	196
Expected credit loss provision (recovery)	**(41)**	(547)	**34**	(92)
Other	**816**	672	**1,252**	672
Net finance expense (income)	**$ 4,324**	$ (853)	**$ 8,261**	$ (1,535)

($000s)	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Non-cash finance expense	**$ 2,665**	$ 1,562	**$ 5,491**	$ 4,149
Cash finance expense (income)	**1,659**	(2,415)	**2,770**	(5,684)
Net finance expense (income)	**$ 4,324**	$ (853)	**$ 8,261**	$ (1,535)

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

Risk Management

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

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

a) Risk Management Contracts - Brent Crude

As at June 30, 2024 the Company had no crude oil risk management contracts in place.

b) Risk Management Contracts – Foreign Exchange

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

As at June 30, 2024, the Company had no foreign currency risk management contracts in place.

The table below summarizes the (gain) on the foreign currency risk management contracts that were in place during the three and six months ended June 30, 2024 and 2023:

($000s)	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Realized gain on foreign currency risk management contracts	**$ —**	$ (4,831)	**$ —**	$ (4,831)
Unrealized (gain) loss on foreign currency risk management contracts	**—**	405	**$ —**	$ (1,278)
Total	**$ —**	$ (4,426)	**$ —**	$ (6,109)

Income Tax

The components of tax expense for the three and six months ended June 30, 2024 and 2023 were as follows:

($000s)	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Current tax expense	**$ 47,936**	$ 39,157	**$ 86,746**	$ 79,062
Deferred tax expense (recovery)	**82,952**	(45,465)	**119,959**	(52,198)
Tax expense (recovery)	**$ 130,888**	$ (6,308)	**$ 206,705**	$ 26,864
Effective current tax rate on funds flow provided by operations before tax[1]	**21 %**	20 %	**21 %**	20 %

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

Current tax expense in the second quarter of 2024 was $47.9 million compared to $39.2 million in the three months ended June 30, 2023. For the six months ended June 30, 2024 current tax expense was $86.7 million compared to $79.1 million in the comparative 2023 period.

The increase from the three months ended June 30, 2023 comparative period is a result of higher operating cash flows and the Company being subject to a 15% Colombian surtax in the current period compared to being in the 10% surtax band in the comparative period. The 15% surtax band is based on the average Brent crude price being above approximately $81.25/bbl. The 10% surtax band for 2024 is applicable if Brent crude averages between $76.00 and $81.25/bbl. Brent crude has averaged $83.42/bbl for the six months ended June 30, 2024.

Deferred tax expense for the three months ended June 30, 2024 was $83.0 million compared to a recovery of $45.5 million in the three months ended June 30, 2023. For the six months ended June 30, 2024 deferred tax expense was $120.0 million compared to a recovery of $52.2 million in the six months ended June 30, 2023 .

The increase in deferred tax expense from the second quarter comparative period is mainly a result of the foreign exchange impact of the movement of the COP exchange rate between March 31, 2024 and June 30, 2024. In that period the peso depreciated against the USD by approximately 8%. Temporary difference reversals between the Company's accounting basis and tax basis also contributed to the deferred tax expense increase.

2024 Current Tax Guidance

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

Brent price assumption	**$65/bbl**	**$75/bbl**	**$85/bbl**
Effect current tax rate on before tax funds flow from operations[1]	10-12%	19-21%	25-27%

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

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 June 30,	Colombia		Canada		Total	
($000s)	**2024**	2023	**2024**	2023	**2024**	2023
Acquisition of unproved properties	**$ 220**	$ 2,866	**$ —**	$ —	**$ 220**	$ 2,866
Geological and geophysical	**1,841**	85	**—**	—	**1,841**	85
Drilling and completion	**90,116**	108,844	**—**	—	**90,116**	108,844
Well equipment and facilities	**5,431**	9,205	**—**	—	**5,431**	9,205
Other	**—**	42	**189**	267	**189**	309
Total capital expenditures[(1)]	**$ 97,608**	$ 121,042	**$ 189**	$ 267	**$ 97,797**	$ 121,309

For the six months ended June 30,	Colombia		Canada		Total	
($000s)	**2024**	2023	**2024**	2023	**2024**	2023
Acquisition of unproved properties	**$ 1,254**	$ 3,645	**$ —**	$ —	**$ 1,254**	$ 3,645
Geological and geophysical	**1,862**	1,156	**—**	—	**1,862**	1,156
Drilling and completion	**154,085**	207,180	**—**	—	**154,085**	207,180
Well equipment and facilities	**25,654**	22,629	**—**	—	**25,654**	22,629
Other	**—**	42	**363**	525	**363**	567
Total capital expenditures[(1)]	**$ 182,855**	$ 234,652	**$ 363**	$ 525	**$ 183,218**	$ 235,177

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

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

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Block LLA-34	**$ 23,554**	$ 36,826	**$ 52,324**	$ 58,101
Southern Llanos	**34,779**	61,013	**55,489**	119,508
Northern Llanos	**34,690**	3,695	**67,717**	11,591
Magdalena Basin	**4,585**	19,466	**7,325**	45,410
Canada and Colombia - Corporate	**189**	309	**363**	567
Total capital expenditures[(1)]	**$ 97,797**	$ 121,309	**$ 183,218**	$ 235,177

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

During the six months ended June 30, 2024 the Company incurred $183.2 million of capital expenditures compared to $235.2 million in the same period of 2023. During the six months ended June 30, 2024, total drilling and completion costs were $154.1 million mainly related to drilling and completion costs in Colombia at the Arauca Block, the Cabrestero Block, the Capachos Block, and Blocks LLA-34, LLA-32, LLA-30 and LLA-122.

During the second quarter of 2024 the Company incurred $97.8 million of capital expenditures compared to $121.3 million in the same period of 2023. During the second quarter of 2024, total drilling and completion costs were $90.1 million mainly related to drilling and completion costs in Colombia at the Arauca Block, Blocks LLA-34, LLA-30, LLA-32, LLA-122 and the Capachos Block.

Long-Term Inventory

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

Cost		
Balance at December 31, 2022	**$**	**165,271**
Additions		114,803
Transfers to E&E and PP&E assets		(75,373)
Balance at December 31, 2023	**$**	**204,701**
Additions		41,776
Transfers to E&E and PP&E assets		(23,669)
Transfer to production costs		(2,484)
Sale of inventory		(1,963)
Balance at June 30, 2024	**$**	**218,361**

The below table represents the other long-term inventory expenditures for the three and six months ended June 30, 2024 and 2023:

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Additions	**$ 19,300**	$ 36,927	**$ 41,776**	$ 70,639
Transfers to D&P and E&E	**(5,036)**	(16,024)	**(23,669)**	(29,969)
Transfer to production costs	**(2,484)**	—	**(2,484)**	—
Sale of inventory	**(1,963)**	—	**(1,963)**	—
Total other long-term asset expenditures, net of transfers	**$ 9,817**	$ 20,903	**$ 13,660**	$ 40,670

Summary of Quarterly Results

Three months ended ($000s)	**Jun. 30, 2024**	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	**9,541**	7,237	9,700	8,837
Heavy Crude Oil (bbl/d)	**43,229**	45,543	46,760	44,779
Crude Oil (bbl/d)	**52,770**	52,780	56,460	53,616
Conventional Natural Gas (mcf/d)	**4,788**	3,348	5,214	5,742
Total (boe/d)	**53,568**	53,338	57,329	54,573
Realized sales price - oil ($/bbl)(6)	**75.69**	71.02	71.06	76.58
Financial ($000s except per share amounts)				
Oil and natural gas sales	**$ 364,874**	$ 335,298	$ 370,688	$ 383,244
Funds flow provided by operations(5)	**$ 180,952**	$ 148,307	$ 193,377	$ 157,839
Per share – basic(2)	**1.77**	1.43	1.85	1.49
Per share – diluted(2)	**1.77**	1.43	1.85	1.49
Net income	**$ 3,845**	$ 60,093	$ 133,783	$ 119,736
Per share – basic	**0.04**	0.58	1.28	1.13
Per share – diluted	**0.04**	0.58	1.28	1.13
Dividends paid	**$ 28,528**	$ 28,531	$ 29,505	$ 29,239
Per share - Cdn$(4)(6)	**0.385**	0.375	0.375	0.375
Capital Expenditures(1)	**$ 97,797**	$ 85,421	$ 91,419	$ 156,747
Long-term inventory expenditures	**$ 9,817**	$ 3,843	$ (866)	$ (374)
Total assets (end of period)	**$ 2,324,483**	$ 2,355,512	$ 2,415,327	$ 2,263,479
Outstanding shares (end of period) (000s)	**101,616**	102,914	103,812	105,014
Working capital surplus (deficit) (end of period)(3)(5)	**$ 34,156**	$ 55,901	$ 79,027	$ (57,511)

Three months ended ($000s)	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	7,982	7,115	10,511	6,903
Heavy Crude Oil (bbl/d)	45,644	43,435	42,746	43,063
Crude Oil (bbl/d)	53,626	50,550	53,257	49,966
Conventional Natural Gas (mcf/d)	2,964	4,692	6,000	6,750
Total (boe/d)	54,120	51,332	54,257	51,091
Realized sales price - oil ($/bbl)(6)	67.36	69.66	75.55	89.33
Financial ($000s except per share amounts)				
Oil and natural gas sales	$ 327,541	$ 327,230	$ 376,347	$ 405,371
Funds flow provided by operations(5)	$ 154,842	$ 161,724	$ 85,194	$ 206,412
Per share – basic(2)	1.45	1.49	0.78	1.85
Per share – diluted(2)	1.45	1.49	0.78	1.85
Net income	$ 101,415	$ 104,375	$ 249,958	$ 65,632
Per share – basic	0.95	0.96	2.29	0.59
Per share – diluted	0.95	0.96	2.29	0.59
Dividends paid	$ 30,101	$ 29,831	$ 20,108	$ 20,042
Per share - Cdn$(4)(6)	0.375	0.375	0.250	0.250
Capital Expenditures(1)	$ 121,309	$ 113,868	$ 147,746	$ 127,353
Long-term inventory expenditures	$ 20,903	$ 19,767	$ 56,415	$ 65,725
Total assets (end of period)	$ 2,225,799	$ 2,349,748	$ 2,314,373	$ 2,089,253
Outstanding shares (end of period) (000s)	106,194	107,419	109,112	109,323
Working capital surplus (deficit) (end of period)(3)(5)	$ (2,957)	$ 29,662	$ 84,988	$ 229,763

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

Factors that Caused Variations Quarter Over Quarter

During the second quarter of 2024, production of 53,568 boe/d (consisting of 9,541 bbls/d of light and medium crude oil, 43,229 bbls/d of heavy crude oil and 4,788 mcf/d of conventional natural gas) decreased 1% compared to the previous quarter ended March 31, 2024. Revenue and funds flow provided by operations were higher than the previous quarter mainly due to an increase in sales volumes and realized oil prices. Working capital decreased to $34.2 million* from $55.9 million* at March 31, 2024 largely due to the $10.0 million repayment of bank debt borrowings during the second quarter and increased capital expenditures. Dividends paid on common shares for the quarter were $28.5 million (Cdn $0.385 per common share*). The cost associated with the repurchase of common shares under the Company's normal course issuer bid ("NCIB") program during the quarter was $21.4 million.

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

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

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

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

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

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

Liquidity and Capital Resources

As at June 30, 2024 the Company had a working capital surplus of $34.2 million as compared to a working capital surplus at December 31, 2023 of $79.0 million. The decrease in working capital is primarily a result of the suspension of operations in the Northern Llanos basin during the first quarter of 2024 and the $40.0 million repayment of bank debt borrowings.

As at June 30, 2024 Parex held $119.5 million of unrestricted cash compared to $140.4 million on December 31, 2023 and $133.4 million at June 30, 2023. The Company's cash balances reside primarily in current accounts with chartered financial institutions, the majority of which are held on account in Canada, Switzerland and Colombia in USD.

Parex's senior secured credit facility with a syndicate of banks has a current borrowing base of $200.0 million (December 31, 2023 - $200.0 million). There is $50.0 million drawn on the facility as at June 30, 2024 (December 31, 2023 - $90.0 million). The credit facility is secured by the Company's Colombian assets and has final maturity date of May 21, 2026. The next annual review is scheduled to occur in May 2025. Parex expects to draw on the credit facility at various times throughout 2024 to manage timing differences associated with timing of vendor payments and oil sales collections.

Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants. The Company is in compliance with all covenants.

Refer to note 22 - Commitments and Contingencies of the interim financial statements for the period ended June 30, 2024 for a description of performance guarantees 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 June 30, 2024 the Company had 101,615,686 common shares outstanding compared to 103,811,718 at December 31, 2023 a decrease of 2.1%. At July 31, 2024 the number of common shares outstanding has been reduced to 101,175,686 as a result of the Company's NCIB.

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

As at July 31, 2024 Parex has the following securities outstanding:

	Number	%
Common shares	101,175,686	99 %
Stock options	910,355	1 %
	102,086,041	**100 %**

As of the date of this MD&A, total stock options outstanding represent approximately 1% of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

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

In Colombia, the Company has provided guarantees to the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $151.3 million as at June 30, 2024 (December 31, 2023 - $141.0 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The following table summarizes the Company's estimated undiscounted commitments as at June 30, 2024:

($000s)	Total	<1 year	1 – 3 years	3 – 5 years	>5 years
Exploration	$ 393,956	$ 95,671	$ 50,783	$ 247,502	$ —
Office and accommodations[1]	6,065	919	2,687	1,636	823
Decommissioning and Environmental Obligations	236,060	5,106	—	—	230,954
Total	**$ 636,081**	**$ 101,696**	**$ 53,470**	**$ 249,138**	**$ 231,777**

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

Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2022	$ 38,818	$ 14,474	$ 53,292
Additions	9,676	1,379	11,055
Settlements of obligations during the year	(3,110)	(3,695)	(6,805)
Loss on settlement of obligations	199	—	199
Accretion expense	6,098	2,603	8,701
Change in estimate - inflation and discount rates	17,592	2,316	19,908
Change in estimate - costs	(1,331)	2,382	1,051
Foreign exchange loss	3,581	4,750	8,331
Balance, December 31, 2023	$ 71,523	$ 24,209	$ 95,732
Additions	1,334	170	1,504
Settlements of obligations during the period	(2,458)	(1,186)	(3,644)
Loss on settlement of obligations	406	—	406
Accretion expense	3,299	1,532	4,831
Change in estimate - inflation and discount rates	(3,230)	(2,629)	(5,859)
Change in estimate - costs	(266)	106	(160)
Foreign exchange (gain)	(1,272)	(1,644)	(2,916)
Balance, June 30, 2024	**$ 69,336**	**$ 20,558**	**$ 89,894**
Current obligation	(3,000)	(2,106)	(5,106)
Long-term obligation	**$ 66,336**	**$ 18,452**	**$ 84,788**

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at June 30, 2024, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $202.7 million as at June 30, 2024 (December 31, 2023 – $201.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.1% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

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

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $33.4 million as at June 30, 2024 (December 31, 2023 – $33.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 10.1% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $2.1 million (December 31, 2023 – $3.0 million) that is classified as a current obligation.

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

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

Advisory on Forward-Looking Statements

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

- the Company's operational strategy, plans, priorities and focus;
- Parex's expectations as to debt levels, commodity risk management and other hedging activities;
- Parex's 2024 guidance, including its anticipated levels of capital expenditures and annual average production;
- Parex's expectation that its crude oil inventory will remain in line with normal historic levels;
- the terms of the Company's credit facility including the timing of the next annual review and borrowing base redetermination;
- the Company's plan to draw on the credit facility through 2024;
- the Company's expectation that only the grants under the Company's stock option plan will result in common shares issued from treasury;
- estimated amounts, timing and the anticipated sources of funding for the Company's exploration, capital expenditure programs, office and accommodations, environmental, decommissioning and restoration obligations;
- the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement;
- Parex's estimated per boe impact of a change in its local currencies and the effect on its key cost assumptions;
- the Company's expectation that higher realized WTI oil prices will result in higher royalty percentage realized;
- Parex's expectation that transportation expense will fluctuate due to the mix of sales contract types in force during the period;
- the Company's estimated undiscounted commitments and the anticipated timing thereof;
- the Company's expectations regarding the per boe and G&A expense impact caused by appreciation and depreciation of the COP;

- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the use of derivatives primarily with financial institutions to manage movements in the price of crude oil, fluctuations in the USD/COP exchange rate and interest rate movements;
- that the Company will be able to manage and forecast cash flow through derivative contracts;
- Parex's anticipated effective current tax rate on operating cash flow based on certain Brent crude prices; and
- terms of certain contractual 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's assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; the risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risk of failure to achieve the anticipated benefits associated with acquisitions; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; the timing of the number of crude oil shipments from storage to export; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; failure to meet expected production targets; the risk that Parex may not have sufficient financial resources in the future to provide distributions to its shareholders; the risk that the Board may not declare dividends in the future or that Parex dividend policy changes; the risk that Parex may not meet its production guidance for 2024; the risk that Parex's 2024 full year capital expenditures may be greater or less than anticipated; the risk that Parex's working capital in 2024 may be less than anticipated; the risk that crude oil inventory in future periods may be less than normal historic levels; the risk of currency fluctuations; the risk that the Company may not be able to fund its environmental, decommissioning and restoration obligations in the manner anticipated; the risk that the Company's borrowing base under its credit facility after its next redetermination may be lower than anticipated; the risks discussed under "Risk Factors" in the Company's December 31, 2023 MD&A and under "Decommissioning and Environmental Liabilities" in this MD&A, and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to areas of the Company's operations and infrastructure; future exchange rates; the price of oil, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; royalty rates; future operating costs; the status of litigation; timing of drilling and completion of wells; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient financial resources to pay dividends and acquire its shares pursuant to its NCIB in the future; that the Company's credit facility will be renewed at its next annual redetermination and that the borrowing base will not be reduced; that higher realized WTI oil prices result in higher realized royalty percentages; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

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

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

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

Distribution Advisory

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

Oil & Gas Matters Advisory

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

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

Non-GAAP and Other Financial Measures Advisory

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

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

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

Non-GAAP Financial Measures

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

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Property, plant and equipment expenditures	**$ 49,214**	$ 82,999	**$ 90,045**	$ 166,223
Exploration and evaluation expenditures	**48,583**	38,310	**93,173**	68,954
Capital expenditures	**$ 97,797**	$ 121,309	**$ 183,218**	$ 235,177

	For the three months ended					
($000s)	March 31, 2024	December 31, 2023	September 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment expenditures	$ 40,831	$ 50,753	$ 93,957	$ 83,224	$ 111,512	$ 101,253
Exploration and evaluation expenditures	44,590	40,666	62,790	30,644	36,234	26,100
Capital expenditures	$ 85,421	$ 91,419	$ 156,747	$ 113,868	$ 147,746	$ 127,353

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

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Cash provided by operating activities	**$ 222,782**	$ (36,612)	**$ 320,194**	$ 94,661
Net change in non-cash working capital	**(41,830)**	191,454	**9,065**	221,905
Funds flow provided by operations	**180,952**	154,842	**329,259**	316,566
Capital expenditures, excluding corporate acquisitions	**97,797**	121,309	**183,218**	235,177
Free funds flow	**$ 83,155**	$ 33,533	**$ 146,041**	$ 81,389

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

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

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

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2023**	2022	**2024**	2023
Net income	**$ 3,845**	$ 101,415	**$ 63,938**	$ 205,790
Adjustments to reconcile net income to EBITDA:				
Finance income	**(1,097)**	(5,106)	**(2,354)**	(9,492)
Finance expense	**5,421**	4,253	**10,615**	7,957
Income tax expense (recovery)	**130,888**	(6,308)	**206,705**	26,864
Depletion, depreciation and amortization	**56,883**	45,627	**109,114**	87,579
EBITDA	**$ 195,940**	$ 139,881	**$ 388,018**	$ 318,698
Non-cash impairment charges	**4,661**	55,021	**4,661**	55,021
Share-based compensation expense	**5,770**	7,497	**3,307**	18,048
Unrealized foreign exchange loss (gain)	**24,176**	(10,815)	**22,789**	(1,823)
Adjusted EBITDA	**$ 230,547**	$ 191,584	**$ 418,775**	$ 389,944

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

Non-GAAP Ratios

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

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

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

Capital Management Measures

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

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Cash provided by (used in) operating activities	**$ 222,782**	$ (36,612)	**$ 320,194**	$ 94,661
Net change in non-cash working capital	**(41,830)**	191,454	**9,065**	221,905
Funds flow provided by operations	**$ 180,952**	$ 154,842	**$ 329,259**	$ 316,566

	For the three months ended					
($000s)	March 31, 2024	December 31, 2023	September 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Cash provided by operating activities	$ 97,412	$ 194,242	$ 87,568	$ 131,273	$ 297,569	$ 250,643
Net change in non-cash working capital	50,895	(865)	70,271	30,451	(212,375)	(44,231)
Funds flow provided by operations	$ 148,307	$ 193,377	$ 157,839	$ 161,724	$ 85,194	$ 206,412

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

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Current Assets	**$ 281,846**	$ 322,146	**$ 281,846**	$ 322,146
Current Liabilities	**247,690**	325,103	**247,690**	325,103
Working capital surplus (deficit)	**$ 34,156**	$ (2,957)	**$ 34,156**	$ (2,957)

	For the three months ended					
($000s)	March 31, 2024	December 31, 2023	September 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Current assets	$ 276,113	$ 337,175	$ 240,559	$ 528,744	$ 593,602	$ 613,900
Current liabilities	220,212	258,148	298,070	499,082	508,614	384,137
Working capital surplus (deficit)	$ 55,901	$ 79,027	$ (57,511)	$ 29,662	$ 84,988	$ 229,763

Supplementary Financial Measures

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

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

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

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

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

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

"Price differential and transportation expense per bbl" is comprised of realized oil sales price per bbl, as defined herein, less Brent crude price to calculate the price differential, plus transportation expense per bbl as defined herein.

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

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

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

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

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

"Royalties as a percentage of sales" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales from production, excluding purchased oil volumes, as determined in accordance with IFRS.

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

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

Business Environment and Risks

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

Internal Controls over Financial Reporting

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

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the six months ended June 30, 2024 other than normal course guarantees entered into in the form of letters of credit to support the exploration work commitments on its blocks. For further information refer to "Contractual Obligations, Commitments and Guarantees" section above and note 22 - Commitments and Contingencies in the unaudited condensed interim consolidated financial statements.

Financial Instruments and Other Instruments

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

Material Accounting Policies

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

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

In April 2024, the IASB issued new IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") replacing IAS 1. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. Parex is currently assessing the impact of this new IFRS accounting standard on its consolidated financial statements.

Change in presentation

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

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

Consolidated Statements of Comprehensive Income (unaudited)	For the three months ended June 30, 2023	For the six months ended June 30, 2023
Oil and natural gas sales, as previously presented	$ 328,178	$ 656,911
Reclassification to Other revenue	(637)	(2,140)
Oil and natural gas sales, as currently presented	**$ 327,541**	**$ 654,771**

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

Consolidated Statements of Comprehensive Income (unaudited)	For the three months ended June 30, 2023	For the six months ended June 30, 2023
Finance income, as previously presented	$ 5,106	$ 9,750
Reclassification to Other revenue	—	(258)
Finance income, as currently presented	**$ 5,106**	**$ 9,492**

DIRECTORS

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Robert Engbloom

Lynn Azar

Lisa Colnett

Sigmund Cornelius

G.R. (Bob) MacDougall

Glenn McNamara
Lead Director

Imad Mohsen

Carmen Sylvain

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President & Chief Executive Officer

Daniel Ferreiro
President & Country Manager, Parex Resources Colombia

Sanjay Bishnoi
Chief Financial Officer & Corporate Secretary

Eric Furlan
Chief Operating Officer

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

Joshua Share
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ABBREVIATIONS

Oil and Natural Gas Liquids

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

Other

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