

# Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	Parex Resources Inc.					
Reporting Year	From	2023-01-01	To:	2023-12-31	Date submitted	2024-05-28
Reporting Entity ESTMA Identification Number	E798884	<div><input checked="" type="radio"/> Original Submission</div> <div><input type="radio"/> Amended Report</div>				
Other Subsidiaries Included (optional field)						
Not Consolidated						
Not Substituted						
Attestation Through Independent Audit						
<p><i>In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.</i></p> <p><i>The auditor expressed an unmodified opinion, dated 2024-05-28, on the ESTMA Report for the entity(ies) and period listed above.</i></p> <p><i>The independent auditor's report can be found at <a href="https://parexresources.com/wp-content/uploads/2024/05/ESTMA-2023.pdf">https://parexresources.com/wp-content/uploads/2024/05/ESTMA-2023.pdf</a> at end of report.</i></p>						
Full Name of Director or Officer of Reporting Entity	Sanjay Bishnoi			Date	2024-05-28	
Position Title	Chief Financial Officer					

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Reporting Entity Name	Parex Resources Inc.											
Reporting Entity ESTMA Identification Number	E798884											
Subsidiary Reporting Entities (if necessary)												
Payments by Payee												
Country	Payee Name	Departments, Agency, etc... within Payee that Received Payments	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes	
Colombia	Federal Government of Colombia		421,120,000	278,990,000	740,000	-	-	-	-	700,850,000	Royalties paid in-kind total \$156,400,000 and are value at the fair market value of the volumes taken in-kind based on the sales price at the time the in-kind royalty is delivered.	
Colombia	Municipality Aguazul		250,000	-	-	-	200,000	-	1,300,000	1,750,000		
Colombia	Municipality Baraya		-	-	190,000	-	-	-	-	190,000		
Colombia	Municipality Bogota		700,000	-	-	-	-	-	-	700,000		
Colombia	Municipality Neiva		-	-	190,000	-	-	-	-	190,000		
Colombia	Municipality Nunchia		-	-	230,000	-	-	-	-	230,000		
Colombia	Municipality Paz de Ariporo		100,000	-	1,300,000	-	350,000	-	410,000	2,160,000		
Colombia	Municipality Pivijay		-	-	-	-	-	-	280,000	280,000		
Colombia	Municipality Plato		-	-	90,000	-	290,000	-	280,000	660,000		
Colombia	Municipality Pore		-	-	520,000	-	-	-	-	520,000		
Colombia	Municipality Puerto Lopez		-	-	370,000	-	140,000	-	280,000	790,000		
Colombia	Municipality Rio de Oro		100,000	-	-	-	-	-	190,000	290,000		
Colombia	Municipality Rionegro		-	-	-	-	-	-	320,000	320,000		
Colombia	Municipality San Luis de Palenque		-	-	70,000	-	100,000	-	1,550,000	1,720,000		
Colombia	Municipality Saravena		-	-	240,000	-	-	-	1,590,000	1,830,000		
Colombia	Municipality Simacota		-	-	-	-	-	-	260,000	260,000		
Colombia	Municipality Tamara		-	-	180,000	-	-	-	-	180,000		
Colombia	Municipality Tame Arauca		-	-	-	-	-	-	2,840,000	2,840,000		
Colombia	Municipality Tauramena		-	-	860,000	-	1,750,000	-	130,000	2,740,000		
Colombia	Municipality Tello		-	-	190,000	-	-	-	-	190,000		
Colombia	Municipality Tenerife		-	-	-	-	90,000	-	290,000	380,000		
Colombia	Municipality Trinidad		-	-	90,000	-	-	-	-	90,000		
Colombia	Municipality Villa Nueva		140,000	-	260,000	-	2,700,000	-	2,980,000	6,080,000		
Colombia	Municipality Villavieja		-	-	190,000	-	-	-	-	190,000		
Colombia	Municipality Yopal		-	-	180,000	-	-	-	740,000	920,000		
Canada	Federal Government of Canada		9,860,000	-	-	-	-	-	-	9,860,000		
Canada	Government of Alberta		5,280,000	-	-	-	-	-	-	5,280,000		
Additional Notes:	ALL PAYMENTS ARE REPORTED IN UNITED STATES DOLLARS (THE REPORTING CURRENCY OF THE REPORTING ENTITY) AND CONVERTED AT THE UNITED STATES DOLLAR TO COLOMBIAN PESO ANNUAL AVERAGE EXCHANGE RATE FOR THE PERIOD. THE WEIGHTED AVERAGE COLOMBIAN PESO TO UNITED STATES DOLLAR EXCHANGE RATE IS 4,330:1.											
	ALL PAYMENTS WITHIN THE \$100,000 CAD PER PAYEE REPORTING THRESHOLD HAVE BEEN INCLUDED AND CONVERTED USING THE CAD/USD AVERAGE ANNUAL EXCHANGE RATE OF 1.35:1.											
	IF DETERMINABLE, IN-KIND PAYMENTS ARE VALUED AT COST. THE COST FOR ROYALTIES PAID IN-KIND IS NOT DETERMINABLE AND HAVE BEEN VALUED AT THE FAIR MARKET SALE PRICE AT THE TIME THE IN-KIND ROYALTY IS DELIVERED.											
	ALL VALUES HAVE BEEN ROUNDED TO THE NEAREST \$10,000.											

## Extractive Sector Transparency Measures Act - Annual Report

Reporting Year	From: 2023-01-01		To: 2023-12-31							
Reporting Entity Name	Parex Resources Inc.				Currency of the Report		USD			
Reporting Entity ESTMA Identification Number	E798884									
Subsidiary Reporting Entities (if necessary)										
Payments by Project										
Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Colombia	Northern Llanos Basin	\$ -	\$ 8,780,000	\$ 240,000	\$ -	\$ -	\$ -	\$ 4,430,000	\$ 13,450,000	Royalties paid in-kind total \$5,800,000 and are value at the fair market value of the volumes taken in-kind based on the sales price at the time the in-kind royalty is delivered.
Colombia	Southern Llanos Basin	\$ -	\$ 250,300,000	\$ 4,060,000	\$ -	\$ 5,240,000	\$ -	\$ 7,400,000	\$ 267,000,000	Royalties paid in-kind total \$146,580,000 and are value at the fair market value of the volumes taken in-kind based on the sales price at the time the in-kind royalty is delivered.
Colombia	Magdalena Basin	\$ -	\$ 19,910,000	\$ 850,000	\$ -	\$ 380,000	\$ -	\$ 1,610,000	\$ 22,750,000	Royalties paid in-kind total \$4,020,000 and are value at the fair market value of the volumes taken in-kind based on the sales price at the time the in-kind royalty is delivered.
Colombia	Corporate	\$ 422,410,000	\$ -	\$ 740,000	\$ -	\$ -	\$ -	\$ -	\$ 423,150,000	
Canada	Corporate	15,140,000							\$ 15,140,000	
Additional Notes:	ALL PAYMENTS ARE REPORTED IN UNITED STATES DOLLARS (THE REPORTING CURRENCY OF THE REPORTING ENTITY) AND CONVERTED AT THE UNITED STATES DOLLAR TO COLOMBIAN PESO ANNUAL AVERAGE EXCHANGE RATE FOR THE PERIOD. THE WEIGHTED AVERAGE COLOMBIAN PESO TO UNITED STATES DOLLAR EXCHANGE RATE IS 4,330:1.									
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	ALL VALUES HAVE BEEN ROUNDED TO THE NEAREST \$10,000.									



## **INTRODUCTION**

Parex Resources Inc. and its subsidiaries (collectively the "Company" or "Parex") has prepared the following annual consolidated report ("the Report") of payments made to government entities for the year ended December 31, 2023 as required by the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s.376 ("ESTMA" or the "Act").

## **BASIS OF PREPARATION**

The report is presented in United States dollars ("USD"), the Company's reporting currency and has been prepared in accordance with the requirements of the Act and the Natural Resources Canada ("NRCan") Technical Reporting Specifications.

The following is a summary of significant policies and judgments that the Company has made for the purpose of preparing the report.

### **Significant policies**

#### **Cash and in-kind payments**

Payments are reported on a cash basis and have been reported in the period in which the payment was made. In-kind payments are converted to an equivalent cash value based on cost or, if cost is not determinable, the in-kind payment is reported at the fair market value. The valuation method for each payment has been disclosed in the notes section of the ESTMA Annual Report.

Payments to the "same payee" that meet or exceed \$100,000 CAD equivalent in one category of payment are disclosed. The exchange rate used to convert to the Company's reporting currency, USD, is the 2023 weighted average rate for the period of USD/CAD of 1.3497. Payments are rounded to the nearest \$10,000 USD.

Payments made in Colombia are generally made in Colombian pesos. To convert Colombian peso payments to USD the Company used the 2023 weighted average exchange rate of Colombian peso to USD of 4,330.14:1.

#### **Payee**

For the purposes of the Act, a payee is:

- a. Any government in Canada or in a foreign state;
- b. A body that is established by two or more governments; or
- c. Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (a) above or a body referred to in paragraph (b) above.

Payees include governments at any level, including national, regional, state, provincial, local, or municipal levels. Payees may include non-governmental entities if the benefit bestowed would have otherwise been provided by the government. Payees also include any government-owned or government-controlled entities that exercise or perform a power, duty or function of government.

Aboriginal and indigenous groups and organizations may also be regarded as a payee under the Act. Currently, the Corporation does not make payments to such groups.

### **Reportable Payments**

A reportable payment for ESTMA purposes is one that:

- a. Is made to the same payee;
- b. Is made in relation to the commercial development of oil, gas or minerals; and
- c. Totals, as a single or multiple payments, \$74,091 USD or more in the year in one of the following prescribed seven payment categories.

#### *Taxes*

This category includes taxes paid by the Company on its income, profits or production in relation to the commercial development of oil and gas resources. Taxes paid in Colombia include corporate income tax, equity tax, bank tax, and industry and commerce taxes. Consumption taxes, personal income taxes and taxes withheld by the Company on behalf of others are excluded as per the Act.

#### *Royalties*

Royalties are payments for the rights to extract oil and gas resources, typically at a set percentage of revenue. Both cash royalties and royalties paid in-kind are reported in this category. If determinable, in-kind payments are valued at cost. The cost for royalties paid in-kind is not determinable and have been valued at the fair market sale price at the time the in-kind royalty is delivered.

#### *Fees*

This category may include environmental license fees, permits, and other regulatory charges. The fee category is broad and includes payments to payees that in substance is a fee. Amounts paid in ordinary course commercial transactions in exchange for services provided by a payee are excluded.

#### *Production entitlements*

A payee's share of oil, gas or mineral production under a production sharing agreement or similar contractual or legislated arrangement is reported under this category. For the year ended December 31, 2023, there were no reportable production entitlement payments to a payee.

#### *Bonuses*

This category includes signing, discovery, production, community investment and any other type of bonus paid to a payee in relation to the commercial development of oil and gas resources.

#### *Dividends*

Dividends are payments, other than dividends paid to a payee as an ordinary shareholder of the Company on shares that were acquired by the payee on the same terms as were available at the time of acquisition to other shareholders that are not in lieu of any other reportable payment. For the year ended December 31, 2023, there were no reportable dividend payments to a payee.

#### *Infrastructure improvement payments*

This payment category consists of payments for the construction of infrastructure that do not relate primarily to the operational purposes of the Company and to which there is direct benefit to the payee.

## **Significant Estimates and Judgements**

The preparation of the Report in accordance with the Act requires the use of judgements, estimates and assumptions.

### **Payments by Project Level**

Payments have been reported at the project level as required by the Act. A "project" means the operational activities are governed by a single contract, license, lease, concession or similar legal agreement that forms the basis for a payment liability with a payee. If multiple such agreements are substantially interconnected, they would be considered a single project.

"Substantially interconnected" means forming a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government and give rise to payment liabilities.

The Company has determined that the operational activities governed by surface or mineral lease contracts related to key operational areas are substantially interconnected and has reported payments related to each such area as a single project which the Company defines as "Basin". The Company has considered geographical location and common infrastructure as two key indicators for making this determination.

### **Commercial Development**

The Act defines 'commercial development of oil, gas or minerals' as:

- a) The exploration or extraction of oil, gas or minerals;
- b) The acquisition or holding of a permit, license, lease or any other authorization to carry out any of the activities referred to in paragraph (a); or
- c) Any other prescribed activities in relation to oil, gas or minerals.

Payments made by the Company to payees relating to the commercial development of oil, gas or minerals ("commercial development") are disclosed in this Report. The Company's initial processing activities which are integrated with its extraction operations are included in commercial development. The Report excludes payments that are not related to the Company's commercial development activities.

### **Refunds and credits**

Amounts paid to payees have been reported at the amount paid by the Company, including instances where an applicable credit reduces the amount payable, to reflect the net cash payment to the payee. Cash refunds received from payees have not been reported where they have not been applied as a credit to amounts owing.

### **Attribution of payments**

Where a payment was made for the Company by another entity, such payment has been deemed to have been made by the Company and has been included in this Report. This may include payments not directly made to a payee, or were not received directly by the payee. Whether a payment is made for the Company may be difficult to determine and depends on the facts and circumstances including legal and contractual requirements in various jurisdictions.

### **Payments made in situations of joint control**

The Company reports all cash payments that it pays directly to a payee, and includes all amounts paid as an operator as part of an unincorporated joint arrangement (i.e. a working interest). This is the case even where the Company as the operator has been proportionally and directly reimbursed by its non-operating partners.

In circumstances where the Company is a non-operator in an unincorporated joint arrangement and the operator is not a Reporting Entity under ESTMA, the Company records its working interest share of ESTMA related payments to payees made by the operator based on information provided by the operator as prescribed by ESTMA Guidance section 3.3 – Reporting Payments made in situations of Joint Operating Agreements and Joint Ventures.

**Corporate Social Responsibility (“CSR”) Payments**

The ESTMA Report includes CSR payments that the Company is contractually obligated to make to a payee, or to another party under the direction of a payee, as a result of the Company’s commercial development. Additionally, the Company has reported voluntary CSR payments which have been made to a payee, or to another party under the direction of a payee, and relates directly to the Company’s commercial development. CSR payments have been included in infrastructure improvement payments and bonuses categories based on the nature of the CSR payment.



## Independent auditor's report

To the Board of Directors Parex Resources Inc.

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### Our opinion

In our opinion, the accompanying Extractive Sector Transparency Measures Act (ESTMA) – Annual Report (the consolidated financial information) of Parex Resources Inc. and its subsidiaries (together, the Entity) for the year ended December 31, 2023, is prepared, in all material respects, in accordance with the basis of accounting described in notes to the consolidated financial information.

#### What we have audited

The Entity's consolidated financial information comprises the schedules of payments by payee and payments by project for the year ended December 31, 2023, and the notes to the consolidated financial information, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial information section of our report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Emphasis of matter – basis of accounting and restriction on use

We draw attention to the notes to the consolidated financial information, which describe the basis of accounting. The consolidated financial information is prepared to assist the Entity in complying with the reporting requirements of the ESTMA. As a result, the consolidated financial information may not be suitable for another purpose. Our report is intended solely for the Entity.

We neither assume nor accept any responsibility or liability to any third party in respect of this report.

Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP  
Suncor Energy Centre, 111 5th Avenue South West, Suite 3100, Calgary, Alberta, Canada T2P 5L3  
T.: +1 403 509 7500, F.: +1 403 781 1825, Fax to mail: ca\_calgary\_main\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.





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## **Responsibilities of management and those charged with governance for the consolidated financial information**

Management is responsible for the preparation of the consolidated financial information in accordance with the reporting requirements of the ESTMA, and for such internal control as management determines is necessary to enable the preparation of consolidated financial information that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial information**

Our objectives are to obtain reasonable assurance about whether the consolidated financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Lundeen.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Calgary, Alberta  
May 28, 2024