CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE		June 30, 2017		December 31, 2016
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**202,896**	$	149,246
Accounts receivable	**5**		**63,457**		46,019
Prepaids and other current assets			**2,956**		2,502
Crude oil inventory	**6**		**1,284**		2,834
Derivative financial instruments	**18**		**2,305**		—
			272,898		200,601
Deferred tax asset	**14**		**1,346**		17,324
Goodwill			**73,452**		73,452
Exploration and evaluation	**7**		**91,603**		101,024
Property, plant and equipment	**8**		**576,241**		526,270
		$	**1,015,540**	$	918,671
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**121,564**	$	86,313
Derivative financial instruments	**18**		**—**		1,704
Current income and equity tax payable	**14**		**12,225**		8,404
Current portion of decommissioning and environmental liabilities	**11**		**10,762**		10,890
			144,551		107,311
Other long-term liabilities	**10**		**4,159**		1,652
Decommissioning and environmental liabilities	**11**		**37,341**		40,256
Deferred tax liability	**14**		**58,022**		55,660
			244,073		204,879
Shareholders' equity					
Share capital	**12**		**831,685**		822,227
Contributed surplus			**46,795**		42,208
Deficit			**(107,013)**		(150,643)
			771,467		713,792
		$	**1,015,540**	$	918,671

Commitments (note 20)

See accompanying Notes to the Consolidated Interim Financial Statements

Approved by the Board:

Paul Wright
Director

Ron Miller
Director

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(thousands of United States dollars, except per share amounts)	NOTE	For the three months ended June 30, 2017	2016	For the six months ended June 30, 2017	2016
Oil sales		**$ 145,406**	$ 104,571	**$ 295,548**	$ 186,089
Royalties		**(12,421)**	(8,808)	**(25,673)**	(15,040)
Revenue		**132,985**	95,763	**269,875**	171,049
Commodity risk management contracts gain (loss)	**18**	**1,091**	(7,156)	**2,409**	(12,131)
		134,076	88,607	**272,284**	158,918
Expenses					
Production		**16,363**	11,906	**31,752**	25,545
Transportation		**33,860**	32,414	**68,103**	66,599
Purchased oil		**912**	280	**3,286**	4,370
General and administrative		**8,399**	8,268	**16,139**	17,094
Legal settlement	**21**	**15,000**	—	**15,000**	—
Equity settled share-based compensation	**12**	**5,045**	3,175	**9,771**	5,831
Cash settled share-based compensation	**13**	**(1,002)**	3,040	**801**	4,946
Depletion, depreciation and amortization	**8**	**25,906**	29,700	**50,315**	60,727
Foreign exchange (gain) loss		**(2,527)**	17	**(943)**	(460)
		101,956	88,800	**194,224**	184,652
Finance (income)	**9**	**(492)**	(265)	**(876)**	(881)
Finance expense	**9**	**1,966**	1,725	**4,604**	4,390
Net finance expense		**1,474**	1,460	**3,728**	3,509
Income (loss) before income taxes		**30,646**	(1,653)	**74,332**	(29,243)
Income tax expense (recovery)					
Current tax expense (recovery)	**14**	**7,505**	2,353	**12,362**	(294)
Deferred tax expense (recovery)	**14**	**19,617**	(3,821)	**18,340**	(21,134)
		27,122	(1,468)	**30,702**	(21,428)
Net income (loss) and comprehensive income (loss) for the period		**$ 3,524**	$ (185)	**$ 43,630**	$ (7,815)
Basic net income (loss) per common share	**15**	**$ 0.02**	$ 0.00	**$ 0.28**	$ (0.05)
Diluted net income (loss) per common share	**15**	**$ 0.02**	$ 0.00	**$ 0.28**	$ (0.05)

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)		2017		2016
Share capital				
Balance, beginning of period	**$**	**822,227**	$	812,737
Issuance of common shares under share-based compensation plans		**9,458**		4,712
Balance, end of period		**831,685**		817,449
Contributed surplus				
Balance, beginning of period		**42,208**		33,388
Share-based compensation		**9,771**		5,831
Options exercised		**(3,788)**		(1,956)
Contributed surplus attributed to DSUs transferred to cash settled liability		**(1,396)**		—
Balance, end of period		**46,795**		37,263
Deficit				
Balance, beginning of period		**(150,643)**		(104,199)
Net income (loss) for the period		**43,630**		(7,815)
Balance, end of period		**(107,013)**		(112,014)
	$	**771,467**	$	742,698

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, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Operating activities					
Net income (loss)		**$ 3,524**	$ (185)	**$ 43,630**	$ (7,815)
Add (deduct) non-cash items					
Depletion, depreciation and amortization	**8**	**25,906**	29,700	**50,315**	60,727
Non-cash finance expense	**9**	**1,174**	695	**2,009**	840
Equity settled share-based compensation	**12**	**5,045**	3,175	**9,771**	5,831
Cash settled share-based compensation (recovery)	**13**	**(1,002)**	3,040	**801**	4,946
Deferred tax expense (recovery)	**14**	**19,617**	(3,821)	**18,340**	(21,134)
Unrealized foreign exchange loss (gain)		**830**	(796)	**1,426**	(1,795)
Unrealized (gain) loss on commodity risk management contracts	**18**	**(730)**	1,621	**(3,237)**	7,445
Abandonment costs paid		**(81)**	(74)	**(281)**	(74)
Stock appreciation rights paid		**(2,520)**	(1,563)	**(3,105)**	(1,722)
Funds flow provided by operations		**51,763**	31,792	**119,669**	47,249
Net change in non-cash working capital	**16**	**28,041**	(18,656)	**13,506**	(31,700)
Cash provided by operating activities		**79,804**	13,136	**133,175**	15,549
Investing activities					
Property, plant and equipment expenditures	**8**	**(53,314)**	(13,847)	**(77,995)**	(16,031)
Exploration and evaluation expenditures	**7**	**(5,694)**	(75)	**(16,576)**	(2,398)
Net change in non-cash working capital	**16**	**(4,525)**	1,437	**10,028**	(1,028)
Cash used in investing activities		**(63,533)**	(12,485)	**(84,543)**	(19,457)
Financing activities					
Issuance of common shares under option plans	**12**	**2,760**	2,002	**5,670**	2,756
Cash provided by financing activities		**2,760**	2,002	**5,670**	2,756
Increase (decrease) in cash for the period		**19,031**	2,653	**54,302**	(1,152)
Impact of foreign exchange on foreign currency-denominated cash balances		**(782)**	289	**(652)**	768
Cash, beginning of period		**184,647**	91,497	**149,246**	94,823
Cash, end of period		**$ 202,896**	$ 94,439	**$ 202,896**	$ 94,439

Supplemental Disclosure of Cash Flow Information (16)

See accompanying Notes to the Consolidated Interim Financial Statements

For the period ended June 30, 2017
(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 August 9, 2017.

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

a) *Statement of compliance*

The condensed interim consolidated financial information for the three and six months ended June 30, 2017 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 9, 2017, the date of approval by the Board of Directors.

b) *Basis of measurement*

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

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

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

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

3. Summary of Significant Accounting Policies

There is no impact on the condensed interim consolidated financial statements for the adoption of new accounting standards effective January 1, 2017. 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, 2016, except for the following:

Pursuant to the restricted share unit plan, the Company may grant Performance Share Units ("PSUs") to certain employees. Compensation cost attributable to PSUs granted to certain employees of the Company is measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase in contributed surplus. The fair value of each PSU granted is based on the share price at which the common shares of the Company traded for on the grant date. The performance share units may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to PSUs eligible to vest at the end of the performance period. The expense recognized over the vesting period of PSUs is the fair value of the PSUs with an estimated adjustment factor. If the actual final adjustment factor is higher than estimated at grant, additional expense is recognized on vesting for the incremental fair value. Upon the exercise of the PSUs consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The Company has a Cash Settled Restricted Share Unit ("CRSUs") plan which allows the Company to issue CRSUs to certain employees of Parex Colombia. Obligations for payments of cash under the foreign subsidiaries' CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equal to the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the CRSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The CRSUs liability cannot be settled by the issuance of common shares.

In the current period the Company amended the terms of its Deferred Share Unit ("DSUs") plan which allows the Company to issue DSUs to certain non-employee directors of Parex Resources Inc. Previously DSUs were settled in shares or cash at the discretion of the Company. Going forward the DSUs will be settled in cash and the DSUs liability cannot be settled by the issuance of common shares. As DSUs vest immediately on issuance, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately on issuance based on the fair value of the DSUs. The fair value of DSUs at each reporting period is equal to the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the DSUs result in a corresponding change in the recorded liability. The accrued compensation for a unit that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments with maturities less than 3 months.

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, 2016 consolidated financial statements for details concerning determination of fair values.

5. Accounts Receivable

		June 30, 2017		December 31, 2016
Trade receivables	**$**	**34,332**	$	15,469
Colombia income taxes receivable		**20,986**		19,810
Value added taxes (VAT)		**8,139**		10,740
	$	**63,457**	$	46,019

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. Colombia income tax receivable is a result of withholding tax incurred on Colombia oil sales and tax installments. The balance can either be received in cash or applied to Colombian cash income tax payable. VAT receivable is $8.1 million as at June 30, 2017 (December 31, 2016 - $10.7 million) and is recoverable in 2017. All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Inventory

		June 30, 2017		December 31, 2016
Crude oil inventory	**$**	**1,284**	$	2,834

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

7. Exploration and Evaluation Assets

		Colombia Total
Cost		
Balance, December 31, 2015	$	121,354
Additions		48,178
Changes in decommissioning liability		1,372
Exploration and evaluation impairment		(69,880)
Balance, December 31, 2016	$	101,024
Additions		16,576
Transfers to PP&E		(26,429)
Changes in decommissioning liability		432
Balance, June 30, 2017	**$**	**91,603**

Exploration and Evaluation ("E&E") assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. Additions of $16.6 million for the six months ended June 30, 2017 represent the Company's share of costs incurred on E&E assets during the period. For the six months ended June 30, 2017, $26.4 million of E&E assets were transferred to PP&E related to the Aguas Blancas Block.

During the year ended December 31, 2016, additions of $48.2 million represent the Company's share of costs incurred on E&E assets during the period. There were no E&E assets transferred to PP&E during the year ended December 31, 2016. Also in 2016, the Company recorded a $69.9 million impairment charge related to Cerrero Block, Cebucan Block and Block LLA-24 in the Northern Llanos basin.

At June 30, 2017 the Company did not have E&E assets in Canada.

8. Property, Plant and Equipment

		Canada		Colombia		Total
Cost						
Balance, December 31, 2015	$	3,607	$	1,537,663	$	1,541,270
Additions		126		59,393		59,519
Additions related to property acquisition		—		4,025		4,025
Changes in decommissioning and environmental liability		—		13,042		13,042
Balance, December 31, 2016	$	3,733	$	1,614,123	$	1,617,856
Additions		24		77,971		77,995
Transfers from E&E assets		—		26,429		26,429
Changes in decommissioning and environmental liability		—		(4,547)		(4,547)
Balance, June 30, 2017	**$**	**3,757**	**$**	**1,713,976**	**$**	**1,717,733**

Accumulated Depreciation, Depletion and Amortization						
Balance, December 31, 2015	$	3,062	$	963,895	$	966,957
Depletion and depreciation for the year		286		115,491		115,777
DD&A included in crude oil inventory costing		—		(745)		(745)
Impairment		—		9,597		9,597
Balance, December 31, 2016	$	3,348	$	1,088,238	$	1,091,586
Depletion and depreciation for the period		92		50,223		50,315
DD&A included in crude oil inventory costing		—		(409)		(409)
Balance, June 30, 2017	**$**	**3,440**	**$**	**1,138,052**	**$**	**1,141,492**

Net book value:						
As at December 31, 2015	$	545	$	573,768	$	574,313
As at December 31, 2016	$	385	$	525,885	$	526,270
As at June 30, 2017	**$**	**317**	**$**	**575,924**	**$**	**576,241**

In the six months ended June 30, 2017 property, plant and equipment ("PPE") additions of $78.0 million mainly relate to drilling costs in Colombia at Block LLA-34, Cabrestero Block, and Aguas Blancas. For the six months ended June 30, 2017, $26.4 million of E&E assets were transferred to PP&E related to the Aguas Blancas Block (six months ended June 30, 2016 - $nil).

For the six months ended June 30, 2017 future development costs of $346.5 million (six months ended June 30, 2016 - $252.1 million) were included in the depletion calculation for development and production assets. For the six months ended June 30, 2017 $3.9 million of general and administrative costs (six months ended June 30, 2016 - $1.7 million) have been capitalized in respect of development and production activities during the current period.

During the year ended December 31, 2016, additions mainly related to development expenditures in the amount of $59.5 million in Colombia at Block LLA-34 and exploration drilling on Block LLA-32 and Cabrestero. There were no transfers from E&E for the year ended December 31, 2016. Also in 2016, the Company recorded $9.6 million of impairment charges related to the Block LLA-30 CGU. There were no indicators of impairment noted as of June 30, 2017.

9. Net Finance Expense (Income)

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Bank charges and credit facility fees	**$ 792**	$ 894	**$ 1,701**	$ 1,322
Accretion on decommissioning and environmental liabilities	**1,174**	447	**2,009**	840
Interest and other income	**(492)**	(265)	**(876)**	(881)
Colombian net wealth tax	**—**	136	**894**	2,228
Unrealized loss on foreign currency risk management contracts	**—**	248	**—**	—
Net finance expense	**$ 1,474**	$ 1,460	**$ 3,728**	$ 3,509

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Non-cash finance expense	**$ 1,174**	$ 695	**$ 2,009**	$ 840
Cash finance expense	**300**	765	**1,719**	2,669
Net finance expense	**$ 1,474**	$ 1,460	**$ 3,728**	$ 3,509

10. Other Long-Term Liabilities

Other long-term liabilities are comprised of the following:

	June 30, 2017	December 31, 2016
Long-term SARs payable	**$ 2,344**	$ 1,652
Long-term DSUs payable	**1,780**	—
Long-term CRSUs payable	**35**	—
	$ 4,159	$ 1,652

11. Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2015	$ 26,811	$ 8,588	$ 35,399
Additions	5,241	703	5,944
Settlements of obligations during the year	(75)	(103)	(178)
Accretion expense	1,432	399	1,831
Additions related to change in estimate - inflation and discount rates	7,697	1,482	9,179
Additions related to change in estimate - costs	(2,386)	1,677	(709)
Foreign exchange (gain)	—	(320)	(320)
Balance, December 31, 2016	$ 38,720	$ 12,426	$ 51,146
Additions	2,531	220	2,751
Additions related to change in estimate - inflation and discount rates	(5,467)	(1,399)	(6,866)
Settlements of obligations during the period	(148)	(133)	(281)
Accretion expense	1,256	753	2,009
Foreign exchange (gain)	(539)	(117)	(656)
Balance, June 30, 2017	**$ 36,353**	**$ 11,750**	**$ 48,103**
Current obligation	(4,230)	(6,532)	(10,762)
Long-term obligation	**$ 32,123**	**$ 5,218**	**$ 37,341**

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, 2017, 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 $67.1 million as at June 30, 2017 (December 31, 2016 – $92.1 million) with the majority of these costs anticipated to occur after 2029. A risk-free discount rate of 7.5 percent and an inflation rate of 4.0 percent were used in the valuation of the liabilities (December 31, 2016 – 7.15 percent risk-free discount rate and a 7.52 percent inflation rate). The risk-free discount rate and the inflation rate used in 2017 are based on forecast Colombia rates.

Included in the decommissioning liability is $4.2 million (December 31, 2016 – $4.2 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 $14.7 million as at June 30, 2017 (December 31, 2016 – $16.1 million) with the majority of these costs anticipated to occur in 2017 or later in Colombia. A risk-free discount rate of 7.5 percent and an inflation rate of 4.0 percent were used in the valuation of the liabilities (December 31, 2016 – 7.15 percent risk-free discount rate and a 7.52 percent inflation rate). The risk-free discount rate and the inflation rate used in 2017 are based on forecast Colombia rates.

Included in the environmental liability is $6.5 million (December 31, 2016 –$6.7 million) that is classified as a current obligation.

12. Share Capital

a) Issued and outstanding common shares

	Number of shares	Amount
Balance, December 31, 2015	151,489,302	$ 812,737
Issued for cash – exercise of options and RSUs	1,501,193	5,492
Allocation of contributed surplus – exercise of options and RSUs	—	3,998
Balance, December 31, 2016	152,990,495	$ 822,227
Issued for cash – exercise of options and RSUs	1,386,634	5,670
Allocation of contributed surplus – exercise of options and RSUs	—	3,788
Balance, June 30, 2017	**154,377,129**	**$ 831,685**

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

In the six months ended June 30, 2017, a total of 1,386,634 options and RSUs were exercised for proceeds of $5.7 million (year ended December 31, 2016 - 1,501,193 options and RSUs were exercised for proceeds of $5.5 million).

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 and restricted share units (including performance share units) reserved for issuance under the stock option and restricted share unit plans may not exceed 10 percent 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, 2015	7,854,511	8.11
Granted	1,375,500	15.60
Exercised	(1,179,235)	6.07
Forfeited	(309,002)	9.80
Balance, December 31, 2016	7,741,774	9.68
Granted	644,550	15.92
Exercised	(1,132,352)	6.65
Forfeited	(44,417)	12.82
Balance, June 30, 2017	**7,209,555**	**10.70**

Stock options outstanding and the weighted average remaining life of the stock options at June 30, 2017 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
$4.36 - $6.31	2,045,604	1.28	$ 6.02	2,045,604	1.28	$ 6.02
$6.33 - $10.59	1,392,124	2.37	$ 10.16	863,684	2.36	$ 10.22
$10.60 - $11.24	1,746,401	3.36	$ 10.94	537,395	3.36	$ 10.94
$11.25 - $15.84	1,432,326	4.27	$ 15.39	52,916	2.04	$ 11.94
$15.85 - $16.87	593,100	4.68	$ 16.05	—	—	—
	7,209,555	**2.87**	**$ 10.70**	**3,499,599**	**1.88**	**$ 7.90**

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,	**2017**	2016
Risk-free interest rate (%)	**1.10**	0.64
Expected life (years)	**4**	4
Expected volatility (%)	**43.95**	47
Forfeiture rate (%)	**3**	3
Expected dividends	**—**	—

The weighted average fair value at the grant date for the six months ended June 30, 2017 was Cdn$5.64 per option (six months ended June 30, 2016 - Cdn$4.30 per option). The weighted average share price on the exercise date for options exercised in the six months ended June 30, 2017 was Cdn$16.81 (six months ended June 30, 2016 - Cdn$12.45).

c) Restricted and performance share units

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

	Number of RSU's	Weighted average exercise price Cdn$/RSU
Balance, December 31, 2015	2,306,965	0.01
Granted	692,475	0.01
Exercised	(321,958)	0.01
Forfeited	(89,336)	0.01
Balance, December 31, 2016	2,588,146	0.01
Granted	631,725	0.01
Exercised	(254,282)	0.01
Forfeited	(21,584)	0.01
Balance, June 30, 2017	**2,944,005**	**0.01**

RSUs outstanding and the weighted average remaining life of the RSUs at June 30, 2017 are as follows:

	RSUs outstanding		RSUs vested	
Exercise price Cdn$	Number of RSUs	Weighted average remaining life (years)	Number of RSUs	Weighted average remaining life (years)
0.01	2,944,005	3.49	837,208	2.27

The fair value of each RSU granted is based on the market price of Parex shares on the date of issuance. The weighted average fair value at the grant date for the six months ended June 30, 2017 was Cdn$15.99 per RSU (six months ended June 30, 2016 - Cdn$11.53 per RSU). For the six months ended June 30, 2017 a weighted average forfeiture rate of 3% was applied (six months ended June 30, 2016 - 3%).

Pursuant to the restricted share unit plan, the Company may grant performance share units to certain employees. The performance share units vest three years after the grant date and expire one month after the vesting date. The vesting of PSUs is conditional on the satisfaction of certain performance criteria as determined by the Company's Board of Directors. If the Company satisfies the performance criteria, PSUs become eligible to vest and a pre-determined multiplier is applied to eligible PSUs.

	Number of PSU's	Weighted average exercise price Cdn$/PSU
Balance at December 31, 2016	—	—
Granted	103,500	0.01
Balance, June 30, 2017	103,500	0.01

The fair value of each PSU granted is based on the share price at which the common shares of the Company traded for on the grant date. The weighted average fair value at the grant date for the six months ended June 30, 2017 was Cdn$16.01 per PSU.

d) Equity settled share-based compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Option expense	**$ 1,873**	$ 1,467	**$ 3,830**	$ 2,666
Restricted and performance share units expense	**3,172**	1,708	**5,941**	3,166
Total	**$ 5,045**	$ 3,175	**9,771**	5,831

13. Cash Settled Incentive Plans

a) Share appreciation rights ("SARs")

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

	Number of SARs	Weighted average exercise price Cdn$/SAR
Balance, December 31, 2015	3,475,001	9.03
Granted	1,574,468	15.55
Exercised	(961,233)	7.72
Forfeited	(281,999)	10.26
Balance, December 31, 2016	3,806,237	11.91
Granted	134,086	16.39
Exercised	(449,299)	8.11
Forfeited	(144,072)	12.62
Balance, June 30, 2017	**3,346,952**	**12.13**

As at June 30, 2017, 726,232 SARs were vested (December 31, 2016 - 1,077,450).

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

For the six months ended June 30,	**2017**	2016
Risk-free interest rate (%)	**1.34**	0.54
Expected life (years)	**4.6**	4.0
Expected volatility (%)	**43**	47
Share price ($/Cdn)	**14.75**	12.51
Expected dividends	—	—

As at June 30, 2017, the total SARs liability accrued is $10.5 million (December 31, 2016 -$13.5 million) of which $2.3 million (December 31, 2016 - $1.7 million) is classified as long-term in accordance with the three year vesting period. The intrinsic value of SARs at June 30, 2017 was $9.0 million (December 31, 2016 – $9.3 million).

b) Deferred share units ("DSUs")

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

	Number of DSU's	Weighted average exercise price Cdn$/DSU
Balance, December 31, 2015	78,600	—
Granted	67,300	—
Balance at December 31, 2016	145,900	—
Granted	58,775	—
Exercised	(17,000)	—
Balance at June 30, 2017	**187,675**	—

The fair value at the grant date is equivalent to the five day weighted average share price at which the common shares of the Company traded for immediately preceding the grant date. The weighted average fair value at the grant date for the six months ended June 30, 2017 was Cdn $16.90 per DSU (year ended December 31, 2016 - Cdn$16.82 per DSU).

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, 2017, the total DSUs liability accrued is $2.0 million (December 31, 2016 -$nil) of which $1.8 million (December 31, 2016 - $nil) is classified as long-term in accordance with the terms of the DSU plan.

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

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

	Number of CRSUs	Weighted average exercise price Cdn$/CRSU
Balance, December 31, 2016	—	—
Granted	**447,570**	—
Balance, June 30, 2017	**447,570**	**—**

As at June 30, 2017, no CRSUs were vested.

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, 2017, the total CRSUs liability accrued is $0.1 million (December 31, 2016 -$nil). For the six months ended June 30, 2017, Parex recorded $0.1 million of compensation costs related to the outstanding CRSUs (year ended December 31, 2016 – $nil).

d) Cash settled share-based compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
SARs (recovery) expense	**$ (1,944)**	$ 3,040	**$ (141)**	$ 4,946
DSUs expense	**865**	—	**865**	—
CRSUs expense	**77**	—	**77**	—
Total	**$ (1,002)**	$ 3,040	**801**	4,946

14. Income Tax

The components of tax expense for the three and six months ended June 30, 2017 and 2016 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Current tax expense (recovery)	**$ 7,505**	$ 2,353	**$ 12,362**	$ (294)
Deferred tax expense (recovery)	**19,617**	(3,821)	**18,340**	(21,134)
Tax expense (recovery)	**$ 27,122**	$ (1,468)	**$ 30,702**	$ (21,428)

15. Net Income (Loss) per Share

a) Basic net income (loss) per share

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Net income (loss)				
Net income (loss) for the purpose of basic net income (loss) per share	**$ 3,524**	$ (185)	**$ 43,630**	$ (7,815)
Weighted average number of shares for the purposes of basic net income (loss) per share (000s)	**154,249**	152,006	**153,769**	151,765
Basic net income (loss) per share	**$ 0.02**	$ 0.00	**$ 0.28**	$ (0.05)

b) Diluted net income (loss) per share

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Net income (loss)				
Net income (loss) used to calculate diluted net income (loss) per share	**$ 3,524**	$ (185)	**$43,630**	$ (7,815)
Weighted average number of shares for the purposes of basic net income (loss) per share (000s)	**154,249**	152,006	**153,769**	151,765
Dilutive effect of stock options, RSUs and PSUs on potential common shares	**3,814**	—	**3,564**	—
Weighted average number of shares for the purposes of diluted net income (loss) per share	**158,063**	152,006	**157,333**	151,765
Diluted net income (loss) per share	**$ 0.02**	$ 0.00	**$ 0.28**	$ (0.05)

For the three and six months ended June 30, 2017, 18,750 stock options (three and six months ended June 30, 2016 - 7.0 million stock options and 2.1 million RSUs) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

16. Supplemental Disclosure of Cash Flow Information

a) Net change in non-cash working capital

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Accounts receivable	**$ 2,971**	$ 15,872	**$ (17,438)**	$ 2,461
Prepaids and other current assets	**(638)**	(938)	**(454)**	4,685
Oil inventory	**(1,194)**	(290)	**1,550**	2,917
Accounts payable and accrued liabilities	**22,041**	(31,965)	**40,285**	(41,396)
Depletion related to oil inventory	**336**	102	**(409)**	(1,395)
Net change in non-cash working capital	**$ 23,516**	$ (17,219)	**$ 23,534**	$ (32,728)
Operating	**$ 28,041**	$ (18,656)	**$ 13,506**	$ (31,700)
Investing	**(4,525)**	1,437	**10,028**	(1,028)
Financing	**—**	—	**—**	—
Net change in non-cash working capital	**$ 23,516**	$ (17,219)	**$ 23,534**	$ (32,728)

b) Interest and taxes paid

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Cash interest paid	**$ 6**	$ 187	**$ 27**	$ 235
Cash income and equity taxes paid	**$ 2,180**	$ 15,050	**$ 2,180**	$ 18,291

17. Capital Management

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

The Company manages its capital to achieve the following:

- Maintain balance sheet strength in order to meet the Company's strategic growth objectives; and
- Ensure financial capacity is available to fund the Company's exploration commitments.

Parex has a senior secured credit facility which as at June 30, 2017 had a borrowing base in the amount of $100.0 million (December 31, 2016 - $175.0 million). The credit facility was voluntarily reduced from $175.0 million to $100.0 million in May 2017 to reduce costs associated with the credit facility. The credit facility is intended to serve as means to increase liquidity and fund cash needs as they arise. As at June 30, 2017, $nil (December 31, 2016 - $nil) was drawn on the credit facility.

The Company has also provided a general security agreement to Export Development Canada ("EDC") in connection with the performance security guarantees that support letters of credit provided to the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petroleos S.A. ("Ecopetrol") related to the exploration work commitments on its Colombian concessions (see note 20 - Commitments). This performance guarantee facility has a limit of $250.0 million (December 31, 2016 - limit of $200.0 million) of which $117.1 million (December 31, 2016 - $126.4 million) is utilized at June 30, 2017. At June 30, 2017, there is an additional $22.8 million (December 31, 2016 - $21.3 million) of letters of credit that are provided by a Latin American bank on an unsecured basis.

As at June 30, 2017, the Company's net working capital surplus was $128.3 million (December 31, 2016 - $93.3 million), of which $202.9 million is cash.

Parex has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure program to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity and the credit facility. As at June 30, 2017 shareholders' equity was $771.5 million (December 31, 2016 - $713.8 million).

18. Financial Instruments and Risk Management

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

a) Credit risk

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

The Company for the three months ended June 30, 2017 had the majority of its oil sales to 10 counterparties. Accounts receivable balance as at June 30, 2017 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, 2017, there are $1.5 million of accounts receivable past due, all of which are considered collectible (December 31, 2016 - $0.6 million).

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's $100.0 million credit facility at June 30, 2017 was $nil.

The following are the contractual maturities of financial liabilities at June 30, 2017:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 113,107	—	—	—	$ 113,107
Cash settled equity plans payable	8,457	4,159	—	—	12,616
Total	**$ 121,564**	**4,159**	**—**	**—**	**$ 125,723**

The following are the contractual maturities of financial liabilities at December 31, 2016:

	Less than 1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities [(1)]	$ 76,199	—	—	—	$ 76,199
SARs payable	11,818	1,652	—	—	13,470
Total	**$ 88,017**	**1,652**	**—**	**—**	**$ 89,669**

[(1)] Includes the liability for derivative financial instruments.

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, 2017, the Company had outstanding risk management contracts which are used to manage its exposure to fluctuations in the price of crude oil.

The following is a summary of the ICE Brent priced crude oil risk management contracts in place during the six months ended June 30, 2017:

Period Hedged	**Reference**	**Volume bbls/d**	**Sold Put**	**Purchased Put**	**Sold Call**	**Premium**
January 1, 2017 to February 28, 2017	ICE Brent	5,000	$ 44.00	$ 48.00	$ 63.35	$ —
January 1, 2017 to March 31, 2017	ICE Brent	5,000	$ 40.00	$ 45.00	$ 59.40	$ —
April 1, 2017 to June 30, 2017	ICE Brent	5,000	$ 40.00	$ 45.00	$ 64.00	$ —
April 1, 2017 to September 30, 2017	ICE Brent	5,000	$ 40.00	$ 50.00	$ —	$ 1.30
July 1, 2017 to September 30, 2017	ICE Brent	5,000	$ 45.00	$ 50.00	$ —	$ 0.95

The fair value of the ICE Brent priced crude oil risk management contracts at June 30, 2017 is a $2.3 million asset (December 31, 2016 – liability of $1.7 million) and is recorded in the financial statement line item "Derivative financial instruments" in the consolidated balance sheet.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Realized (gain) loss on commodity risk management contracts	**$ (361)**	$ 1,423	**$ (361)**	$ (630)
Premiums paid on commodity risk management contracts	**—**	4,112	**1,189**	5,316
Unrealized (gain) loss on commodity risk management contracts	**(730)**	1,621	**(3,237)**	7,445
Total	**$ (1,091)**	$ 7,156	**$ (2,409)**	$ 12,131

As shown in the table above, as at June 30, 2017, Parex had committed to the future sale of 930,000 barrels of oil with collars and puts from Brent oil prices of $40.00 to $50.00 per bbl. The following sensitivity shows the resulting unrealized loss (gain) and impact on (loss) income before tax for the oil hedged contracts if Brent oil price were to increase/decrease by $10/bbl from the spot rate as at June 30, 2017:

	Brent Price	**Impact for the six months ended June 30, 2017**	
		Increase of $10/bbl	Decrease of $10/bbl
Oil hedged contract loss (gain)	Period end	**$ 2,272**	$ **(5,922)**

d) Foreign currency risk

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Unrealized loss on foreign currency risk management contracts	**—**	248	**—**	—
Total	**$ —**	$ 248	**$ —**	$ —

19. Segmented Information

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

For the three months ended June 30, 2017 (unaudited)	Canada	Colombia	Total
Oil sales	$ —	$ 145,406	$ 145,406
Royalties	—	(12,421)	(12,421)
Revenue	—	132,985	132,985
Commodity risk management contracts gain	—	1,091	1,091
	—	134,076	134,076
Expenses			
Production	—	16,363	16,363
Transportation	—	33,860	33,860
Purchased oil	—	912	912
General and administrative	2,539	5,860	8,399
Legal settlement	15,000	—	15,000
Equity settled share-based compensation	5,045	—	5,045
Cash settled share-based compensation	863	(1,865)	(1,002)
Depletion, depreciation and amortization	46	25,860	25,906
Foreign exchange (gain)	(55)	(2,472)	(2,527)
	23,438	78,518	101,956
Finance (income)	(177)	(315)	(492)
Finance expense	511	1,455	1,966
Net finance expense	334	1,140	1,474
Income (loss) before taxes	$ (23,772)	$ 54,418	$ 30,646
Current tax expense	—	7,505	7,505
Deferred tax expense	—	19,617	19,617
Net income (loss)	**$ (23,772)**	**$ 27,296**	**$ 3,524**
Capital assets (end of period)	$ 317	$ 667,527	$ 667,844
Capital expenditures	$ —	$ 59,008	$ 59,008
Total assets (end of period)	$ 91,124	$ 924,416	$ 1,015,540

For the three months ended June 30, 2016 (unaudited)	Canada	Colombia	Total
Oil sales	$ —	$ 104,571	$ 104,571
Royalties	—	(8,808)	(8,808)
Revenue	—	95,763	95,763
Commodity risk management contracts (loss)	—	(7,156)	(7,156)
	—	88,607	88,607
Expenses			
Production	—	11,906	11,906
Transportation	—	32,414	32,414
Purchased oil	—	280	280
General and administrative	2,734	5,534	8,268
Equity settled share-based compensation	3,175	—	3,175
Cash settled share-based compensation	—	3,040	3,040
Depletion, depreciation and amortization	77	29,623	29,700
Foreign exchange (gain) loss	51	(34)	17
	6,037	82,763	88,800
Finance (income)	(139)	(126)	(265)
Finance expense	746	979	1,725
Net finance expense	607	853	1,460
Income (loss) before taxes	(6,644)	4,991	(1,653)
Current tax expense	—	2,353	2,353
Deferred tax (recovery)	—	(3,821)	(3,821)
Net income (loss)	**$ (6,644)**	**$ 6,459**	**$ (185)**
Capital assets (end of period)	$ 486	$ 657,086	$ 657,572
Capital expenditures	$ —	$ 13,922	$ 13,922
Total assets (end of period)	$ 77,962	$ 843,703	$ 921,665

For the six months ended June 30, 2017 (unaudited)	Canada	Colombia	Total
Oil sales	$ —	$ 295,548	$ 295,548
Royalties	—	(25,673)	(25,673)
Revenue	—	269,875	269,875
Commodity risk management contracts gain	—	2,409	2,409
	—	272,284	272,284
Expenses			
Production	—	31,752	31,752
Transportation	—	68,103	68,103
Purchased oil	—	3,286	3,286
General and administrative	5,391	10,748	16,139
Legal settlement	15,000	0	15,000
Equity settled share-based compensation	9,771	0	9,771
Cash settled share-based compensation	863	(62)	801
Depletion, depreciation and amortization	92	50,223	50,315
Foreign exchange (gain) loss	27	(970)	(943)
	31,144	163,080	194,224
Finance (income)	(319)	(557)	(876)
Finance expense	815	3,789	4,604
Net finance expense	496	3,232	3,728
Income (loss) before taxes	(31,640)	105,972	74,332
Current tax expense	—	12,362	12,362
Deferred tax expense	—	18,340	18,340
Net income (loss)	**$ (31,640)**	**$ 75,270**	**$ 43,630**
Capital assets (end of period)	$ 317	$ 667,527	$ 667,844
Capital expenditures	$ 24	$ 94,547	$ 94,571
Total assets (end of period)	$ 91,124	$ 924,416	$ 1,015,540

For the six months ended June 30, 2016 (unaudited)	Canada	Colombia	Total
Oil sales	$ —	$ 186,089	$ 186,089
Royalties	—	(15,040)	(15,040)
Revenue	—	171,049	171,049
Commodity risk management contracts (loss)	—	(12,131)	(12,131)
	—	158,918	158,918
Expenses			
Production	—	25,545	25,545
Transportation	—	66,599	66,599
Purchased oil	—	4,370	4,370
General and administrative	6,881	10,213	17,094
Equity settled share-based compensation	5,831	—	5,831
Cash settled share-based compensation	—	4,946	4,946
Depletion, depreciation and amortization	153	60,574	60,727
Foreign exchange (gain) loss	(974)	514	(460)
	11,891	172,761	184,652
Finance (income)	(267)	(614)	(881)
Finance expense	888	3,502	4,390
Net finance expense	621	2,888	3,509
(Loss) before taxes	(12,512)	(16,731)	(29,243)
Current tax (recovery)	—	(294)	(294)
Deferred tax (recovery)	—	(21,134)	(21,134)
Net income (loss)	**$ (12,512)**	**$ 4,697**	**$ (7,815)**
Capital assets (end of period)	$ 486	$ 657,086	$ 657,572
Capital expenditures	$ 93	$ 18,336	$ 18,429
Total assets (end of period)	$ 77,962	$ 843,703	$ 921,665

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

20. Commitments

a) Colombia

At June 30, 2017, performance guarantees are in place with Ecopetrol for the Capachos and Aguas Blancas farm-in blocks and the ANH for all other blocks. The guarantees are in the form of issued letters of credit totaling $139.9 million (December 31, 2016 - $148.7 million) to support the exploration work commitments in respect of the 22 blocks in Colombia.

At June 30, 2017, EDC has provided the Company's bank with performance security guarantees to support approximately $117.1 million (December 31, 2016 - $126.4 million) of the letters of credit issued on behalf of Parex. The EDC guarantees have been secured by a general security agreement issued by Parex in favour of EDC. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect completed work on an ongoing basis.

The value of the Company's exploration commitments as at June 30, 2017 in respect of the Colombia blocks are estimated to be as follows:

2017	$	60,199
2018		103,272
Thereafter		35,800
	$	**199,271**

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, 2017 are as follows:

		Total	2017	2018	2019	2020	2021	Thereafter
Office and accommodations	$	8,132	1,137	1,162	1,003	1,300	1,021	2,509

21. Legal Settlement

In the second quarter of 2017 Parex came to an agreement in respect of the Company's indirect subsidiary Ramshorn International Limited ("Ramshorn") litigation in Texas, Bermuda and Canada. Ramshorn was acquired in 2012 by Parex and holds a 45% working interest in Block LLA-34. (Refer to the Company's AIF dated March 21, 2017 for additional background information). Parex and the plaintiff's bankruptcy trustee have agreed to settle all outstanding litigation in all jurisdictions for an amount of $15.0 million. Parex has accrued the amount at June 30, 2017 and the payment was completed in July 2017. The settlement removes all outstanding and any potential future litigation regarding the Plaintiff and potential liability associated with the Ramshorn's ownership of Block LLA-34 and costs of defending the actions in multiple jurisdictions.

DIRECTORS

Wayne K. Foo
Chairman of the Board

Curtis D. Bartlett

Lisa Colnett

Robert J. Engbloom

Bob MacDougall

Glenn McNamara

Ron D. Miller

Carmen Sylvain

David R. Taylor

Paul D. Wright

OFFICERS & SENIOR EXECUTIVES

David R. Taylor
President and Chief Executive Officer

Kenneth G. Pinsky
Chief Financial Officer & Corporate Secretary

Stu R. Davie
Vice President Corporate Services

Lee DiStefano
President, Parex Colombia & Country Manager

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

Eric Furlan
Sr. Vice President of Engineering

Michael Kruchten
Vice President, Capital Markets & Corporate Planning

CORPORATE HEADQUARTERS

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

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

OPERATING OFFICES

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

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

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

RESERVES EVALUATORS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

INVESTOR RELATIONS

Michael Kruchten
Vice President, Capital Markets & Corporate Planning

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

E-mail:
Investor.Relations@parexresources.com

Website: www.parexresources.com

ABBREVIATIONS

Oil and Natural Gas Liquids	
bbls	barrels
mbbls	one thousand barrels
mmbbls	one million barrels
NGLs	natural gas liquids
bbls/d	barrels of oil per day
mbbls/d	one thousand barrels per day
BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl
mboe	one thousand barrels of oil equivalent
mmboe	one million barrels of oil equivalent
bfpd	barrels of fluid per day
boe/d	barrels of oil equivalent per day
mcf	thousand cubic feet
bopd	barrels of oil per day
mcf/d	thousand cubic feet per day

Other	
WTI	West Texas Intermediate
Brent	Brent Ice

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