CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

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

Commitments (note 21)

See accompanying Notes to the Consolidated Interim Financial Statements
Approved by the Board:

"signed"	"signed"
Paul Wright	Ron Miller
Director	Director

Consolidated Statements of Comprehensive (Loss) Income (unaudited)

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

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Changes in Equity (unaudited)

For the three months ended March 31, (thousands of United States dollars)		2020		2019
Share capital				
Balance, beginning of period	**$**	**812,684**	$	848,946
Issuance of common shares under share-based compensation plans		**4,066**		6,200
Repurchase of shares		**(17,697)**		(28,616)
Balance, end of period		**799,053**		826,530
Contributed surplus				
Balance, beginning of period		**48,573**		54,742
Share-based compensation		**1,156**		2,219
Options and RSUs exercised		**(1,867)**		(3,894)
Balance, end of period		**47,862**		53,067
Retained earnings				
Balance, beginning of period		**541,188**		369,344
Net (loss) income for the period		**(3,779)**		82,014
Repurchase of shares		**(33,265)**		(59,975)
Balance, end of period		**504,144**		391,383
	$	**1,351,059**	$	1,270,980

See accompanying Notes to the Consolidated Interim Financial Statements

Consolidated Statements of Cash Flows (unaudited)

(thousands of United States dollars)	NOTE	For the three months ended March 31, 2020	2019
Operating activities			
Net (loss) income		**$ (3,779)**	$ 82,014
Add (deduct) non-cash items			
Depletion, depreciation and amortization	**8**	**29,669**	29,465
Non-cash finance expense	**11**	**3,513**	1,067
Equity settled share-based compensation expense	**13**	**1,156**	2,219
Cash settled share-based compensation (recovery) expense	**14**	**(9,291)**	6,938
Deferred tax expense	**15**	**84,702**	10,645
Impairment of property, plant and equipment assets	**8**	**7,000**	—
Unrealized foreign exchange (gain) loss		**(15,561)**	1,168
Gain on settlement of decommissioning liabilities	**12**	**(96)**	(11)
Net change in non-cash working capital	**17**	**57,986**	(20,429)
Cash provided by operating activities		**155,299**	113,076
Investing activities			
Property, plant and equipment expenditures	**8**	**(63,819)**	(46,013)
Exploration and evaluation expenditures	**7**	**(7,447)**	(6,520)
Net change in non-cash working capital	**17**	**(18,182)**	(6,759)
Cash (used in) investing activities		**(89,448)**	(59,292)
Financing activities			
Issuance of common shares under equity-settled plans	**13**	**2,199**	2,306
Common shares repurchased	**13**	**(50,962)**	(88,591)
Payments on lease obligation	**9**	**(212)**	(167)
Net change in non-cash working capital	**17**	**(2,046)**	2,333
Cash (used in) financing activities		**(51,021)**	(84,119)
Increase (decrease) in cash for the period		**14,830**	(30,335)
Impact of foreign exchange on foreign currency-denominated cash balances		**(14,245)**	350
Cash, beginning of period		**396,839**	462,891
Cash, end of period		**$ 397,424**	$ 432,906

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

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended March 31, 2020
(Tabular amounts in thousands of United States dollars, unless otherwise stated. Amounts in text are in United States dollars unless otherwise stated.)

1. Corporate Information

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

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

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 13, 2020.

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

a) Statement of compliance

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

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

b) Basis of measurement

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

c) Use of management estimates, judgments and measurement uncertainty

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

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

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

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

3. Summary of Significant Accounting Policies

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

4. Determination of Fair Values

The methods used in the determination of fair value, for financial and non-financial assets and liabilities have not changed from the previous financial year. Refer to note 4 of the December 31, 2019 consolidated financial statements for details concerning determination of fair values.

5. Accounts Receivable

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

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is $10.1 million as at March 31, 2020 (December 31, 2019 - $5.9 million) and is recoverable within one year. All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Crude Oil Inventory

		March 31, 2020		December 31, 2019
Crude oil inventory	**$**	**5,336**	$	653

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

7. Exploration and Evaluation Assets

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

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

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

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

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

8. Property, Plant and Equipment

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

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

Net book value:						
As at December 31, 2018	$	189	$	775,342	$	775,531
As at December 31, 2019	$	1,634	$	821,449	$	823,083
As at March 31, 2020	**$**	**1,481**	**$**	**844,208**	**$**	**845,689**

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

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

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

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

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

Prices used at March 31, 2020 are as follows:

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

Prices used at December 31, 2019 are as follows:

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

9. Lease Obligation

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

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

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

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

10. Revenue

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

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

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

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

11. Net Finance Expense (Income)

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

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

12. Decommissioning and Environmental Liabilities

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

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

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at March 31, 2020, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $54.0 million as at March 31, 2020 (December 31, 2019 – $63.3 million) with the majority of these costs anticipated to occur in 2022 or later. A risk-free discount rate of 8.26% and an inflation rate of 3.1% were used in the valuation of the liabilities (December 31, 2019 – 6.74% risk-free discount rate and a 3.1% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $1.9 million (December 31, 2019 – $4.3 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $18.3 million as at March 31, 2020 (December 31, 2019 – $21.5 million) with the majority of these costs anticipated to occur in 2020 or later in Colombia. A risk-free discount rate of 8.26% and an inflation rate of 3.1% were used in the valuation of the liabilities (December 31, 2019 – 6.74% risk-free discount rate and a 3.1% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

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

13. Share Capital

a) Issued and outstanding common shares

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

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

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

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

b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's officers and certain employees to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 9% of the number of common shares issued and outstanding. The stock options vest over a three-year period and expire five years from the date of grant.

	Number of stock options	Weighted average exercise price Cdn$/option
Balance, December 31, 2018	4,341,747	13.14
Granted	228,300	19.23
Exercised	(2,104,304)	11.12
Balance, December 31, 2019	2,465,743	15.42
Granted	260,400	21.91
Exercised	(198,966)	14.45
Balance, March 31, 2020	**2,527,177**	**16.16**

Stock options outstanding and the weighted average remaining life of the stock options at March 31, 2020 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
$10.94 - $15.41	434,402	0.76	$ 11.32	419,684	0.70	$ 11.20
$15.42 - $15.84	920,852	1.62	$ 15.66	920,852	1.62	$ 15.66
$15.85 - $17.13	494,189	1.94	$ 16.02	494,189	1.94	$ 16.02
$17.14 - $19.81	367,584	3.35	$ 18.63	183,976	3.18	$ 18.60
$19.82 - $22.18	310,150	4.75	$ 21.75	583	3.94	$ 20.88
	2,527,177	**2.17**	**$ 16.16**	**2,019,284**	**1.65**	**$ 15.09**

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

For the three months ended March 31,	**2020**	2019
Risk-free interest rate (%)	**1.33**	1.80
Expected life (years)	**4**	4
Expected volatility (%)	**37**	40
Forfeiture rate (%)	**3**	3
Expected dividends	**—**	—

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

c) Restricted and performance share units

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

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

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

RSUs outstanding and the weighted average remaining life of the RSUs at March 31, 2020 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	1,461,497	1.86	1,257,485	1.71

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

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

	Number of PSU's	Weighted average exercise price Cdn$/PSU
Balance, December 31, 2018	320,500	0.01
Balance, December 31, 2019	320,500	0.01
Granted by performance factor	101,430	0.01
Balance, March 31, 2020	421,930	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 three months ended March 31, 2020 was Cdn$13.47 per PSU.

d) Equity settled share-based compensation

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

14. Cash Settled Share-Based Compensation Plans

a) Share appreciation rights ("SARs")

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

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

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

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

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

As at March 31, 2020, the total SARs liability accrued is $0.7 million (December 31, 2019 - $4.6 million) of which $nil (December 31, 2019 - $nil) is classified as long-term in accordance with the three-year vesting period.

b) Deferred share units ("DSUs")

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

	Number of DSU's	Weighted average exercise price Cdn$/DSU
Balance, December 31, 2018	219,350	—
Granted	26,435	—
Balance, December 31, 2019	245,785	—
Balance, March 31, 2020	**245,785**	—

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

Given the DSUs vest immediately, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately based on the fair value of the DSU. As at March 31, 2020, the total DSUs liability accrued is $2.1 million (December 31, 2019 - $4.5 million) of which $1.5 million is classified as long-term in accordance with the terms of the DSU plan (December 31, 2019 - $4.5 million was classified as long-term).

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

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

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

The weighted average fair value at the grant date for three months ended March 31, 2020 was Cdn$21.75 per CRSU (three months ended March 31, 2019 Cdn$18.90 per CRSU).

Obligations for payments of cash under the CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at March 31, 2020, the total CRSUs liability accrued is $6.3 million (December 31, 2019 - $11.8 million) of which $0.7 million (December 31, 2019 - $4.0 million) is classified as long-term in accordance with the three-year vesting period.

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

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

CosRSU:

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

CosPSU:

	Number of CosPSUs
Balance, December 31, 2019	222,100
Granted	211,600
Balance, March 31, 2020	**433,700**

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

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

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

e) Cash settled share-based compensation

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

15. Income Tax

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

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

16. Net (Loss) Income per Share

a) Basic net (loss) income per share

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

b) Diluted net (loss) income per share

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

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

17. Supplemental Disclosure of Cash Flow Information

a) Net change in non-cash working capital

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

b) Interest and taxes paid

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

18. Capital Management

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

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

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

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

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

19. Financial Instruments and Risk Management

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

a) Credit risk

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

The Company for the three months ended March 31, 2020 had the majority of its oil sales to 10 counterparties. The accounts receivable balance as at March 31, 2020 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At March 31, 2020, there were no accounts receivable past due (December 31, 2019 - $nil).

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's $200.0 million credit facility at March 31, 2020 was $nil.

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

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

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

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

c) Commodity price risk

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

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

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

Purchased Collar

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

Swap

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

d) Foreign currency risk

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

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

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

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

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

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

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

20. Segmented Information

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

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

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

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

21. Commitments

a) Colombia

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

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

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

2020	$ 13,625
2021	65,154
Thereafter	89,091
	$ 167,870

b) Operating leases

In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations. The existing minimum lease payments for office space and accommodations at March 31, 2020 are as follows:

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

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Lisa Colnett

Robert Engbloom

Bob MacDougall

Glenn McNamara

Ron Miller

Carmen Sylvain

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Eric Furlan
Chief Operating Officer

Kenneth Pinsky
Chief Financial Officer & Corporate Secretary

Lee DiStefano
President, Parex Colombia & Country Manager

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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
Vasconia	Vasconia Crude
FFO	Funds flow provided by (used in) operations

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