FOR THE INTERIM PERIOD ENDED JUNE 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Parex Resources Inc. ("Parex" or the "Company") is dated August 11, 2011 and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30, 2011 and the MD&A and audited consolidated financial statements for the year ended December 31, 2010. The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information related to Parex is available in the Annual Information Form dated March 9, 2011 on the Canadian Securities Administrators' website at www.sedar.com.

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

Company Profile

Parex is an oil and gas exploration and production company currently active in the Llanos Basin of Colombia and onshore Trinidad & Tobago. Headquartered in Calgary, Canada, Parex through its foreign subsidiaries holds interests in eight onshore exploration blocks totaling 817,113 gross acres. The common shares of the Company trade on the Toronto Stock Exchange Venture ("TSX.V") under the symbol PXT. The Company's 5.25 percent convertible unsecured subordinated debentures (the "Debentures") trade on the TSX-V under the symbol PXT.DB.

Change in Accounting Policies

On January 1, 2011, Parex adopted IFRS for financial reporting purposes, using a transition date of January 1, 2010. The unaudited consolidated financial statements for the period ended June 30, 2011, including required comparative information, have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("previous GAAP"). Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS. The adoption of IFRS has not had an impact on the Company's operations, strategic decisions or funds flow from operations.

Advisory on Forward-Looking Statements

Certain information regarding Parex set forth in this MD&A, including assessments by the Company's management of the Company's plans and future operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent the Company's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex. In particular, forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to: the performance characteristics of the Company's oil properties; supply and demand for oil; treatment under governmental regulatory regimes and tax laws; financial and business prospects and financial outlook; results of operations, production, future costs, reserves and production estimates; drilling plans; activities to be undertaken in various areas including the fulfillment of exploration commitments; timing of drilling, completion and tie-in of wells; tax horizon; access to infrastructure; timing of development of undeveloped reserves; planned capital expenditures, the timing thereof and the method of funding; financial condition and access to capital. In addition, statements relating to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. The recovery and reserve estimates of Parex' reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada, Colombia and Trinidad & Tobago; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced, in Canada, Colombia and Trinidad & Tobago; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve and resource estimates; the production and growth potential of Parex' assets; obtaining required approvals of regulatory authorities in Canada, Colombia and Trinidad & Tobago; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; volatility in market prices for oil and natural gas; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; the risks discussed under "*Risk Factors*" in the Company's Annual Information Form dated March 9, 2011 and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; future exchange rates; the price of oil and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of the reserves; royalty rates, future operating costs, and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing to develop such reserves.

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

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

Non-GAAP Terms

Funds flow used in, or from operations, working capital, operating netback per barrel and total net debt may from time to time be used by the Company, but do not have any standardized meaning under IFRS and Canadian GAAP and may not be comparable to similar measures presented by other companies. Funds flow used in, or from operations includes all cash generated from operating activities and is calculated before changes in non-cash working capital. Funds flow used in, or from operations is reconciled with net income (loss) in the Consolidated Statements of Cash Flows. Funds flow per share is calculated by dividing funds flow used in, or from operations by the weighted average number of shares outstanding. Working capital includes current assets less current liabilities. Operating netback per barrel equals sales revenue, less royalties, production expense and transportation expense, divided by total equivalent sales volume. Total net debt is a non-GAAP measure defined as the sum of working capital less the convertible debentures (excluding the derivative financial liability associated with the convertible debentures). Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future growth expenditures.

Highlights

- On June 29, 2011, Parex successfully closed the acquisition of Remora Energy Colombia Ltd. ("Remora") a Company that holds the 50 percent working interest Parex did not previously own in four Llanos Basin blocks in Colombia, including Block LLA-16 and the Kona light oil field, for approximately $252.9 million in cash, net of the adjustments, (the "Acquisition"). The Acquisition was fully funded through a bought-deal public offering of Cdn$217.4 million of subscription receipts and Cdn$85.0 million of 5.25 percent convertible unsecured subordinated debentures for total combined gross proceeds of Cdn$302.4 million. Upon closing of the Acquisition each subscription receipt was automatically exchanged for one Parex common share. The net proceeds received from the equity and the convertible debenture offering in excess of the purchase price were retained in working capital;
- For the three and the six months ended June 30, 2011, Parex' production volumes averaged approximately 1,619 bbls/d and 1,441 bbls/d, respectively, based upon net Company working interest before royalties, with sales volumes averaging approximately 1,125 bbls/d and 1,136 bbls/d, respectively. In July, 2011 Parex sold approximately 90,000 bbls of oil that had been delivered and injected into the Ocensa and the ODC pipelines prior to June 30, 2011. Current production is approximately 7,010 bbls/d;
- Realized sales price in Colombia was $104.67 per barrel generating an operating netback of $70.97 per barrel. Throughout the Second Quarter the Company increased oil delivery under contracts with reference pricing to Colombian Vasconia Blend (which is highly correlated with Brent benchmark pricing);
- On Block LLA-16 in Colombia, during the three months ended June 30, 2011, the Company drilled three appraisal oil wells, Kona-4, Kona-5 and Kona-6 and one water disposal well, Kona Norte-1, and commenced drilling a sidetrack at Kona-3;
- The Company completed the construction of the Kona oil treatment facility on the Kona lease with a capacity of 30,000 barrels of fluid per day;
- Parex signed the Los Ocarros Block farm-in and began drilling a Mirador Formation test, the Las Maracas-2 sidetrack well;
- In Trinidad & Tobago, lease construction for the first of two shallow exploration wells on the Central Range Block, was completed. This well spud early in the third quarter; and
- Parex maintained a strong balance sheet with cash and cash equivalents of $115.5 million and working capital of $101.4 million at June 30, 2011.

(Financial figures in 000s except per share amounts)		For the three months ended June 30 2011		2010[(1)]		For the six months ended June 30 2011		2010[(1)]
Average daily sales								
Oil (bbls/d) [(2)(3)]		**1,125**		-		**1,136**		-
Natural gas (boe/d)		**-**		11		**-**		12
Total (boe/d)		**1,125**		11		**1,136**		12
Realized sales price ($/boe)		**104.67**		29.00		**100.09**		30.00
Operating netback ($/boe)		**70.97**		8.02		**67.02**		11.00
Oil and natural gas sales	**$**	**10,719**	**$**	32	**$**	**20,572**	**$**	68
Net loss		**(4,688)**		(4,451)		**(3,665)**		(8,022)
Per share – basic		**(0.06)**		(0.07)		**(0.05)**		(0.13)
Per share – diluted		**(0.06)**		(0.07)		**(0.05)**		(0.13)
Funds flow from (used in) operations		**334**		(2,617)		**3,294**		(5,942)
Per share – basic		**0.00**		(0.04)		**0.04**		(0,09)
Per share – diluted		**0.00**		(0.04)		**0.04**		(0,09)
Total assets (end of period)		**593,699**		127,789		**593,699**		127,789
Working capital surplus (end of period)		**101,422**		72,883		**101,422**		72,883
Convertible debenture (end of period)		**61,200**		-		**61,200**		-
Bank debt (end of period)		**-**		-		**-**		-
Total net debt (surplus) (end of period)	**$**	**(40,222)**	**$**	(72,883)	**$**	**(40,222)**	**$**	(72,883)
Weighted average shares outstanding (000s)								
Basic		**77,317**		63,870		**77,316**		63,870
Diluted		**78,918**		63,870		**78,884**		63,870
Outstanding shares (end of period) (000s)								
Basic		**108,215**		63,870		**108,215**		63,870
Diluted		**113,783**		67,857		**113,783**		67,857

(1) Natural gas sales were attributed to minor Canadian non-operated oil and natural gas properties which were sold in October 2010.
(2) Includes Remora's oil sales only from the date of the Acquisition, June 29, 2011.
(3) Does not include approximately 90,000 bbls of oil delivered in the second quarter of 2011 and sold in July, 2011, see "Colombian Crude Oil Inventory in Transit" below.

Description of Business

Strategy

The Company's strategy is to leverage Latin American and Caribbean onshore experience and capability to create shareholder value. Jurisdictions will be targeted that have stable fiscal regimes coupled with oil-prone hydrocarbon-rich basins in under-explored areas. Parex will apply proven technology used in the Western Canada Sedimentary Basin in basins with large oil-in-place potential. The Company will focus on short cycle time from discovery to bringing new reserves on-stream and use a portfolio approach to manage subsurface and commercial risks.

Principal Properties

As at June 30, 2011, the Company's principal land holdings and exploration blocks were as follows:

	Working Interest	Gross Acres	Net Acres
Colombia			
Llanos Basin Blocks LLA-16, 20, 29,30 & 57[(1)(4)]	100%	593,665	593,665
Trinidad & Tobago			
Central Range Blocks[(2)]	50%	211,478	105,739
Moruga Block[(3)]	50%	11,970	5,985
Total		817,113	705,389

(1) The initial exploration phase under the Company's exploration and production ("E&P") contracts is 36 months. Subsequent to this period, the Company has the option to enter into a second 36-month exploration phase. The effective date of the Colombian contracts is April 20, 2009 for Blocks LLA-16 and LLA-20, October 20, 2009 for Blocks LLA-29 and LLA-30 and February 17, 2011 for Block LLA-57. Exploration property deemed non-commercial will be released in due course.
(2) Working interests noted are for the exploration phase of the Production Sharing Contracts ("PSCs"). The Petroleum Company of Trinidad & Tobago ("Petrotrin") has the right to participate at a 35 percent working interest in any development on the Central Range Shallow Block and at a 20 percent interest in any development on the Central Range Deep Block. The initial exploration phase under the Company's PSCs was 48 months. However, on August 9, 2010, the Ministry of Energy and Energy Affairs ("MEEA") approved an extension of the first exploration phase to 60 months. The effective date of both Trinidad & Tobago Central Range Block PSCs is September 18, 2008. Exploration property deemed non-commercial will be released in due course.
(3) The Moruga Block is an exploration block with the final earning confirmed on April 27, 2011.
(4) Does not include Los Ocarros Block in which the working interest was not earned as at June 30, 2011.

All of the Company's properties in Colombia and Trinidad & Tobago are subject to exploration commitments for seismic and drilling activities as described below.

a) Llanos Basin (LLA) Blocks (Colombia)

On June 29, 2011, the Company acquired the other 50 percent working interest Parex did not previously own in Blocks LLA-16, 20, 29 and 30, through the acquisition of Remora. After closing the Acquisition, Parex holds a 100 percent working interest in the following exploration blocks in the Llanos Basin of Colombia: Block LLA-16, Block LLA-20, Block LLA-29, Block LLA-30 and Block LLA-57. The E&P contracts consist of an initial exploration phase of 36 months with the option for the parties to enter into a second 36-month exploration phase. The exploration work commitments for the initial exploration phase, before reduction for the work incurred to date, total $102.2 million to the Company representing 21 wells and 1,003 square kilometres ("km^2") of three-dimensional ("3D") seismic of which seven wells and 900 km^2 of 3D seismic have been completed as at June 30, 2011.

On June 22, 2011, Parex signed a farm-in agreement with Petroamerica Oil Corp ("Petroamerica") for the Los Ocarros Block, which is located directly south-west of Block LLA-16. Parex will fund 100 percent of the drilling costs associated with the Las Maracas-2 sidetrack well to a maximum of $7.0 million. Thereafter, Parex will pay 50 percent of the Las Maracas-2 sidetrack well drilling costs and 50 percent of any cost of completion. The well is currently drilling to evaluate the Mirador Formation.

b) Central Range Blocks (Trinidad & Tobago)

Parex holds working interests in the Central Range Shallow and Central Range Deep Blocks located onshore Trinidad & Tobago. The blocks are subject to PSCs that were signed on September 18, 2008. The Company is party to a joint venture agreement with Niko Resources Ltd. (formerly Voyager Energy Ltd.) ("Niko"), and is the operator of the blocks. During the exploration phase of the PSCs, Parex and Niko will each hold a 50 percent working interest. Petrotrin has the right to participate at a 35 percent working interest in any development on the Central Range Shallow Block and at a 20 percent working interest in any development on the Central Range Deep Block. The PSCs provide for an initial exploration phase of 48 months. On August 9, 2010, the MEEA approved an extension of the first exploration phase to 60 months or September 18, 2013.

The PSCs have minimum work commitments during the initial 60-month exploration phase of the contracts. The work commitments include 100 kilometres of two-dimensional ("2D") seismic, 168 km^2 of 3D seismic, one deep well to be drilled to a minimum depth of 12,000 feet and two shallow wells to be drilled to a maximum depth of 4,500 feet. Under the terms of the joint venture agreement with Niko, Parex will pay 100 percent of the first $10.0 million of seismic acquisition costs during the exploration phase, of which approximately $8.5 million was incurred as at June 30, 2011. Petrotrin is carried through the minimum work commitments of the contracts. As at June 30, 2011 the 2D seismic work obligation has been satisfied and the Company expects to drill the two shallow exploration wells in the third quarter of 2011.

The Company currently has no oil and natural gas production or published oil and natural gas reserves for the Central Range Blocks.

c) Moruga Block (Trinidad & Tobago)

On September 16, 2009, Parex entered into an agreement with Primera Oil and Gas Limited and Primera Energy Resources Ltd. (together, "Primera") to farm-in (the "Primera Farm-In") to the interests of these companies in the Moruga Block Exploration and Production Licence located in South Central Trinidad & Tobago (the "Moruga Block"). The terms of the Primera Farm-In require Parex to drill one exploratory well to a depth of 8,600 feet or the top of the Cretaceous, whichever occurs first, and one exploratory well to 10,500 feet. In connection with the Primera Farm-In, an application has been made for Parex to become the operator of the Moruga Block. Parex will earn a 50 percent working interest in the Moruga Block by paying 95 percent of all costs, to a maximum of $13.3 million for drilling and evaluating these two exploration wells. The Moruga Block encompasses 11,970 gross acres and targets oil-prone prospects. On April 27, 2011, the Company received confirmation that Parex had fulfilled the initial earning requirement for the Moruga Block. However, the assignment of interest earned under the Primera Farm-In and the transfer of operatorship are subject to final approval by the MEEA.

The Company currently has no oil and natural gas production or published oil and natural gas reserves for the Moruga Block.

2011 Outlook

Parex expects to exit 2011 with oil production in excess of 14,000 bbls/d. Parex' 2011 capital budget is now approximately $140-$160 million, excluding the purchase price of the Acquisition and including approximately $10 million contingent on mobilizing a rig and drilling a Central Range Deep Block well. The 2011 capital budget has increased from that noted in the previous MD&A as a result of now funding: 100 percent of LLA-16, 20, 29 and 30 blocks capital activity, the Los Ocarros Block farm-in and increasing the number of Kona wells to be drilled in 2011 from six to nine. Parex expects to fund the 2011 capital program from the existing working capital and funds flow from operations. Excluding the Acquisition purchase price and adjustments, the forecast capital expenditures and forecast exit rate production are:

	2011 Forecast Capital ($ millions)	2011 Forecast Exit Rate (bbls/d)
Parex Guidance Pre-Acquisition April 15, 2011	95 – 105	> 7,000
Updated Guidance	140 – 160[(1)]	> 14,000

(1) Reflects 100 percent of LLA-16, 20, 29 and 30 capital budgets from June 29, 2011.

Financial and Operational Results

Consolidated Results of Operations

Parex' operations are carried out in Colombia, Trinidad & Tobago and Canada which are the Company's reportable segments. The Company's consolidated results of operations provided in this MD&A include Remora's operational results only from the date of the Acquisition, June 29, 2011.

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	**2011**	2010
Average daily sales				
Colombia – oil (bbls/d)[(1)(2)]	**1,125**	-	**1,136**	-
Canada – natural gas (boe/d)	**-**	11	**-**	12
Total (boe/d)	**1,125**	11	**1,136**	12
Operating netback ($000s)				
Oil and natural gas sales	**$ 10,719**	$ 32	**$ 20,572**	$ 68
Royalties	**(1,195)**	-	**(1,877)**	-
Net revenue	**9,524**	32	**18,695**	68
Production expense	**(817)**	(21)	**(1,235)**	(39)
Transportation expense	**(1,439)**	-	**(3,684)**	-
Operating netback	**$ 7,268**	$ 11	**$ 13,776**	$ 29
Operating netback (per boe)				
Oil and natural gas sales	**104.67**	29.00	**100.09**	29.00
Royalties	**(11.67)**	-	**(9.13)**	-
Net revenue	**93.00**	29.00	**90.96**	29.00
Production expense	**(7.97)**	(20.98)	**(6.01)**	(18.00)
Transportation expense	**(14.06)**	-	**(17.93)**	-
Operating netback	**$ 70.97**	$ 8.02	**$ 67.02**	$ 11.00

(1) Does not include approximately 90,000 bbls of oil delivered in the second quarter of 2011 and sold in July, 2011.
(2) Includes Remora's oil sales only from the date of the Acquisition, June 29, 2011.

The Company's operating netback on a per boe basis increased in the second quarter along with the increase in world oil prices and reduced transportation expenses. The Company's operating netback on a per boe basis for the three months ended June 30, 2011 was $70.97 compared to $63.10 reported for the first quarter of 2011. Realized sales price in Colombia was $100.09/boe for the period with royalty charges of $9.13/boe based on produced oil. Royalties are calculated by applying the royalty percentage on produced oil and are valued at the reference price net of transportation costs. Production expense for the Company was $7.97/boe during the second quarter of 2011 compared to $4.06/boe reported for the first quarter of 2011. Transportation expense per boe for the three months ended June 30, 2011was $14.06 compared to $21.77 for the first quarter of the year. On a combined basis, production expense and transportation expense decreased by $3.80/boe compared to the three months ended March 31, 2011. Transportation and marketing alternatives continue to be examined by the Company in an effort to maximize the net proceeds from monetizing production in Colombia. Comparative figures provided for the period ended June 30, 2010 relate to the minor non-operated Canadian properties which were not significant to the Company's historical operations and were sold in October, 2010.

Colombian Oil Sales

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	**2011**	2010
Oil sales ($000s)	**$ 10,719**	$ -	**$ 20,572**	$ -
Realized sales price ($/bbl)	**104.67**	-	**100.09**	-

Oil revenue was recognized in the first half of 2011 in contrast to the same period in 2010, given the initiation of production and sales in Colombia in the latter part of 2010. Oil revenue excluded approximately 90,000 bbls of crude oil produced in the second quarter of 2011 and sold in July, 2011, see "Colombian Crude Oil Inventory in Transit" below.

(a) Colombian Volumes

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	**2011**	2010
Average daily oil sales (bbls/d) – Kona Field	**1,125**	-	**1,136**	-
Average daily oil production (bbls/d) – Kona Field	**1,619**	-	**1,441**	-

Production volumes for the three months ended June 30, 2011 averaged approximately 3,205 bbls/d (1,619 bbls/d net) which represents an increase of approximately 29 percent compared to the first quarter of 2011. Sales volumes, during the second quarter of the year, averaged approximately 2,213 bbls/d (1,125 bbls/d net). During the three months ended June 30, 2011, an average of approximately 454 bbls/d net was injected through the pipeline system and transported to the Colombian coast to be exported. After the Acquisition on June 29, 2011, Parex took ownership of the other 50 percent of the oil in transit in the pipeline system and, as a result, approximately 90,000 bbls of crude oil inventory in transit was recorded at the end of the second quarter. This oil was subsequently sold in July, 2011.

(bbls) For the three months ended June 30,	**2011**	2010
Total gross oil production – Kona Field	**291,000**	-
Total gross oil sales – Kona Field	**201,000**	-
Crude oil inventory in transit	**90,000**	-

The Company reported no Colombian oil sales in the comparative period as Parex commenced oil production and sales in Colombia in the fourth quarter of 2010.

(b) Colombian Commodity Prices

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	**2011**	2010
WTI ($/bbl) (1)	**102.56**	-	**98.33**	-
Vasconia ($/bbl) (1) (2)	**110.84**	-	**107.86**	-
Realized sales price ($/bbl)	**104.67**	-	**100.09**	-

(1) Average prices for the three and six months ended June 30, 2011.

(2) A medium heavy crude derived from a combination of light grades originally from the Llanos Orientales and Upper Magdalena Region. It is produced by different streams that are blended at the Colombian Vasconia Station wherefrom it takes its name. Vasconia Blend prices are more correlated to Brent than WTI.

The majority of the Company's oil sales contracts during the first half of 2011 were referenced to WTI with a minor portion of the oil sales during the latter part of the second quarter priced in relation to the Colombian Vasconia blend. The Company's average realized oil sales price for the three and six months ended June 30, 2011 has increased along with the increase in world oil prices during the second quarter.

(c) Colombian Crude Oil Inventory in Transit

($000s) For the three and the six months ended June 30,		2011		2010
Crude oil in transit	**$**	**3,141**	$	-

As at June 30, 2011, the Company had approximately 90,000 bbls of crude oil inventory in transit which was injected into the Colombian Ocensa and ODC pipelines. The cost, at which the inventory was valued, includes direct and indirect expenditures (such as production costs, transportation costs, and depletion expense) of approximately $34.90 per barrel incurred in bringing the crude oil to its existing condition and location.

The oil inventory was subsequently sold in July, 2011 for approximately $9.0 million (net of transportation costs). This sale will generate an estimated $5.9 million ($0.07 per share on a fully diluted basis) of funds flow from operations to be recorded in the third quarter of 2011.

Colombian Royalties

	For the three months ended June 30				For the six months ended June 30			
		2011		2010		**2011**		2010
Royalties ($000s)	**$**	**1,195**	$	-	**$**	**1,877**	$	-
Per unit ($/bbl)	**$**	**11.67**	$	-	**$**	**9.13**	$	-
Percentage of sales[(1)]		**11%**		-		**9%**		-

(1) Net of transportation costs

The Company's Colombian government royalties are comprised of a fixed rate of 8 percent, supplemented with a 1 percent x-factor based upon the E&P contract terms. Royalties are paid in kind and valued at the realized sales price less transportation expenses incurred. Should monthly average daily production rates exceed 5,000 bbls/d, the Company's royalty rates will increase by 1 percent for each incremental 10,000 bbls/d of production per field. In addition, as accumulated production of any production area, inclusive of royalty volumes, exceeds 5 million barrels, and in the event international reference prices are exceeded by pricing determined in the contract, the Company's royalty percentage will increase to approximately 37 percent given current WTI prices.

Royalties expense of approximately $300,000 associated with the production of the oil inventory in transit was recognized in the second quarter of 2011. The royalties as a percentage of sales were 11 percent versus 9 percent that would have been expected without the impact of the oil in transit inventory.

Colombian Production Expense

	For the three months ended June 30				For the six months ended June 30			
		2011		2010		**2011**		2010
Production expense ($000s)	**$**	**817**	$	-	**$**	**1,235**	$	-
Per unit ($/bbl)	**$**	**7.97**	$	-	**$**	**6.01**	$	-

Production expense includes the cost of activities in the field to operate wells and facilities, lift to surface, gather, process, treat and store production. The second quarter cost per barrel of $7.97/bbl reflects the operating cost associated with having an average of three to four wells on production in the Kona field during the three months ended June 30, 2011 and is reflective of the Company's expectations for the balance of 2011.

Colombian Transportation Expense

	For the three months ended June 30				For the six months ended June 30			
		2011		2010		**2011**		2010
Transportation expense ($000s)	**$**	**1,439**	$	-	**$**	**3,684**	$	-
Per unit ($/bbl)	**$**	**14.06**	$	-	**$**	**17.93**	$	-

Transportation expense includes the trucking costs incurred by the Company to transport production to several offloading stations for sale and an oil transportation tariff from delivery point to the buyer's facility included as a discount in the marketing contract. During the second quarter, Parex decreased the cost of transportation per barrel by approximately 30 percent due to better contract conditions in comparison to the first quarter of 2011. Parex expects similar transportation costs on a per barrel basis for the balance of 2011.

General and Administrative Expense ("G&A")

($000s)	For the three months ended June 30 **2011**	2010	For the six months ended June 30 **2011**	2010
Gross G&A	**$ 5,950**	$ 4,591	**$ 11,878**	$ 8,726
G&A recoveries	**(1,958)**	(1,105)	**(3,836)**	(1,467)
Capitalized G&A	**(382)**	(864)	**(971)**	(980)
Net G&A expense	**$ 3,610**	$ 2,622	**$ 7,071**	$ 6,279

Net G&A was $7.1 million compared to $6.3 million for the six months ended June 30, 2011 and 2010 respectively. These costs primarily consist of management and administrative salaries, legal and professional fees, office rent, insurance, travel and other administrative expenses. For the six months ended June 30, 2011, net G&A was mainly comprised of $4.7 million relating to staff, consultants and professional services, $1.1 million relating to office costs and various other expenses totaling $1.3 million. Net G&A expense for the period ended June 30, 2010 included $1.1 million relating to legal matters of a non-recurring nature, with the remaining G&A expenses amounting to $5.2 million. The increase in recurring net G&A compared to the six months ended June 30, 2010 is mainly attributable to salaries and benefits for additional staff hired to support the increased activity of the Company's operations. The Company engages local in-country staff at the earliest opportunity and engages local professional services to improve execution and manage costs. A total of 86 full-time-equivalents in three locations were working for Parex as at June 30, 2011 compared to 52 for the same period in 2010. Due to the Acquisition, joint venture recoveries are expected to significantly decrease. Joint venture recoveries in Colombia totaled $1.9 million for the first six months of 2011. As capital and operating activities increase it is expected that G&A will also increase primarily in Colombia and Trinidad & Tobago.

Share Based Compensation Expense

($000s)	For the three months ended June 30 **2011**	2010	For the six months ended June 30 **2011**	2010
Stock options	**$ 1,335**	$ 836	**$ 2,709**	$ 1,548
Share appreciation rights	**227**	62	**707**	62
Share-based compensation expense	**$ 1,562**	$ 898	**$ 3,416**	$ 1,610

The Company calculates stock option expense using graded vesting. The determination of fair value for recording stock option expense is based upon assumptions including stock volatility, a risk-free interest rate, an expected dividend rate and expected life of the options. The Company uses Black-Scholes valuation methodology to value the stock options at the date of award. Stock options expense was $2.7 million for the six months ended June 30, 2011 compared to $1.5 million for the same period in 2010. The primary reason for the increase relates to the graded vesting recognition of a higher number of options outstanding due to subsequent grants. As at June 30, 2011, stock options outstanding were 5,567,256, equaling 5 percent of the number of common shares outstanding at the end of the second quarter. A total of 197,083 options were exercised and 225,000 options were granted during the six months ended June 30, 2011. The weighted average fair value at the grant date of the options outstanding was Cdn$2.99 per option as at June 30, 2011 (period ended June 30, 2010 – Cdn$2.13 per option).

Parex Trinidad and Parex Colombia have a share appreciation rights ("SARs") plan that provides for the issuance of SARs to certain employees. The Company calculates SARs expense using graded vesting. The determination of fair value for recording SARs expense is based upon assumptions including stock volatility, a risk-free interest rate, an expected dividend rate and expected life of the SARs. The Company uses Black-Scholes valuation methodology to value SARs at the fair value each reporting date. As at June 30, 2011, 970,833 SARs were outstanding all of which were granted to employees in Colombia and Trinidad & Tobago. The weighted average exercise price at June 30, 2011 of the SARs outstanding was Cdn$6.84 per SAR (period ended June 30, 2010 – Cdn$5.25). The increase in SARs expense, when comparing the six months ended June 30, 2011 with the six months ended June 30, 2010, was due to the initiation of a SARs plan for the Company during the second quarter of 2010 and graded vesting recognition of a higher number of SARs outstanding due to subsequent grants.

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

	For the three months ended June 30				For the six months ended June 30			
		2011		2010		**2011**		2010
DD&A expense ($000s)	**$**	**1,751**	$	483	**$**	**2,642**	$	759
Per unit ($/bbl)	**$**	**17.10**	$	-	**$**	**12.85**	$	-

DD&A is primarily associated with production assets in Colombia and also includes the depreciation and amortization of corporate assets such as computer equipment, office furniture and leasehold improvements. The net carrying value of production assets is depleted using the unit of production method by reference to the ratio of production in the period over the related proven and probable reserves while also taking into account estimated future development costs necessary to bring those reserves into production. Second quarter 2011 DD&A was $1.8 million compared to $483,000 for the same period in 2010. The increase relates to the Company depleting the development and production assets associated with the Kona field given the initiation of production from the field in the latter part of 2010. Year to date depletion expense of $2.2 million ($10.76/bbl) attributable to the Kona field was recognized as at June 30, 2011. The remaining DD&A relates to seismic equipment and office equipment which are depreciated over the assets estimated useful lives.

DD&A expense on a per barrel basis is expected to increase as a result of the Acquisition in Colombia.

Foreign Exchange Gain

	For the three months ended June 30				For the six months ended June 30			
		2011		2010		**2011**		2010
Foreign exchange loss (gain) ($000s)	**$**	**975**	$	545	**$**	**(413)**	$	(441)

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Canadian dollars, Colombian pesos and Trinidad & Tobago dollars as the Company's functional currency is the US dollar. The Company also has exposure in Canada, Colombia and Trinidad & Tobago on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies. The Company holds Canadian dollars and Canadian dollar-denominated short-term deposits to meet head-office general and administrative expenditures. All cash balances in Colombia must be held in Colombian pesos due to local currency exchange requirements. During the six months ended June 30, 2011, the total foreign exchange gain was $413,000 due primarily to the appreciation of the Colombian peso and the Canadian dollar versus the US dollar. The Trinidad & Tobago dollar was relatively stable against the US dollar during the first half of 2011. Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statement of operations.

The Company does not hedge against any fluctuations in exchange rates, but reviews its exposure to foreign currency variations on an ongoing basis and maintains Canadian, Colombian and US denominated deposits.

Net Finance Expense

	For the three months ended June 30,				For the six months ended June 30,			
		2011		2010		**2011**		2010
Interest expense on convertible debenture	**$**	**(552)**	$	-	**$**	**(552)**	$	-
Accretion on convertible debenture		**(8)**		-		**(8)**		-
Accretion on decommissioning liability		**(11)**		(1)		**(19)**		(2)
Loss on derivative liability		**(1,048)**		-		**(1,048)**		-
Amortization of debt issue costs		**(1)**		-		**(1)**		-
Finance income		**452**		87		**659**		159
Net finance expense	**$**	**(1,168)**	$	86	**$**	**(969)**	$	157

Derivatives are carried at fair value on the balance sheet, with any changes in fair value being recorded to the statement of operations. Under IFRS, the conversion feature of the Debenture issued on June 29, 2011 is classified as a derivative financial liability given that, if converted, the Company has the option to deliver either common shares or cash equal to the market value. As the Company's stock price increased since issuance, the derivative liability increased by $1.0 million and an equivalent non cash derivative loss was recorded.

The liability portion of the Debentures is measured at amortized cost and will accrete up to the principal balance at maturity using the effective interest rate method. The resulting accretion on convertible debenture is charged to finance expense in the consolidated statement of comprehensive loss.

Income Tax

($000s)	For the six months ended June 30 2011	2010
Colombia current tax expense	**$ 1,436**	$ -
Colombia equity tax	**424**	-
Colombia deferred tax expense	**50**	-
Trinidad & Tobago	**-**	-
Canada and other foreign subsidiaries	**-**	-
Income and equity tax expense	**$ 1,910**	$ -

As at June 30, 2011, the Company recognized a current tax expense of $1.4 million which is based on the Company's expectations of taxable income for 2011. Also, $50,000 of future tax expense was recognized for its Colombian temporary tax differences that were mostly associated with capital assets. The Company does not recognize any benefit for its Canadian tax losses nor its Trinidad & Tobago net operating losses at this time.

Parex' Colombian subsidiary was subject to a one-time tax which was calculated based on the subsidiary's net taxable equity as at January 1, 2011 at a rate of 6 percent. The equity tax is payable over four years (1.5 percent per year) in eight equal installments every May and September starting in 2011. A total of $328,000 was paid in May, 2011 for the first installment. An equity tax provision of $2.3 million, to be paid over the remaining seven installments, has been accrued, of which $657,000 is due within one year. The equity tax accrual includes $424,000 of under accrued equity tax expense that was recognized in the second quarter of 2011.

Capital Expenditures

(Excluding Corporate Acquisition costs)

For the six months ended June 30 ($000s)	Colombia 2011	Colombia 2010	Trinidad & Tobago 2011	Trinidad & Tobago 2010	Canada 2011	Canada 2010	Total 2011	Total 2010
Geological and geophysical	**$ 1,956**	$ 4,058	**$ 132**	$ 570	**$ -**	$ -	**$ 2,088**	$ 4,628
Acquisition of unproved properties	**1,204**	4	**260**	409	**-**	-	**1,464**	413
Drilling and completion	**27,215**	4,648	**3,923**	6869	**-**	-	**31,138**	11,517
Well equipment and facilities	**6,053**	-	**600**	324	**-**	-	**6,653**	324
Other	**62**	32	**12**	131	**64**	62	**138**	225
	$ 36,490	$ 8,742	**$ 4,927**	$ 8,303	**$ 64**	$ 62	**$ 41,481**	$ 17,107

For the three months ended June 30 ($000s)	Colombia 2011	Colombia 2010	Trinidad & Tobago 2011	Trinidad & Tobago 2010	Canada 2011	Canada 2010	Total 2011	Total 2010
Geological and geophysical	**$ 1,931**	$ 2,005	**$ 139**	$ 87	**$ -**	$ -	**$ 2,070**	$ 2,092
Acquisition of unproved properties	**1,018**	1	**131**	330	**-**	-	**1,149**	331
Drilling and completion	**13,694**	2,116	**881**	5,509	**-**	-	**14,575**	7,625
Well equipment and facilities	**5,084**	-	**376**	324	**-**	-	**5,460**	324
Other	**37**	12	**12**	44	**26**	44	**75**	100
	$ 21,764	$ 4,134	**$ 1,539**	$ 6,294	**$ 26**	$ 44	**$ 23,329**	$ 10,472

During the six months ended June 30, 2011, the Company incurred $41.5 million of capital expenditures compared to $17.1 million in 2010. Increased capital spending is integral to the Company's growth strategy. The activity by country is described below:

Colombia Capital Expenditures Summary

During the second quarter of 2011, in Block LLA-16, the Company drilled 4 gross (4 net) wells (including a water disposal well) and spud 1 gross (1 net) well, and commenced the lease construction of the next exploration prospects, Sulawesi, Merida and Java. The Company also completed the construction of the Kona field oil treatment facility.

The following table summarizes the Company's activities in Colombia from inception to June 30, 2011:

	LLA-16	LLA-20	LLA-29	LLA-30	Total
Km^2 of 3D seismic acquired	319	254	195	180	948
Wells drilled	10	2	-	-	12
Wells in progress at the end of the period	1	-	-	-	1

Capital expenditures for the three months ended June 30, 2010 primarily relate to 3D seismic acquisition and exploration drilling.

2011 Colombian Operations and Exploration Update

On April 17, 2011 the Kona-6 well on Block LLA-16 was spud and completed drilling in 19 days. Kona-6, located between Kona-1 and Kona-2, was drilled to evaluate the C7 Formation. An excellent cement bond in the well allowed for testing multiple objectives in the C7 Formation. Oil was tested from the two secondary objectives in the lower C7 at rates of 530 bbls/d and 190 bbls/d, respectively, without pumping prior to moving uphole to the primary objective. On June 9, 2011, the primary objective in the Upper C7 was tested. Following the installation of an electric submersible pump ("ESP"), the well has produced, since June 14, 2011, at an average rate of 2,810 bbls/d (30° API oil) at less than 3 percent water-cut from the Upper C7 Formation. The Kona-6 well was drilled, cased and completed under a simpler well program that will be implemented going-forward for all development wells.

On April 19, 2011, the Kona-2 well began producing from the Gacheta Formation on natural flow at a rate of 2,634 bbls/d and experienced above average production decline due to a poor completion. On June 15, 2011, the Kona-2 well was shut-in to commence a cement remediation operation to attempt to properly isolate the oil pay section from the underlying wet reservoirs. The well was remediated and was brought on-stream in July, 2011 at an initial rate of approximately 1,600 bbls/d.

The Kona-3 well was drilled in January 2011 and was designed to evaluate the northern extent of the Kona field. Both the C7 and Mirador formations tested oil with high water production. During cementing operations, mechanical problems resulted in sub-optimal cement placement. As a result, Parex believes that the prospective oil pay sections were not isolated from the underlying wet reservoirs. On June 18, 2011, a drilling rig re-entered the Kona-3 well to start side-tracking operations to re-set and cement a new liner across the C7 and Mirador formations of the well. The side-track operation was successful in the target formations, however, prior to setting a production liner, the whipstock tool failed and, as a result, the well could not be cased for production. A new side-track operation has been commenced in the third quarter of 2011.

On May 24, 2011, the Kona-5 well was spud to evaluate the C7 and Mirador formations as a twin development well to Kona-4 well which showed formation damage due to mechanical problems during cementing operations. Kona-5 was brought on stream in July, 2011 at a rate of 800 bbls/d in the Mirador Formation.

The next three exploration prospects the Company plans to drill on Block LLA-16 are Sulawesi, Merida and Java. Drilling depths for these exploration wells range from 11,000 feet to 13,000 feet. Subsequent to second quarter of 2011, the Sulawesi-1 was spud on July 16, 2011 and cased to a total depth of approximately 12,000 feet. On Block LLA-20, the Company is working to spud its Cumbre exploration well in 2011.

At the close of the Acquisition, Parex assumed operatorship on blocks LLA-29 and LLA-30. Parex has identified prospects and begun the regulatory process to allow for civil work and drilling to commence during early 2012. Parex has initiated additional 3D seismic programs that will cover 75 km^2 on Block LLA-16, 135 km^2 on Block LLA-20, and 165 km^2 on Block LLA-57. These seismic programs are expected to be completed by year-end 2011.

On June 22, 2011, Parex signed a farm-in agreement with Petroamerica for the Los Ocarros Block, which is located directly south-west of Block LLA-16. Parex will fund 100 percent of the drilling costs associated with the Las Maracas-2 sidetrack well to a maximum of $7.0 million. Thereafter, Parex will pay 50 percent of the Las Maracas-2 sidetrack well drilling costs and 50 percent of any cost of completion. The well is currently drilling to evaluate the Mirador Formation.

Colombian Llanos Basin Acquisition

On June 29, 2011, Parex acquired Remora which held the 50 percent interest Parex did not previously own in four Llanos Basin blocks in Colombia, including Block LLA-16 and the Kona discovery. The Acquisition was funded through a bought-deal public offering of Cdn$217.4 million of subscription receipts and Cdn$85.0 million of convertible unsecured subordinated debentures. With the close of the Acquisition Parex has increased its working interest from 50 percent to

100 percent and is the operator of each of the four blocks. The Acquisition is underpinned by the Kona multi-zone light oil field and a significant inventory of exploration prospects.

The statement of comprehensive loss includes Remora's results of operation since the date of the acquisition June 29, 2011 and expensed transaction costs associated with the Acquisition of $1.8 million.

The transaction has been accounted for using the acquisition method whereby the assets acquired and the liabilities assumed, excluding goodwill, are recorded at fair values. The goodwill recognized on Acquisition is attributed to the future value derived from significant exploration prospects and further exploitation appraisal of the Kona oil field. None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the recognizable assets acquired and consideration transferred pursuant to the acquisition:

($000s)		Amount
Assets acquired and liabilities assumed		
Property, plant and equipment	$	197,615
Exploration and evaluation assets		80,146
Working capital surplus (deficiency)		(19,794)
Deferred tax liability		(64,452)
Goodwill		59,948
Decommissioning liabilities		(470)
	$	**252,993**

($000s)		Amount
Consideration for the acquisition		
Cash paid	$	254,335
Cash acquired		(1,342)
Total consideration paid net of cash acquired	$	**252,993**

Parex increased property, plant and equipment by $197.6 million and E&E assets by $80.1 million related to recording the fair values of the assets acquired in the corporate acquisition. Including the net costs associated with the acquired assets since the effective date, January 1, 2011.

Trinidad & Tobago Capital Expenditure Summary

Drilling and completions expenditures totaled $0.9 million, expenditures on well equipment and facilities were $0.4 million with other capital expenditures amounting to $0.3 million during the second quarter of 2011.

The Company finished the testing operations on the Moruga Block (50 percent working interest) Firecrown-1 well. Following the successful sidetrack operations to deepen the Firecrown-1 well to a depth of 10,300 ft and conclude the earning obligations of the Moruga contract, an attempt was made to complete and test the well. Mechanical limitations during original drilling operations resulted in sub optimal cement placement. Parex has concluded that the well in its current condition will not be able to be tested properly. As such, testing operations are being suspended. Parex expects that sidetracking operations can be conducted to place and properly cement a new liner enabling a proper test on this well. This operation is under design and will be conducted upon availability of proper equipment to conduct the operations.

Parex expects to drill another two Moruga Block wells in 2011, subject to regulatory approvals.

On the Central Range Shallow Block (50 percent working interest), lease construction for the first of two shallow exploration wells is complete. Parex spud the first well, the Cribo prospect on July 22, 2011. Target depth for both shallow exploration wells will be approximately 4,500 feet and the wells will be drilled using an existing onshore Trinidad rig.

In order to accommodate Parex' ongoing deep exploration activity, the Company is continuing discussions with contractors to mobilize a modern and more efficient drilling rig to Trinidad & Tobago that is capable of drilling to the Central Range Deep Block earning depth of 12,000 feet. If successful, Parex expects to spud its first Central Range Deep Block well in the fourth quarter of 2011.

Capital expenditures for the period ended June 30, 2010 primarily relate to costs associated with the lease construction for the exploratory wells on the Morgua Block.

Summary of Quarterly Results (Unaudited)

Three months ended		**June 30, 2011**		Mar.31, 2011		Dec. 31, 2010		Sep.30, 2010
Average daily sales (boe/d)		**1,125**		1,136		306		11
		-						
Realized sales price ($/boe)		**104.67**		95.54		89.69		25.00
Financial ($000s except per share amounts)								
Net income (loss)	**$**	**(4,688)**	$	1,023	$	(1,298)	$	(4,297)
Per share – basic		**(0.06)**		0.01		(0.02)		(0.07)
Per share – diluted		**(0.06)**		0.01		(0.02)		(0.07)
Funds flow from (used in) operations		**334**		2,960		360		(3,555)
Per share – basic		**0.00**		0.04		0.01		(0.06)
Per share – diluted		**0.00**		0.04		0.01		(0.06)
Total assets (end of period)		**593,699**		220,521		216,616		128,503
Working capital surplus (end of period)		**101,422**		101,672		115,136		57,188
Convertible debenture (end of period)		**61,200**		-		-		-
Bank debt (end of period)		**-**		-		-		-
Total net debt (surplus) (end of period)	**$**	**(40,222)**	$	(101,672)	$	(115,136)	$	(57,188)

Three months ended		June 30, 2010		Mar. 31, 2010		Previous GAAP[1] Dec. 31, 2009[2]		Previous GAAP[1] Sep. 30, 2009[2]
Average daily sales (boe/d) [3]		11		14		6		-
Realized sales price ($/boe) [3]		29.00		29.72		25.93		-
Financial ($000s except per share amounts)								
Net loss	$	(4,451)	$	(3,571)	$	(2,316)	$	(1,445)
Per share – basic		(0.07)		(0.06)		(0.04)		(0.03)
Per share – diluted		(0.07)		(0.06)		(0.04)		(0.03)
Funds flow used in operations		(2,617)		(3,325)		(1,569)		(1,393)
Per share – basic		(0.04)		(0.05)		(0.03)		(0.03)
Per share – diluted		(0.04)		(0.05)		(0.03)		(0.03)
Total assets (end of period)		127,789		128,164		133,485		46,147
Working capital surplus (end of period)		72,883		86,487		95,704		15,986
Convertible debenture (end of period)		-		-		-		-
Bank debt (end of period)		-		-		-		-
Total net debt (surplus) (end of period)	$	(72,883)	$	(86,487)	$	(95,704)	$	(15,986)

(1) As Parex' IFRS transition date was January 1, 2010, 2009 comparatives figures have not been restated.
(2) Determined by using continuity-of-interests accounting (EIC-89) for the 2009 comparative periods.
(3) Sales were generated by the minor non-operated Canadian properties that were transferred from Petro Andina to Parex through the Plan of Arrangement on November 6, 2009 and were sold in October, 2010 (see AIF dated March 9, 2011).

Liquidity and Capital Resources

As at June 30, 2011 Parex held $115.5 million of cash, compared to $123.5 million at December 31, 2010. The Company's cash balances reside in current accounts and term deposits, the majority of which are held on account in Canada.

As at June 30, 2011, working capital was $101.4 million with no bank debt. Parex has signed a general security agreement with Export Development Canada ("EDC") to secure the guarantees provided by EDC to support the letters of credit issued to the ANH in connection with the initial exploration work commitments associated with the Company's Colombian properties.

Parex has estimated exploration and other commitments over the next two years of approximately $19.0 million in Trinidad & Tobago and approximately $54.1 million in Colombia. Parex has sufficient financial resources to fund all of its work commitments and other discretionary future capital costs based upon the Company's current working capital position and estimated 2011 funds flow from operations.

Convertible Debenture

On June 29, 2011, Parex issued Cdn$85.0 million of convertible unsecured subordinated debentures with an annual coupon of 5.25 percent maturing on June 30, 2016. The Debentures have a face value of $1,000 per Debenture, are convertible into Common Shares at the option of the holder at a conversion price of Cdn$10.15 per Common Share, representing a conversion rate of approximately 98.52 Common Shares per Debenture. The Debentures pay interest semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2011. In the event that a holder of Debentures exercises the conversion feature, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the latest interest payment date to the date of conversion.

The Debentures were split between the liability and the equity conversion feature (which is classified as a derivative financial liability under IFRS). The amount of the financial liability was determined by subtracting issuance costs and the fair value of the conversion feature from the principal amount of the Debentures. As at June 29, 2011, the $87.5 million (Cdn$85.0 million) gross issuance proceeds resulted in $64.3 million (Cdn$62.4 million) being classified as a liability and $23.3 million (Cdn$22.6 million) being classified as a derivative financial liability. The fair value of the conversion feature is estimated every balance sheet date with changes in the fair value estimate between periods recognized in the statement of comprehensive income (loss) as finance expense.

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at June 30, 2011 the Company had 108,215,368 common shares outstanding.

The Company has a stock option plan. The plan provides for the issuance of options to the Company's directors, officers, employees and consultants to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 10 percent of the number of common shares issued and outstanding.

As at August 11, 2011 Parex has the following securities outstanding:

	Number	%
Common shares	108,215,368	95
Stock options	5,504,756	5
Fully diluted	113,720,124	100

As of the date of this MD&A, total stock options outstanding represent approximately 5 percent of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

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

In Colombia, the Company has provided guarantees to the ANH totaling approximately $50.0 million to support the initial exploration work commitments in respect of the five blocks. The guarantees have been provided in the form of letters of credit for 24-month terms expiring in January, 2013 for Block LLA-16 and Block LLA-20, May 2013 for Block LLA-29 and Block LLA-30 and September, 2014 for Block LLA-57. EDC has provided the Company's bank with performance security guarantees to support 100 percent of the letters of credit issued on behalf of Parex. The letters of credit issued to the ANH have not been reduced to reflect work performed to date.

In Trinidad & Tobago, the Company has purchased a performance bond and provided a guarantee to the underwriters of the bond in the amount of approximately $33.0 million to cover its and Niko's share of the financial guarantees required under the Central Range Block PSCs for the initial four-year exploration phase. In the event of default by Niko, the joint venture agreement provides that Niko's working interest shall vest in Parex. The obligations under the PSCs are to perform the exploration work commitments, irrespective of actual cost. Parex has no obligation to spend the actual amount guaranteed. The amount of the bond has not been reduced to reflect work performed to date.

The following table and footnotes summarize the Company's estimated commitments as at June 30, 2011:

($000s)		Total		<1 year		1-3 years		3-4 years		>5 years
Exploration[(1)]	$	70,956	$	48,752	$	22,204	$	-	$	-
Office and accommodations[(2)]		2,633		1,048		1,155		430		-
Other		2,173		1,150		1,023		-		-
Total	$	75,762	$	50,950	$	24,382	$	430	$	-

(1) Exploration commitments do not include production bonuses and other payments that will vary depending on production levels due to the uncertainty of their amount and timing.

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

The Company has entered into contracts for drilling rigs in Colombia and Trinidad & Tobago. Rig contracts in both countries include commitments to use the rigs for a minimum period on terms consistent with normal industry practice. The Company anticipates that, given its planned level of drilling activity to meet exploration commitments in both countries, the rigs will be fully utilized for the duration of their contracts and no material additional charges will be incurred.

Business Environment and Risks

Parex is exposed to a variety of risks including, but not limited to, operational, financial, competitive, political and environmental risks. As a participant in the oil and natural gas industry, Parex is exposed to operational risks such as: unsuccessful exploration and exploitation activities, the inability to find new reserves that are commercially and economically feasible, premature declines of reservoirs, blow-outs and other operating hazards, and lack of infrastructure or transportation to access markets and monetize reserves. The Company works to mitigate these risks by employing highly skilled personnel and utilizing available technology. The Company also maintains a corporate insurance program consistent with industry practices to protect against insurable losses.

The Company is exposed to normal financial risks inherent in the oil and natural gas industry including: commodity price risk, exchange rate risk, interest rate risk and credit risk. From time to time, the Company may have to raise additional funds to finance business development activities. However, depending on market conditions at the time, there can be no assurance that the Company will be able to arrange debt or equity financing on satisfactory terms. The Company continuously monitors opportunities to use financial instruments to manage exposure to fluctuations in commodity prices, foreign currency rates and interest rates. Parex operates the majority of its properties and, therefore, has significant control over the timing, direction and costs related to exploration commitments and development opportunities.

The oil and natural gas industry is intensely competitive, with Parex competing against companies that may have greater technical and financial resources. There is competition for new exploration and development properties, for drilling and other specialized technical equipment and for experienced key human resources. To the extent possible, Parex seeks to enter into joint venture arrangements with large and/or experienced industry players in each country to improve its access to resources.

Parex is focused on international oil and natural gas activities, currently with interests in Colombia and Trinidad & Tobago. As such, the Company is subject to political risks such as: changes in policy environments related to changes in government, price controls, renegotiation of land tenure agreements, nationalization, changes in tax regulations, amendments or changes to legal systems, complex regulatory regimes and foreign language risks. The Company focuses its foreign operations in countries where management has prior experience and/or engages local in-country staff as soon as possible. The Company engages local, Canadian and international legal, accounting and tax professionals. The Company may also, from time to time, arrange for insurance to mitigate specific risks.

The oil and natural gas industry is subject to extensive and varying environmental regulations imposed by governments in all countries in which Parex operates. The Company adopts prudent and industry-recommended field operating procedures in all of its operations, as well as maintaining a health, safety and environment program.

The Company is exposed to a high level of exploration risk. The Company's current and future (to the extent discovered or acquired) proved reserves will decline as reserves are produced from its properties unless the Company is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital-intensive and is subject to numerous estimates and interpretations of geological and geophysical data. There can be no assurance the Company's future exploration, development and acquisition activities will result in material additions of proved reserves. To manage this risk, to the extent possible, Parex employs highly experienced geologists and geophysicists, uses technology such as 3D seismic as a primary exploration tool and focuses exploration efforts in known hydrocarbon-producing basins. In addition, the Company takes a portfolio approach to exploration drilling by having drilling locations spread out among different exploration blocks and geological basins and by targeting multiple play-types.

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the three months ended June 30, 2011.

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments recognized in the balance sheet include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and convertible debentures (excluding the derivative financial liability associated with the convertible debentures). 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.

Accounting Policies and Estimates

Adoption of International Financial Reporting Standards

The Company has prepared its unaudited consolidated financial statements for the three months ended June 30, 2011, including required comparative information, in accordance with IFRS 1, First-time Adoption of IFRS, and with IAS 34, Interim Financial Reporting, as issued by the IASB. Previously, the Company prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian GAAP. The adoption of IFRS has not had an impact on the Company's operations, strategic decisions and funds flow from operations.

The Company's IFRS accounting policies are provided in Note 3 to the Interim unaudited consolidated financial statements for the period ended June 30, 2011 and, in addition, Note 21 presents reconciliations between the Company's 2010 previous GAAP results and the 2010 IFRS results.

The following provides summary reconciliations of Parex' 2010 previous GAAP and IFRS results, along with a discussion of the significant IFRS accounting policy changes.

Summary Net Losses Reconciliation

	2010				
($000s)	Annual	Q4	Q3	Q2	Q1
Net losses – previous GAAP	$ (13,385)	$ (1,285)	$ (4,140)	$ (4,389)	$ (3,571)
After tax (addition)/deduction:					
Exploration and evaluation expense	(37)	(37)	-	-	-
Depletion, depreciation and amortization	135	135	-	-	-
Share based compensation – SARs	(244)	(25)	(157)	(62)	-
	(146)	73	(157)	(62)	-
Net losses – IFRS	$ (13,531)	$ (1,212)	$ (4,297)	$ (4,451)	$ (3,571)

Accounting Policies Changes

The following discussion explains the significant differences between Parex' previous Canadian GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

The most significant changes to the Company's accounting policies relate to the accounting for upstream costs. Under previous GAAP, the Company followed the Canadian Institute of Chartered Accountants ("CICA") guideline on full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of oil and natural gas reserves were capitalized on a country-by-country cost centre basis. Costs accumulated within each country cost centre were depleted using the unit-of-production method based on proved reserves determined using estimated future prices and costs. Upon transition to IFRS, the Company was required to adopt new accounting policies for oil and natural gas activities, including exploration and evaluation costs and development costs.

Under IFRS, exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. Development costs include those expenditures for areas where technical feasibility and commercial viability have been determined. Parex adopted the IFRS 1 exemption whereby the Company deemed its January 1, 2010 IFRS upstream asset costs to be equal to its previous GAAP historical upstream property, plant and equipment net book value. Accordingly, exploration and evaluation costs were deemed equal to the unproved properties balance. Under IFRS, exploration and evaluation costs are presented as exploration and evaluation assets and development costs are presented within property, plant and equipment on the Consolidated Balance Sheet.

Exploration and evaluation

Exploration and evaluation assets at January 1, 2010 were deemed to be $25.9 million, representing the unproved properties balance under previous GAAP. This determination resulted in a reclassification of $25.9 million from property, plant and equipment to exploration and evaluation assets on Parex' Consolidated Balance Sheet as at January 1, 2010. As at December 31, 2010, the Company's exploration and evaluation assets were $55.9 million including $25.8 million in Colombia and $30.1 million in Trinidad & Tobago.

Under previous GAAP, exploration and evaluation costs were capitalized as property, plant and equipment in accordance with the CICA's full cost accounting guidelines. Under IFRS, the Company capitalizes these costs initially as exploration and evaluation assets. Once technical feasibility and commercial viability of the area have been determined, the capitalized costs are transferred from exploration and evaluation assets to property, plant and equipment. Under IFRS, unrecoverable exploration and evaluation costs associated with an area and costs incurred prior to obtaining the legal rights to explore are expensed.

During the year ended December 31, 2010, Parex transferred $10.5 million of capitalized exploration and evaluation costs to property, plant and equipment. The application of IFRS for exploration and evaluation costs resulted in a $37,000 increase, after tax, to Parex' previous GAAP net losses for the year ended December 31, 2010.

Depreciation, depletion and amortization

Consistent with previous GAAP, development costs are capitalized as property, plant and equipment under IFRS. Under previous GAAP, development costs were depleted using the unit-of-production method based on proved reserves for each country cost centre. Under IFRS, development costs are depleted using the unit-of-production method calculated based on proved and probable reserves at the established area level. This resulted in a $205,000 decrease to the Company's DD&A expense for the year ended December 31, 2010 and Parex' net losses decreased $135,000, after tax, compared to previous GAAP for the year ended December 31, 2010.

Impairments

Under previous GAAP, an upstream impairment was recognized if the carrying amount exceeded the undiscounted cash flows from proved reserves for a country cost centre. An impairment was measured as the amount by which the carrying value exceeded the sum of the fair value of the proved and probable reserves and the costs of unproved properties.

Under IFRS, an upstream impairment is recognized if the carrying value exceeds the recoverable amount for a cash-generating unit. Upstream areas are aggregated into cash-generating units based on their ability to generate largely independent cash flows. If the carrying value of the cash-generating unit exceeds the recoverable amount, the cash-generating unit is written down with an impairment recognized in net income (loss). Impairments recognized under IFRS are reversed when there has been a subsequent increase in the recoverable amount. Impairment reversals are recognized in net income (loss) and the carrying amount of the cash-generating unit is increased to its revised recoverable amount as if no impairment had been recognized for the prior periods. There is no impairment impact to the Company's opening balance sheet as at January 1, 2010 or for the year ended December 31, 2010.

Decommissioning liabilities

Under previous GAAP, decommissioning liabilities were discounted using a credit adjusted risk free rate. Under IFRS, the Company is discounting decommissioning liabilities using a risk-free rate. As at December 31, 2010, the difference results in an increase to the decommissioning liability of $395,000 and a corresponding increase to property, plant and equipment.

Share appreciation rights

The Company's SARs plan was accounted for using the intrinsic value method under previous GAAP. Under IFRS, the Company is using the Black-Scholes fair value method to value the SARs liability. This IFRS difference has no effect on the Company's opening balance sheet as the SARs plan was initiated in the second quarter of 2010. For year ended December 31, 2010, an increase to share based compensation of $347,000 was recognized with a corresponding increase to accounts payable of $190,000 and long term liability of $157,000. The application of IFRS for SARs valuation resulted in a $244,000 increase, after tax, to Parex' previous GAAP net losses for the year ended December 31, 2010.

Reduction of capital

Under previous GAAP, a deferred tax asset is recognized due to a Colombian government tax incentive that allowed an additional 30 percent deduction on qualifying eligible capital expenditures. A taxable benefit of $3.2 million was recognized and recorded through a reduction of the carrying values of these expenditures as at December 31, 2010. Under IFRS, the after-tax effect of the tax incentive reduces the carrying value of the eligible capital at inception and the taxable benefit of the tax incentive is recognized to net income (loss) over the life of the asset. This resulted in a decrease to the deferred tax asset of $1.1 million and a corresponding increase to property, plant and equipment at December 31, 2010.

Income tax

Deferred taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and previous GAAP. For the year ended December 31, 2010, the application of the IFRS adjustments as discussed above resulted in a $53,000 increase to the Company's deferred tax recovery.

Recent Pronouncements Issued

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

As of January 1, 2013, Parex will be required to adopt IFRS 9, Financial Instruments, which is the result of the first phase of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company's Consolidated Financial Statements.

In May 2011, the IASB issued the following standards which have not yet been adopted by Parex: IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27, Separate Financial Statements, IFRS 13, Fair Value Measurement and amended IAS 28, Investments in Associates and Joint Ventures. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Parex has not yet begun the process of assessing the impact that these new and amended standards will have on the Company's Consolidated Financial Statements or whether to early adopt any of the new requirements.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, assumptions and estimates that affect the financial results of the Company. The following discussion outlines the accounting policies and practices involving the use of estimates that the Company believes are critical in determining Parex' financial results.

Upstream reserves

The Company retains qualified independent reserves evaluators to evaluate the Company's proved and probable oil and natural gas reserves. As at March 31, 2011, Parex' reserves were evaluated by GLJ Petroleum Consultants Ltd., who are a firm of qualified independent reserves evaluators. The evaluation was conducted in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The Operations and Reserves Committee of the Company's Board of Directors is comprised of independent directors whose mandate is to steward the reserves evaluation process.

The estimation of reserves involves the exercise of judgment. Forecasts are based on engineering data, expected rates of production and the timing of future capital expenditures, all of which are subject to major uncertainties and interpretations. The Company expects that over time its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels. Reserve estimates can have a significant impact on net income (loss), as they are a key component in the calculation of DD&A and for determining potential asset impairment. A downward revision in reserves estimates or an increase in estimated future development costs could result in the recognition of a higher DD&A charge to net income (loss).

Upstream assets, including exploration and evaluation costs and development costs, are aggregated into cash-generating units based on their ability to generate largely independent cash flows. If the carrying value of the cash-generating unit exceeds the recoverable amount, the cash-generating unit is written down with an impairment recognized in net income (loss). The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of impairments charged to net income (loss).

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount with an impairment reversal recognized in net income (loss).

Decommissioning liabilities

The Company is required to recognize a liability for future dismantling, decommissioning, abandoning and site disturbance remediation costs associated with the Company's oil and natural gas properties in accordance with existing laws, contracts or other policies. The fair value of the estimated decommissioning liability is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related long-lived asset, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to income (loss), and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

Decommissioning liabilities are determined by using management's best estimate of costs, taking into account the anticipated method and extent of restoration consistent with legal requirements, technological advances, industry practices and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the Company's total decommissioning liability. These individual assumptions can be subject to change based on experience. Restoration technologies and costs are constantly changing, as are regulatory, political, environmental, safety and public relations considerations. The Company estimates future decommissioning costs based on current estimates adjusted for inflation. This estimate for inflation is also subject to management uncertainty.

Deferred tax

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in income tax rates on deferred tax liabilities and assets is recognized in income (loss) in the period that the change occurs. Deferred tax assets are only recognized to the extent that it is more likely than not that sufficient future taxable income will be available in the applicable jurisdiction to allow the deferred tax assets to be realized.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations from multiple jurisdictions. Rates are also affected by legislative changes. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded in the financial statements. Estimates of Colombian current income tax for interim periods are also subject to additional uncertainty. A variety of factors cannot be known until year-end and, therefore, estimates are used for interim period current tax provisions.

Share-based compensation

The Company records stock-based compensation expense using the fair value method. The fair value of an option is calculated at the grant date, and expensed equally over the vesting term of the option. The Company records the cumulative stock-based compensation as contributed surplus. When options are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated stock-based compensation for the exercised option. Any consideration received on the exercise of stock options is credited to share capital.

The determination of stock-based compensation expense is based on assumptions regarding stock volatility, risk-free interest rates and the expected life of the options. These assumptions, by their nature, are subject to measurement uncertainty.

Obligations for payments of cash under the subsidiaries' 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. In accordance with the fair value method, increases or decreases in the fair value of the SARs 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 determination of SARs expense is based on assumptions regarding stock volatility, risk-free interest rates and the expected life of the SAR. These assumptions, by their nature, are subject to measurement uncertainty.

Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired, and is assessed for impairment annually at December 31 of each year. To test for impairment, goodwill is allocated to each of the Company's cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the acquisition and is tested as described above in the Company's Impairment policy. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell ("FVLCTS").

Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. FVLCTS is based on available market information, where applicable. In the absence of such information, FVLCTS is determined using discounted future net cash flows of proved plus probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of a goodwill impairment charge to net earnings.

Derivative liabilities

The Debentures, if converted by the holder are settled in common shares. The potential settlement results in a derivative financial liability. As a result of measuring the liability for the potential settlement related to the conversion feature under the convertible debenture agreements at fair value under IFRS, fluctuations in the estimated fair value will affect the derivative liability gains and losses that are recognized. The fair value of the liability fluctuates, as it is based on assumptions for the risk-free interest rate, the period-end share price as well as the volatility of the share price.

Legal, environmental remediation and other contingent matters

In respect of these matters, the Company is required both to determine whether a loss is probable based on judgment and interpretation of laws and regulations and if such a loss can reasonably be estimated. When any such loss is determined, it is charged to income (loss). Management continually monitors known and potential contingent matters and makes appropriate provisions by charges to income (loss) when warranted by circumstances.

Interim Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE		**June 30, 2011**		December 31, 2010
ASSETS					
Current assets					
Cash and cash equivalents	**5**	**$**	**115,499**	**$**	123,539
Accounts receivable	**6**		**24,091**		14,877
Prepaids and other current assets			**2,008**		744
Oil inventory			**3,141**		-
			144,739		139,160
Deferred tax asset	**15**		**3,274**		3,325
Goodwill	**9**		**59,948**		-
Exploration and evaluation	**7**		**147,830**		55,852
Property, plant and equipment	**8**		**237,908**		12,365
		$	**593,699**	**$**	210,702
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**41,224**	**$**	23,473
Current income and equity tax payable	**15**		**2,093**		551
			43,317		24,024
Convertible debenture	**14**		**61,200**		-
Derivative financial liability	**14**		**24,472**		-
Other long-term liabilities	**11**		**2,023**		2,082
Decommissioning liabilities	**12**		**2,524**		651
Deferred tax liability	**15**		**64,452**		-
			197,988		26,757
Shareholders' equity					
Share capital	**13**		**411,848**		198,857
Contributed surplus			**6,440**		4,000
Deficit			**(22,577)**		(18,912)
			395,711		183,945
		$	**593,699**	**$**	210,702

Commitments (note 20)

See accompanying Notes to the Interim Consolidated Financial Statements

Approved by the Board:

Paul Wright
Director

Ron Miller
Director

Interim Consolidated Statements of Comprehensive Loss (unaudited)

(thousands of United States dollars, except per share amounts)	NOTE	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Oil and natural gas sales		**$ 10,719**	$ 32	**$ 20,572**	$ 68
Royalties		**(1,195)**	-	**(1,877)**	-
Revenue, net		**9,524**	32	**18,695**	68
Expenses					
Production		**817**	21	**1,235**	40
Transportation		**1,439**	-	**3,684**	-
General and administrative		**3,610**	2,622	**7,071**	6,279
Share-based compensation	**13**	**1,562**	898	**3,416**	1,610
Transaction costs	**9**	**1,846**	-	**1,846**	-
Depletion, depreciation and amortization	**8**	**1,751**	483	**2,642**	759
Foreign exchange loss (gain)		**975**	545	**(413)**	(441)
		12,000	4,569	**19,481**	8,247
Finance income		**452**	87	**659**	159
Finance expense		**(1,620)**	(1)	**(1,628)**	(2)
Net finance expense	**10**	**(1,168)**	86	**(969)**	157
Loss before taxes		**(3,644)**	(4,451)	**(1,755)**	(8,022)
Income tax expense					
Current and equity tax expense	**15**	**1,860**	-	**1,860**	-
Deferred tax expense	**15**	**(816)**	-	**50**	-
		1,044	-	**1,910**	-
Net loss and other comprehensive income for Period		**$ (4,688)**	$ (4,451)	**$ (3,665)**	$ (8,022)
Basic net loss per common share	**13**	**$ (0.06)**	$ (0.07)	**$ (0.05)**	$ (0.12)
Diluted net loss per common share	**13**	**$ (0.06)**	$ (0.07)	**$ (0.05)**	$ (0.12)

See accompanying Notes to the Interim Consolidated Financial Statements

Interim Consolidated Statements of Changes in Equity (unaudited)

For the six months ended June 30, (thousands of United States dollars)		2011		2010
Share Capital				
Balance, beginning of year	**$**	**198,857**	$	128,726
Issuance of common shares under option plans		**886**		-
Issuance of common shares		**212,105**		-
Balance, end of period	**$**	**411,848**	$	128,726
Contributed Surplus				
Balance, beginning of year	**$**	**4,000**	$	771
Share-based compensation		**2,709**		1,548
Options exercised		**(269)**		-
Balance, end of period	**$**	**6,440**	$	2,319
Deficit				
Balance, beginning of year	**$**	**(18,912)**	$	(5,381)
Net loss for the period		**(3,665)**		(8,022)
Balance, end of period	**$**	**(22,577)**	$	(13,403)

See accompanying Notes to the Interim Consolidated Interim Financial Statements

Interim Consolidated Statements of Cash Flows (unaudited)

(thousands of United States dollars)	NOTE	For the six months ended June 30 2011	2010
Operating activities			
Net loss		$ **(3,665)**	$ (8,022)
Add (deduct) non-cash items			
Depletion, depreciation and amortization	**8**	**2,642**	759
Non cash finance expense	**10**	**1,076**	2
Share-based compensation	**13**	**3,416**	1,610
Deferred tax expense	**15**	**50**	-
Equity tax expense	**15**	**95**	-
Unrealized foreign exchange gain		**(320)**	(291)
Funds flow from (used in) operations		**3,294**	(5,942)
Net change in non-cash working capital	**16**	**18,018**	401
		21,312	(5,541)
Investing activities			
Capital expenditures		**(41,481)**	(17,107)
Acquisition	**9**	**(252,993)**	-
Net change in non-cash working capital	**16**	**(32,588)**	4,236
		(327,062)	(12,871)
Financing activities			
Issuance of common shares	**13**	**224,575**	-
Share issuance costs	**13**	**(11,853)**	-
Convertible debenture	**14**	**84,244**	-
Net change in non-cash working capital	**16**	**(1,290)**	(2,498)
		295,676	(2,498)
Decrease in cash and cash equivalents for period		**(10,074)**	(20,910)
Impact of foreign exchange on foreign currency-denominated cash balances		**2,034**	273
Cash and cash equivalents, beginning of period		**123,539**	101,280
Cash and cash equivalents, end of period		$ **115,499**	$ 80,643

Supplemental Disclosure of Cash Flow Information (note 16)

See accompanying Notes to the Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2011
(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.

Parex Resources Inc. is a publicly traded company, incorporated and domiciled in Canada. Its registered office is at 1400, 350-7th Avenue S.W., Calgary, Alberta T2P 3N9. The Company was incorporated as 1485196 Alberta Ltd. on August 17, 2009, pursuant to the Business Corporations Act (Alberta). On September 29, 2009 it filed Articles of Amendment to change its name to Parex Resources Inc.

The interim consolidated financial statements were approved and authorized for issuance by the Board of Directors ("the Board") on August 11, 2011.

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

a) Statement of compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") IAS 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of International Financial Reporting Standards. The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on the Company's reported equity as at June 30, 2010 and comprehensive income for the three and six months ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 11, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

b) Basis of measurement

The interim consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and share-based payment transactions which are measured at fair value and. 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 interim consolidated financial statements requires that Management make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the 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 interim consolidated financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these interim consolidated financial statements are outlined below:

(i) Reserves

Amounts recorded for depreciation, depletion and amortization ("DD&A") and amounts used for impairment calculations are based on estimates of oil and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact in the consolidated financial statements of future periods could be material.

(ii) Determination of cash-generating units ("CGU")

Property, plant and equipment are aggregated into CGUs based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's cash-generating units is subject to management's judgment.

(iii) Exploration and evaluation ("E&E")

The decision to transfer assets from exploration and evaluation to property, plant and equipment is based on the estimated proved and probable reserves used in the determination of an area's technical feasibility and commercial viability.

(iv) Decommissioning liabilities

Amounts recorded in decommissioning liabilities and the related accretion expense require the use of estimates with respect to the amount and timing of asset retirements, site remediation, discount rate, inflation rate and related cash flows. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

(v) Share –based compensation

Compensation costs accrued for share-based compensation plans and the Company's Share Appreciation Rights plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of Parex shares and expected term of the issued stock option.

(vi) Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

(vii) Business Combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and petroleum and natural gas assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Future net earnings can be affected as a result of changes in future depletion and depreciation, asset impairment or goodwill impairment.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these interim consolidated financial statements, and have been applied consistently by the Company and its subsidiaries.

a) Consolidation

The interim consolidated financial statements include the accounts of Parex and its subsidiaries. Intercompany balances and transactions are eliminated on consolidation. Interests in jointly controlled assets are accounted for using the proportionate consolidation method, whereby Parex' proportionate share of revenues, expenses, assets and liabilities are included in the accounts.

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the interim consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The interim consolidated financial statements are presented in United States dollars, which is Parex' functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of comprehensive income (loss).

c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and the liability portion of the convertible debenture. Non-derivative financial instruments are recognized initially at fair value.

(ii) Derivative financial instruments

The conversion feature associated with convertible debentures is a derivative liability. Derivative liabilities are recorded upon recognition and subsequently at each balance sheet date at fair value, with changes in fair value being recognized in the statement of comprehensive income (loss).

d) Capital assets

(i) Exploration and evaluation

All costs directly associated with the exploration and evaluation of oil and natural gas reserves are initially capitalized. E&E costs are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, asset retirement costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net income as E&E expense.

When an area is determined to be technically feasible and commercially viable the accumulated costs are transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to comprehensive income (loss) as E&E expense.

(ii) Property, plant and equipment ("PP&E")

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion of wells, gathering facilities and infrastructure, asset retirement costs and transfers of exploration and evaluation assets.

Costs accumulated within each CGU are depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved plus probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use.

Costs associated with office furniture, fixtures and leasehold improvements are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from one to five years.

e) Impairment of long-term assets

The carrying amounts of the Company's long-term assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If so,, then the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to PP&E, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell ("FVLCTS").

Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. FVLCTS is based on available market information, where applicable. In the absence of such information, FVLCTS is determined using discounted future net cash flows of proved plus probable reserves using forecast prices and costs.

E&E assets are allocated to related CGUs where they are assessed for impairment upon their eventual reclassification to PP&E.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

f) Crude oil inventory

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.

g) Goodwill

Goodwill is recorded on a business acquisition when the purchase price is in excess of the fair values assigned to assets acquired and liabilities assumed. Goodwill is not amortized and an impairment test is performed annually to evaluate the carrying value. To test for impairment, goodwill is allocated to each of the Company's CGUs, or groups of CGUs, that are expected to benefit from the acquisition and tested as described above in the Company's Impairment policy. Impairment losses are recognized, when identified, in the statement of comprehensive income (loss) and cannot be reversed.

h) Revenue recognition

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product are transferred to the buyer which is usually when legal title passes to the external party.

i) Share-based payments

The Company has an incentive stock option plan for employees, officers, directors and consultants as described in note 13. The Company records share-based compensation expense using the fair value method. The fair value of an option is calculated at the grant date using the Black-Scholes pricing model, and expensed over the vesting period of the option. The Company determines an appropriate forfeiture rate by examining the history of its forfeitures. The Company records the cumulative share-based compensation as contributed surplus. When options are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated share-based compensation for the exercised option. Any consideration received on the exercise of stock options is credited to share capital.

Obligations for payments of cash under the subsidiaries' 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 share appreciation rights is measured using the Black-Scholes pricing model. In accordance with the fair value method, increases or decreases in the fair value of the SARs 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.

j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

k) Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning, abandonment g and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a risk-free discount rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance expense whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was established.

l) Finance income and expense

Finance expense comprises interest expense on borrowings, accretion on decommissioning liabilities, revaluation of derivative financial liabilites and impairment losses recognized on financial assets. Finance income comprises interest earned on cash and cash equivalents.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash in the bank and term deposits held with banks with original maturities of 12 months or less.

n) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax on taxable income in interim periods is accrued using the tax rate that would be applicable to expected annual taxable income for each subsidiary.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the interim consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax is provided on temporary differences arising on investments in subsidiaries except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and liabilities are presented as non-current.

o) Per share information

Basic net income (loss) per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees, except when the effect would be anti-dilutive.

p) New standards and interpretations not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

As of January 1, 2013, Parex will be required to adopt IFRS 9, Financial Instruments, which is the result of the first phase of the International Accounting Standards Board's (IASB) IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two categories: amortized cost and fair value. The adoption of this standard should not have a material impact on Parex' consolidated financial statements.

In May 2011, the IASB issued the following standards which have not yet been adopted by Parex: IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27, Separate Financial Statements, IFRS 13, Fair Value Measurement and amended IAS 28, Investments in Associates and Joint Ventures. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Parex has not begun assessing the impact that these new and amended standards will have on the Company's consolidated financial statements or whether to early adopt any of the new requirements early.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) PP&E and intangible exploration assets

The fair value of PP&E is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of oil and natural gas assets (included in PP&E) and exploration and evaluation assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The fair value of other items of PP&E is based on the quoted market prices for similar items.

(ii) Cash and cash equivalents, accounts receivable, and accounts payable

The fair value of cash and cash equivalents, accounts receivable, and accounts payable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At June 30, 2011 and December 31, 2010, the fair value of these balances approximated their carrying value due to their short term to maturity.

(iii) Stock options

The fair value of stock options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, exercise price of the option, expected future share price volatility, weighted average expected life of the instruments (based on historical experience and general option-holder behaviour), expected dividends, and the risk-free interest rate (based on Government of Canada Bonds) for the relevant expected life as described in note 13.

5. Cash and Cash Equivalents

		June 30, 2011		December 31, 2010
Bank balances	$	**115,499**	$	93,540
Term deposits[1]		**-**		29,999
Cash and cash equivalents	$	**115,499**	$	123,539

(1) Term deposits are all less than 12 months duration.

6. Accounts Receivable

		June 30, 2011		December 31, 2010
Trade receivables	$	**11,477**	$	2,744
Colombia and Trinidad value added taxes (VAT)		**4,286**		4,342
Receivables from partners		**8,328**		7,791
	$	**24,091**	$	14,877

Trade receivables consist primarily of Colombian receivables related to the Company's oil sales for the three months ended June 30, 2011. VAT receivable in Colombia totalled $3.7 million as at June 30, 2011 and is recoverable in the remainder of 2011 as the Company's taxable oil sales are expected to exceed its taxable purchases. Accordingly, the balance is classified as a current asset. In Trinidad & Tobago, the VAT receivable as at June 30, 2011 totalled $0.6 million. Receivables from partners consist of cash calls outstanding from joint venture partners in Colombia and Trinidad & Tobago to recover ongoing capital costs and operating costs, or overhead recoveries outstanding from joint venture partners.

7. Exploration and Evaluation Assets

		Canada		Colombia		Trinidad & Tobago		Total
Cost								
Balance at January 1, 2010	$	-	$	9,417	$	16,485	$	25,902
Additions		-		27,737		13,508		41,245
Transfers to PP&E		-		(10,525)		-		(10,525)
Abandonment costs		-		349		69		418
Other[1]		-		(1,188)		-		(1,188)
Balance at December 31, 2010	$	-	$	25,790	$	30,062	$	55,852
Additions		-		15,791		4,915		20,706
Transfers to PP&E		-		(9,069)		-		(9,069)
Abandonment costs		-		95		100		195
Corporate acquisition		-		80,146		-		80,146
Balance at June 30, 2011	$	-	$	112,753	$	35,077	$	147,830

(1) Amount relates to a reduction in carrying values of qualifying eligible capital expenditures for a government incentive that allows a 30 percent deduction for Colombian tax purposes.

E&E assets consist of the Company's exploration projects which are pending either the determination of proven or probable reserves or impairment. Additions represent the Company's share of costs incurred on E&E assets during the period. Amounts transferred to PP&E of $10.5 million for the year ended December 31, 2010 and $9.1 million for the six months ended June 30, 2011 are associated with the Kona project.

8. Property, Plant and Equipment

		Canada		Colombia		Trinidad &Tobago		Total
Cost								
Balance at January 1, 2010	$	2,154	$	633	$	67	$	2,854
Additions		31		1,326		162		1,519
Transfer from E&E assets		-		10,525		-		10,525
Abandonment costs		(4)		237		-		233
Disposals(1)		(368)		-		-		(368)
Other(2)		-		(970)		-		(970)
Balance at December 31, 2010	$	1,813	$	11,751	$	229	$	13,793
Additions		65		20,698		12		20,775
Transfer from E&E assets		-		9,069		-		9,069
Abandonment costs		-		1,190		-		1,190
Corporate acquisition		-		197,615		-		197,615
Balance at June 30, 2011	$	1,878	$	240,323	$	241	$	242,442
Accumulated Depreciation, Depletion and Amortization								
Balance at January 1, 2010	$	178	$	101	$	13	$	292
Depletion and depreciation for the period		768		680		56		1,504
Disposals		(368)		-		-		(368)
Balance at December 31, 2010	$	578	$	781	$	69	$	1,428
Depletion and depreciation for the period		285		2,322		35		2,642
Disposals		-		-		-		-
Other		-		464		-		464
Balance at June 30, 2011	$	863	$	3,567	$	104	$	4,534
Net book value:								
At January 1, 2010	$	1,976	$	532	$	54	$	2,562
At December 31, 2010		1,235		10,970		160		12,365
At June 30, 2010	$	1,015	$	236,756	$	137	$	237,908

(1) Amount relates to the disposition of insignificant Canadian properties.
(2) Amount relates to a reduction in carrying values of qualifying eligible capital expenditures for a government incentive that allows a 30 percent deduction for Colombian tax purposes.

During 2010, the Company determined the Kona project in Colombia was technically feasible and commercially viable. Accordingly, $10.5 million of accumulated E&E costs were transferred to property, plant and equipment ("PP&E"). Additional costs totaling $9.1 million relating to the Kona project were transferred to PP&E in the first six months of 2011.

Parex increased PP&E by $197.6 million and E&E assets by $80.1 million related to recording the fair values of the assets acquired in the corporate acquisition (see note 9 – Business Combination) including the net costs associated with the acquired assets since the January 1, 2011 effective date.

9. Business Combination

On June 29, 2011, Parex acquired Remora Energy Colombia Ltd. ("Remora") which held the 50 percent interest Parex did not already own in four Llanos Basin blocks in Colombia, including Block LLA-16 and the Kona discovery (the "Acquisition"). The Acquisition was funded through a bought deal public offering of Cdn$217.35 million of subscription receipts and Cdn$85.0 million of extendible convertible unsecured subordinated debentures (the "Offering"). With the close of the Acquisition Parex has increased its working interest from 50 percent to 100 percent and is the operator of each of the four blocks. The Acquisition is underpinned by the Kona multi-zone light oil field and a significant inventory of exploration prospects.

The statement of comprehensive loss includes Remora's results of operation since the date of the acquisition June 29, 2011 and expensed transaction costs associated with the acquisition of $1.8 million.

This transaction has been accounted for using the acquisition method whereby the assets acquired and the liabilities assumed, excluding goodwill, are recorded at fair values. The following table summarizes the recognizable assets acquired and consideration transferred pursuant to the acquisition:

Assets acquired and liabilities assumed		
PP&E	$	197,615
E&E assets		80,146
Working capital deficiency		(19,794)
Deferred tax liability		(64,452)
Goodwill		59,948
Decommissioning liabilities		(470)
	$	**252,993**

Consideration for the acquisition		Amount
Cash paid	$	254,335
Cash acquired		(1,342)
Total consideration paid net of cash acquired	$	**252,993**

The pro forma results for the six months ended June 30, 2011 are shown below, as if the acquisition had occurred on January 1, 2011. Pro forma results are not indicative of actual results or future performance.

		For the six months ended June 30, 2011
Oil and natural gas sales	$	40,721
Net loss		(1,220)
Net loss per share – basic and diluted	$	(0.02)

The statement of comprehensive loss includes $211,000 of oil and natural gas sales and net income of $26,000 attributable to the assets acquired since the acquisition date.

10. Net Finance Expense

	For the three months ended June 30,				For the six months ended June 30,			
		2011		2010		**2011**		2010
Interest expense on convertible debenture	**$**	**(552)**	$	-	**$**	**(552)**	$	-
Accretion on convertible debenture		**(8)**		-		**(8)**		-
Accretion on decommissioning liability		**(11)**		(1)		**(19)**		(2)
Loss on derivative liability		**(1,048)**		-		**(1,048)**		-
Amortization of debt issuance costs		**(1)**		-		**(1)**		-
Interest income		**452**		87		**659**		159
Net finance expense	**$**	**(1,168)**	$	86	**$**	**(969)**	$	157

	For the three months ended June 30,				For the six months ended June 30,			
		2011		2010		**2011**		2010
Non cash finance expense	**$**	**(1,068)**	$	(1)	**$**	**(1,076)**	$	(2)
Cash finance expense		**(100)**		87		**107**		159
Net finance expense	**$**	**(1,168)**	$	86	**$**	**(969)**	$	157

11. Other Long-Term Liabilities

Other long-term liabilities are comprised of the following:

		June 30, 2011		December 31, 2010
Long-term SARs payable	**$**	**381**	$	429
Long-term equity tax payable		**1,642**		1,653
	$	**2,023**	$	2,082

An equity tax provision of $2.3 million was accrued of which $1.6 million is classified as long term because equity tax is payable over four years starting in 2011.

12. Decommissioning Liabilities

		June 30, 2011		December 31, 2010
Balance, beginning of period	**$**	**651**	$	52
Additions		**1,283**		-
Corporate acquisition		**470**		-
Liabilities incurred during the period		**-**		650
Settlements of obligations during the period		**-**		(54)
Change in estimates		**101**		-
Accretion expense		**19**		3
Balance, end of period	**$**	**2,524**	$	651

The total decommissioning liability is estimated based on the Company's net ownership in wells drilled as at June 30, 2011, the estimated costs to abandon and reclaim the wells and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle its decommissioning liability is approximately $5.4 million as at June 30, 2011 (December 31, 2010 – $1.4 million) with the majority of these costs anticipated to occur in 2030 or later. A risk-free discount factor of 4 percent and an inflation rate of 3 percent were used in the valuation of the liabilities.

13. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2009	63,869,535	$	128,726
Issued for cash	13,000,000		73,696
Issued for cash – exercise of options	98,750		297
Allocation of contributed surplus – exercise of options	-		130
Share issuance costs	-		(3,992)
Balance, December 31, 2010	76,968,285	$	198,857
Issued for cash	31,050,000		223,958
Issued for cash – exercise of options	197,083		617
Allocation of contributed surplus – exercise of options	-		269
Share issuance costs	-		(11,853)
Balance, June 30, 2011	108,215,368	$	411,848

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

On June 29, 2011, Parex closed the acquisition of a company that held the 50 percent interest Parex did not own in four Llanos Basin blocks in Colombia for total consideration of $255.0 million, before closing adjustments. The Acquisition was effective January 1, 2011. The Acquisition was funded through a bought deal public offering with a syndicate of underwriters which closed on May 17, 2011. Pursuant to the offering, the Company issued 31,050,000 subscription receipts at Cdn$7.00 each for gross proceeds of Cdn$217.35 million (Cdn$206.5 million net) and Cdn$85.0 million (Cdn$81.6 million net) of 5.25 percent extendible convertible unsecured subordinated debentures for total combined gross proceeds of Cdn$302.35 million (Cdn$288.1 million net). Upon closing of the Acquisition each subscription receipt was automatically exchanged for one Parex common share.

b) Stock options

The Company has a stock option plan (the "Option Plan") which provides for the issuance of options to the Company's directors, officers, employees and consultants to acquire common shares. The maximum number of options reserved for issuance under the Option Plan may not exceed 10 percent of the number of common shares issued and outstanding. The options typically vest over a three-year period and expire five years from the date of grant.

	Number of options	Weighted average exercise price Cdn$/option
Balance, December 31, 2010	5,639,339	4.64
Granted	225,000	7.47
Exercised	(197,083)	3.11
Forfeited	(100,000)	3.04
Balance, June 30, 2011	5,567,256	4.83

Stock options outstanding and the weighted average remaining life of the stock options at June 30, 2011 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
$3.04 - $4.06	2,989,167	3.3	3.05	834,996	3.3	3.04
$4.30 - $7.41	940,000	4.0	5.41	198,330	3.7	4.75
$7.67 - $7.84	1,638,089	4.4	7.76	-	-	-
	5,567,256	3.7	4.83	1,033,326	3.4	3.37

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,	**2011**	2010
Risk-free interest rate (%)	**1.83**	2.07
Expected life (years)	**3**	3
Expected volatility (%)	**58**	64
Expected dividends	**-**	-

The weighted average fair value at the grant date for the period ended June 30, 2011 was Cdn$2.99 per option (year ended December 31, 2010 – Cdn$3.08 per option).

c) Share appreciation rights

Parex Trinidad and Parex Colombia initiated a share appreciation rights ("SARs") plan that provides for the issuance of SARs to certain employees. 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, 2010	745,833	$	6.34
Granted	243,750		8.51
Forfeited	(18,750)		8.20
Balance, June 30, 2011	970,833	$	6.84

As at June 30, 2011, 353,125 SARs were vested (year ended December 31, 2010 – nil).

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,	**2011**	2010
Risk-free interest rate (%)	**1.83**	1.90
Expected life (years)	**3**	3
Expected volatility (%)	**58**	67
Expected dividends	**-**	-

As at June 30, 2011, the total SARs liability accrued is $1.7 million (as at December 31, 2010 - $946,000) of which $381,000 (as at December 31, 2010 - $429,000) is classified as long-term in accordance with the three year vesting period. For the six months ended June 30, 2011, Parex recorded $707,000 of compensation costs related to the outstanding SARs (six months ended June 30, 2010 – $62,000).

d) Per share amounts

The following table summarizes the common shares used in calculating net loss per common share:

For the six months ended June 30,	**2011**	2010
Weighted average common shares outstanding		
Basic	**77,316**	63,870
Effect of stock options	**1,568**	110
Diluted	**78,884**	63,980

14. Convertible Debenture

On June 29, 2011, Parex issued Cdn$85.0 million of convertible unsecured subordinated debentures (the "Debentures") with an annual coupon of 5.25 percent maturing on June 30, 2016. The Debentures have a face value of $1,000 per debenture, are convertible into common shares at the option of the holder at a conversion price of Cdn$10.15 per common share and represent a conversion rate of approximately 98.52 common shares per Debenture. The Debentures pay interest semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2011. In the event that a holder of Debentures exercises the conversion feature, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of common shares to be received on conversion, for the period from the latest interest payment date to the date of conversion.

On issuance, the Debentures were split between the financial liability and the equity conversion feature (which is classified as a derivative financial liability under IFRS). The amount of the financial liability portion was determined by subtracting issuance costs and the fair value of the conversion feature from the principal amount of the Debentures. As at June 29, 2011, the $87.5 million (Cdn$85.0 million) gross issuance proceeds resulted in $64.3 million (Cdn$62.4 million) being classified as a liability and $23.3 million (Cdn$22.6 million) being classified as a derivative financial liability. The fair value of the conversion feature is estimated every balance sheet date with changes in the fair value estimate between periods recognized in the statement of comprehensive loss as finance expense.

The following table summarizes the accounting for the convertible debentures:

	Liability	Derivative Liability	Total
Issuance of convertible debenture on June 29, 2011 (net of $3.5 million of issuance costs)	$ 60,809	$ 23,266	$ 84,075
Accretion	8	-	8
Derivative loss	-	1,048	1,048
Foreign exchange effect	383	158	541
Balance at June 30, 2011	$ 61,200	$ 24,472	$ 85,672

The liability portion is measured at amortized cost and will accrete up to the principal balance at maturity using the effective interest rate method. The accretion and the interest paid are charged to finance expense in the consolidated statement of comprehensive loss. The derivative financial liability is measured at fair value through profit or loss, with changes to the fair value being recorded in finance expense.

The fair value of the derivative financial liability is determined using the Black Scholes valuation model and the following assumptions were used:

	2011	2010
Risk-free interest rate (%)	**1.83**	-
Expected life (years)	**5**	-
Expected volatility (%)	**47**	-
Expected dividends	**-**	-

15. Income Tax

The provision for income tax expense is as follows:

For the six months ended June 30,		2011		2010
Colombia current tax expense	**$**	**1,436**	$	-
Colombia equity tax expense		**424**		-
Colombia deferred tax expense		**50**		-
Trinidad & Tobago		**-**		-
Canada and other foreign subsidiaries		**-**		-
	$	**1,910**	$	-

As at December 31, 2010 the Company recognized a deferred tax benefit of $2.1 million associated with qualifying eligible capital expenditures in Colombia. The Company has reduced the carrying value of these expenditures for this benefit.

As at June 30, 2011, the Company recognized a current tax expense of $1.4 million which is based on the Company's expectations of taxable income for 2011 and $50,000 of future tax expense was recognized for its Colombian temporary tax differences that were mostly associated with capital assets. The Company does not recognize any benefit for its Canadian tax losses nor its Trinidad & Tobago net operating losses at this time.

Colombian Equity Tax

Parex' Colombian subsidiary was subject to a one-time tax which was calculated based on the subsidiary's net taxable equity as at January 1, 2011 at a rate of 6 percent. The equity tax is payable over four years (1.5 percent per year) in eight equal installments every May and September starting in 2011. A total of $328,000 was paid in May, 2011 for the first installment. An equity tax provision of $2.3 million, to be paid over the remaining seven installments, has been accrued, of which $657,000 is due within one year. The equity tax accrual includes $424,000 of under accrued equity tax expense that was recognized in the second quarter of 2011.

16. Supplemental Disclosure of Cash Flow Information

a) Net change in non-cash working capital

		For the six months ended June 30,		
		2011		2010
Accounts receivable	**$**	**(9,213)**	$	1,108
Prepaids and other current assets		**(1,264)**		(94)
Oil inventory		**(3,141)**		-
Accounts payable and accrued liabilities		**17,089**		1,187
Depletion related to oil inventory		**464**		-
Net non-cash working capital on acquisition		**(19,795)**		-
Net change in non-cash working capital	**$**	**(15,860)**	$	2,201
Operating	**$**	**18,018**	$	400
Investing	**$**	**(32,588)**	$	4,238
Financing	**$**	**(1,290)**	$	(2,498)
Net change in non-cash working capital		**(15,860)**		2,140

b) Interest and taxes paid

	For the three months ended June 30,				For the six months ended June 30,			
		2011		2010		**2011**		2010
Cash interest paid	**$**	**-**	$	-	**$**	**-**	$	-
Cash income taxes paid	**$**	**-**	$	-	**$**	**-**	$	-

17. Capital Management

The Company's policy 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.

The Company has not arranged a banking credit facility. However, the Company has 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 initial exploration work commitments (see note 20 - Commitments).

As at June 30, 2011, the Company's net working capital was $100.9 million (December 31, 2010 – $115.1 million), largely attributable to the November 16, 2010 bought-deal equity financing which raised gross proceeds of $73.7 million (Cdn$75.4 million) from the issuance of 13,000,000 common shares at Cdn$5.80 per share and the May 17, 2011 offering which provided approximately $41.3 million (Cdn$40.1 million) of additional funds beyond those required to close the Acquisition (see Note 9 – Business Combinations).

Parex has the ability to adjust its capital structure by issuing new equity and making adjustments to its capital expenditure program to the extent the capital expenditures are not committed. The Company's working capital is in excess of its current commitments and the Company has no bank debt. The Company considers its capital structure to include common share capital plus the Debentures (excluding the derivative financial liability associate with the convertible debentures) at this time. As at June 30, 2011 common share capital was $411.8 million (December 31, 2010 - $198.9 million) and the Debentures' face value balance was Cdn$85.0 million (December 31, 2010 – nil).

18. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized in the balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and the liability portion of the convertible debenture. 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 conversion feature associated with convertible debentures is a derivative financial liability. Derivative liabilities are recorded upon recognition and subsequently at each balance sheet date at fair value, with changes in fair value being recognized in the statement of comprehensive income (loss).

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 underlying obligations. A substantial portion of the Company's accounts receivable is with joint venture partners in the countries in which the Company operates. The Company assesses the financial strength of its joint venture partners and marketing counterparties in its management of credit exposure.

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 strategies 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. As at June 30, 2011, the Company considers itself to be well-capitalized, with working capital in excess of current commitments. The Debentures are unsecured and subordinated with expiry on June 30, 2016.

The following are the contractual maturities of financial liabilities at June 30, 2011:

	Less than 1 year	**1-3 Years**	**4-5 Years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$ 41,224	$ -	$ -	$ -	$ 41,224
Current and equity tax payable	2,657	-	-	-	2,657
SARs payable	1,272	-	-	-	1,272
Convertible debentures(1)	-	-	88,128	-	88,128
Interest on convertible debentures(1)	5,210	13,886	4,050	-	23,146
Total	**$** 50,363	**$** 13,886	**$** 92,178	**$** -	**$** 156,427

(1) Balances denominated in Cdn$ have been translated at the June 30, 2011 exchange rate.

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 a 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.

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$), Colombian pesos (COP$) and Trinidad & Tobago dollars (TT$) while its committed capital expenditures are expected to be primarily denominated in US dollars. The Company has not entered into any foreign currency hedges or swaps.

The table below summarizes the annualized sensitivities of the Company's net income to changes in the fair value of financial instruments outstanding as at June 30, 2011, resulting from changes in the specified variable, with all other variables held constant. These sensitivities are limited to the impact of changes in a specified variable applied to financial instruments only and do not represent the impact of a change in the variable on the operating results of the Company taken as a whole.

The following depicts the impact to net loss for the period had the exchange rate changed by 1 cent:

		Impact on net loss
Foreign currency exchange rate		
Cdn$/US$	$	867
COP$/US$	$	276
TT$/US$	$	6

19. Segmented Information

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

For the three months ended June 30, 2011		Canada		Colombia		Trinidad & Tobago		Total
Oil and natural gas sales	$	-	$	10,719	$	-	$	10,719
Royalties		-		(1,195)		-		(1,195)
Revenue, net		-		9,524		-		9,524
Expenses								
Production		-		817		-		817
Transportation		-		1,439		-		1,439
General and administrative		1,400		1,763		447		3,610
Transaction costs		-		1,846		-		1,846
Share-based compensation		1,274		211		77		1,562
Depletion, depreciation and amortization		145		1,588		18		1,751
Foreign exchange gain		1,231		(267)		11		975
		4,050		7,397		553		12,000
Finance income		250		49		153		452
Finance expense		(1,608)		(10)		(2)		(1,620)
		(1,358)		39		151		(1,168)
Net income (loss) before tax		(5,408)		2,166		(402)		(3,644)
Current and equity tax expense				1,860		-		1,860
Deferred tax expense (recovery)		-		(816)		-		(816)
Net income (loss)	$	(5,408)	$	1,122	$	(402)	$	(4,688)
Capital assets (end of period)	$	1,016	$	349,508	$	35,214	$	385,738
Capital expenditures	$	26	$	21,764	$	1,539	$	23,329
Total assets (end of period)	$	108,499	$	445,148	$	40,052	$	593,699

For the three months ended June 30, 2010

	Canada	Colombia	Trinidad & Tobago	Total
Oil and natural gas sales	$ 32	$ -	$ -	$ 32
Royalties	-	-	-	-
Revenue, net	32	-	-	32
Expenses				
Production	21	-		21
General and administrative	868	1,112	642	2,622
Share-based compensation	836	56	6	898
Depletion, depreciation and amortization	217	249	17	483
Foreign exchange loss (gain)	591	(50)	4	545
	2,533	1,367	669	4,569
Finance income	53	34	-	87
Finance expense	(1)	-	-	(1)
	52	34	-	86
Net income (loss) before tax	(2,449)	(1,333)	(669)	(4,451)
Current and equity tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
Net loss	$ (2,449)	$ (1,333)	$ (669)	$ (4,451)
Capital assets (end of period)	$ 1,566	$ 399	$ 75	$ 2,040
Capital expenditures	$ 44	$ 4,134	$ 6,294	$ 10,472
Total assets (end of period)	$ 68,637	$ 27,630	$ 31,522	$ 127,789

For the six months ended June 30, 2011

	Canada	Colombia	Trinidad & Tobago	Total
Oil and natural gas sales	$ -	$ 20,572	$ -	$ 20,572
Royalties	-	(1,877)	-	(1,877)
Revenue, net	-	18,695	-	18,695
Expenses				
Production	-	1,235	-	1,235
Transportation	-	3,684	-	3,684
General and administrative	3,097	3,194	780	7,071
Transaction costs	-	1,846	-	1,846
Share-based compensation	2,583	617	216	3,416
Depletion, depreciation and amortization	285	2,322	35	2,642
Foreign exchange loss (gain)	(321)	(105)	13	(413)
	5,644	12,793	1,044	19,481
Finance income	437	69	153	659
Finance expense	(1,608)	(17)	(3)	(1,628)
	(1,171)	52	150	(969)
Net income (loss) before taxes	(6,815)	5,954	(894)	(1,755)
Current and equity tax expense		1,860	-	1,860
Deferred tax expense	-	50	-	50
Net income (loss)	$ (6,815)	$ 4,044	$ (894)	$ (3,665)
Capital assets (end of period)	$ 1,016	$ 349,508	$ 35,214	$ 385,738
Capital expenditures	$ 64	$ 36,490	$ 4,927	$ 41,481
Total assets (end of period)	$ 108,499	$ 445,148	$ 40,052	$ 593,699

For the six months ended June 30, 2010

		Canada		Colombia		Trinidad & Tobago		Total
Revenue								
Oil and natural gas sales	$	68	$	-	$	-	$	68
Royalties		-		-		-		-
Revenue, net		68		-		-		68
Expenses								
Production		40		-		-		40
General and administrative		3,408		1,888		983		6,279
Share-based compensation		1,548		56		6		1,610
Depletion, depreciation and amortization		442		295		22		759
Foreign exchange loss (gain)		(41)		(411)		11		(441)
		5,397		1,828		1,022		8,247
Finance income		103		53		3		159
Finance expense		(2)		-		-		(2)
		101		53		3		157
Net loss before taxes		(5,228)		(1,775)		(1,019)		(8,022)
Current and equity tax expense		-		-		-		-
Deferred tax expense		-		-		-		-
Net loss	$	(5,228)	$	(1,775)	$	(1,019)	$	(8,022)
Capital assets (end of period)	$	1,566	$	300	$	174	$	2,040
Capital expenditures	$	62	$	8,742	$	8,303	$	17,107
Total assets (end of period)	$	68,637	$	27,630	$	31,522	$	127,789

20. Commitments

a) Llanos Basin ("LLA") Blocks (Colombia)

On June 29, 2011, Parex acquired the other 50 percent working interest Parex did not previously own in Blocks LLA-16, 20, 29 and 30 through the acquisition of Remora. After closing of the Acquisition, Parex holds 100 percent working interest in the following exploration blocks in the Llanos Basin of Colombia: Block LLA-16, Block LLA-20, Block LLA-29, Block LLA-30 and Block LLA-57. The Company is the operator of all five blocks. The effective date of the exploration and production ("E&P") contracts is April 20, 2009 for Blocks LLA-16 and LLA-20, October 20, 2009 for Blocks LLA-29 and LLA-30 and February 17, 2011 for Block LLA-57. The E&P contracts consist of an initial exploration phase of 36 months with the option for the parties to enter into a second 36-month exploration phase. The exploration work commitments for the initial exploration phase, before reduction for the work incurred to date, total $102.2 million to the Company representing 21 wells and 1,003 square kilometres ("km^2") of three-dimensional ("3D") seismic of which seven wells and 900 km^2 of seismic have been completed as at June 30, 2011.

In Colombia, the Company has provided guarantees to the ANH totaling $50.0 million to support the initial exploration work commitments in respect of the five blocks. The guarantees have been provided in the form of letters of credit for 24-month terms expiring in January 2013 for Block LLA-16 and Block LLA-20, May 2013 for Block LLA-29 and Block LLA-30 and September 2014 for Block LLA-57.

EDC has provided the Company's bank with performance security guarantees to support 100 percent 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 have not yet been reduced for work that has been performed to date.

The value of the Company's exploration commitments remaining at June 30, 2011 in respect of the Llanos Basin blocks are estimated to be as follows:

2011	$	18,872
2012		35,250
Thereafter		-
	$	54,122

b) Central Range Blocks and Moruga Block (Trinidad & Tobago)

Parex holds a working interest in the Central Range Shallow and Central Range Deep Blocks located onshore Trinidad & Tobago. The blocks are subject to Production Sharing Contracts ("PSCs") that were signed on September 18, 2008. The Company is party to a joint venture agreement with Niko Resources Ltd. (formerly Voyager Energy Ltd.) ("Niko"), and is operator of the blocks. During the exploration phase of the PSCs, Parex and Niko will each hold a 50 percent working interest. The Petroleum Company of Trinidad & Tobago ("Petrotrin") has the right to participate at a 35 percent working interest in any development on the Central Range Shallow Block and at a 20 percent working interest in any development on the Central Range Deep Block. The PSCs provide for an initial exploration phase of 48 months. On August 9, 2010, the Ministry of Energy and Energy Affairs ("MEEA") approved an extension of the first exploration phase to 60 months.

The PSCs have minimum work commitments in the initial 60-month exploration phase of the contracts. The work commitments total 100 kilometres of two-dimensional ("2D") seismic, 168 square kilometres of 3D seismic, one deep well drilled to a minimum depth of 12,000 feet and two shallow wells drilled to a maximum depth of 4,500 feet. Under the joint venture agreement with Niko, Parex will pay 100 percent of the first $10 million of seismic acquisition costs during the exploration phase, of which approximately $8.5 million had been incurred as at June 30, 2011. Petrotrin is carried through the minimum work commitments of the contracts.

The Company has purchased a performance bond and provided a guarantee to the underwriters of the bond in the amount of approximately $33 million to cover both its and Niko's share of the financial guarantees required under the PSCs for the initial four-year exploration phase. In the event of default by Niko, the joint venture agreement provides that Niko's working interest shall vest in Parex. The obligations under the PSCs are to perform the exploration work commitments, irrespective of actual cost. Parex has no obligation to spend the actual amount guaranteed but to perform the work obligation. The amount of the bond has not been reduced to reflect work that has been performed to date.

Parex has entered into a farm-in agreement with Primera Energy Resources Ltd. and Primera Oil and Gas Limited (together "Primera") in 2009 to acquire a working interest in the Moruga Block Exploration and Production Licence ("Moruga Block"). The earning terms of the Moruga Block require Parex to drill one exploratory well to a depth of 8,600 feet or the top of the Cretaceous, whichever occurs first, and one exploratory well to 10,500 feet. Parex will earn a 50 percent working interest in the Moruga Block by paying 95 percent of all costs for drilling and evaluating these two exploration wells. The exploration term of the Moruga Block exploration licence expires on August 29, 2013. The Company has fulfilled the earning requirements of the Moruga Block and the MEEA provided confirmation of earning on April 27, 2011.

The Company's share of exploration and other commitments in respect of the Central Range Blocks, including the remaining Niko carry and annual financial obligations in the Moruga block remaining at June 30, 2011, are estimated to be as follows:

	Exploration	Other	Total
2011	$ 7,677	$ 390	$ 8,067
2012	9,157	1,521	10678
Thereafter	-	262	262
	$ 16,834	$ 2,173	$ 19,007

These amounts do not include production bonuses and other payments that will vary depending on production levels due to the uncertainty of their amount and timing.

c) 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 June 30, 2011 are as follows:

	Total	2011	2012	2013	2014	2015
Office and accommodations	$ 2,633	$ 622	$ 717	$ 577	$ 574	$ 143

d) *Drilling rig contracts*

The Company has entered into contracts for drilling rigs in Colombia and Trinidad & Tobago. Rig contracts in both countries during the quarter included commitments to use the rigs for a minimum period on terms consistent with normal industry practice. The Company anticipates that, given its planned level of drilling activity to meet exploration commitments in both countries, the rigs will be fully utilized for the duration of their contracts and no material additional charges will be incurred.

21. Transition to IFRS

As disclosed in Note 2, these interim consolidated financial statements represent Parex' presentation of the financial results of operations and financial position under IFRS for the period ended June 30, 2011, in conjunction with the Company's annual audited consolidated financial statements to be issued under IFRS as at and for the year ended December 31, 2011. As a result, the interim consolidated financial statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with IAS 34, "Interim Financial Reporting", as issued by the IASB. Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian GAAP.

IFRS 1 requires the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, IFRS 1 contains certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRS.

The following reconciliations present the adjustments made to the Company's previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions is discussed following the reconciliations. Reconciliations include the Company's consolidated balance sheets as at June 30, 2010, and consolidated statements of comprehensive income (loss) for the three and six months ended June 30, 2010.

(i) Reconciliation of equity and comprehensive income as reported under previous GAAP to IFRS

Consolidated Balance Sheet

		IFRS Adjustments			
As at June 30, 2010	**Previous GAAP**	**E&E** *Note 21(ii)b*	**Pre-licensing costs** *Note 21(ii)a*	**SARS** *Note 21(ii)c*	**IFRS**
Assets					
Currents assets					
Cash and cash equivalents	$ 80,643	$ -	$ -	$ -	$ 80,643
Accounts receivable	1,889	-	-	-	1,889
Prepaids and other current assets	444	-	-	-	444
	82,976	-	-	-	82,976
Exploration and evaluation	-	42,773	-	-	42,773
Property, plant and equipment	45,207	(42,773)	(394)	-	2,040
	$ 128,183	$ -	$ (394)	$ -	$ 127,789
Liabilities and Equity					
Current liabilities					
Accounts payable	$ 10,031	$ -	$ -	$ 62	$ 10,093
	10,031	-	-	62	10,093
Decommissioning liabilities	54	-	-	-	54
	10,085	-	-	-	10,147
Shareholders' equity					
Share capital	128,726	-	-	-	128,726
Contributed surplus	2,319	-	-	-	2,319
Deficit	(12,947)	-	(394)	(62)	(13,403)
	118,098	-	(394)	(62)	117,642
	$ 128,183	$ -	$ (394)	$ -	$ 127,789

Consolidated Statements of Loss and Comprehensive Loss

	For the three months ended June 30, 2010			For the six months ended June 30, 2010		
		IFRS Adjustments			IFRS Adjustments	
	Previous GAAP	SARs *Note 21(ii)c*	IFRS	Previous GAAP	SARs *Note 21(ii)c*	IFRS
Oil and natural gas sales	$ 32	$ -	$ 32	$ 68	$ -	$ 68
Royalties	-	-	-	-	-	-
Revenue, net	32	-	32	68	-	68
Expenses						
Production	21	-	21	40	-	40
Transportation	-	-	-	-	-	-
Exploration and evaluation	-	-	-	-	-	-
Depletion, depreciation and amortization	483	-	483	759	-	759
General and administrative	2,622	-	2,622	6,279	-	6,279
Share based compensation	836	62	898	1,548	62	1,610
Foreign exchange loss (gain)	545	-	545	(441)	-	(441)
	$ 4,507	$ 62	$ 4,569	$ 8,185	$ 62	$ 8,247
Finance income	87	-	87	159	-	159
Finance expense	(1)	-	(1)	(2)	-	(2)
Net finance expense	$ 86	$ -	$ 86	$ 157	$ -	$ 157
Net loss before tax	$ (4,389)	$ (62)	$ (4,451)	$ (7,960)	$ (62)	$ (8,022)
Colombian equity tax	-	-	-	-	-	-
Deferred tax expense (recovery)	-	-	-	-	-	-
	-	-	-	-	-	-
Net loss and comprehensive loss for the year	$ (4,389)	$ (62)	$ (4,451)	$ (7,960)	$ (62)	$ (8,022)

(ii) IFRS Adjustments

a) **Pre-licence costs**

Under previous GAAP, the Company capitalized pre-licence costs of $394,000 as at December 31, 2009. These expenditures were incurred prior to obtaining legal rights to explore in Trinidad & Tobago and Colombia. Under IFRS, the Company is required to expense pre-licence costs resulting in a $394,000 decrease in PP&E with a corresponding charge to retained earnings.

b) **Exploration and evaluation assets**

E&E assets at January 1, 2010 were deemed to be $25.9 million, representing the unproved properties balance under previous GAAP. The Company reclassified $25.9 million from PP&E to E&E assets as at January 1, 2010. As at June 30, 2010, the Company's E&E assets were $42.8 million including $18.1 million in Colombia and $24.7 million in Trinidad & Tobago.

c) **Share appreciation rights**

The Company's SARs plan was accounted for using the intrinsic value method under previous GAAP. Under IFRS, the Company is using a fair value method, in this case the Black-Scholes pricing model to value the SARs liability. This IFRS difference has no effect on the Company's opening balance sheet at January 1, 2010 as the SARs plan was initiated in the second quarter of 2010. For the period ended June 30, 2010, an increase to share-based compensation of $62,000 was recognized with a corresponding increase to accounts payable and accrued liabilities of $62,000.

iii) Adjustments to the statement of cash flows

The transition from previous GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period. Under previous GAAP, cash flows relating to interest payments were classified as operating.

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Chairman of the Board

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John F. Bechtold

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Wayne K. Foo

Ron D. Miller

W. A. (Alf) Peneycad

Paul D. Wright

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Barry B. Larson
VP Operations, Chief Operating Officer

Kenneth G. Pinsky
VP Finance, Chief Financial Officer

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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 or natural gas liquids per day
mbbls/d	one thousand barrels per day

Other	
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
bopd	barrels of oil per day
WTI	West Texas Intermediate

Natural Gas	
mcf	one thousand cubic feet
mmcf	one million cubic feet
bcf	one billion cubic feet
Mcf/d	one thousand cubic feet per day
MMcf/d	one million cubic feet per day

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six 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.