

## **Parex Q1 2020 Results: US\$97mm Cash Flow, US\$397mm Cash Balance and Debt Free**

### **Calgary, Canada**

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT), a company focused on Colombian oil exploration and production, announces its unaudited financial and operating results for the three months ended March 31, 2020 ("First Quarter" or "Q1"). **All amounts herein are in United States Dollars ("USD") unless otherwise stated.**

Please note Parex will hold its Annual General and Special Meeting of Shareholders ("AGM") virtually on Thursday, May 14, 2020 beginning at 9:30 am (Calgary Time). Following the conclusion of the AGM, the Company will proceed immediately to a Q&A session to discuss the First Quarter results.

Parex continues to work with the community during the COVID-19 pandemic to support safety and wellness. The Company is supporting local communities in Calgary and Colombia by sponsoring food deliveries, contributing to local food banks and supplying personal protective equipment. Along with enhancing the safety protocol in its operating fields, Parex continues to look for ways to further support its communities during this challenging time.

### **2020 First Quarter Highlights: Best-in-Class Balance Sheet**

- Quarterly average production was 54,295 barrels of oil equivalent per day ("boe/d") (consisting of 53,037 barrels per day ("bbls/d") of crude oil and 7,548 thousand cubic feet per day ("mcf/d") of conventional natural gas) (98% crude oil), an increase of 15% on a per basic share basis over the prior year comparative period;
- Recognized a net loss of \$3.8 million (\$0.03 per share basic) compared to net income of \$87.2 million (\$0.61 per share basic) in the previous quarter ended December 31, 2019 and net income of \$82.0 million (\$0.54 basic per share) in the comparative quarter of 2019. The net loss is primarily a result of a \$84.7 million reduction in deferred tax assets as a result of a 24% decrease in the Colombian Peso/USD exchange rate in Q1 2020;
- Generated an operating netback of \$24.41 per barrel of oil equivalent ("boe") and funds flow provided by operations ("FFO") netback of \$20.63 per boe from an average Brent price of \$51.05 per barrel ("bbl");
- FFO of \$97.3 million (\$0.69 (or CAD \$0.93)<sup>(1)</sup> per share basic) as compared to \$133.5 million (\$0.88 (or CAD \$1.17)<sup>(1)</sup> per share basic) for the prior year comparative period. FFO was reduced due to a higher percentage of March sales at lower Brent prices and an inventory build;
- Utilized free cash flow of \$26.0 million to purchase 3,865,000 of the Company's common shares for a total cost of \$51.0 million (average price of CAD\$18.53/share) pursuant to the Company's normal course issuer bid program ("NCIB");
- Capital expenditures ("Capex") were \$71.3 million in the period. Capex was fully funded from FFO;
- Working capital was \$330.4 million (CAD \$3.35 per share basic)<sup>(2)</sup> at March 31, 2020 compared to \$344.0 million at December 31, 2019 and \$207.4 million at March 31, 2019. The Company has an undrawn syndicated bank credit facility of \$200.0 million; and

- Participated in drilling 20 gross (13.05 net) wells<sup>(3)</sup> in Colombia resulting in 10 oil wells, 2 abandoned wells, 3 suspended wells and 5 wells under test, for a success rate of 83%.

(1) Using USD-CAD Bank of Canada 2020 Q1 average rate of 1.3449 and 2019 Q1 average rate of 1.3295.

(2) Using USD-CAD Bank of Canada March 31, 2020 rate of 1.4187 and outstanding shares as at March 31, 2020.

(3) Oil wells: Block LLA-34:Tigana Norte-19, 51 & 52, Jacana-43 & 47, Tigui-3, 7 & 8; Block Cabrestero: Akira-19 and Bacano Oeste-3. Abandoned: Block CPO-11: Daisy-1 & Montuno-1. Suspended: Block LLA-34: Tigana Norte-33, Jacana-45 and Tigui-9. Under test: Aguas Blancas-11 & 24; Block Cabrestero: Akira-20, 21 & 22.

	Three Months Ended		
	March 31, 2020	2019	Dec. 31, 2019
<b>Operational</b>			
<b>Average daily production</b>			
Oil & Gas (boe/d) <sup>(1)</sup>	<b>54,295</b>	51,208	54,221
<b>Average daily sales of produced oil &amp; natural gas</b>			
Oil (bbl/d)	<b>50,589</b>	50,042	54,696
Gas (Mcf/d)	<b>7,548</b>	4,992	6,810
Oil & Gas (boe/d)	<b>51,847</b>	50,874	55,831
Oil inventory - end of period (bbls)	<b>250,405</b>	90,999	27,653
<b>Operating netback (\$/boe)<sup>(2)</sup></b>			
Reference price - Brent (\$/bbl)	<b>51.05</b>	63.83	62.49
Oil & natural gas revenue (excluding hedging)	<b>38.47</b>	52.33	53.00
Royalties	<b>(4.71)</b>	(6.39)	(7.15)
Net revenue	<b>33.76</b>	45.94	45.85
Production expense	<b>(5.31)</b>	(5.71)	(5.68)
Transportation expense	<b>(4.04)</b>	(4.06)	(3.74)
Operating netback (\$/boe) <sup>(2)</sup>	<b>24.41</b>	36.17	36.43
<b>Funds flow provided by operations (\$/boe)<sup>(2)(5)</sup></b>	<b>20.63</b>	29.16	27.89
<b>Financial (USD\$000s except per share amounts)</b>			
<b>Oil and natural gas revenue</b>	<b>193,618</b>	246,594	289,585
<b>Net (loss) income</b>	<b>(3,779)</b>	82,014	87,218
Per share - basic	<b>(0.03)</b>	0.54	0.61
<b>Funds flow provided by operations<sup>(2)(5)</sup></b>	<b>97,313</b>	133,505	143,269
Per share - basic	<b>0.69</b>	0.88	1.00
<b>Capital expenditures</b>	<b>71,266</b>	52,533	58,321
<b>Free funds flow<sup>(2)</sup></b>	<b>26,047</b>	80,972	84,948
<b>Total assets</b>	<b>1,610,341</b>	1,657,956	1,684,581
<b>Working capital surplus</b>	<b>330,356</b>	207,414	344,031
<b>Bank debt<sup>(3)</sup></b>	<b>—</b>	—	—
<b>Cash</b>	<b>397,424</b>	432,906	396,839
<b>Outstanding shares (end of period) (000s)</b>			
Basic	<b>139,801</b>	149,375	143,295
Weighted average basic	<b>141,805</b>	151,581	142,967
Diluted <sup>(4)</sup>	<b>144,211</b>	156,176	147,848

- (1) Refer to the Company's Q1 2020 MD&A for production information by product type.
- (2) The table above contains Non-GAAP measures. See "Non-GAAP Terms" for further discussion.
- (3) Borrowing limit of \$200.0 million as of March 31, 2020.
- (4) Diluted shares as stated include the effects of common shares and in-the-money stock options outstanding at the period-end. The March 31, 2020 closing stock price was Cdn\$11.90 per share.
- (5) In the second quarter of 2019, Parex changed the way it calculates and presents funds flow from operations. For further details refer to the "Non-GAAP Terms" on page 22 of the Company's Q1 2020 MD&A. Comparative periods have also been adjusted for this change.

## **2020 Corporate Guidance**

Parex is well-positioned for the challenges presented in the current business environment, as the Company exited Q1 2020 debt-free with a cash position of \$397.4 million, working capital of \$330.4 million and an undrawn credit facility of \$200 million. With low sustaining capital requirements, the Company is able to withstand a prolonged period of low and volatile energy pricing.

Due to the significant decline in realized oil prices and the ongoing uncertainty in market conditions resulting from the COVID-19 pandemic, on April 2, 2020, Parex announced the withdrawal of its fiscal year 2020 guidance for Brent pricing, production, funds flow provided by operations, netback, and capital expenditure, as set in the March 10, 2020 press release and the suspension of the 2020 drilling programs.

For the Second Quarter of 2020, Parex' guidance is:

- Production
  - April 2020 average approximately 47,000 boe/d
  - May-June 2020 expected average range of 30,000-40,000 boe/d depending on realized crude pricing. Parex is able to voluntarily curtail production volumes without reservoir damage. As such, the Company has voluntarily curtailed production, and will continue to do so, in order to maximize long-term shareholder value as crude oil prices are in contango, versus attempting to maintain funds flow at current low oil prices.
- Capital Expenditures
  - April 2020 Capex is estimated at approximately \$6 million
  - Total Q2 Capex approximately \$8-\$10 million

Parex will continue to be responsive to changes in commodity prices by managing its production volumes, capital budget and cash costs, further protecting its balance sheet and shareholder value.

## **Share Repurchases**

At current market conditions, purchases under the NCIB have been limited, helping Parex preserve cash and to retain its best-in-class debt free balance sheet. As of May 11, 2020, the Company had repurchased for cancellation 4,350,000 common shares at an average cost of CAD\$18.28 per share. Pursuant to the NCIB that commenced on December 23, 2019, as at today's date, Parex may repurchase for cancellation an additional 9,636,994 common shares prior to December 22, 2020.

## **Annual General Meeting ("AGM" or "Meeting") – May 14, 2020 at 9:30am (Calgary Time)**

In response to the global COVID-19 public health emergency and to mitigate against its risks, Parex will hold its AGM on Thursday, May 14, 2020 at 9:30 am (Calgary time) online at <https://web.lumiagm.com/224600086>. The AGM will be held virtually and there will be no in-person

attendance to adhere to the restrictions of large gatherings. There will be no corporate presentation by the President and CEO.

We invite all interested parties to consult the [AGM virtual user guide](#) for detailed instructions on participation or to access the Meeting related materials on the corporate website at <https://parexresources.com/annual-general-meeting/>.

### **Q1 2020 Results Audio Webcast**

Following the AGM, Parex will proceed immediately to a Q&A session at <https://web.lumiagm.com/224600086> to discuss the Company's 2020 First Quarter financial and operating results. We invite all interested parties to remain logged into Lumi platform once the AGM concludes.

### **Environment, Social and Governance Update**

We plan to release selected ESG performance metrics on Parex' [online sustainability page](#) in the coming weeks and expect to publish the full 2019 annual sustainability report by the end of July 2020.

**This news release does not constitute an offer to sell securities, nor is it a solicitation of an offer to buy securities, in any jurisdiction.**

**For more information, please contact:**

**Mike Kruchten**

Senior Vice President, Capital Markets & Corporate Planning

Parex Resources Inc.

Phone: (403) 517-1733

[Investor.relations@parexresources.com](mailto:Investor.relations@parexresources.com)

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### **Non-GAAP Terms**

The Company discloses several financial measures ("non-GAAP Measures") herein that do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). These financial measures include operating netback per boe, FFO netback, FFO per share and free funds flow. 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 capital expenditures.

The Company considers operating netback per boe to be a key measure as it demonstrates Parex' profitability relative to current commodity prices. The following is a description of each component of the Company's operating netback per boe and how it is determined:

- Oil and natural gas sales per boe is determined by sales revenue excluding risk management contracts divided by total equivalent sales volume including purchased oil volume;
- Royalties per boe is determined by dividing royalty expense by the total equivalent sales volume and excludes purchased oil volumes;

- Production expense per boe is determined by dividing production expense by total equivalent sales volume and excludes purchased oil volumes; and
- Transportation expense per boe is determined by dividing transportation expense by the total equivalent sales volumes including purchased oil volumes.

Funds flow provided by operations is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. In Q2 2019, the Company changed how it presents funds flow provided by operations to present a more comparable basis to industry presentation.

FFO netback, is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital, divided by produced oil and natural gas sales volumes.

FFO per share is determined by FFO divided by basic shares outstanding.

Free funds flow is determined by funds flow provided by operations less capital expenditures.

Shareholders and investors should be cautioned that these measures should not be construed as an alternative to net income or other measures of financial performance as determined in accordance with IFRS. Parex' method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies. Please see the Company's most recent Management's Discussion and Analysis, which is available at [www.sedar.com](http://www.sedar.com) for additional information about these financial measures.

### **Oil & Gas Matters Advisory**

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

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

## **Advisory on Forward Looking Statements**

Certain information regarding Parex set forth in this document contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", "forecast", "guidance", "budget" 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 Parex' 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 Parex' 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 document include, but are not limited to, statements with respect to the Company's focus, plans, priorities and strategies; Parex' position in the business environment and its ability to withstand a prolonged period of low and volatile energy pricing; estimated April 2020 and Q2 2020 capital expenditures; April 2020 estimated average production; expectations with respect to May-June average production range; Parex varying its share re-purchasing under its NCIB; and the expected timing the selected sustainability metrics and the 2019 annual sustainability report will be published.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada and Colombia; volatility in commodity prices; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced, in Canada and Colombia; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; obtaining required approvals of regulatory authorities, in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; volatility in market prices for oil; 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 industry; changes to pipeline capacity; ability to access sufficient capital from internal and external sources; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; that production test results may not necessarily be indicative of long term performance or of ultimate recovery; failure to reach production targets; 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 Parex' 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](http://www.sedar.com)).

Although the forward-looking statements contained in this document 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 document, Parex has made assumptions regarding, among other things: current and anticipated commodity prices and royalty regimes; the impact (and the duration thereof) that the COVID-19 pandemic



will have one (i) the demand for crude oil and conventional natural gas; (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires; and (iii) the Corporation's ability to produce, transport and/or sell its crude oil and conventional natural gas; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil, including anticipated Brent oil prices; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; receipt of partner, regulatory and community approvals; royalty rates; effective tax rates on FFO; future operating costs; effects of regulation by governmental agencies; uninterrupted access to areas of Parex' operations and infrastructure; recoverability of reserves and future production rates; timing of drilling and completion of wells; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Parex' conduct and results of operations will be consistent with its expectations; that Parex will have the ability to develop its oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of Parex' reserves and production volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Parex will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide shareholders with a more complete perspective on Parex' current and future operations and such information may not be appropriate for other purposes. Parex' 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. These forward-looking statements are made as of the date of this document and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This press release contains future-oriented financial information and financial outlook information (collectively ("FOFI")) about the Corporation's prospective capital expenditures. The FOFI has been prepared by management to provide an outlook of the Company's financial results and activities and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed in this press release. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. The Company and management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. FOFI contained in this press release was made as of the date of this press release and Parex disclaims any intent or obligation to update publicly the press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.