

Parex Resources Announces Enhanced Strategic Partnership with Ecopetrol and Provides Operational Update



Calgary, Alberta, December 11, 2024 – Parex Resources Inc. (“Parex” or the “Company”) (TSX: PXT) and its strategic partner Ecopetrol S.A. (“Ecopetrol”), are pleased to announce that they have executed agreements whereby Parex will earn a 50% working interest (“W.I.”) in four blocks located in the Putumayo Basin of Colombia (“Putumayo Blocks”) as well as the Farallones Block in the Llanos Foothills of Colombia (“Farallones Block”). Additionally, the Company provides an operational update and reports that it is abandoning the *Arantes* exploration well at LLA-122 (50% W.I.). *All amounts herein are in United States Dollars (“USD”) unless otherwise stated.*

“The agreements announced today align with Parex’s strategy and add significant, lower-risk development & exploitation inventory, while consolidating our position in the Llanos Foothills trend where world-class exploration potential exists,” commented Imad Mohsen, President & Chief Executive Officer.

“The longstanding partnership between Parex and Ecopetrol is further reinforced by these agreements. I am particularly excited about the re-development opportunities that exist in the Putumayo, and Parex’s enhanced exploration position in the Llanos Foothills, the most prolific trend in Colombia.”

Key Highlights

- Executed Putumayo business collaboration agreements to establish a new core area for Parex, where over 350 million barrels of oil have been recovered to date⁽¹⁾ through primary recovery methods with limited recent drilling.
 - The Putumayo Blocks offer significant upside potential and the ability to meaningfully improve recovery factors through the application of lower-risk infill drilling, re-completions, facility upgrades, and enhanced oil recovery (“EOR”) implementation.
 - Parex’s independent qualified reserve evaluator, GLJ Ltd. (“GLJ”), has recognized Company interest proved plus probable reserves (“2P”) of 18 million barrels⁽²⁾.
 - Parex will assume operatorship in all future drilling and capital activities; Ecopetrol will retain operatorship of current and future production.
- Extended Llanos Foothills position through the addition of a top-ranked exploration target on the Farallones Block⁽³⁾.
- November 2024 average production was 44,700 boe/d⁽⁴⁾; the Company expects to achieve its FY 2024 average production guidance of 49,000 to 50,000 boe/d⁽⁵⁾.

(1) Source: Ecopetrol S.A.; light & medium crude oil.

(2) See “Putumayo Blocks – Development & Exploitation” for additional information and “Reserves Advisory.”

(3) See “Farallones Block – Llanos Foothills” for additional information.

(4) See “November 2024 Production” for additional information.

(5) See November 5, 2024 news release.

Putumayo Blocks – Development & Exploitation

- Acquired 50% W.I. under business collaboration agreements in the Orito, Area Sur, Occidente and Nororiente Blocks in the Putumayo Basin of Colombia via an initial work plan commitment with no up-front acquisition cost.
 - Phase I: Parex receives 50% of future incremental production through funding development wells and implementing secondary recovery programs; expenditure commitment for carry capital by Parex of approximately \$175 million on a gross capital program of roughly \$350 million, with the Company having the flexibility to shift commitment carry capital to other Parex and Ecopetrol partnerships as required.

- Assets are expected to receive approximately \$20 to \$50 million of budgeted capital expenditures⁽¹⁾ in the FY 2025 Parex program to begin Phase I development and exploitation activity, with investment level depending on access timing; the Company currently expects initial access to be approximately Q2 2025.
- Phase II: Upon completion of Phase I, or after three years, thereafter Parex will receive 50% of all base existing production, in addition to the 50% of incremental production, with an ongoing 3% capital carry in favour of Ecopetrol; current average production from the base existing producing wells is approximately 5,800 bbl/d of oil⁽²⁾.
- Dated December 10, 2024, GLJ has recognized Company interest of:
 - Proven reserves (“1P”) of 10 million barrels and future development capital of approximately \$167 million⁽³⁾.
 - Proved plus probable reserves (“2P”) of 18 million barrels and future development capital of approximately \$171 million⁽³⁾.
- Provides low-risk development drilling inventory with gross 2P future locations of approximately 19⁽³⁾, in addition to existing producing wells and re-complete opportunities.
- The Putumayo Blocks currently produce and are prospective for light & medium crude oil, with an average API generally above 25°.
- In addition to development opportunities, the acquired Putumayo Blocks add near-field exploration prospects in proven plays that materially enhance Parex’s portfolio.

(1) Non-GAAP financial measure; see “Non-GAAP and Other Financial Measures Advisory.”

(2) Source: National Hydrocarbons Agency of the Republic of Colombia (“ANH”); light & medium crude oil.

(3) Reserves information contained in the independent reserves report prepared by GLJ dated December 10, 2024, with an effective date of September 30, 2024; such report was prepared in accordance with definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities; the reserves presented in this news release are based on GLJ’s forecast pricing effective October 1, 2024; all reserves are light & medium crude oil; see “Reserves Advisory.”

Farallones Block – Llanos Foothills

- Acquired 50% W.I. and operatorship in the Farallones Block in the Llanos Foothills of Colombia⁽¹⁾, in exchange for drilling the *Farallones* exploration well, as well as the further expenditure commitment for carry capital of approximately \$30 million on a gross capital program of roughly \$60 million; commitment carry capital can be executed until 2029, with the Company having flexibility to shift commitment carry capital to other Parex and Ecopetrol partnerships as required.
- Extends Parex’s Foothills position and includes *Farallones*, which is an exploration prospect that offsets Cusiana by approximately 70 kilometres and represents one of the highest-ranking prospects in Parex’s high-impact, big ‘E’ exploration portfolio.
- In the FY 2025 Parex program, plan to commence initial access work to prepare for civil works activity and the expected spud of *Farallones* in 2026.

(1) Subject to government approval.

Operational Update

November 2024 Production

During the month, corporate production was affected by downtime that resulted in average production of 44,700 boe/d⁽¹⁾. The primary drivers of heightened downtime were electrical interruptions at Cabretero, as well as social factors at LLA-32 and Capachos. While LLA-32 has regained full operational status, beginning November 28, 2024, ongoing social protests have caused the Company to temporarily shut in operations at Capachos.

(1) Light & medium crude oil: -8,517 bbl/d, heavy crude oil: -35,499 bbl/d, conventional natural gas: -4,105 mcf/d; rounded for presentation purposes.

Current Production

For the period of December 1, 2024, to December 9, 2024, estimated average production was 42,800 boe/d⁽¹⁾, with lower production primarily due to the aforementioned shut-in at Capachos. Based on recent constructive dialogue, the Company expects a near-term resolution that will enable Capachos operations to resume.

Parex's production guidance incorporates contingencies for downtime events. At current production levels, the Company expects to achieve its FY 2024 average production guidance of 49,000 to 50,000 boe/d⁽²⁾.

(1) Light & medium crude oil: ~8,155 bbl/d, heavy crude oil: ~33,990 bbl/d, conventional natural gas: ~3,930 mcf/d; rounded for presentation purposes.

(2) See November 5, 2024 news release.

Arantes Exploration Well at LLA-122⁽¹⁾

As previously announced⁽²⁾, Parex had drilled the well to a depth of roughly 17,750 feet. Since that announcement, the well was drilled to approximately 18,000 feet; during operations to set the final liner in place above the zones of interest, a mechanical issue emerged during the cementing process. After a thorough evaluation by the Company and its partner, it was determined that further operations on the well were technically unfeasible at an acceptable risk tolerance. The well will be abandoned, with an estimated total cost net to Parex of approximately \$35 million.

The Llanos Foothills of Colombia remain a core component of Parex's long-term strategy, and drilling the *Arantes* well resulted in improved drilling proficiency and additional subsurface knowledge that can be utilized for future exploration wells.

(1) 50% W.I.

(2) See November 5, 2024 news release.

About Parex Resources Inc.

Parex is one of the largest independent oil and gas companies in Colombia, focusing on sustainable conventional production. The Company's corporate headquarters are in Calgary, Canada, with an operating office in Bogotá, Colombia. Parex shares trade on the Toronto Stock Exchange under the symbol PXT.

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Non-GAAP and Other Financial Measures Advisory

This press release uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex's performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by

the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures used in this press release.

Non-GAAP Financial Measures

Capital expenditures, is a non-GAAP financial measure which the Company uses to describe its capital costs associated with oil and gas expenditures. The measure considers both property, plant and equipment expenditures and exploration and evaluation asset expenditures which are items in the Company's statement of cash flows for the period and is calculated as follows:

(\$000s)	For the three months ended			For the nine months ended
	Sep. 30, 2024	Sep. 30, 2023	Jun. 30, 2024	Sep. 30, 2024
Property, plant and equipment expenditures	\$ 68,406	\$ 93,957	\$ 49,214	\$ 158,451
Exploration and evaluation expenditures	13,961	62,790	48,583	107,134
Capital expenditures	\$ 82,367	\$ 156,747	\$ 97,797	\$ 265,585

Oil & Gas Matters Advisory

The term "Boe" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil ("bbl"). Boe's 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 discloses drilling inventory which is broken down into three categories: (i) proved locations; and (ii) probable locations. Proved locations and probable locations are derived from the GLJ Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Of the 19 total drilling locations identified herein, 12 are proved locations, and 7 are probable locations. The drilling locations on which Parex will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Reserves Advisory

Estimates of reserves set forth in this press release from the GLJ Report have been prepared by GLJ as of December 10, 2024, with an effective date of September 30, 2024, in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluations Handbook and based on GLJ's forecast pricing effective October 1, 2024, which are available at www.gljpc.com. The recovery and reserve estimates of crude oil reserves provided in this news release are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual crude oil reserves may eventually prove to be greater than, or less than, the estimates provided herein.

It should not be assumed that the estimates of future net revenues presented herein represent the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of crude oil, reserves and the future cash flows attributed to such reserves.

"Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

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'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 Parex'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 document include, but are not limited to, statements with respect to: the expectations and beliefs related to Parex's partnership with Ecopetrol and the transactions, farm-ins and other matters related thereto and the anticipated benefits to be derived therefrom; the Company's focus, plans, priorities and strategies; expectations regarding the opportunities that exist in the Putumayo and the Llanos Foothills basins; Parex's 2024 average annual production guidance; the anticipated amount of capital expenditures required to begin Parex's Phase I development and exploration activities in the Putumayo basin and the anticipated timing thereof; the future development capital associated with Parex's 1P and 2P reserves in the Putumayo basin; the anticipated timing of when Parex expects to commence initial access work to prepare for civil works activity; the anticipated timing of when the Farallones exploration well will spud; and the anticipated total cost net to Parex associated with abandoning the Arantes exploration well. In addition, statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserve estimates of Parex's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

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; prolonged 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; determinations by OPEC and other countries as to production levels; 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; the 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; failure of counterparties to perform under contracts; the risk that Brent oil prices may be lower than anticipated; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities may not be consistent with its expectations; the risk that Parex may not be responsive to changes in commodity prices; the risk that Parex may not meet its production guidance for the year ended December 31, 2024; the risk that Parex's partnership with Ecopetrol and the transactions, farm-ins and other matters related thereto may not lead to the benefits anticipated; the risk that the Putumayo and the Llanos Foothills basins may not provide Parex with the opportunities anticipated; the risk that the capital expenditures required to begin Parex's Phase I development and exploration activities at the Putumayo basin in 2025 may be greater than anticipated; the risk that Parex may not commence initial access work to prepare for civil works activity when anticipated, or at all; the risk that the Farallones exploration well may not spud when anticipated or at all; the risk that the abandonment of the Arantes exploration well may be more costly than anticipated; 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'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.sedarplus.ca).

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; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; receipt of partner, regulatory and community approvals; royalty rates; future operating costs; uninterrupted access to areas of Parex's operations and infrastructure; recoverability of reserves and future production rates; the status of litigation; 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's 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; that Parex's evaluation of its existing portfolio of development and exploration opportunities is consistent with its expectations; 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's production and reserves 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; that Parex's partnership with Ecopetrol and the transactions, farm-ins and other matters related thereto will lead to the benefits anticipated; 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's current and future operations and such information may not be appropriate for other purposes. Parex'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. 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 information that may be considered a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to: the anticipated amount of capital expenditures required to begin Parex's Phase I development and exploration activities in the Putumayo basin and the anticipated timing thereof; the future development capital associated with Parex's 1P and 2P reserves in the Putumayo basin; and the anticipated total cost net to Parex associated with the abandonment of the Arantes exploration well, all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will vary from the amounts set forth in this press release and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this press release is not conclusive and is subject to change.

The following abbreviations used in this press release have the meanings set forth below:

API gravity	American Petroleum Institute gravity
bbbl	one barrel
bbbls	barrels
bbbl/d	barrels per day
boe	barrels of oil equivalent of natural gas; one barrel of oil or natural gas liquids for six thousand cubic feet of natural gas
boe/d	barrels of oil equivalent of natural gas per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
W.I.	working interest