Parex Q2 2019 Results: US$151mm Cash Flow Generates US$102mm Free Cash Flow

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 June 30, 2019 ("Second Quarter" or "Q2"). **All amounts herein are in United States Dollars ("USD") unless otherwise stated.**

Please note Parex will hold a conference call on Friday, August 2, 2019 beginning at 9:30 am Mountain Time to discuss the Second Quarter results.

2019 Second Quarter Highlights: Executing Share Buy-backs and Growing Working Capital

- Funds flow provided by operations ("FFO") of $151.0 million ($1.03 (or CAD $1.38)(1) per share basic);
- Capital expenditures ("Capex") were $48.7 million in the period compared to $100.6 million in the comparative period of 2018. Capital expenditures were funded from FFO. Parex expects to invest approximately $200-230 million in capital projects in 2019;
- Utilized a portion of free cash flow of $102.2 million to purchase 4,725,000 of the Company's common shares for a total cost of $75.4 million (average price of CAD$21.51/share) pursuant to the Company's normal course issuer bid program ("NCIB");
- Quarterly production was 52,252 barrels of oil equivalent per day ("boe/d")(98% crude oil), representing a production per share increase of 6% over the previous quarter ended March 31, 2019 and an increase of 30% over the prior year comparative period;
- Earned net income of $101.5 million ($0.69 per share basic) compared to net income of $82.0 million ($0.54 per share basic) in Q1 2019;
- Generated an operating netback of $41.25 per boe and FFO netback of $31.92 per boe from an average Brent price of $68.52 per barrel ("bbl");
- Working capital was $240.1 million at June 30, 2019 compared to $207.4 million at March 31, 2019 and $66.1 million at June 30, 2018. The Company has an undrawn syndicated bank credit facility of $200.0 million; and
- Participated in drilling 11 gross (7.10 net) wells (2) in Colombia resulting in 10 oil wells and 1 suspended well, for a success rate of 90%.

(1) Using USD-CAD Bank of Canada 2019 Q2 average rate of 1.3377.
(2) Oil wells: Block Cabrestero: Akira-13 & 14; Block Capachos: Andina Norte-1; Block Boranda: Boranda-2 & ST; Block LLA-34: Tigana Suroeste-9, Tigana Sur-8, Tua-12, Jacana 15 &16, and Block Merecure: Tamariniza-1. Suspended well: Block Fortuna: Habanero-1.

	Three Months Ended			Six months ended
	June 30,		**March 31,**	**June 30,**
	2019	**2018**	**2019**	**2019**
Operational				
Average daily production				
Oil & Gas (boe/d)	**52,252**	42,625	51,208	**51,733**
Average daily sales of produced oil & natural gas				
Oil (bbl/d)	**51,075**	41,734	50,042	**50,562**
Gas (Mcf/d)	**5,376**	3,438	4,992	**5,184**
Oil & Gas (boe/d)	**51,971**	42,307	50,874	**51,426**
Oil inventory - end of period (bbls)	**116,592**	193,700	90,999	**116,592**
Operating netback ($/boe)(1)				
Reference price - Brent ($/bbl)	**68.52**	74.97	63.83	**66.21**
Oil & natural gas revenue (excluding hedging)	**59.92**	61.96	52.33	**56.25**
Royalties	**(7.97)**	(8.10)	(6.39)	**(7.20)**
Net revenue	**51.95**	53.86	45.94	**49.05**
Production expense	**(5.51)**	(5.76)	(5.71)	**(5.61)**
Transportation expense	**(5.19)**	(3.13)	(4.06)	**(4.65)**
Operating netback ($/boe)(1)	**41.25**	44.97	36.17	**38.79**
Funds flow provided by (used in) operations ($/boe)(1)(4)	**31.92**	(2.06)	29.16	**30.56**
Financial (USD$000s except per share amounts)				
Oil and natural gas revenue	**301,750**	241,765	246,594	**548,344**
Net income	**101,505**	188,601	82,014	**183,519**
Per share - basic	**0.69**	1.21	0.54	**1.23**
Funds flow provided by (used in) operations(1)(4)	**150,973**	(7,937)	133,505	**284,478**
Per share - basic	**1.03**	(0.05)	0.88	**1.91**
Capital expenditures	**48,742**	100,567	52,533	**101,275**
Total assets	**1,574,528**	1,529,692	1,657,956	**1,574,528**
Working capital surplus	**240,087**	66,050	207,414	**240,087**
Bank debt(2)	—	—	—	—
Cash	**318,139**	323,134	432,906	**318,139**
Outstanding shares (end of period) (000s)				
Basic	**145,534**	155,579	149,375	**145,534**
Weighted average basic	**147,016**	155,771	151,581	**149,286**
Diluted(3)	**151,433**	162,936	156,176	**151,433**

(1) The table above contains Non-GAAP measures. See “Non-GAAP Terms” for further discussion.
(2) Borrowing limit of $200.0 million as of June 30, 2019.
(3) Diluted shares as stated include the effects of common shares and in-the-money stock options outstanding at the period-end. The June 30, 2019 closing stock price was Cdn$21.01 per share.
(4) 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 Q2 2019 MD&A. Comparative periods have also been adjusted for this change. For the three months ended June 30, 2018, funds flow provided by operations includes a $137.5 million charge for a voluntary tax restructuring.

2019 Corporate Guidance

Parex' guidance for 2019, as previously press released on December 18, 2018, is as follows:

Production (average for period)		52,000-54,000 boe/d
Total Capital Expenditures		$200-$230 million
Funds Flow provided by Operations (FFO)	At $60/bbl Brent:	$450-$500 million
Free Funds Flow (FFO mid-point less Total Capex mid-point)		$260 million

Our current 2019 FFO forecast is $550-$600 million based on the following assumptions:

- Mid-point annual production average of 53,000 boe/d;
- H2 2019 Brent oil prices of $60/bbl-$65/bbl; and
- Brent/Vasconia crude differential less than $3/bbl.

Planned capital expenditures are expected to be fully funded by FFO, with working capital being retained for future opportunities and to buy back outstanding shares.

Operational Update

Production: We expect Q3 2019 production average to exceed 53,000 boe/d.

Fortuna: (WI Parex 100%): The Habanero-1 well was spudded on June 3, 2019 to test a potential Lisama trap identified on 2D seismic data. The well was drilled to a total depth of 6,000 feet and encountered three prospective zones in the Lisama Formation, a prolific producing interval in the northern part of the Middle Magdalena Basin.

Using the drilling rig, two zones were perforated in the Upper Lisama sands. The first zone recovered 10.6 API gravity oil while swabbing and the second tested wet. The drilling rig has been released and a service rig will be mobilized to test the Lower Lisama sands. Following this test, the Company will install a downhole pump, which is better suited for testing lower gravity oil in the Upper Lisama zone.

Parex is currently acquiring 178 km^2 of 3D seismic on the Fortuna Block to better image the Habanero structure and identify additional prospects on the block.

Capachos: (WI Parex 50%, Ecopetrol S.A. 50%): The Andina-3 appraisal well is currently drilling at a depth of 15,270 feet with a target depth of 17,965 feet.

Upcoming H2 2019 Exploration:

Block	Prospect Name	Estimated Timing
LLA-34	Guaco	Q3
Boranda	Boranda-3	Q3
LLA-32	Azogue	Q4
LLA-10	Tautaco	Q4
Aguas Blancas	Southern Extent	Q4
CPO-11	Daisy	Q4
VIM-1	La Belleza	Q4

Share Repurchases: On December 21, 2018, Parex began a normal course issuer bid with the intent to repurchase for cancellation approximately 15.0 million shares (10% of public float). As at August 1, 2019 the Company has repurchased 12.7 million shares at an average cost of C$20.13 per share for a total of C$255 million under this NCIB. Basic shares outstanding as at July 31, 2019 were 144.5 million compared to 155.0 million as at December 31, 2018. Parex expects to complete the repurchase of 15 million shares in early Q4 2019. The total cost of the NCIB program will be funded from existing working capital and/or free cash flow. Subject to the approval of the Toronto Stock Exchange, Parex expects to renew its NCIB in December 2019 with the intent to repurchase 10% of the public float.

Additionally, Parex will continue to evaluate other options for its surplus capital including exploration growth, business development and share repurchases.

Q2 2019 Conference Call & Webcast

Parex will host a conference call to discuss the Second Quarter results on Friday, August 2, 2019 beginning at 9:30 am Mountain Time. To participate in the conference call or webcast, see details below:

Toll-free dial number (Canada/US)	1-866-696-5910
International dial-in number	Click to access the dial-in number of your location
Passcode	4721458#
Webcast	Join the audio webcast

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.

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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, funds flow provided by (used in) operations, funds flow provided by (used in) operations netback, 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 netbacks 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 volumes.
- 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 (used in) 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 (used in) operations to present a more comparable basis to industry presentation.

Funds flow provided by (used in) operations per boe 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.

Free funds flow is determined by funds flow provided by (used in) 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 for additional information about these financial measures and for a reconciliation of the non-GAAP measures.

Oil & Gas Matters Advisory

The term "Boe" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 bbl of oil. Boe's may be misleading, particularly if used in isolation. A boe conversation 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. 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 metric 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 2019 capital expenditures, including the Company's plans to fund its 2019 capital program from funds flow from operations and its plans to retain working capital for future opportunities and to buy back outstanding shares; the Company's forecasted 2019 funds flow provided by operations based on certain oil prices; the Company's anticipated free funds flow for 2019; the Company's estimated 2019 full year production rate and the expected average production for Q3 2019; installation of equipment in Fortuna; second half of 2019 exploration and expected timing thereof; timing to complete the repurchase of all shares under its NCIB; the expectation of Parex to renew its NCIB and the expected timing thereof; and the expectation that the NCIB will be founded from existing working capital or free funds flow.

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).

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 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; 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 fulfil 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 and, in particular the information in respect of the Company's expected capital expenditures for 2019, may contain future oriented financial information ("FOFI") within the meaning of applicable securities laws. 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.