

Parex Announces Q2 2021 Results: Generates Significant Free Cash Flow and Implements Quarterly Dividend

Calgary, Canada

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT), a company headquartered in Calgary, Alberta that focuses on sustainable, conventional oil and gas production, is pleased to announce its unaudited financial and operating results for the three months ended June 30, 2021 ("Second Quarter" or "Q2"). **All amounts herein are in United States Dollars ("USD") unless otherwise stated.**

2021 Second Quarter Highlights

- Quarterly average production was 43,900 barrels of oil equivalent per day ("boe/d") (consisting of 5,881 barrels per day ("bbls/d") of light crude oil and medium crude oil, 36,308 bbls/d of heavy crude oil and 10,266 thousand cubic feet per day ("mcf/d") of conventional natural gas), an increase of approximately 18% on a per basic share basis over the previous period ended June 30, 2020. Parex' oil production in Q2 was temporarily restricted due to transportation blockades across Colombia that restricted movement of crude oil, and supplies to drilling and completion activities.
- Current production is approximately 48,000 boe/d (consisting of approximately 6,240 bbls/d of light crude oil and medium crude oil, 39,840 bbls/d of heavy crude oil and 11,520 mcf/d of conventional natural gas).
- Recognized net income of \$91.7 million (\$0.72 (or CAD \$0.88)⁽¹⁾ per share basic) compared to net income of \$47.5 million (\$0.37 (or CAD \$0.47)⁽¹⁾ per share basic) in the previous quarter ended March 31, 2021 and net income of \$19.3 million (\$0.14 (or CAD \$0.19)⁽¹⁾ per share basic) in Q2 2020;
- Generated an operating netback⁽³⁾ of \$41.29 per barrel of oil equivalent ("boe") and funds flow provided by operations ("FFO")⁽³⁾ per boe of \$32.02 from an average Brent price of \$69.08 per barrel ("bbl");
- FFO of \$131.6 million (\$1.03 (or CAD \$1.27)⁽¹⁾ per share basic) as compared to \$38.8 million (\$0.28 (or CAD \$0.39)⁽¹⁾ per share basic) for Q2 2020. FFO increased in the current quarter due to higher global oil prices;
- Capital expenditures were \$44.8 million in the period resulting in free funds flow⁽³⁾ for the three months ended June 30, 2021 of \$86.8 million;
- Utilized a portion of free funds flow to purchase 4,212,315 of the Company's common shares for a total cost of \$75.9 million (average price of CAD\$21.67/share) pursuant to the Company's normal course issuer bid program ("NCIB");
- Reduced basic outstanding shares as a result of the active NCIB from 155.6 million shares as at June 30, 2018 to 124.9 million shares at June 30, 2021 or a decrease of approximately 20%;
- Working capital was \$352.2 million at June 30, 2021 compared to \$341.7 million at March 31, 2021 and \$339.3 million at June 30, 2020. The working capital in addition to an undrawn syndicated bank credit facility of \$200.0 million results in immediate liquidity of \$552.2 million; and

- Participated in drilling 10 gross (6.55 net) wells⁽²⁾ in Colombia resulting in 7 oil wells, 1 disposal well, 1 well under test and 1 abandoned well, for a success rate of 88%.

(1) Using USD-CAD Bank of Canada 2021 Q2 average rate of 1.2282, 2021 Q1 average rate of 1.2660 and 2020 Q2 average rate of 1.3853.

(2) Oil wells: Block LLA-34: Tigana Sur-17, Tigui-13 & ST, Tigana Norte-54, Tigana Sur-18, Tigui-22; Cabrestero: Bacano-9, Bacano Oeste-7. Disposal well: LLA-34: Batara-1. Well under test: Boranda: Boranda Centro-1. Abandoned: LLA-32: Groot-1.

(3) See "Non-GAAP Terms" for further discussion.

	Three Months Ended			Six months ended
	June 30,		March 31,	June 30,
	2021	2020	2021	2021
Operational				
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	5,881	4,186	8,131	6,999
Heavy Crude Oil (bbl/d)	36,308	35,478	36,948	36,627
Crude oil (bbl/d)	42,189	39,664	45,079	43,626
Conventional Natural Gas (mcf/d)	10,266	7,164	10,200	10,236
Oil & Gas (boe/d) ⁽¹⁾	43,900	40,858	46,779	45,332
Average daily sales of produced oil & natural gas				
Oil (bbl/d)	43,455	41,583	44,618	44,033
Gas (Mcf/d)	10,266	7,164	10,200	10,236
Oil & Gas (boe/d)	45,166	42,777	46,318	45,739
Oil inventory - end of period (bbls)	25,691	75,732	140,916	25,691
Operating netback (\$/boe)⁽²⁾				
Reference price - Brent (\$/bbl)	69.08	33.39	61.32	65.23
Oil & natural gas revenue	59.68	19.25	52.80	56.21
Royalties	(8.69)	(1.99)	(6.13)	(7.40)
Net revenue	50.99	17.26	46.67	48.81
Production expense	(6.70)	(4.98)	(5.86)	(6.27)
Transportation expense	(3.00)	(2.33)	(3.43)	(3.22)
Operating netback (\$/boe) ⁽²⁾	41.29	9.95	37.38	39.32
Funds flow provided by operations (\$/boe)⁽²⁾	32.02	9.96	29.98	30.99
Financial (USD\$000s except per share amounts)				
Oil and natural gas revenue	247,318	80,407	222,058	469,376
Net income	91,662	19,290	47,460	139,122
Per share - basic	0.72	0.14	0.37	1.08
Funds flow provided by operations⁽²⁾	131,602	38,777	124,969	256,571
Per share - basic	1.03	0.28	0.96	2.00
Capital expenditures	44,847	5,310	39,592	84,439
Free funds flow⁽²⁾	86,755	33,467	85,377	172,132
Total assets	1,598,310	1,533,377	1,550,441	1,598,310
Working capital surplus	352,188	339,310	341,686	352,188
Bank debt⁽³⁾	—	—	—	—
Cash	371,353	334,389	369,756	371,353
Outstanding shares (000s)				
Basic (end of period)	124,938	139,011	128,589	124,938
Weighted average basic	127,346	139,556	129,715	128,524
Diluted (end of period) ⁽⁴⁾	126,818	143,125	131,084	126,818

(1) Reference to crude oil or natural gas production in the above table and elsewhere in this press release refer to the light and medium crude oil and heavy crude oil and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

(2) The table above contains Non-GAAP measures. See "Non-GAAP Terms" for further discussion.

(3) Borrowing limit of \$200.0 million as of June 30, 2021.

(4) Diluted shares as stated include the effects of common shares and stock options outstanding at the period-end. The June 30, 2021 closing stock price was Cdn\$20.70 per share.

H2 2021 Operational Update - Upcoming Activity Highlights

Parex provides the below update on our ongoing exploration and growth activities:

Block	Activity Description
Arauca & LLA-38	Entered into an initial work plan agreement with Ecopetrol, consisting of drilling 2 development wells, 1 exploration well and a further capital program of \$75.8 million. Drilling of the first well of the four well program is planned to begin in Q1 2022.
Cabrestero	4-6 well program - drilling commenced June 2021.
Capachos	Permitting of a 6 well drilling program consisting of 3 appraisal wells and 3 exploration wells has commenced, along with obtaining partner and regulatory approvals.
Fortuna	Currently drilling Perla Negra horizontal well testing the Olini carbonate Formation.
VIM-1	The Planadas-1 exploration well was spud on July 30, 2021 and is targeting Cienaga de Oro limestones. The Company is continuing to accelerate development for the production of oil and compressed natural gas for the La Belleza discovery.
VMM-46	Acquisition of 215 square km of 3D seismic expected in October 2021.

H2 2021 Corporate Guidance

Provided below is Parex' corporate guidance for the period from July 1, 2021 to December 31, 2021 ("H2 2021"):

	H1 2021 Results	H2 2021 Guidance
Production (average for period) (boe/d)	45,332 ⁽¹⁾	46,000-50,000
Total capital expenditures (\$ millions)	\$84	\$165-\$190
Brent crude average (\$/bbl) ⁽²⁾	\$65	\$70
Funds flow provided by operations (\$ millions) ⁽³⁾⁽⁴⁾	\$257	\$280-\$300
Share buy-back program (shares repurchased) (millions)	7.7	5.2
Outstanding shares (end of period) (millions)	124.9	120-121

(1) Consisting of 6,999 bbls/d of light crude oil and medium crude oil, 36,627 bbls/d of heavy crude oil and 10,236 mcf/d of conventional natural gas.

(2) Results for the period from January 1, 2021 to June 30, 2021 ("H1 2021") resulted in Brent/Vasconia crude differential of \$2.81/bbl and H2 2021 Guidance assumes Brent/Vasconia crude differential of approximately \$4.00 under \$70/bbl Brent pricing.

(3) Funds flow provided by operations is based on the mid-point of H2 2021 production guidance.

(4) See "Non-GAAP Terms" for further discussion.

Share Buy-Back & Dividend Initiation

As of July 31, 2021, the Company has repurchased for cancellation 8,912,355 common shares, under its NCIB which commenced on December 23, 2020, at an average cost of CAD\$21.35 per share. As of July 31, 2021, Parex had 123,762,107 basic shares outstanding. From October 15, 2017 to July 31, 2021, Parex has repurchased approximately 40.8 million shares at an average cost of CAD\$19.24 per share returning CAD\$784 million to shareholders. Parex expects to purchase the maximum allowable 12.9 million shares under the NCIB, prior to its expiry on December 22, 2021.

In its press release dated July 7, 2021, the Company announced the implementation of a quarterly dividend program with respect to its common shares and the approval of the board of directors (the "Board") of the payment of a dividend of CAD\$0.125 per common share, which will be payable on September 30, 2021 to shareholders of record as of September 15, 2021.

The decision to declare any quarterly dividend and the amount of such dividend, if any, will be subject to the discretion and determined by the Board taking into account, among other things, business performance, financial condition, growth plans and expected capital requirements, as well as any contractual restrictions and compliance with applicable law. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

Parex is committed to returning capital to shareholders and believes the decision to initiate a dividend program, as well as continuing to fully utilize its NCIB, demonstrates such commitment.

Q2 2021 Results Conference Call & Audio Webcast

Parex will host a conference call and webcast to discuss the Second Quarter financial and operating results on Thursday, August 5, 2021 beginning at 9:30 am Mountain Time. To participate in the conference call or webcast, see details below.

Toll-free dial-in number (Canada/US):	1-800-898-3989
Local dial-in number:	416-340-2217
International dial-in numbers:	https://www.confsolutions.ca/ILT?oss=7P1R8008983989
Participant passcode:	5959006#

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, FFO, FFO per boe, 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 (used in) from operating activities and is calculated before changes in non-cash working capital. In Q2 2019, the Company changed how it presents FFO to present a more comparable basis to industry presentation.

FFO per boe is a non-GAAP measure that includes all cash generated (used in) from operating activities and 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 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 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. 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; statements with respect to operational activities including the terms of the initial work plan agreement with Ecopetrol, the anticipated timing of drilling programs, timing of spudding of certain wells and timing of completion of acquisition of seismic; average production, estimated capital expenditures, Brent crude average price, FFO and number of shares to be repurchased under the NCIB, all for H2 2021, and outstanding number of common shares as at the end of H2 2021; expectation that Parex will purchase the maximum allowable shares under its NCIB; Parex' dividend program; and anticipated timing for quarterly conference call and webcast.

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; impact of the COVID-19 pandemic and the ability of the Company to carry on its operations as currently contemplated in light of the COVID-19 pandemic; 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; 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; risk that Brent oil prices are lower than anticipated; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent

with its expectations; risk that initial test results are not indicative of future performance; risk that other formations do not contain the expected oil bearing sands; risk that Parex does not have sufficient financial resources in the future to pay a dividend; risk that the Board does not declare dividends in the future or that Parex' dividend policy changes; 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; the impact (and the duration thereof) that COVID-19 pandemic will have on the demand for crude oil and natural gas, Parex' supply chain and Parex' ability to produce, transport and sell Parex' crude oil and natural gas; 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' 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' 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' 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' 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 will have sufficient financial resources to pay dividends in the future; 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 and FFO. 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.