

## **Parex Q2 2020 Results: Increased Working Capital to US\$339 mm, Debt Free and Repurchased 1.1 mm Shares**

### **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, 2020 ("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 Thursday, August 6, 2020 beginning at 9:30 am Mountain Time to discuss the Second Quarter results.

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

- Quarterly average production was 40,858 barrels of oil equivalent per day ("boe/d") (consisting of 39,664 barrels per day ("bbls/d") of crude oil and 7,164 thousand cubic feet per day ("mcf/d") of conventional natural gas (97% crude oil), a decrease of 18% on a per basic share basis over the prior year comparative period;
- Recognized a net income of \$19.3 million (\$0.14 per share basic) compared to a net loss of \$3.8 million (\$0.03 per share basic) in the previous quarter ended March 31, 2020 and net income of \$101.5 million (\$0.69 basic per share) in the comparative quarter of 2019;
- Generated an operating netback of \$9.95 per barrel of oil equivalent ("boe") and funds flow provided by operations ("FFO") netback of \$9.96 per boe from an average Brent price of \$33.39 per barrel ("bbl");
- FFO of \$38.8 million (\$0.28 (or CAD \$0.39)<sup>(1)</sup> per share basic) as compared to \$151.0 million (\$1.03 (or CAD \$1.38)<sup>(1)</sup> per share basic) for the prior year comparative period. Q2 FFO was positively impacted due to a deferred tax recovery, a realized foreign exchange gain and an inventory reduction;
- Capital expenditures were \$5.3 million in the period;
- Utilized free funds flow of \$33.5 million to purchase 1,075,000 of the Company's common shares for a total cost of \$12.6 million (average price of CAD\$15.30/share) pursuant to the Company's normal course issuer bid program;
- Working capital was \$339.3 million (CAD \$3.33 per share basic)<sup>(2)</sup> at June 30, 2020 compared to \$330.4 million at March 31, 2020 and \$240.1 million at June 30, 2019. The Company has an undrawn syndicated bank credit facility of \$200.0 million; and
- No wells were drilled in Colombia compared to 11 gross (7.10 net) wells in the comparative period of 2019 in response to the significant decline in realized oil prices and the ongoing uncertainty in market conditions resulting from the COVID-19 pandemic.

(1) Using USD-CAD Bank of Canada 2020 Q2 average rate of 1.3853 and 2019 Q2 average rate of 1.3377.

(2) Using USD-CAD Bank of Canada June 30, 2020 rate of 1.3628 and outstanding shares as at June 30, 2020.

	Three Months Ended			Six months ended
	June 30, 2020	2019	March 31, 2020	June 30, 2020
<b>Operational</b>				
<b>Average daily production</b>				
Oil & Gas (boe/d) <sup>(1)</sup>	<b>40,858</b>	52,252	54,295	<b>47,573</b>
<b>Average daily sales of produced oil &amp; natural gas</b>				
Oil (bbl/d)	<b>41,583</b>	51,075	50,589	<b>46,086</b>
Gas (Mcf/d)	<b>7,164</b>	5,376	7,548	<b>7,338</b>
Oil & Gas (boe/d)	<b>42,777</b>	51,971	51,847	<b>47,309</b>
Oil inventory - end of period (bbls)	<b>75,732</b>	116,592	250,405	<b>75,732</b>
<b>Operating netback (\$/boe)<sup>(2)</sup></b>				
Reference price - Brent (\$/bbl)	<b>33.39</b>	68.52	51.05	<b>42.29</b>
Oil & natural gas revenue (excluding hedging)	<b>19.25</b>	59.92	38.47	<b>29.75</b>
Royalties	<b>(1.99)</b>	(7.97)	(4.71)	<b>(3.48)</b>
Net revenue	<b>17.26</b>	51.95	33.76	<b>26.27</b>
Production expense	<b>(4.98)</b>	(5.51)	(5.31)	<b>(5.16)</b>
Transportation expense	<b>(2.33)</b>	(5.19)	(4.04)	<b>(3.27)</b>
Operating netback (\$/boe) <sup>(2)</sup>	<b>9.95</b>	41.25	24.41	<b>17.84</b>
<b>Funds flow provided by operations (\$/boe)<sup>(2)</sup></b>	<b>9.96</b>	31.92	20.63	<b>15.80</b>
<b>Financial (USD\$000s except per share amounts)</b>				
<b>Oil and natural gas revenue</b>	<b>80,407</b>	301,750	193,618	<b>274,025</b>
<b>Net income (loss)</b>	<b>19,290</b>	101,505	(3,779)	<b>15,511</b>
Per share - basic	<b>0.14</b>	0.69	(0.03)	<b>0.11</b>
<b>Funds flow provided by operations<sup>(2)</sup></b>	<b>38,777</b>	150,973	97,313	<b>136,090</b>
Per share - basic	<b>0.28</b>	1.03	0.69	<b>0.97</b>
<b>Capital expenditures</b>	<b>5,310</b>	48,742	71,266	<b>76,576</b>
<b>Free funds flow<sup>(2)</sup></b>	<b>33,467</b>	102,231	26,047	<b>59,514</b>
<b>Total assets</b>	<b>1,533,377</b>	1,574,528	1,610,341	<b>1,533,377</b>
<b>Working capital surplus</b>	<b>339,310</b>	240,087	330,356	<b>339,310</b>
<b>Bank debt<sup>(3)</sup></b>	<b>—</b>	—	—	<b>—</b>
<b>Cash</b>	<b>334,389</b>	318,139	397,424	<b>334,389</b>
<b>Outstanding shares (end of period) (000s)</b>				
Basic	<b>139,011</b>	145,534	139,801	<b>139,011</b>
Weighted average basic	<b>139,556</b>	147,016	141,805	<b>140,681</b>
Diluted <sup>(4)</sup>	<b>143,125</b>	151,433	144,211	<b>143,125</b>

(1) Refer to the Company's Q2 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 June 30, 2020.

(4) Diluted shares as stated include the effects of common shares and in-the-money stock options outstanding at the period-end. The June 30, 2020 closing stock price was Cdn\$16.36 per share.

## **Credit Facility Renewed at \$200 mm**

The Company's bank syndicated credit facility has been renewed at \$200 million, of which Parex is undrawn. Including the Company's working capital surplus of \$339 million, Parex has available liquidity exceeding \$500 million and expects to generate free funds flow over and above planned capital expenditures in 2020.

## **2020 Corporate Outlook**

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.

As set in the June 24, 2020 press release, Parex plans to increase production from current levels and re-start capital expenditure programs due to the greater visibility to stronger netbacks. However, the Company's H2 2020 work program is dependent on ensuring the health and safety of staff and the communities where Parex operates.

For the remainder of 2020, Parex' outlook is:

### ***Production***

- Q3 2020 average approximately 42,000-44,000 boe/d;
- Q4 2020 range of 44,000-48,000 boe/d, contingent on safely resuming development drilling programs and community access

### ***Capital Expenditures***

- Total second half 2020 capital expenditures are estimated at approximately \$65-70 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.

## **Operational Update**

Considering the COVID-19 pandemic, Parex will continue to assess and monitor its ability to safely operate a capital expenditure program. The Company is preparing to conduct a diverse capital expenditure program in H2 2020 with key activities being:

- LLA-34 and Cabrestero: Completions and work-overs (4-6 wells) plus development drilling (4-6 wells)
- Capachos: Andina field flowline construction completion
- Aguas Blancas: Completion of 2 drilled exploration wells
- La Belleza (VIM-1 Block): Advance initial works for 2021 drilling
- Boranda: 1 appraisal well
- Fortuna: Drill exploration well

## **Share Buy-Back**

To date, the Company has repurchased for cancellation 5,650,000 common shares, under the normal course issuer bid that commenced on December 23, 2019, at an average cost of CAD\$17.85 per share. As of July 31, 2020, Parex has 138,466,772 basic shares outstanding.

## **Q2 2020 Results Conference Call & Audio Webcast**

Parex will host a conference call to discuss the Second Quarter financial and operating results on Thursday, August 6, 2020 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): 1-866-696-5910

International dial-in number [Click to access the dial-in number of your location](#)

Passcode 8822777 #

Webcast <https://edge.media-server.com/mmc/p/rf6oojzh>

**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 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 (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 netback, 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, 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 FFO 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; expectation that Parex' will generate free funds flow above planned capital expenditures in 2020; Parex' Q3 2020 and Q4 2020 estimated average production; estimated H2 2020 capital expenditures; the expected key activities in Parex' H2 2020 capital expenditure 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; 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 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; 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.