

## Parex Announces 2022 Budget Guidance and Provides Update to its Return of Capital Strategy

### Calgary, Canada

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT), is a company headquartered in Calgary, Alberta that focuses on sustainable, conventional oil and gas production. **All amounts herein are in United States Dollars ("USD") unless otherwise stated.**

Parex is pleased to announce its 2022 budget guidance and provide an update to its framework for returning capital to shareholders. Imad Mohsen, President and CEO of Parex commented: "One of the elements that attracted me most to join Parex in early 2021 was the depth and quality of the Company's development, appraisal, and exploration portfolio in Colombia. We are excited to move forward with a plan that materially expands the boundaries of our current development properties while also unlocking substantial new opportunities within our production portfolio. Underpinning the plans is a portfolio with substantial exploitation potential that we believe can be unlocked using techniques which are unfamiliar in Colombia but long proven elsewhere. The returns of the organic 2022 development program are very compelling at \$70/bbl Brent oil prices. Combined with our industry-leading balance sheet, our upgraded development program further strengthens Parex' ability to generate sustainable long-term growth in free funds flow<sup>(1)</sup> and return meaningful capital to shareholders. I am very proud of our team and confident in our ability to execute and deliver significant value for our shareholders".

### 2022 Corporate Guidance

As per the Company's normal annual disclosure practices, provided below is Parex' corporate guidance for:

	2021 Estimate	2022 Guidance
Brent crude average price (\$/bbl)	\$72	\$70
Production (average for period) (boe/d)	46,500-47,500	52,000-54,000
Total capital expenditures (\$ millions)	\$270-\$290	\$400-\$450
Funds flow provided by operations ("FFO") <sup>(1)(2)</sup> (\$ millions)	\$575-\$595	\$600-\$650

(1) See "Non-GAAP Terms"

(2) 2022 guidance assumes Brent/Vasconia crude differential of \$4.00/bbl.

### 2022 Capital Expenditure Program: Building Long-term Sustainability

Parex has one of the deepest, most diversified, development and exploration portfolios in Colombia, and is excited to pursue additional organic opportunities in 2022 to maximize the return profile of our asset base and continue to build a sustainable business for the future.

In 2022, the Company will pursue a balanced approach to capital allocation. The planned 2022 capital expenditures are split between development, appraisal and exploration/new growth programs, and are expected to provide year-over-year annualized production growth of approximately 13% (at the mid-point of guidance). We believe this growth will be primarily driven by Capachos, Cabretero, VIM-1, Arauca and Fortuna, and does not include any potential additional volumes from the estimated 15-18 gross wells in our appraisal and exploration program.

Category	Mid-point Capital (\$ Millions)
Development Activity	\$180
Development Facilities	\$90
Appraisal & Exploration	\$130
Seismic Activity	\$25
<b>Total</b>	<b>\$425</b>

- **Continuing to lengthen the runway for sustainable long-term growth and shareholder returns.** Our current appraisal and exploration program includes an estimated 15-18 gross wells, 13-14 operated, and 2-4 partner operated. These projects are expected to expand the boundaries of our current base/development properties, and grow associated reserves, while also targeting new unbooked areas. The 2022 appraisal and exploration program will focus on a diverse set of blocks, including: Boranda, Capachos, LLA-38 (Califa), CPO-11, Fortuna, LLA-134, VIM-1, VIM-43 and LLA-94.
- **Diversified and balanced development program.** A key focus for capital investment in 2022 is on development. There are currently 35-45 gross wells planned, 15-20 operated and 20-25 partner operated. The areas with development opportunities are LLA-34, Cabretero, Capachos, Arauca, VIM-1 and Boranda.
- **Advancing exploration prospects.** Our 3D seismic program, in VIM-43, VMM-46 and VSM-36, covers a total area greater than 800 square kilometers.

**The Company's 2022 priority is continuing to build long-term sustainability.** Parex will be responsive to changes in commodity prices by managing its production volumes and capital budget to maximize shareholder value. However, the Company expects minimal changes to production and capital expenditures in an above \$60/bbl Brent oil pricing scenario.

### **2022 Netback Sensitivity Estimates**

Brent crude price (\$/bbl)	\$60	\$70	\$80	\$90
Operating Netback (\$/boe) <sup>(1)</sup>	\$34	\$41	\$48	\$54
Effective tax rate (%) <sup>(2)</sup>	16%	19%	21%	22%
FFO Netback (\$/boe) <sup>(1)(3)</sup>	\$27	\$32	\$37	\$41

(1) See "Non-GAAP terms"

(2) Effective tax rate is the expected current tax effective rate on FFO.

(3) Assumes Brent/Vasconia crude differential of \$4.00/bbl.

### **Free Funds Flow Allocation Strategy<sup>(1)</sup>**

Parex is pleased to provide an update to its free funds flow allocation strategy and framework for returning capital to shareholders. In its press release dated July 7, 2021, the Company announced the implementation of a quarterly dividend with respect to its common shares. The Company remains committed to its goal of returning significant capital to shareholders through share buybacks, its quarterly dividend and special dividends, with the declaration and amount of any dividend being at the discretion of the Board of Directors ("Board")<sup>(2)</sup>.

- **November 2021 Special Cash Dividend.** The increase in commodity prices over the past year has provided Parex with higher-than-expected free funds flow, some of which will be returned to shareholders in the form of a special cash dividend approved by the Board in the amount of CAD\$0.25 per common share. This special cash dividend will be payable on November 22, 2021 to shareholders of record as of November 16, 2021 and is designated as an “eligible dividend” for the purposes of the Income Tax Act (Canada). See Parex' press release respecting its third quarter 2021 results dated November 3, 2021 for more information on this special dividend.
- **Sustainable Enhanced Shareholder Return Options.** Under our 2022 budget guidance scenario, at forecast Brent pricing levels of \$70/bbl, Parex anticipates total capital expenditures to be approximately 68% of funds flow provided by operations<sup>(1)</sup> (at the mid-point of guidance), leaving material free funds flow for enhanced shareholder return options such as share buy-backs and, as declared by the Board at their discretion, the payment of dividends<sup>(2)</sup>. Further, the Company has significant opportunities to invest in additional Colombian oil and gas growth if considered appropriate.

(1) See "Non-GAAP terms"

(2) See Dividend Advisory

### **Q3 2021 Results Conference Call & Audio Webcast**

Parex will host a conference call and webcast to discuss the Third Quarter financial and operating results on Thursday, November 4, 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:	<a href="https://www.confsoptions.ca/ILT?oss=7P1R8008983989">https://www.confsoptions.ca/ILT?oss=7P1R8008983989</a>
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 netback per boe 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 per boe 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.

Free funds flow is determined by FFO mid-point 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 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.

### **Dividend Advisory**

Future dividend payments, if any, and the level thereof is uncertain. The Company's dividend policy and any decision to pay further dividends on the common shares, including any special dividends, will be subject to the discretion of the Board and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Company under applicable corporate law. The actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

### **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, including the Company's ability to deliver value for shareholders; 2021 estimated and 2022 guidance for Brent crude average price, average production, total capital expenditures, and funds provided by operations and assumptions underlying such estimates and guidance; ability to pursue additional organic opportunities in 2022 and the benefits to be derived therefrom; allocation of 2022 planned capital expenditures; year-over-year anticipated production growth and the primary drivers of such growth; the expected key activities in Parex' capital expenditure program, including areas with development opportunities, the Company's focus on certain blocks in Colombia, and the planned number of wells to be drilled; expectation that there will be minimal changes required to production and capital expenditures under the disclosed Brent oil pricing

scenario; 2022 netback sensitivity estimates; anticipated capital expenditures as a percentage of funds flow provided by operations and effect on free cash flow; anticipated uses of free cash flow; the Company's focus on and evaluation of M&A opportunities; terms of the dividends payable on November 22, 2021 ; Parex' dividend; 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](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; 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 a financial outlook about the Corporation's prospective capital expenditures and funds flow provided by operations. Such financial information 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. This information 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 financial outlook has been prepared on a reasonable basis, reflecting management's best estimates and judgments. The financial outlook 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.