

Parex Q3 2020 Results: Increased Working Capital to US\$371 mm, Debt Free and Repurchased 2.3 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 September 30, 2020 ("Third Quarter" or "Q3"). **All amounts herein are in United States Dollars ("USD") unless otherwise stated.**

Please note Parex will hold a conference call on Thursday, November 5, 2020 beginning at 9:30 am Mountain Time to discuss the Third Quarter results.

2020 Third Quarter Highlights: Best-in-Class Balance Sheet

- Quarterly average production was 44,305 barrels of oil equivalent per day ("boe/d") (consisting of 4,626 barrels per day ("bbls/d") of light crude oil and medium crude oil, 38,309 bbls/d of heavy crude oil and 8,220 thousand cubic feet per day ("mcf/d") of conventional natural gas (97% crude oil)), an increase of approximately 11% on a per basic share basis over the previous quarter ended June 30, 2020. Production decreased 13% on a per basic share basis over the prior year comparative period as a result of the Company reducing production volumes in the low oil price environment;
- Recognized net income of \$27.6 million (\$0.20 (or CAD \$0.27)⁽¹⁾ per share basic) compared to net income of \$19.3 million (\$0.14 (or CAD \$0.19)⁽¹⁾ per share basic) in the previous quarter ended June 30, 2020 and net income of \$57.3 million (\$0.40 (or CAD \$0.53)⁽¹⁾ per share basic) in the comparative quarter of 2019;
- Generated an operating netback⁽⁴⁾ of \$23.10 per barrel of oil equivalent ("boe") and funds flow provided by operations ("FFO")⁽⁴⁾ of \$19.53 per boe from an average Brent price of \$43.34 per barrel ("bbl");
- FFO of \$79.4 million (\$0.57 (or CAD \$0.76)⁽¹⁾ per share basic) as compared to \$142.7 million (\$0.99 (or CAD \$1.31)⁽¹⁾ per share basic) for the prior year comparative period. FFO was reduced in the current quarter due to lower sales volumes and lower Brent prices;
- Capital expenditures were \$17.8 million in the period;
- Utilized a portion of free funds flow⁽⁴⁾ of \$61.6 million to purchase 2,305,000 of the Company's common shares for a total cost of \$30.8 million (average price of CAD\$16.45/share) pursuant to the Company's normal course issuer bid program;
- Working capital was \$370.7 million (CAD \$3.61 per share basic)⁽²⁾ at September 30, 2020 compared to \$339.3 million at June 30, 2020 and \$279.9 million at September 30, 2019. The Company has an undrawn syndicated bank credit facility of \$200.0 million; and
- Participated in drilling 2 gross (1.55 net) wells⁽³⁾ in Colombia resulting in 2 oil wells, for a success rate of 100% compared to drilling 9 gross (5.30 net) wells in the comparative period of 2019.

(1) Using USD-CAD Bank of Canada 2020 Q3 average rate of 1.3321, 2020 Q2 average rate of 1.3853 and 2019 Q3 average rate of 1.3204.

(2) Using USD-CAD Bank of Canada September 30, 2020 rate of 1.3339 and outstanding shares as at September 30, 2020.

(3) Oil wells: Block LLA-34: Tigui-23; Block Cabrestero: Bacano Oeste-4.
(4) See "Non-GAAP Terms" for further discussion.

	Three Months Ended			Nine months ended Sept 30, 2020
	Sept 30, 2020	2019	June 30, 2020	
Operational				
Average daily production				
Light Crude and Medium Crude Oil (bbl/d)	4,626	8,135	4,186	5,814
Heavy Crude Oil (bbl/d)	38,309	43,862	35,478	39,488
Crude oil (bbl/d)	42,935	51,997	39,664	45,302
Conventional Natural Gas (mcf/d)	8,220	6,288	7,164	7,050
Oil & Gas (boe/d) ⁽¹⁾	44,305	53,045	40,858	46,477
Average daily sales of produced oil & natural gas				
Oil (bbl/d)	42,802	51,353	41,583	45,082
Gas (Mcf/d)	8,220	6,288	7,164	7,050
Oil & Gas (boe/d)	44,172	52,401	42,777	46,257
Oil inventory - end of period (bbls)	88,000	175,813	75,732	88,000
Operating netback (\$/boe)⁽²⁾				
Reference price - Brent (\$/bbl)	43.34	62.03	33.39	42.65
Oil & natural gas revenue (excluding hedging)	33.88	53.59	19.25	31.07
Royalties	(2.97)	(6.72)	(1.99)	(3.31)
Net revenue	30.91	46.87	17.26	27.76
Production expense	(5.00)	(6.15)	(4.98)	(5.11)
Transportation expense	(2.81)	(4.51)	(2.33)	(3.12)
Operating netback (\$/boe) ⁽²⁾	23.10	36.21	9.95	19.53
Funds flow provided by operations (\$/boe)⁽²⁾	19.53	29.61	9.96	17.00
Financial (USD\$000s except per share amounts)				
Oil and natural gas revenue	146,231	275,693	80,407	420,256
Net income (loss)	27,619	57,257	19,290	43,130
Per share - basic	0.20	0.40	0.14	0.31
Funds flow provided by operations⁽²⁾	79,384	142,733	38,777	215,474
Per share - basic	0.57	0.99	0.28	1.54
Capital expenditures	17,756	48,600	5,310	94,332
Free funds flow⁽²⁾	61,628	94,133	33,467	121,142
Total assets	1,548,484	1,593,802	1,533,377	1,548,484
Working capital surplus	370,722	279,949	339,310	370,722
Bank debt⁽³⁾	—	—	—	—
Cash	353,257	350,210	334,389	353,257
Outstanding shares (end of period) (000s)				
Basic	137,037	143,304	139,011	137,037
Weighted average basic	138,303	144,081	139,556	139,882
Diluted ⁽⁴⁾	140,820	148,453	143,125	140,820

(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 September 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 September 30, 2020 closing stock price was Cdn\$14.03 per share.

Q4 2020 Corporate Outlook

Production

- Q4 2020 range of 45,500-47,500 boe/d, contingent on safely resuming development drilling programs and community access.

Capital Expenditures

- Q4 2020 capital expenditures are estimated at approximately \$35-45 million.

Operational Update

- **Fortuna:** (WI Parex 100%) Currently drilling the horizontal exploration well Cayena-1. Parex has drilled a pilot well to 8,560 feet in order to log multiple formations and is currently drilling horizontally in the shallower Galemba Formation.
- **Aguas Blancas:** (WI Parex 50%) Completed previously drilled exploration wells AB-11 and AB-24. The test rates of the exploration wells did not meet minimum thresholds to warrant development of the Southern Aguas Blancas area at current oil pricing. Wells are temporarily suspended and under evaluation.

Share Buy-Back

To date, the Company has repurchased for cancellation 9,991,500 common shares, under the normal course issuer bid that commenced on December 23, 2019, at an average cost of CAD\$16.60 per share. As of October 31, 2020, Parex has 134,893,509 basic shares outstanding. Parex expects to purchase the maximum allowable 13,986,994 shares under the NCIB, prior to its expiry in late December 2020.

2021 Corporate Guidance

As per the Company's normal annual disclosure practices, provided below is Parex' corporate guidance for 2021:

	2020 Estimate	2021 Guidance
Brent crude average price	\$42/bbl	\$45/bbl
Production (average for period)	46,000-46,500 boe/d	47,000-49,000 boe/d
Total capital expenditures ⁽¹⁾	\$130-\$140 million	\$165-\$185 million
Funds flow provided by Operations (FFO)	\$275-\$285 million	\$320-\$340 million
Free funds flow (FFO mid-point less Total Capital Expenditures mid-point)	\$145 million	\$155 million
Share buy-back program ⁽²⁾	\$165 million	\$150 million
Outstanding shares (end of period) ⁽²⁾	131 million	118-120 million
Production per share growth	-7 %	14 %
Estimated working capital (end of period)	\$330 million	\$335 million
Bank debt outstanding (end of period)	nil	nil

(1) Q4 2020 and 2021 work program is dependent on ensuring the health and safety of staff and the communities where the Company operates, therefore, planned capital expenditures may only be partially completed.

(2) It is expected that Parex will purchase the maximum allowable 13,986,994 shares under its normal course issuer bid in 2020. Budgeted free funds flow will be used to fund a 2021 normal course issuer bid under which Parex would expect to purchase the maximum allowable number of shares

(~10% of public float outstanding), subject to the approval by the TSX of a 2021 normal course issuer bid. Cost of the 2021 share buy-back program assumes an average share price of \$15/share CAD.

The planned 2021 capital expenditures are split between maintenance, development/appraisal and exploration/new growth programs. The mid-point of the 2021 production guidance reflects year-over-year production growth of approximately 4% as compared to 2020 and does not include potential additional production volumes resulting from the 7-9 wells included in the exploration program.

Under this guidance scenario, at forecast Brent pricing levels of \$45/bbl, the Company expects to generate a significant amount of free funds flow. With forecast working capital to be approximately \$330 million at December 31, 2020 and forecasted significant free funds flow in 2021, the Company expects to return capital to shareholders by buying back another 10% of its outstanding public float in 2021 (subject to TSX approval of a 2021 normal course issuer bid for the Company). Further, the Company will have significant optionality to invest in conventional oil and gas growth opportunities if considered appropriate.

The Company's 2021 priority remains the health and safety of its employees, partners and the communities where we operate. 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. However, the Company expects minimal changes to production, capital expenditures and total share re-purchases under the current Brent oil pricing scenario.

2021 Netback Sensitivity Estimates

Brent crude price (\$/bbl)	\$40	\$45	\$50
Operating Netback (\$/boe)	\$19	\$23	\$27
Effective tax rate (%) ⁽¹⁾	5 %	8 %	12 %
FFO Netback (\$/boe) ⁽²⁾	\$16	\$19	\$22

(1) Effective tax rate is the expected current tax effective rate on funds flow from operations.

(2) Assumes Brent/Vasconia crude differential less than \$3.75/bbl.

President Parex Colombia - Senior Leadership Update

After more than 40 years in the energy industry, including nearly 10 years with Parex, Lee DiStefano is retiring as President Parex Colombia and Country Manager. Mr. DiStefano will remain in his current position until he formally retires in December 2020. In conjunction with Mr. DiStefano's retirement, the Company has also announced the promotion of Daniel Ferreiro to President Parex Colombia and Country Manager, effective December 1, 2020.

Mr. Ferreiro has spent 23 years in the upstream oil and gas business in various technical and leadership positions, most recently as Senior Vice President, Colombia Operations. Mr. Ferreiro has been a key leader in Parex Colombia since its inception in 2009, and prior in Petro-Andina Argentina.

Q3 2020 Results Conference Call & Audio Webcast

Parex will host a conference call to discuss the Third Quarter financial and operating results on Thursday, November 5, 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:	4004257#
Webcast:	https://bell.media-server.com/mmc/p/epgmyns9

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 mid-point less capital expenditures mid-point.

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 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; 2020 estimated and 2021 guidance for Brent crude average price, average production, total capital expenditures, FFO, free funds flow, amount spent on the Company's share buy-back program, outstanding shares at end of the applicable period, production per share growth, estimated working capital at end of applicable period, debt outstanding at end of the applicable period and assumptions underlying such estimates and guidance; allocation of 2021 planned capital expenditures; year-over-year growth of approximately 4% in 2021; expectation that Parex' will generate free funds flow above planned capital expenditures in 2021; expectation that Parex will purchase the maximum allowable under its normal course issuer bid; Parex' 2021 share buy-back program in 2021 and the sources of funding; Parex' optionality to invest in conventional oil and gas growth opportunities; expectation that there will be minimal changes required to 2021 production, capital expenditures and total share re-purchases under the current Brent oil pricing scenario; 2021 netback sensitivity estimates; Parex' Q4 2020 estimated average production range; estimated Q4 2020 capital expenditures; the expected key activities in Parex' Q4 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).

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 and working capital. 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.