



News Release

June 24, 2020

## Parex Plans to Increase Production and Re-start Capex Programs

### Calgary, Canada

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT), a company headquartered in Calgary, Alberta and focused on Colombian oil exploration and production, provides an operational update. **All currency amounts are in United States dollars, unless otherwise stated.**

### Business Update: Strong Realized Pricing Drives Increased Activity

*With greater visibility to stabilizing netbacks and community safety, Parex is developing action plans to return shut-in production, resume capital activity and generate free cash flow. However, the Company's priority remains the health and safety of its employees, partners and the communities where we operate.*

**Production:** As part of its response to the COVID-19 pandemic and in order to minimize the social interactions in its operating communities and maximize shareholder value during periods of low oil pricing, Parex voluntarily curtailed Q2 production volumes. The Company's Q2 2020 average sales volumes are estimated at 42,700 barrels of oil equivalent per day ("boe/d"). The following table sets forth Q2 2020 operational estimates:

Q2 2020 Estimates	
Production (average)	41,200 boe/d
Sales (average)	42,700 boe/d
Brent Oil (average posted price)	\$33/bbl
Parex price differential and transportation expense	\$17.25-\$17.50/boe
Capital Expenditures	\$10-\$12 million

We expect to gradually increase production into Q4 2020 with a targeted range of 44,000-48,000 boe/d. Production is currently above 40,000 boe/d and Parex estimates Q3 2020 production to average 42,000-44,000 boe/d. To date the June 2020 Vasconia differential to Brent oil price has averaged approximately \$3.50/bbl.

**2020 Capital Expenditures:** The Company is preparing to re-activate its development and exploration program. We estimated H1 2020 invested capital to be \$80-\$85 million and a potential H2 2020 capital program of \$65-\$70 million for a total full-year 2020 capital of \$145-\$155 million.

Depending on market conditions and community safety, over the next quarter Parex is preparing to approve investment in the following development projects:

- LLA-34 and Cabretero: Completions and work-overs (4-6 wells) plus development drilling (4-6 wells)

- Capachos: Andina field flowline completion
- Aguas Blancas: Completion of 2 drilled exploration wells

The Company will be building contingent plans to add a diverse exploration program for Q4 2020. A further capital update will be provided as part of the Q2 2020 financial results for the following projects:

- La Belleza (VIM-1 Block): Advance initial works for 2021 drilling
- Boranda: 1 appraisal well
- Fortuna: Drill exploration well

Parex' proposed capital program to increase near-term production and evaluate exploration prospects for long-term sustainability.

**Share Buy-Back:** To date, the Company has repurchased for cancellation 4.7 million common shares under the normal course issuer bid that commenced on December 23, 2019. As of June 19, 2020, Parex has 138.9 million basic shares outstanding compared to 149.4 million basic shares outstanding as at March 31, 2019.

**Financial Strength:** Parex is well-positioned for the challenges of the current business environment. The Company is debt-free, has an approximate June 1, 2020 cash position of \$360 million and an undrawn credit facility of \$200 million. As at March 31, 2020, the Company's working capital was \$330 million.

## **Q2 Results and Conference Call**

We anticipate releasing our Second Quarter 2020 unaudited financial results on Wednesday, August 5, 2020 after the close of markets. We will hold the quarterly conference call and webcast for investors, analysts and other interested parties on Thursday, August 6, 2020 at 9:30 am MT (11:30 am ET), conditional on the Q2 results being released the previous day. To participate in the conference call or webcast, see access information below

Toll-free dial number (Canada/US)	1-866-696-5910
International dial-in number	<a href="#">Click to access the dial-in number of your location</a>
Passcode	8822777#
Webcast	<a href="https://edge.media-server.com/mmc/p/rf6oojzh">https://edge.media-server.com/mmc/p/rf6oojzh</a>

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## Advisory on Forward Looking Statements

Certain information regarding Parex set forth in this press release 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", "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, 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; Parex' position in the business environment; benefits to be derived from Parex' action plan; Parex' Q2 2020 estimated average sales, production, Brent oil price, Parex price differential and transportation expense and capital expenditures' expectation that Q4 2020 production will increase and estimated exit production range; estimated full-year 2020 capital expenditures and its expected allocation in H1 2020 and H2 2020; expected purposes of Parex' capital program; investment opportunities and the anticipated timing thereof; and anticipated timing for releasing Parex' Second Quarter unaudited financial results and 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 Company'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.

### **Oil & Gas Matters Advisory**

The term "Boe" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil ("bbl"). Boe's 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 6:1, utilizing a conversion ratio at 6:1 may be misleading as an indication of value.