Parex Q3 2018 Results: 25th Consecutive Quarter of Growth

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 and nine months ended September 30, 2018 ("Third Quarter" or "Q3"). **All amounts herein are in United States dollars ("USD") unless otherwise stated**.

A conference call to discuss the Third Quarter results will be held on Wednesday November 7, 2018 beginning at 9:30 am Mountain Time.

2018 Third Quarter Highlights: Brent Pricing Exposure Drives Record FFO

- Quarterly production was 45,020 barrels of oil equivalent per day ("boe/d")(99% crude oil), representing an increase of 6 percent over the previous quarter ended June 30, 2018 and an increase of 24 percent over the prior year comparative period;
- Funds flow provided by operations was $147.1 million ($0.95 (or CAD $1.24)[(1)] per share basic) as compared to $66.0 million ($0.43 per share basic) for the prior year comparative period;
- For the three months ended September 30, 2018 the Company recognized free funds flow of $80.3 million;
- Earned net income of $88.7 million ($0.57 per share basic) compared to net income of $55.5 million ($0.36 per share basic) in the comparative quarter of 2017. For the first nine months of 2018, Parex earned $348.8 million of net income;
- Realized a sales price of $61.69/boe during the period at a $14.15/bbl discount to the average Brent price, an operating netback of $44.41/boe and a funds flow provided by operations netback of $36.68/boe (or CAD $47.94)[(1)];
- Capital expenditures were $66.8 million in the period compared to $51.4 million in the comparative period of 2017. 2018 year to date capital expenditures were $225.6 million. Parex expects to invest approximately $325 million in capital projects in 2018;
- Working capital was $143.2 million at September 30, 2018 compared to $66.1 million at June 30, 2018 and $140.3 million at September 30, 2017. The Company has an undrawn syndicated bank credit facility of $100.0 million; and
- Participated in drilling 16 wells[(2)] in Colombia resulting in 8 oil wells, 4 abandoned wells and 4 under test, for a success rate of 67 percent.

(1) Using USD-CAD Bank of Canada 2018 Q3 average rate of 1.3070
(2) Oil wells: Andina-1, Bacano-8, Chiricoca-2, Jacana-24, Jacana-25, Tigana-5, Tigana Norte-10, & Totoro-5 ; abandoned: Apure-3, Herradura-1, Herradura-2 & Buco-1 and under test: AB-BB, AB-31, AB-33 & AB-36.

	Three Months Ended			Nine months ended
	Sept 30,		June 30	Sept 30,
	2018	2017	2018	2018
Operational				
Average daily production				
Oil & Gas (boe/d)(1)	**45,020**	36,195	42,625	**42,761**
Average daily sales of produced oil & natural gas				
Oil (bbl/d)	**42,961**	35,596	41,734	**41,372**
Gas (Mcf/d)	**3,834**	1,854	3,438	**3,474**
Oil & Gas (boe/d)	**43,600**	35,905	42,307	**41,951**
Oil inventory - end of period (bbls)	**324,197**	70,834	193,700	**324,197**
Operating netback ($/boe)(1)				
Reference price - Brent ($/bbl)	**75.84**	52.17	74.97	**72.69**
Oil & natural gas revenue (excluding hedging)	**61.69**	48.07	61.96	**59.99**
Royalties	**(9.30)**	(3.94)	(8.10)	**(8.27)**
Net revenue	**52.39**	44.13	53.86	**51.72**
Production expense	**(5.40)**	(5.51)	(5.76)	**(5.51)**
Transportation expense	**(2.58)**	(10.72)	(3.13)	**(3.28)**
Operating netback ($/boe)(1)	**44.41**	27.90	44.97	**42.93**
Funds flow provided by operations ($/boe)(1)	**36.68**	19.98	(4.09)	**20.28**
Adjusted funds flow provided by operations ($/boe)(1)(4)	**36.68**	19.98	31.62	**32.29**
Financial (USD$000s except per share amounts)				
Oil and natural gas revenue	**250,909**	136,956	241,765	**695,124**
Net income	**88,731**	55,527	188,601	**348,844**
Per share - basic	**0.57**	0.36	1.21	**2.24**
Funds flow provided by operations	**147,147**	65,998	(15,765)	**232,283**
Per share - basic	**0.95**	0.43	(0.10)	**1.49**
Adjusted funds flow provided by operations(1)(4)	**147,147**	65,998	121,735	**369,783**
Per share - adjusted(1)(4)	**0.95**	0.43	0.78	**2.38**
Capital expenditure	**66,808**	51,434	100,567	**225,585**
Total assets	**1,681,115**	1,057,859	1,586,249	**1,681,115**
Working capital surplus	**143,243**	140,292	66,050	**143,243**
Bank debt(2)	—	—	—	—
Outstanding shares (end of period) (000s)				
Basic	**155,435**	154,556	155,579	**155,435**
Weighted average basic	**155,424**	154,472	155,771	**155,422**
Diluted(3)	**162,740**	162,706	162,936	**162,740**

(1) The table above contains Non-GAAP measures. See "Non-GAAP Terms" for further discussion.
(2) Borrowing limit of $100.0 million as of September 30, 2018.
(3) Diluted shares as stated include the effects of common shares and in-the-money stock options outstanding at the period-end. The September 30, 2018 closing stock price was Cdn$21.95 per share.
(4) Adjusted to exclude a $137.5 million cost of the voluntary tax restructuring during the three months ended June 30, 2018 and the nine months ended September 30, 2018.

Potential Strategic Repositioning Update

On July 17, 2018 the Company initiated a formal process to explore, review and evaluate strategic repositioning alternatives focused on the potential sale of the Company's Southern Casanare ("SoCa") assets (LLA-32, LLA-34 and Cabrestero), the retention of its remaining production, development and exploration assets, working capital and the return of the net sale proceeds to shareholders. The strategic repositioning review process is ongoing. Given the nature of the process and the need for confidentiality during this process, the Company does not intend to provide updates until such time as the Board approves a definitive transaction or strategic repositioning alternative, or otherwise determines that further disclosure is necessary or appropriate. The Company cautions that there are no guarantees that the review of strategic repositioning alternatives will result in a transaction, or, if a transaction is undertaken, as to its terms, conditions or approvals required to implement such transaction.

2019 Preliminary Corporate Guidance

As per the Company's normal annual disclosures practices, provided below is the preliminary 2019 corporate guidance, including SoCa assets (LLA-32, LLA-34 and Cabrestero) and remaining Parex' blocks:

	2018 Estimate	2019 Guidance
Production (average for period)	44,050 boe/d	51,000-53,000 boe/d
Capital Expenditures	\$320-\$330 million	\$250-\$300 million
Funds Flow provided by Operations	At Q4'18 \$75/bbl Brent: \$390-\$410 million	At \$75/bbl Brent: \$580-\$640 million

The planned capital expenditures are approximately evenly split between development, appraisal and exploration/new growth programs. The midpoint of the 2019 production guidance reflects year-over-year growth of approximately 18% as compared to 2018 and does not include potential production volumes resulting from the exploration program. Under this guidance scenario, at current Brent pricing levels of \$75/bbl, the Company expects to generate a significant amount of free cash flow. The Company plans to update the 2019 guidance following the conclusion of the strategic repositioning evaluation process.

Operational Update

Q4 2018 Production: The Company expects Q4 2018 production to average above 48,000 boe/d. Q4 2017 production averaged 39,007 boe/d. Production growth is driven primarily by LLA-34, Cabrestero and Capachos results.

Aguas Blancas (WI 50%): Parex continues to advance this light oil development. The 2018 drilling program, consisting of 8 wells with 5 development wells, 2 pressure maintenance wells and 1 exploration well in a down-dip previously unexplored compartment, has been concluded.

Completion operations commenced in September 2018 and to date 3 wells have been completed and put on production and 2 wells are under-going selective testing with new oil based completions techniques that have provided encouraging initial test results.

During October 2018, the average production rates at the Aguas Blancas field were 1,004 bopd versus Q3 2018 average production of 247 bopd.

Capachos (WI 50%): The Company is currently drilling the Andina-2 appraisal well as a follow up to the Andina-1 well that had a final test rate of 2,570 bopd in the Guadalupe Formation and a final test rate of 2,545 bopd in the Une Formation. The well is currently at the intermediate casing point of 12,650 feet. The Company expects to reach the target depth of 16,400 feet in December 2018.

LLA-34 (WI 55%): Oil production from this block continues to grow in line with expectations. Construction continues to progress on the ODL pipeline tie-in and the Company expects to commission the pipeline in Q1 2019.

CPO-11 (WI 50%): The Anacaona-1 exploration well was spud on November 3, 2018 and is currently drilling.

Fortuna Block Acquisition (WI 100%): Parex has acquired a 100% working interest of the Associate's rights for a total consideration of approximately $17 million. The Fortuna Block is located in the Middle Magdalena Basin of Colombia and is governed by an Ecopetrol Association Contract which is subject to a total royalty of approximately 15%. The Company expects to commence a 2 well exploratory drilling program and a 3D seismic program in 2019, subject to regulatory approvals.

Q3 2018 Conference Call

Parex will host a conference call to discuss the Third Quarter Results on Wednesday, November 7, 2018 beginning at 9:30 am Mountain Time. To participate in the call, from Canada and the United States, dial 1-866-696-5910 then enter the passcode 1002431#.

The live audio webcast will be carried at: https://edge.media-server.com/m6/p/9jyqeevi

Individuals located outside of Canada and the USA are invited to access this event via webcast or by calling their respective location dial-in number available at:

https://www.confsolutions.ca/ILT?oss=7P1R8666965910

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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, operating netback per boe, funds flow provided by operations per boe, adjusted funds flow provided by operations, adjusted funds flow provided by operations 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 netbacks 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 less non-cash oil revenue from overlifted Ocensa pipeline volumes divided by total equivalent sales volume including purchased oil volumes.
- 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 per boe is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital, divided by produced oil and natural gas sales volumes.

Adjusted funds flow provided by operations is funds flow provided by operations adjusted to exclude a $137.5 million one time voluntary tax restructuring during the three months ended June 30, 2018 and the nine months ended September 30, 2018.

Adjusted funds flow provided by operations per boe is adjusted funds flow provided by operations divided by produced oil and natural gas sales volumes.

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 and for a reconciliation of the non-GAAP measures.

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 conversation 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 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 metric 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.

Any reference in this news release to production test rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers cautioned not to place reliance on such rates in calculating the aggregate production for Parex.

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 performance characteristics of the Company's oil properties; the Company's estimated 2019 capital expenditures, including the amount thereof and its allocation, and the expected 2018 capital expenditures; the Company's plans on providing updates on the Company's process; the Company's forecasted 2019 and annual 2018 funds flow provided by operations based on certain oil prices; the Company's estimated 2019 full year production rates, the expected average production for Q4 2018 and the total average annual production for 2018; expectation to be able to pursue a number of alternatives to return a significant amount of free cash flow to the Company's shareholders; plans to provide additional guidance in 2019; the Company's expectation that production growth in Q4 2018 will be driven by LLA-34, Cabrestero and Capachos; the Company's anticipated drilling, completion, development, exploration and other growth plans and activities for its assets, including, the expected timing of reaching targeted drilling depth of the Andina-2 prospect at Capachos, and the expected number of wells to be drilled at LLA-34 (including the anticipated timing thereof); the timing of the pipeline commission at LLA-34; the acquisition terms of the Fortuna Block , including the expected number of wells to be drilled and the timing thereof and the timing of a 3D seismic program; and activities to be undertaken in various areas.

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; 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; 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; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; that production test results may not necessarily be indicative of long term performance or of ultimate recovery; failure to reach production targets; 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; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil, including anticipated Brent oil prices; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; receipt of partner, regulatory and community approvals; royalty rates; future operating costs; effects of regulation by governmental agencies; uninterrupted access to areas of Parex' operations and infrastructure; recoverability of reserves and future production rates; 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; 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' reserves and production 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 and, in particular the information in respect of the Company's expected capital expenditures and funds flow provided by operations for 2018 and 2019, may contain future oriented financial information ("FOFI") within the meaning of applicable securities laws. 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.

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.