



News release

February 8, 2016

**Parex Resources Increases 2P Reserves to 82 MMboe, Achieves 232% 2P Reserves Replacement, and Delivers 2P F&D of USD\$0.99/boe**

**Calgary, Canada**

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT) is pleased to announce the results of its annual independent reserves assessment as at December 31, 2015. The financial and operational information contained below is based on the Company's unaudited expected results for the year ended December 31, 2015. All currency amounts are in United States dollars ("USD") unless otherwise stated.

**2015 Year-End Corporate Reserves Report & Operational Highlights:**

- Proved plus probable ("2P") reserves increased by 19 percent year-over-year; net 2P reserves grew from 68.4 million barrels of oil equivalent ("MMboe") at December 31, 2014 to 81.7 MMboe at December 31, 2015 (98% oil);
- Underpinned by strong reserves growth and superior capital efficiencies, for 2015 Parex achieved 2P finding & development costs ("F&D") of USD\$0.99/boe and 2P finding, development & acquisition costs ("FD&A") of USD\$3.66/boe. The 2015 2P FD&A cash netback recycle ratio was 3.4x times using the unaudited fourth quarter 2015 funds flow from operations (cash flow) netback of approximately \$12.25/boe;
- Achieved 2P reserve replacement of 232 percent with total 2015 gross reserve additions of 23.3 MMboe;
- Replaced 158 percent of production (10.0 MMboe) with proved developed producing ("PDP") reserve additions of 15.8 MMboe. PDP FD&A was USD\$8.75/boe resulting in the proved producing FD&A recycle ratio of 1.4x;
- 2P reserve life index ("RLI") increased by 10 percent to 7.8 years;
- Proved plus probable after tax net present value discounted at 10 percent of approximately USD\$928 million (CAD\$1.3 billion at current exchange rate) at December 31, 2015 compared to USD\$1.1 billion at December 31, 2014 (CAD\$1.4 billion at February 2015 exchange rate). The January 1, 2016 GLJ Petroleum Consultants Ltd. ("GLJ") price forecast for the years 2016-2020 averaged approximately 34 percent lower than the GLJ price forecast provided at January 1, 2015;
- Gross undeveloped drilling locations of 40, 102 and 132 wells in the proved ("1P"), 2P and proved plus probable plus possible ("3P") cases, respectively;
- Reduced 2P future development capital ("FDC") from \$361 million to \$318 million. This includes the impact of an additional \$65 million of FDC related to the Aguas Blancas farm-in; and

- Annual average production grew to approximately 27,435 barrels of oil per day ("bopd"), a 22 percent increase from the previous year. Production for Q4 2015 averaged 28,588 bopd compared to 27,377 in Q3 2015.

## 2015 Year-End Reserves Report: Discussion of Reserves

The following tables summarize information contained in the independent reserves report prepared by GLJ dated February 5, 2016 with an effective date of December 31, 2015 (the "GLJ 2015 Report"), with comparatives to the independent reserves report prepared by GLJ dated February 13, 2015 with an effective date of December 31, 2014 (the "GLJ 2014 Report"), and the independent reserves report prepared by GLJ dated February 20, 2014 with an effective date of December 31, 2013 ("GLJ 2013 Report", and collectively with the GLJ 2015 Report and the GLJ 2014 Report, the "GLJ Reports"). Each GLJ Report was prepared in accordance with definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Additional reserve information as required under NI 51-101 will be included in the Company's Annual Information Form which will be filed on SEDAR by March 31, 2016. Consistent with the Company's reporting currency, all amounts are in United States dollars unless otherwise noted.

The recovery and reserve estimates of crude oil reserves provided in this news release are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual crude oil reserves may eventually prove to be greater than, or less than, the estimates provided herein.

All December 31, 2015 reserves presented are based on GLJ's forecast pricing effective January 1, 2016; all December 31, 2014 reserves presented are based on GLJ's forecast pricing effective January 1, 2015; and all December 31, 2013 reserves presented are based on GLJ's forecast pricing effective January 1, 2014.

Parex' crude oil reserves are located in Colombia's Llanos and Magdalena basins. Reserve additions in the GLJ 2015 Report were primarily generated from a successful 2015 oil exploration and appraisal program.

The Company recorded material increases in all reserve categories as a result of the following corporate activities:

- Exploration discoveries on blocks LLA-26 (Rumba) and LLA-34 (Jacana and Chachalaca);
- Appraisal drilling on block LLA-34 at Tilo and Jacana; and
- Strategic acquisition of 50% working interest via a farm-in of the light oil Middle Magdalena basin Aguas Blancas block.

## 2015 Year-End Gross Reserves Volumes

Reserve Category <sup>(1)</sup>	December 31, 2013 (Mboe) <sup>(2)</sup>	December 31, 2014 (Mboe) <sup>(2)</sup>	December 31, 2015 (Mboe)	Increase over Dec 31, 2014
Proved Developed Producing (PDP)	7,795	20,342	<b>26,088</b>	28%
Proved (1P)	17,368	40,424	<b>46,006</b>	14%
Proved plus Probable (2P)	32,021	68,425	<b>81,679</b>	19%
Proved plus Probable plus Possible (3P)	49,949	103,981	<b>124,453</b>	20%

(1) 2015 2P Reserves are 98% crude oil. All reserves are presented as Parex working interest before royalties. Please refer to the "Reserve Advisory" section for a description of each reserve category.

(2) Mboe is defined as thousand barrels of oil equivalent.

## 2015 Year-End Reserves Volumes by Product Type<sup>(1)</sup>

	Proved Developed Producing	Total Proved	Total Proved + Probable	Total Proved+ Probable + Possible
Light & Medium (Mbbbl)	3,346	4,299	10,869	16,186
Heavy Oil (Mbbbl)	22,320	40,860	68,960	105,678
Total Gas (MMcf)	2,534	5,082	11,102	15,538
<b>Oil Equivalent (Mboe)</b>	<b>26,088</b>	<b>46,006</b>	<b>81,679</b>	<b>124,453</b>

(1) The GLJ 2014 Report includes 32,990 Mbbbl of 1P and 56,213 Mbbbl of 2P heavy crude oil reserves. 2015 2P Reserves are 84% heavy crude oil compared to the 2014 GLJ Report of 82%. Heavy crude oil is defined as having an API greater than 10 degrees but less than or equal to 22.3 degrees. The GLJ 2014 Report included 5,026 MMcf of 1P and 11,375 MMcf of 2P gas reserves. The term "Boe" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil ("bbl"). All reserves are presented as Parex working interest before royalties. Please refer to the "Reserve Advisory" section for a description of each reserve category.

## Five Year Crude Oil Price Forecast – GLJ Report (January 2015 and 2016)

	2015	2016	2017	2018	2019	2020
ICE Brent (USD\$/bbl) - January 1, 2015	67.50	82.50	87.50	90.00	95.00	100.00
ICE Brent (USD\$/bbl) - January 1, 2016 <sup>(1)</sup>	53.75	45.00	54.00	61.00	67.00	73.00

(1) Actual 2015 ICE Brent average price was \$53.75/bbl.

## Reserves Net Present Value After Tax Summary<sup>(1)(2)</sup>

Reserves Category	NPV10 December 31, 2014 (000s) <sup>(2)</sup>	NPV10 December 31, 2015 (000s) <sup>(2)</sup>	NAV December 31, 2015 (CAD/sh) <sup>(3)</sup>
	Proved Developed Producing	\$465,331	\$369,255
Proved	\$690,864	\$573,079	\$5.92
Proved plus Probable	\$1,097,863	\$927,760	\$9.16
Proved plus Probable plus Possible	\$1,563,556	\$1,416,721	\$13.63

(1) Net present values are stated in USD and are discounted at 10 percent. Please refer to the "Reserve Advisory" section for a description of each reserve category. The forecast prices used in the calculation of the present value of future net revenue are based on the GLJ January 1, 2015 and GLJ January 1, 2016 price forecasts, respectively. The GLJ January 1, 2016 price forecast will be included in the Company's Annual Information Form.

(2) Includes FDC as at December 31, 2014 of \$252 million for 1P, \$361 million for 2P and \$481 million for 3P. FDC as at December 31, 2015 of \$26 million for PDP, \$157 million for 1P, \$318 million for 2P and \$392 million for 3P.

(3) Net asset value ("NAV") is calculated as at December 31, 2015 as after tax NPV10 plus estimated working capital of USD\$75 million (converted at USD/CAD=1.384), divided by 151.5 million basic shares outstanding as at December 31, 2015.

## Change in 2P Future Development Capital ("FDC") Reconciliation

	USD\$ ('000)
FDC - December 31, 2014	360,865
New Discoveries	65,584
Aguas Blancas (farm-in acquisition)	65,340
December 31, 2014 FDC spent in 2015	(18,855)
Capital efficiency (reductions in costs)	(88,940)
Development plan optimization (reduced capital due to reservoir performance)	(54,203)
Economic Factors (Write off)	(11,355)
<b>FDC - December 31, 2015</b>	<b>318,436</b>

## Reserve Life Index ("RLI")

	December 31, 2014 <sup>(1)</sup>	December 31, 2015 <sup>(2)</sup>
Proved (1P)	4.2 years	4.4 years
Proved Plus Probable (2P)	7.1 years	7.8 years

(1) Calculated using average fourth quarter 2014 production of 26,544 bopd annualized.  
(2) Calculated using estimated fourth quarter 2015 production of 28,588 bopd annualized.

## 2015 Year-End Reserves Reconciliation Company Gross

	Total Proved Mboe	Total Proved plus Probable Mboe
December 31, 2014	40,424	68,425
Technical Revisions <sup>(1)</sup>	10,305	6,759
Discoveries & Extensions <sup>(2)</sup>	6,779	15,481
Acquisition <sup>(3)</sup>	-	3,256
Economic Factors (Write off) <sup>(4)</sup>	(1,468)	(2,208)
Production <sup>(5)</sup>	(10,034)	(10,034)
<b>December 31, 2015<sup>(6)</sup></b>	<b>46,006</b>	<b>81,679</b>

- (1) Proved plus probable reserve technical revisions are primarily associated with the evaluations of Tigana and Adalia.  
(2) Proved plus probable reserve discoveries are primarily associated with the evaluations of the LLA-26 and LLA-34. There was 340 Mboe of extension evaluated at LLA-34.  
(3) The gross working interest 2P reserves associated with the farm-in of the Aguas Blancas field was 3,256 Mboe. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.  
(4) Economic Factors are related to the removal of certain LLA-16, LLA-17 and El Eden reserves due to non-economic forward oil pricing.  
(5) Production before subtracting Company consumed volumes.  
(6) Subject to final reconciliation adjustments.

## Calculation of Reserve Metrics – Company Gross<sup>(1)</sup>

USD\$ ('000) (Unaudited)	2015			3 Year
	Proved Producing	Proved	Proved+ Probable	Proved+ Probable
Capital Expenditures	\$127,580	\$127,580	\$127,580	\$645,839
Capital Expenditures – change in FDC	\$10,478	(\$94,191)	(\$107,768)	\$118,825
<b>Total</b>	<b>\$138,058</b>	<b>\$33,389</b>	<b>\$19,812</b>	<b>\$764,664</b>
Net Acquisitions	-	-	-	\$203,554
Net Acquisitions – change in FDC	-	-	\$65,340	\$74,915
<b>Total Net Acquisitions</b>	<b>-</b>	<b>-</b>	<b>\$65,340</b>	<b>\$278,469</b>
<b>Total Capital including change in FDC</b>	<b>\$138,058</b>	<b>\$33,389</b>	<b>\$85,152</b>	<b>\$1,043,133</b>
Reserve Additions	15,780	15,616	20,032	81,553
Net Acquisition Reserve Additions	-	-	3,256	14,282
<b>Reserve Additions including Acquisitions<sup>(3)</sup> (Mboe)</b>	<b>15,780</b>	<b>15,616</b>	<b>23,288</b>	<b>95,835</b>
F&D Costs <sup>(3)</sup> (\$/boe)	8.75	2.14	0.99	9.38
FD&A Costs <sup>(3)</sup> (\$/boe)	8.75	2.14	3.66	10.88
Estimated Q4 2015 Cash Netback <sup>(2)</sup> (\$/boe)	12.25	12.25	12.25	28.74
<b>Recycle Ratio - F&amp;D<sup>(2)(3)</sup></b>	<b>1.4x</b>	<b>5.7x</b>	<b>12.4x</b>	<b>3.1x</b>
<b>Recycle Ratio - FD&amp;A<sup>(2)(3)</sup></b>	<b>1.4x</b>	<b>5.7x</b>	<b>3.4x</b>	<b>2.6x</b>

(1) Calculated using unaudited estimated capital expenditures and unaudited estimated cash netback as at December 31, 2015. See advisory "Unaudited Financial Information".

(2) Recycle ratio is calculated as cash netback divided by F&D or FD&A as applicable. Cash netback per boe is calculated as Q4 2015 estimated funds flow from operations divided by Q4 2015 sales. 3 Year cash netback is calculated using weighted average volumes.

(3) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

## Operations Update

- Current production is approximately 29,000 bopd;
- At Brent oil prices of \$35-\$40/bbl, we forecast our 2016 capital budget to be approximately \$40-\$80 million, consisting of both maintenance and growth capital;
- We expect to commence our 2016 drilling program in Q2 2016;
- To provide downside price protection in 2016, we have transacted Brent oil hedges as follows:

Term	Volume bopd	Short Put	Put	Call	Premium
Jan-June 2016	5,000	\$47.75	\$52.50	\$70.00	\$1.00
Feb-June 2016	15,000	\$25.00	\$35.00	\$45.00	\$2.08
July-Sept 2016	5,000	\$30.50	\$38.00	\$47.00	\$1.00

## 2015 year-end Results

We expect to release our 2015 year-end results on March 8, 2016.

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**Reserve Advisory**

The recovery and reserve estimates of crude oil reserves provided in this news release are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual crude oil reserves may eventually prove to be greater than, or less than, the estimates provided herein. All December 31, 2015 reserves presented are based on GLJ's forecast pricing effective January 1, 2016, All December 31, 2014 reserves presented are based on GLJ's forecast pricing effective January 1, 2015. All December 31, 2013 reserves presented are based on GLJ's forecast pricing effective January 1, 2014.

It should not be assumed that the estimates of future net revenues presented herein represent the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of crude oil, reserves and the future cash flows attributed to such reserves.

"Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

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.

Light crude oil is crude oil with a relative density greater than 31.1 degrees API gravity, medium crude oil is crude oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity, and heavy crude oil is crude oil with a

relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity.

With respect to finding and development costs, the aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) possible locations. Proved locations, probable locations and possible locations are derived from the GLJ 2015 Report and account for drilling locations that have associated proved and/or probable and/or possible reserves, as applicable. Of the 132 drilling locations identified herein, 40 are proved locations, 62 are probable locations and 30 are possible locations. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

### **Unaudited Financial Information**

Certain financial and operating results included in this news release include net debt, capital expenditures, production information and operating costs are based on unaudited estimated results. These estimated results are subject to change upon completion of the Company's audited financial statements for the year ended December 31, 2015, and changes could be material. Parex anticipates filing its audited financial statements and related management's discussion and analysis for the year ended December 31, 2015 on SEDAR on or before March 31, 2016.

This press release contains a number of oil and gas metrics, including F&D, FD&A, recycle ratio, reserve replacement and RLI, which 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. 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.

### **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" 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's 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 and the Company's expectations as to when it will commence its 2016 drilling program. In addition, statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserve estimates of Parex' reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada, Colombia; 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; prolonged volatility in commodity prices; risk of delay in completing or non-competition of required transfers of the applicable operating and environmental permits; failure of counterparties to perform under contracts; 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; ability to access sufficient capital from internal and external sources; risks related to the lawsuit brought in Texas against Parex and certain foreign subsidiaries; failure of counterparties to perform under the terms of their contracts; 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: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; 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; the status of litigation; timing of drilling and completion of wells; 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 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.

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