



News Release

October 15, 2014

**Parex Achieves Q3 Production of 25,175 bopd and  
Commences Seismic Acquisition Program on New Magdalena Basin Blocks**

**Calgary, Canada**

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT), announces an operational update.

**Production:** Q3 2014 oil production was approximately 25,175 barrels of oil per day ("bopd"), an increase of 26 percent over the three months ending June 30, 2014 and in excess of the Q3 guidance range of 24,500-25,000 bopd. As previously guided, we expect Q4 2014 production to average approximately 25,500-26,500 bopd.

**Commodity Price & Risk Management:** For Q4 2014, Parex has hedged 6,000 bopd of ICE Brent at \$103/bbl. For September 30, 2014 (Q3) we expect working capital to be in excess of bank debt. Accordingly, the Company will have no net debt.

During November 2014, we expect to release our 2015 budget and guidance. Our preliminary 2015 outlook requires approximately \$150 million of maintenance capital to sustain 2015 full year average production flat to Q4 2014 (~26,000 bopd). Incorporating current Brent pricing of \$85/bbl would generate 2015 cash flow (funds flow from operations) of approximately USD \$300 million, which is in excess of maintenance and committed exploration capital, providing free cash flow for continued production growth.

Parex' high operating netback production, extensive development inventory and strong balance sheet permits the Company to continue with our high growth capital program in the current Brent oil price environment. Also, Parex has the financial and operating capability to capitalize on opportunities to expand our land holdings that lower global oil prices may provide in the future.

**Colombia Bid Round 2014:** The Company was awarded two new blocks at 100% working interest in the Magdalena Basin, VIM-1 and VMM-9, totaling 375,965 acres. Exploration and production contracts for both blocks were signed on September 18, 2014.

**Block VMM-11 & VMM-9 (Operated, WI 100%):** During Q4 2014 we will be commencing a 3D seismic acquisition program of 410 km<sup>2</sup> over the two blocks with 120 km<sup>2</sup> to be acquired on VMM-11, followed by a 290 km<sup>2</sup> seismic acquisition on the adjacent block VMM-9.

**Akira (Operated, Cabrestero Block, WI 100%):** Successfully drilled Akira-9 and Akira-10. During Q4 2014 we expect to test and complete four Akira wells and drill Akira-11. Current field production from Akira-1, Akira-4, Akira-6 and Akira-9 wells is approximately 2,200 bopd.

**Block LLA-32 (Operated, WI 70%):** Current gross oil production from Kananaskis-1, Kananaskis-3 and Carmentea-1 wells is approximately 7,800 bopd with less than 0.1 percent water-cut. Calona-1 well water disposal facilities are being constructed and the well is expected to begin production in late 2014.

**Block LLA-40 (Operated, WI 50%):** During Q3 production from Celtis and Begonia fields began and the combined block gross production is approximately 1,000 bopd and may be increased in the near-term pending well performance and transportation enhancements.

**Cerrero Block (Operated, Katmandu Norte WI 65%, Non-Operated Chacharo WI 25%):** The Katmandu Norte-1 exploration well was drilled to a total depth of 13,680 feet and was cased for testing of the Une and Mirador formations. A short term test was conducted on the Une formation for a period of 163 hours during which time the well flowed under natural conditions at an average rate of 458 barrels per day of 48° API condensate and 2 million standard cubic feet (“mmscfd”) of gas. The water-cut during the test remained at 1-2% and the final flow rate from the well was 375 bopd. Pressure recorders have been placed in the wellbore to conduct a pressure buildup test.

The Katmandu Norte-1 Mirador Formation was also evaluated. Although the cement bond logs indicated poor isolation between the oil bearing zone and the adjacent water bearing zone, a short-term test was conducted to assess the oil quality. The Mirador Formation was tested over a period of 50 hours utilizing an electric submersible pump and recovered a total of 326 barrels of 23 API oil and 710 barrels of water for an average oil rate of 156 bopd and 341 barrels of water per day. Parex is working with partners to drill a follow up well for the Mirador discovery in Q1 2015.

The Chacharo-1 exploration well was drilled to a total depth of 13,190 feet and was cased for testing of the Gacheta Formation. A short term test was conducted for a period of 113 hours during which time the well flowed under natural conditions at an average rate of 682 barrels per day of 17° API. The final rates were 1,164 bopd and stabilized water-cut of 42%. We expect the well to be placed on long term test during Q4 2014.

**Tua & Tigana (Non-Operated, Block LLA-34, WI 55%):** September production for Block LLA-34 averaged approximately 20,725 bopd gross, 11,400 bopd net.

The appraisal well Tigana Sur-3, located approximately 1.1 kilometers west of Tigana Sur-2 (1.6 kilometers west of the fault), tested water. A second appraisal well Tigana Suoeste-1, located approximately 1.5 kilometers south-west of Tigana Sur-2, is producing oil with a watercut of 1%. During 2015, we expect to continue delineating the field to the south and north along the fault trend.

Tua-7 was successfully drilled, cored and is awaiting tie-in. An appraisal well Tua-8 is currently drilling. Following Tua-8, Parex expects the operator to drill an exploration well Tilo-1, located directly north of the Tigana field.

**Drilling Schedule:** During September and October 2014, the Company had active 1-2 operated drilling rigs plus one non-operated drilling rig on block LLA-34. With the expected start of the Llanos Basin dry season in November through to March we have budgeted up to a total of 4 drilling rigs in operation. During Q4 2014 we expect to spud the following exploration prospects: LLA-34: Tilo, LLA-26: Rumba, Los Ocarros: Zampona and an earning well on the El Porton Block.

**Redemption of \$85 million Convertible Debentures:** On September 25, 2014 Parex redeemed all of its outstanding 5.25% Extendible Convertible Unsecured Subordinated Debentures due June 30, 2016 (the "Debentures"). As set out in the Company's press release dated August 12, 2014 holders of the Debentures had the right to convert their Debentures, at their option, into Parex Shares at a conversion price of C\$10.15 per Parex share. Approximately 8.34 million Parex shares were exchanged for the Debentures. The Debentures were delisted from trading on the Toronto Stock Exchange. At present, there are approximately 134.3 million Parex shares outstanding.

**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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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; supply and demand for oil; financial and business prospects and financial outlook; results of drilling and testing, results of operations; drilling plans; activities to be undertaken in various areas; capital plans in Colombia and exit rate production; plans to acquire and process 3D seismic; timing of drilling and completion; and planned capital expenditures and the timing thereof. In addition, statements relating to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that

the resources and 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 and Trinidad & Tobago; 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, Colombia and Trinidad & Tobago; 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, Colombia and Trinidad & Tobago; 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; the risks that any estimate of potential net oil pay is not based upon an estimate prepared or audited by an independent reserves evaluator; that there is no certainty that any portion of the hydrocarbon resources will be discovered, or if discovered that it will be commercially viable to produce any portion thereof; 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 effect Parex's 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; receipt of all required approvals for the Acquisition; royalty rates, future operating costs, 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's current and future operations and such information may not be appropriate for other purposes. Parex's 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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