

Parex Announces 2017 Second Quarter Results

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 June 30, 2017 ("Second Quarter" or "Q2"). All amounts herein are in United States dollars ("USD") unless otherwise stated.

A conference call to discuss the Second Quarter results will be held on Thursday August 10, 2017 beginning at 8:30 am Mountain Time.

2017 Second Quarter Financial and Operational Highlights

- Quarterly production was 34,291 barrels of oil equivalent per day ("boe/d") (99% crude oil), representing an increase of 5 percent over the previous quarter ended March 31, 2017 and an increase of 18 percent over the prior year comparative period;
- Generated adjusted funds flow from operations of \$66.8 million (\$0.43 per share basic) which has been adjusted to exclude a \$15.0 million (\$0.09 per share basic) one time legal settlement. This charge is related to the settlement of litigation corresponding to the 2012 acquisition of Ramshorn International Ltd. which holds a 45% working interest in Block LLA-34;
- Including the \$15.0 million legal settlement, funds flow from operations was \$51.8 million (\$0.34 per share basic) as compared to \$0.21 per share for the prior year comparative period and \$0.44 per share in the previous quarter;
- Earned net income of \$3.5 million (\$0.02 per share basic) compared to a net loss of \$0.2 million (\$nil basic per share) in the comparative quarter of 2016;
- Realized a sales price of \$46.84/boe during the period at a \$4.03/bbl discount to the average Brent price, and an operating netback of \$26.59/boe. Funds flow from operations netback was \$16.81/boe and adjusted for the one-time legal settlement was \$21.68/boe;
- Capital expenditures were \$59.0 million in the period compared to \$13.9 million in the comparative period of 2016. Parex expects to invest approximately \$225 million in capital projects in 2017. Capital activity will increase significantly in the second half of 2017;
- Working capital was \$128.3 million at June 30, 2017 compared to \$131.1 million at March 31, 2017 and \$97.5 million in the comparative period. The Company has an undrawn bank credit facility of \$100.0 million; and
- Participated in drilling 12 wells⁽¹⁾ in Colombia resulting in 9 oil wells, 1 dry and abandoned and 2 untested wells, for a success rate of 90 percent.

⁽¹⁾ Oil wells: AB-19, AB-29, Bacano-4, Bacano-5, Jacana Sur-1, Jacana Sur-2, Jacamar-1, Jacana-9 & Tigana Sur-5; Dry & Abandoned: Sinsonte-1; and Untested: AB-8 & AB-21.



	Three Months Ended			Six months ended
	June 30, 2017	2016	March 31, 2017	June 30, 2017
Operational				
Average daily production				
Oil & Gas (boe/d) ⁽¹⁾	34,291	29,136	32,591	33,452
Average daily sales of produced oil & natural gas				
Oil (bbl/d)	33,563	27,441	33,308	33,442
Gas (Mcf/d)	1,668	1,340	1,644	1,656
Oil & Gas (boe/d)	33,841	27,664	33,582	33,718
Operating netback (\$/boe)⁽¹⁾				
Reference price - Brent (\$/bbl)	50.87	47.03	54.61	52.74
Oil & natural gas revenue (excluding hedging)	46.84	39.74	48.72	47.77
Royalties	(4.03)	(3.33)	(4.38)	(4.21)
Net revenue	42.81	36.41	44.34	43.56
Production expense	(5.31)	(4.51)	(5.09)	(5.20)
Transportation expense	(10.91)	(11.76)	(11.11)	(11.01)
Operating netback (\$/boe)	26.59	20.14	28.14	27.35
Funds flow provided by operations (\$/boe)	16.81	13.29	22.47	19.61
Adjusted funds flow provided by operations (\$/boe)⁽⁴⁾	21.68	13.29	22.47	22.07
Financial (USD\$000s except per share amounts)				
Oil and natural gas revenue	145,406	104,571	150,142	295,548
Net income (loss)	3,524	(185)	40,106	43,630
Per share - basic	0.02	0.00	0.26	0.28
Adjusted net income (loss)⁽⁴⁾	18,524	(185)	40,106	58,630
Per share - adjusted ⁽⁴⁾	0.12	0.00	0.26	0.38
Funds flow from operations	51,763	31,792	67,906	119,669
Per share - basic	0.34	0.21	0.44	0.78
Adjusted funds flow from operations⁽⁴⁾	66,763	31,792	67,906	134,669
Per share - adjusted ⁽⁴⁾	0.43	0.21	0.44	0.88
Capital expenditure	59,008	13,922	35,563	94,571
Total assets	1,015,540	921,665	984,855	1,015,540
Working capital surplus	128,347	97,532	131,056	128,347
Long-term debt⁽²⁾	—	—	—	—
Outstanding shares (end of period) (000s)				
Basic	154,377	152,268	153,714	154,377
Weighted average basic	154,249	152,006	153,284	153,769
Diluted ⁽³⁾	162,720	161,446	164,688	162,720

(1) The table above contains Non-GAAP measures. See "Non-GAAP Terms" for further discussion.

(2) Borrowing limit of \$100.0 million as of June 30, 2017.

(3) Diluted shares as stated include the effects of common shares and in-the-money stock options outstanding at the period-end. The June 30, 2017 closing stock price was Cdn\$14.75 per share.

(4) Adjusted for a one time legal settlement charge of \$15.0 million related to the settlement of litigation concerning Parex' acquisition of Ramshorn International Ltd. in 2012.



Operational Update:

Cabrestero (working interest ("WI") 100%): There are currently 4 producing Bacano wells, located to the south-west of the Jacana field. Bacano field production rates are expected to be managed within the 3,000 - 5,000 bopd range for the balance of 2017.

Capachos (WI 50%): Parex spud the first earning well Capachos-2 on July 9, 2017. The well will be drilled to a depth of approximately 16,500 feet and is currently at intermediate casing at approximately 11,000 feet. After the Capachos-2 well, Parex expects to drill the second earning well Capachos Sur-2 followed by the Capachos Norte-1 exploration well. The Capachos Block has multiple development locations and exploration prospects. Parex has also commenced the construction of the initial production facilities.

VMM-11 (WI 100%): The Company has drilled and cased its first 2 wells, Glauca-1 and Glauca-2, in a planned 4 well 2017 program on the VMM-11 block. We expect to test both wells with a service rig. We expect to drill VMM-11 exploration prospects Niagara-1 and Iguaza-1 prior to year-end 2017.

Aguas Blancas (WI 50%): Parex continues to advance its assessment of the Aguas Blancas field. Overall, we have drilled 11 appraisal wells, including 7 in the AB West Area (Foot Wall) and 4 in the AB East Area (Hanging Wall). Click the link below to view the map of Aguas Blancas project:

<http://parexresources.com/wp-content/uploads/2017/08/Aguas-Blancas- August-2017.pdf>

AB West Area (Foot Wall): Parex began its first waterflood pilot on July 1, 2017 incorporating AB-26 (injector), AB-5, AB-19 and AB-29. Approximately 380 barrels of water per day ("bwpd) is being injected and total gross oil production is approximately 305 bopd and 0.7 mmscfd of solution gas. AB-5 was originally drilled in 1964 and produced a cumulative amount of 228,000 barrels of oil, is producing as expected at a depleted rate of 10 bopd.

Parex is currently testing AB-8 and initial rates indicate that the well will produce light oil at rates in the 80-100 bopd range. Recall that AB-8 is downdip of AB-9 which tested an average oil rate of 130 bopd and 2.3 MMSCFD of gas (news release dated January 9, 2017).

Through the remainder of 2017, Parex will be monitoring the waterflood pattern performance and evaluating potential well stimulation operations that could enhance well productivity. In addition, the Company plans to build new larger drilling pads to enable further evaluation of the southern extent of the AB West Area. Parex expects its 2018 budget to include a 10-20 wells development/appraisal program in the AB West Area. After incorporating the drilling results to date and seismic re-processing, Parex' assessment of the AB West Area is approximately 2,500-4,100 potential acres.

To date, the AB West Area is producing 34 API oil and initial sales indicate a quality and transportation discount of approximately Brent less \$6/bbl, which is approximately a \$10/bbl operating netback improvement over the Company's existing Llanos production. Parex is also planning to install a gas processing facility to enable the commercialization of the existing solution gas and potential gas zones.

AB East Area (Hanging Wall): A total of 4 wells have been drilled, including one cored well under the initial assessment of the AB East Area. Testing results and core analysis indicate that the AB East Area reservoir has lower permeability relative to the AB West Area and comprises of interbedded oil-bearing and water-



bearing reservoirs. Due to the poor quality of the cement jobs in the initial well bores, we will likely require new well bores to evaluate the AB East Area economic potential. Parex anticipates to re-assess the AB East Area following appraising the AB West Area.

Llanos 34 (WI 55%): Parex continues to delineate the Jacana/Tigana trend on LLA-34. The Jacana-10 well was drilled to delineate a 4.9 kilometer gap between the most northeastern well in the Jacana field (Jacana-5) and the most southwestern well in the Tigana field (Tigana Suroeste-1). The well was drilled 1.5 kilometers northeast along trend from Jacana-5 at a similar structural position. The well was completed in the Guadalupe reservoir and commenced testing on July 30, 2017. The well was tested over an 87 hour period and produced a total of 2,530 barrels of oil with a final measured watercut of 0.5% and average production rate of 698 bopd. The average production rate during the last 12 hours of the test after cleanup of completion fluids was 1,046 barrels of oil per day with bottom hole pressure recorders indicating a drawdown of approximately 35%.

In June 2017, the Jacana-9 well was drilled at a distance of 1,200 meters north-east and 70 feet downdip of the previous most down-dip Jacana producer, Jacana-5, which is currently producing approximately 3,500 bopd at a watercut of 8%. The well encountered potential oil pay at different levels in the Guadalupe reservoir and the lowest section was perforated and tested. After three weeks of production, the final rate was approximately 75 bopd with an 90% watercut indicating that the lowest section tested in the well is close to the current water contact. A service rig will be mobilized to the Jacana-9 location to test addition zones of the Guadalupe section.

Three exploration wells were drilled in the quarter. The Sinsonte-1 well was previously reported as dry and abandoned. The Jacamar-1 well encountered potential oil reservoir in the Guadalupe and Mirador reservoirs; and the Guadalupe reservoir was perforated and is currently on production at approximately 300 bopd at an 80% watercut. The Curucucu-1 exploration well from the same pad as the Jacamar well has been cased for testing. A completion rig will be moved to the location in the next two weeks to complete and test the Curucucu-1 well and recomplete the Jacamar-1 well for testing of the Mirador formation.

The remainder of the drilling program in LLA-34 for 2017 is mainly focused on further delineation of the Tigana and Jacana pools. The drilling rig from Jacana-10 is being mobilized to drill the Jacana-13, Jacana-12 and Jacana-15 wells which will continue delineation west and downdip of the currently defined Jacana pool. The drilling rig from Curucucu is being mobilized to drill 3 Tigana Norte wells to delineate the area around the Tigana Norte-1 well. The Tigana Norte-1 well continues to produce at a rate of 2,700 bopd with a watercut of under 3% after cumulative recovery of almost 3 MMBBL.

Guidance Update:

Q3 2017 production is expected to average above 36,000 boe/d, Q4 2017 production is expected to average above 38,000 boe/d, and the full year 2017 average production is anticipated to exceed 35,000 boe/d. Previous 2017 full year average production guidance was to range between 34,000 and 36,000 boe/d. The full year 2017 capital expenditures forecast is approximately \$225 million, which is the high end of the previous guidance range of \$200-\$225 million. Parex still anticipates fully funding its capital program with funds flow from operations.

Governance: Appointment of Director

Parex is pleased to announce that Ms. Carmen Sylvain has joined the Board of Directors. Ms. Sylvain was a career Canadian diplomat and public servant with over 30 years of combined experience in foreign affairs, international trade and investment as well as major event management. As Canada's Ambassador to Colombia from 2014-2016, she provides in-depth knowledge of regional environmental, social and governance matters. She also served in Global Affairs Canada as Assistant Deputy Minister for Strategic Planning and Policy where she led the development of a Foreign Policy Plan for Canada. Ms. Sylvain received



her Bachelor of Arts from San Jose State University, and completed a Masters in Public Administration from Carleton University.

Q2 2017 Conference Call

Parex will host a conference call to discuss the Second Quarter Results on Thursday, August 10, 2017 beginning at 8:30 am Mountain Time. To participate in the call, from Canada and the United States, dial 1-866-696-5910 then enter the passcode 7585696#.

The live audio webcast will be carried at: <http://bell.media-server.com/m/p/irws876e>

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.confsoptions.ca/ILT?oss=7P1R8666965910>

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.

For more information, please contact:

Mike Kruchten

Vice President, Capital Markets & Corporate Planning

Parex Resources Inc.

Phone: (403) 517-1733

Investor.relations@parexresources.com

NOT FOR DISTRIBUTION OF FOR DISSEMINATION IN THE UNITED STATES

Non-GAAP Terms

The Company discloses several financial measures herein that do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). These financial measures include funds flow used in, or from operations, working capital, operating netback and funds flow netback. Management uses these non-IFRS 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.

Funds flow from operations is a non-IFRS term that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. Management uses funds from (used in) operations to analyze operating performance and monitor financial leverage, and considers funds from (used in) operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments. Funds flow from operations is reconciled with net (loss) income in the consolidated statements of cash flows.

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.

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", "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 anticipated 2017 capital budget, including the amount thereof; the Company's forecasted 2017 average production; the Company's 2017 capital expenditure budget, including the expected allocations of such expenditures; the Company's belief that its capital budget will be fully funded from funds flow from operations; the Company's anticipated drilling, development, exploration and other growth plans and activities for its assets, including the Company's objectives at Aguas Blancas, timing of commencement of the Company's first water-flood program at Aguas Blancas, the Company's drilling plans at Aguas Blancas and the Company's drilling plans at Cabrestero; results of drilling and testing; and activities to be undertaken in various areas. 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 resources 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 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; 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; risks related to the lawsuit brought in Texas against Parex and certain foreign subsidiaries; 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; that production test results may not necessarily indicative of long term performance or of ultimate recovery; 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 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; 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; 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; anticipated operating netbacks, G&A, finance expenses and tax expenses; 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.

This press release and, in particular the information in respect of the Company's expected capital expenditures and funds flow from operations for 2017, 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 activities and results 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 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.

