



News release

May 13, 2014

Parex Announces Strategic Acquisition of Verano to Consolidate its Working Interest in Southern Llanos Blocks LLA-32 and LLA-34

Calgary, Canada

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT) and Verano Energy Limited ("Verano") are pleased to announce that they have entered into an agreement whereby Parex has agreed to purchase all of the issued and outstanding common shares of Verano, a private oil company with operations in Colombia (the "Transaction") for a total net consideration of CAD\$198 million or CAD\$1.25 per Verano share, pursuant to a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta). The Transaction consolidates the Company's core Southern Llanos area by acquiring additional working interests in Blocks LLA-32, LLA-34, and in LLA-17, where significant exploration and appraisal success has been demonstrated, and will result in Parex assuming operatorship of Block LLA-32.

Under the terms of the Arrangement, Verano shareholders will receive CAD\$76 million (33.3%) in cash and CAD\$153 million (66.7%) in the form of Parex common shares. Based on the 20-day weighted average trading price of Parex shares ending May 9, 2014 of CAD\$10.88, approximately 14.03 million Parex shares will be issued to Verano shareholders pursuant to the terms of the Arrangement. Parex will assume the working capital surplus of Verano, estimated to be CAD\$30 million at closing and the remaining cash consideration will be funded by Parex from its existing working capital and undrawn credit facilities, which totaled approximately USD\$158 million as at March 31, 2014.

Strategic Rationale

The Transaction will substantially grow current production and cash flow for Parex while maintaining Parex' significant financial flexibility. Additionally, the Transaction builds on the exploration and development success Parex has demonstrated in the Southern Llanos, increases the Company's working interest in key growth oriented existing blocks, and allows Parex to assume operatorship on LLA-32 where significant exploration success has been realized in 2014 and additional exploration remains. Parex' increased working interests before royalties ("WI") in the acquired blocks are below:

Block	Parex WI	Acquisition WI	Post Acquisition WI
LLA-17	40%	23%	63%
LLA-32	30%	40%	70%
LLA-34	45%	10%	55%

In the first half of 2014, blocks LLA-32 and LLA-34 have experienced strong exploration and appraisal results, with additional high impact drilling and completion activity approved and planned by Parex for the second half of 2014 as follows:

Block	Field/Well	Status	GLJ Report Dec. 31, 2013
<u>LLA-32</u>			
	Kananaskis-1	Tested 3,555 bopd; to produce with ESP on long-term test	Not evaluated
	Calona-1	Cased – ready to test	Not evaluated
	Carmentea-1	Testing operations underway	Not evaluated
	Additional 3 development/appraisal wells approved for 2014		n/a
<u>LLA-34</u>			
	Tua-6	Producing	Included in 2P; Included in 3P
	Tigana-2	Cased – ready to test	Included in 2P; Included in 3P
	Tigana-3	Testing operations underway	Excluded in 2P; Included in 3P
	Tigana-Norte-1	Cased – ready to test	Excluded in 2P; Excluded in 3P
	Tigana SurOeste-1	Drilling operations underway	Excluded in 2P; Excluded in 3P
	Additional 2 exploration & 7 development/appraisal wells approved for 2014		n/a

Parex expects the Block LLA-32 Kananaskis-1 discovery to commence light oil production shortly. The Mirador Formation tested an average of 3,555 bopd of 30° API oil over an 8 hour period under natural flowing conditions with a final water-cut of 0.8% and a total of 1,186 barrels of oil was recovered. An ESP in the Mirador has been installed. In addition the Une and two zones in the Gacheta Formation tested gas and minor amounts of condensate. The Company believes that the tested gas could be used as a field power source to reduce operating expenses in the future, consistent with Parex' current operations in its operated Las Maracas and Kona fields.

Acquisition Summary

The Acquisition has the following characteristics:

- Production (current): 2,200 bopd
- Production (expected at close): 4,000 bopd
- Proved plus Probable Reserves (2P, Dec. 31, 2013)¹: 3.5 MMbbl
- Proved plus Probable plus Possible Reserves (3P, Dec. 31, 2013)¹: 5.4 MMBbl
 - As previously announced Parex intends to release an updated corporate reserve report effective June 30, 2014 of the combined Parex and Verano companies.
- Operating Netback²: \$60-\$70 per bbl

1. Reserves are Gross Company Reserves as evaluated by GLJ Petroleum Consultants Ltd. ("GLJ") as of December 31 2013. Gross Company Reserves are Verano's working interest reserves before the deduction of royalties.

2. Based on expected average prices for Q3/Q4 2014 and historical Parex operated production, transportation and royalty expenses.

Guidance Update

As previously announced Parex has projected its Q2 2014 production to be 19,000-19,500 bopd, prior to the Transaction. At the end of Q2 2014 after assessing the initial production results of its current inventory of non-producing wells, Parex expects to:

- update and increase its full year production guidance;
- revise and increase its full year capital program in line with year-to-date exploration success, production growth, strong netbacks and addition of new properties including additional working interest acquired through the Transaction; and
- release a mid-year independent reserve evaluation.

At the closing of the Transaction Parex will assume operatorship of Block LLA-32 and this will enable the Company to forecast more accurately the remaining 2014 capital expenditures, production expenses and production.

Plan of Arrangement

Pursuant to the agreement governing the Arrangement ("Arrangement Agreement"), Parex and Verano have agreed that the Transaction will be completed by way of plan of arrangement under the *Business Corporations Act* (Alberta).

The board of directors of Verano has unanimously approved the Arrangement and the entering into of the Arrangement Agreement and recommended that Verano shareholders vote in favour of the Arrangement. The board of directors of Verano has received a verbal fairness opinion from TD Securities Inc. that the consideration to be received by Verano shareholders pursuant to the Transaction is fair, from a financial point of view, to the Verano shareholders. Holders of greater than 20% of the shares of Verano have entered into agreements with Parex pursuant to which they have agreed to vote their shares in favour of the Transaction.

The Arrangement Agreement provides for non-solicitation covenants of Verano, subject to the fiduciary obligations of the board of directors of Verano, and the right of Parex to match any Superior Proposal (as defined in the Arrangement Agreement) within three business days. The Arrangement Agreement also provides for industry standard mutual non-completion fees in the event that the Transaction is not completed or is terminated by either party in certain circumstances.

The Arrangement Agreement provides that the completion of the Transaction is subject to certain conditions, including the receipt of all required regulatory approvals, including the approval of the TSX of the listing of the Parex shares to be issued in the Transaction, the approval of the shareholders of Verano and the approval of the Court of Queen's Bench of Alberta. A management information circular and proxy statement outlining the details of the Arrangement Agreement and the Transaction will be mailed by Verano to the holders of the Verano shares in late May 2014 for a Verano shareholder meeting to be held in June 2014, at which meeting Verano shareholders will vote on the Arrangement and related matters. The Arrangement is expected to close in late June 2014.

Financial Advisors

FirstEnergy Capital Corp. acted as the financial advisor to Parex with respect to the Transaction. TD Securities Inc. acted as the financial and strategic advisor and KES VII Capital acted as the strategic advisor to Verano with respect to the Transaction.

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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Reserve Advisory

"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 recovery and reserve estimates of crude oil reserves provided are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual crude oil reserves may be greater than or less than the estimates provided.

The reserves information contained in this press release has been prepared in accordance with National Instrument 51-101 ("NI 51-101"). Note in respect of reserves stated herein on a company interest basis, that "company interest" is not defined in NI 51-101 and accordingly reserves expressed herein on such basis may not be comparable to estimates of "gross" reserves prepared in accordance with NI 51-101 or to other issuers' estimates of company interest reserves.

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' 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 effects of the Arrangement on Parex and its business, including expected increases in production and cash flow, increases in working interests in certain blocks in Colombia and the expected assumption of operatorship of Block LLA-32; the consideration to be issued in the Arrangement by Parex and the manner by which the cash consideration will be funded by Parex; the nature of the drilling and completion activity planned by Parex for the second half of 2014; the timing for the Block LLA-32 Kananaskis-1 well to commence production; the use by Parex of tested gas as a field power source; the matters set forth herein under the heading "Guidance Update"; 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; 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' 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: 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 Transaction; 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' 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.

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.