



News Release

May 11, 2015

**Parex Announces 2015 First Quarter Results and Colombian Oil Discovery at LLA-26 Rumba**

**Calgary, Canada**

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT), a company focused on Colombian oil exploration and production, is pleased to announce unaudited financial and operating results for the three months ("First Quarter" or "Q1") ended March 31, 2015. All amounts herein are in United States dollars ("USD") unless otherwise stated. Please note that in lieu of a conference call to discuss Q1 results, the Company invites stakeholders to attend its Annual General Meeting on Tuesday, May 12, 2015 beginning at 10:30 am MT at the <http://www.gowebcasting.com/6524>.

**Q1 2015 Financial and Operational Highlights**

- Managed quarterly average oil production of 26,729 barrels of oil per day ("bopd") compared to production guidance of 26,500 bopd, an increase of 45 percent over the comparative quarter in 2014, and a slight increase from the prior period production of 26,544 bopd;
- Generated funds flow from operations of \$33.0 million (\$0.24 per share basic as compared to \$0.71 per share for the comparative period). Funds flow has decreased from the comparative period due to lower oil prices partially offset by higher production volumes;
- Capital expenditures for the quarter were \$26.9 million compared to \$61.4 million in the comparative period. Parex participated in drilling one well (net 0.55) during Q1<sup>1</sup>. However, the 2015 exploration program began with the Block LLA-26 Rumba-1 exploration well which was spud on March 25, 2015;
- Reduced net debt to \$29.6 million at March 31, 2015 compared to \$31.7 million at December 31, 2014;
- Realized Brent referenced sales price of \$49.42 per barrel ("bbl") during the period which was a \$5.71/bbl discount to the average Brent price, and an operating netback of \$21.66/bbl.
- Parex reduced combined operating and transportation unit costs by 17% (\$4.76/bbl) to \$23.47/bbl compared to the prior quarter;

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<sup>1</sup> Tua-10 disposal well

- Increased the syndicated bank credit facility to a current borrowing base of \$200 million from the borrowing base of \$175 million at December 31, 2014;
- Subsequent to Q1 2015, on May 5, 2015 Parex closed a CAD\$136.8 million bought deal financing, issuing 14.95 million common shares at a price of CAD\$9.15 per share. The net proceeds of approximately USD\$108 million from the financing will initially be used to pay down bank indebtedness, increase net working capital and subsequently is expected to be used to fund capital expenditures and future growth opportunities as set out below; and
- Upon closing of the bought deal financing and after subsequent repayment of bank indebtedness, the company has approximately USD\$80 million of working capital and an undrawn credit facility of USD\$200 million.

### **First Quarter Financial Summary**

For Q1 2015, sales volumes excluding purchased oil averaged 26,909 bpd (working interest before royalty) and the average realized sales price in Colombia was \$49.42 per barrel (“/bbl”), generating an operating netback of \$21.66/bbl. Compared to the previous quarter, transportation and operating expenses decreased by \$4.76/bbl. Parex anticipates continuing to realize cash costs improvements during 2015 over 2014 levels due to lower levels of industry activity and the depreciation of the Colombian peso against the USD.

Funds flow from operations in the First Quarter of 2015 was \$33.0 million (\$0.24 per share basic compared to \$49.8 million (\$0.37 per share basic)) in the previous quarter as the decrease in Brent oil prices offset the increase in quarterly production. In Q1 2015, funds flow from operations was not impacted by any realized gain or loss from risk management contracts.

For the Q1 2015, funds flow from operations fully funded capital expenditures of \$26.9 million. Included in the capital expenditures total was \$5.3 million for acquisition of unproven properties which is related to achieving certain approvals in the acquisition of blocks LLA-26 and Cebucan. Although the Company was active in constructing civil works related to the 2015 drilling program during Q4 2014 and Q1 2015, the only well Parex spud since drilling the Tilo-1 exploration well in December 2014 was the LLA-26 Rumba-1 well on March 25, 2015.

Despite Brent oil prices being at its lowest since Q1 2009, Parex reduced its net debt, defined as total debt less working capital surplus, to \$29.6 million at period end, compared to a net debt of \$31.7 million on December 31, 2014. Based on the December 31, 2014 reserves report, the syndicate of lenders increased the Company's credit facility borrowing base to \$200 million from \$175 million.

	Three Months Ended		
	2015	March 31, 2014	Dec. 31, 2014
<b>Operational</b>			
<b>Average daily production</b>			
Oil (bopd)	26,729	18,425	26,544
<b>Average daily sales of produced oil</b>			
Oil (bopd)	26,909	19,099	26,098
Oil Inventory – end of period (barrels)	214,406	73,565	252,031
<b>Operating netback (\$/bbl)</b>			
Reference Price - Brent	55.13	108.17	77.07
Oil revenue	49.42	103.42	60.08
Royalties	(4.29)	(14.48)	(6.64)
Net revenue	45.13	88.94	53.44
Production expense	(8.01)	(9.66)	(10.95)
Transportation expense	(15.46)	(18.08)	(17.28)
Operating netback	21.66	61.20	25.21
<b>Financial (\$000s except per share amounts)</b>			
<b>Oil and natural gas revenue</b>	134,307	179,794	160,584
<b>Net income (loss)</b>	(15,544)	9,663	(146,612)
Per share – basic	(0.12)	0.09	(1.09)
<b>Adjusted Net income (loss) <sup>(1)</sup></b>	(15,544)	20,099	(50,996)
Per share – basic	(0.12)	0.18	(0.38)
<b>Funds flow from continuing operations</b>	32,958	77,289	49,759
Per share – basic	0.24	0.71	0.37
<b>Acquisitions</b>	-	-	-
<b>Capital expenditure</b>	26,963	61,405	83,571
<b>Total assets</b>	1,010,116	882,306	1,034,415
Working capital surplus	9,878	36,957	3,261
Convertible debentures <sup>(2)</sup>	-	64,728	-
Long-term debt <sup>(3)</sup>	39,500	4,000	35,000
<b>Outstanding shares (end of period) (000s)</b>			
Basic	134,779	109,783	134,690
Weighted average basic	134,740	109,095	134,503
Diluted <sup>(4)</sup>	142,196	118,353	142,091

The table above contains Non-GAAP measures. See “Non-GAAP Terms” for further discussion.

(1) Net income (loss) has been adjusted for the International Financial Reporting Standards (“IFRS”) accounting effects of changes in the derivative financial liability related to the convertible debenture. Management considers adjusted net income a better measure of the Company’s financial performance.

(2) The convertible debentures with a face value of Cdn\$85 million with a conversion price of Cdn\$10.15 per share were fully redeemed on September 25, 2014.

(3) Borrowing limit of \$200 million as of March 31, 2015.

(4) Diluted shares as stated include the effects of common shares and in-the-money stock options outstanding at the period-end. The March 31, 2015 closing stock price was Cdn\$8.07 per share.

## Operational Update

**Rumba (Operated, Block LLA-26, WI 100%):** The Rumba-1 exploration well was spud on March 25, 2015 and successfully drilled to the Une Formation at a depth of 13,396 feet. The well encountered two potential productive zones in the Mirador Formation that were completed and tested with the drilling rig on location. The lower Mirador interval was tested over a 50 hour period under natural flowing conditions at an average rate of 1,135 bopd. A total of 2,365 barrels of 18.6 API oil was recovered from the interval with a final measured rate of 1,298 bopd and a final measured watercut of 3%. The watercut trend was dropping throughout the test. The lower Mirador interval was then isolated to allow testing of the upper Mirador interval and the drilling rig was moved over to spud the Bazar-1 exploration well while testing the upper Mirador. The upper Mirador was tested under natural flowing conditions for a period of 7 days at an average rate of 832 bopd. A total of 5,824 barrels of 18.6 API oil was recovered from the test with a final measured rate of 860 bopd at a watercut of 0.4%. Pressure recorders have been installed in the well to record the pressure buildup from both tests. Surface pressure data indicates that during testing both zones were being produced with a low bottom hole drawdown and Parex expects initial production rates from both zones to be significantly higher with the use of an electric submersible pump.

Utilizing the Rumba drilling pad, Parex spud the Bazar-1 exploration well on May 4, 2015 to test a separate structure and subsequently plans to drill Rumba-2 as a delineation well to test the northern limits of the pool. A long-term test facility is being planned and Parex expects to commence production at Rumba in the second half of 2015, subject to regulatory approvals.

## 2015 Guidance - Update

Parex has a robust asset portfolio that provides for capital allocation flexibility. Within a Brent oil price scenario of \$50-\$60 per barrel, our previous 2015 capital and production guidance was as follows:

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1. Base Production (excluding 2015 Exploration):	26,500-26,700 bopd
2. Drill 10-11 exploratory & appraisal wells	
3. Capital Expenditure: Base/Maintenance + Exploration:	\$145-\$155 million

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Supported by a strong balance sheet, sustained base production and an improving cost structure, Parex has increased its 2015 capital program with the following growth initiatives:

1.	LLA-26 Rumba: construct long-term test facility:	\$5 million
2.	Drill LLA-26 Bazar-1 & 1 appraisal well:	\$12 million
3.	LLA-34: Drill 1 exploration well & 3 appraisal wells:	\$16 million
4.	Magdalena Basin 3D Seismic:	\$12 million
5.	Magdalena Basin: VMM-11 Exploration Well:	\$5 million
<b>Total 2015 Capital Increase</b>		<b>\$50 million</b>
<b>Revised 2015 Capital Expenditure Budget</b>		<b>\$195-\$205 million</b>

At current oil prices, Parex anticipates funding the increased capital expenditure budget from funds flow from operations. In addition, subsequent to the closing of the bought deal financing on May 5, 2015, Parex has approximately \$80 million of net working capital, no bank debt and available bank facility of \$200 million available for future growth opportunities.

Parex plans to use two operated and one non-operated drilling rigs to achieve its 2015 exploration program. We are mobilizing a second drilling rig to commence drilling the Block LLA-20 Zorro Rojo exploration prospect in May 2015 followed by the LLA-32 exploration drilling program. In July/August 2015, we expect a non-operated drilling rig to commence operations on Block LLA-34. Parex expects to be able to revisit its 2015 production guidance following the drilling of Bazar-1, Zorro Rojo-1 and LLA-32 exploration wells and after determining which areas would require further appraisal.

### **2015 Drilling Operations:**

A summary of the current drilling/testing program is provided:

<b>#</b>	<b>Prospect/Well</b>	<b>Block</b>	<b>Timing / Status</b>
1	Rumba-1	LLA-26	Tested 2,158 bopd from 2 Mirador zones
2	Bazar-1	LLA-26	Drilling (exploration satellite to Rumba)
3	Rumba-2	LLA-26	Rumba / Bazar follow-up
4	Taringa-1	Cebucan	Following LLA-26
5	Tautaco-1	LLA-10	Following Cebucan
6	Capachos	Capachos	Q4 Spud
7	Zorro Rojo	LLA-20	Mobilizing rig. Spud May
8	Guepardo-1	LLA-32	Following LLA-20
9	Carcayu-1	LLA-32	Following LLA-32
10	Appraisal Well	LLA-32	Q3 Spud (contingent)
11	Exploration Prospect	Cabrestero	Q4 Spud
12	Jacana-1	LLA-34	Q2 Spud** (South of Tigana field)
13	Tilo-2	LLA-34	Q3 Spud (new)
14	Exploration Prospect	LLA-34	Q3 Spud (new)

15	Appraisal Well	LLA-34	Q4 Spud (new)
16	Appraisal Well	LLA-34	Q4 Spud (new)
17	Exploration Prospect	VMM-11	Q4 Spud (new)

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Note:

Subject to partner and regulatory approval

\*\*Parex has applied for regulatory approval to transfer its existing exploratory drilling commitment from Block LLA-17 to Block LLA-34.

### **AGM Information: May 12, 2015**

Please note that in lieu of a conference call to discuss Q1 results, the Company invites stakeholders to attend its Annual General Meeting on Tuesday, May 12, 2015 beginning at 10:30 am MT at the Eighth Avenue Place Conference Centre, 410 - 525 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

To access the AGM webcast at <http://www.gowebcasting.com/6524>.

**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 Corporate Planning and Investor Relations

Parex Resources Inc.

Phone: (403) 517-1733

Investor.relations@parexresources.com

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#### **Non-GAAP Terms**

This report contains financial terms that are not considered measures under GAAP such as funds flow used in, or from operations, working capital, operating netback per barrel and adjusted net income, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. 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.

Funds flow from operations is a non-GAAP 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.

#### **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; 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 annual production; plans to acquire and process 3-D 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 and 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; 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; 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 affect 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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