



# 2020 Q4 & Year-End Conference Call & Webcast

CONFERENCE CALL & WEBCAST  
MARCH 4, 2021

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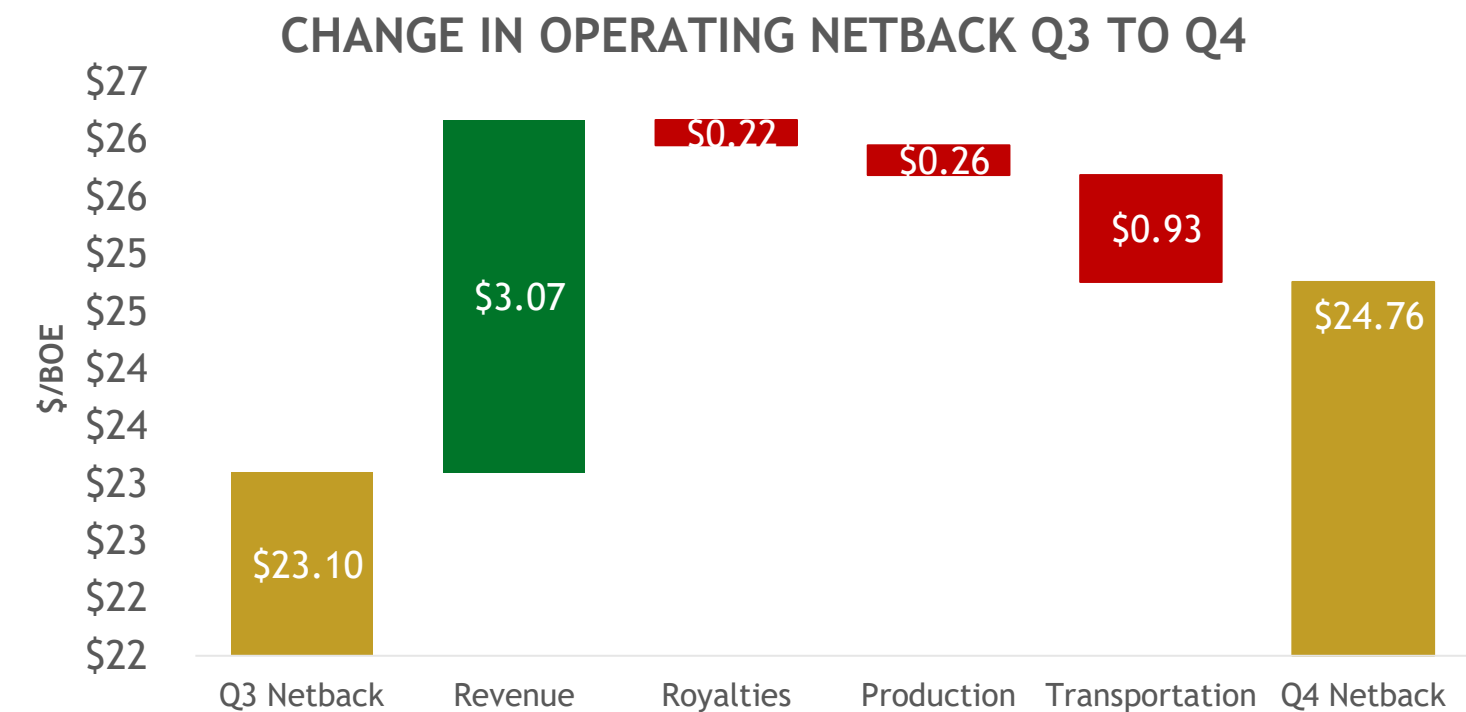
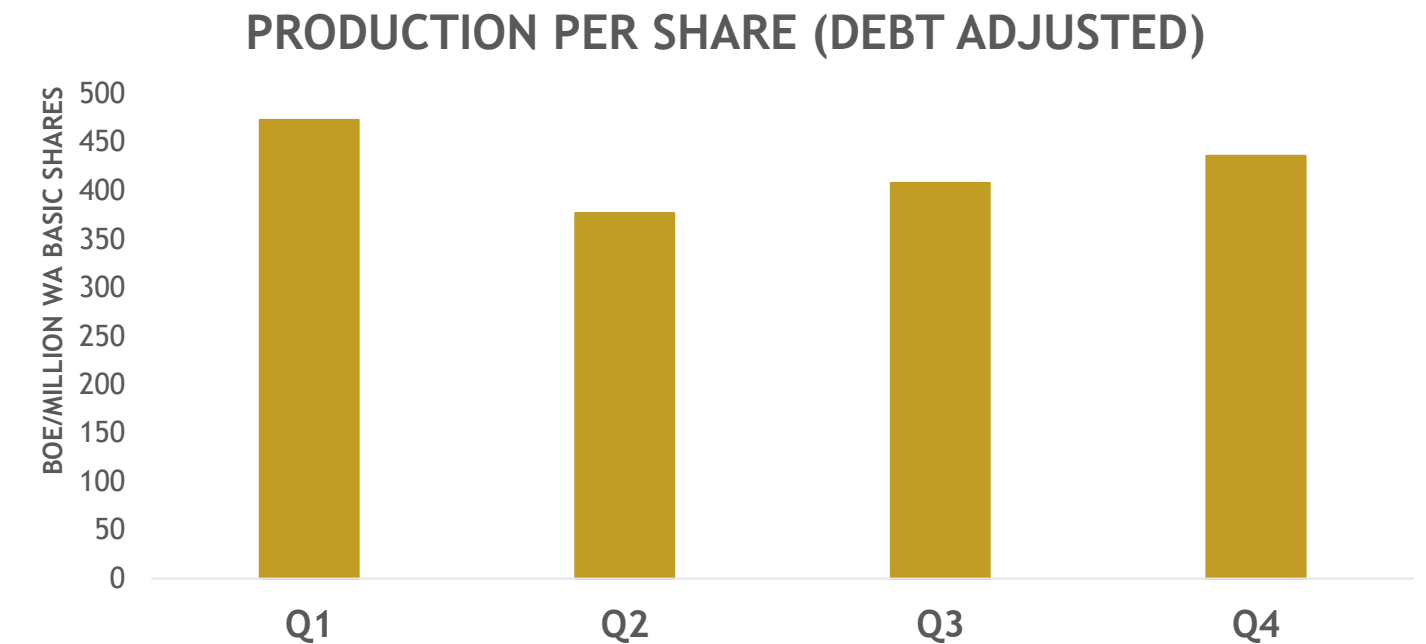
# COVID-19

- Our priority is and continues to be the health and safety of our employees, our contractors and the communities neighboring our operations.
- Parex has shown resilience through the uncertainty and reaffirmed our financial strength, discipline and agility.
  - We continue to focus on our key success drivers of **balance sheet strength**, **return of capital to shareholders** and **sustainability**.



# Q4 2020 OPERATIONAL & FINANCIAL RESULTS

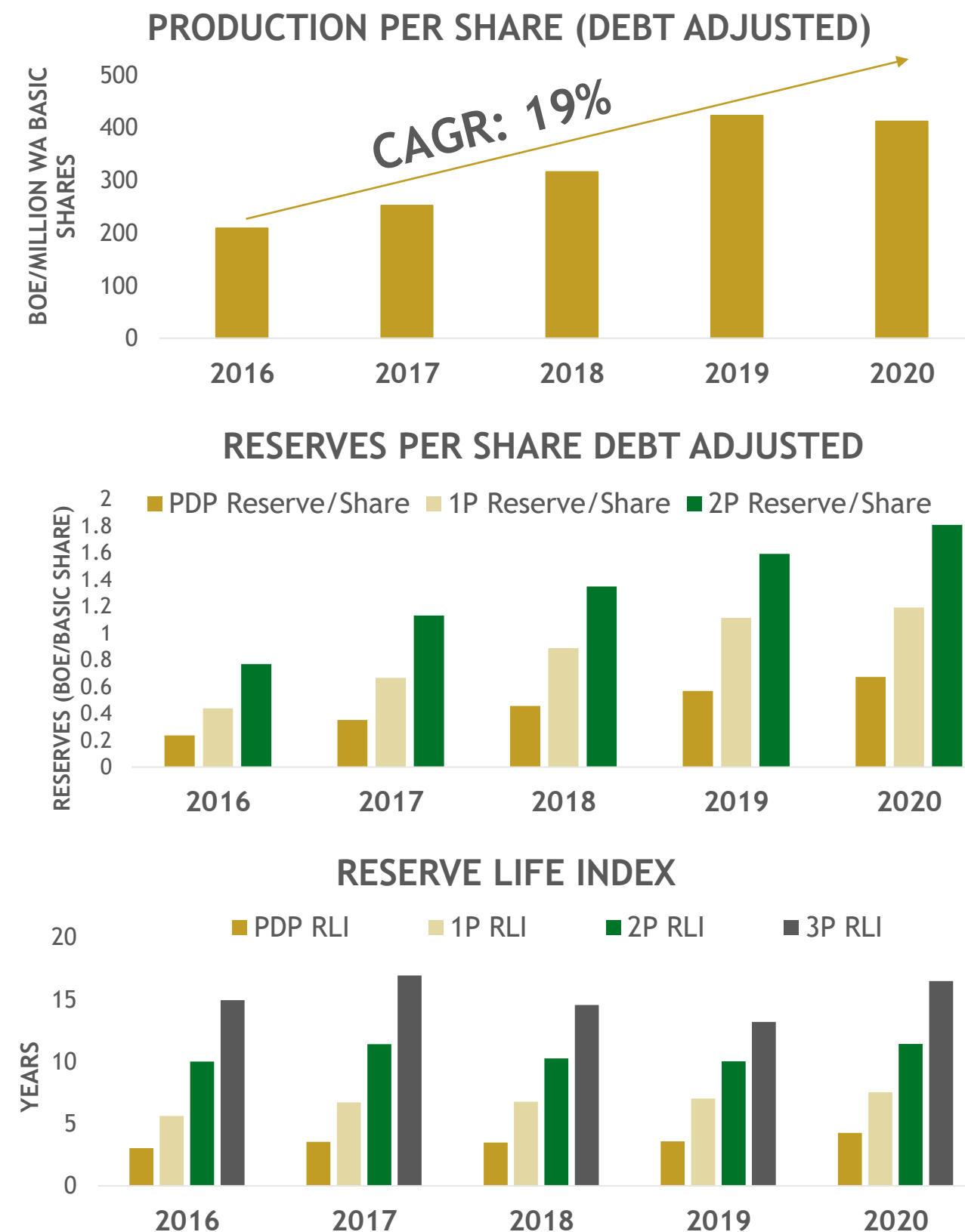
- ❑ Q4 production averaged 46,642 boe/d
  - 9% production per share increase over Q3 2020
- ❑ Recognized net income of \$56.2 MM (\$0.42 per share basic) and funds flow provided by operations of \$81.6 MM
- ❑ Generated an operating netback of \$24.76/boe
  - ❑ FFO netback of \$19.06/boe
- ❑ Capital expenditures were \$46.9 MM
  - ❑ Drilling and completion costs were up \$41.1 MM
- ❑ Utilized free funds flow of \$34.6 MM to repurchase 6,606,994 shares for \$77.2 MM





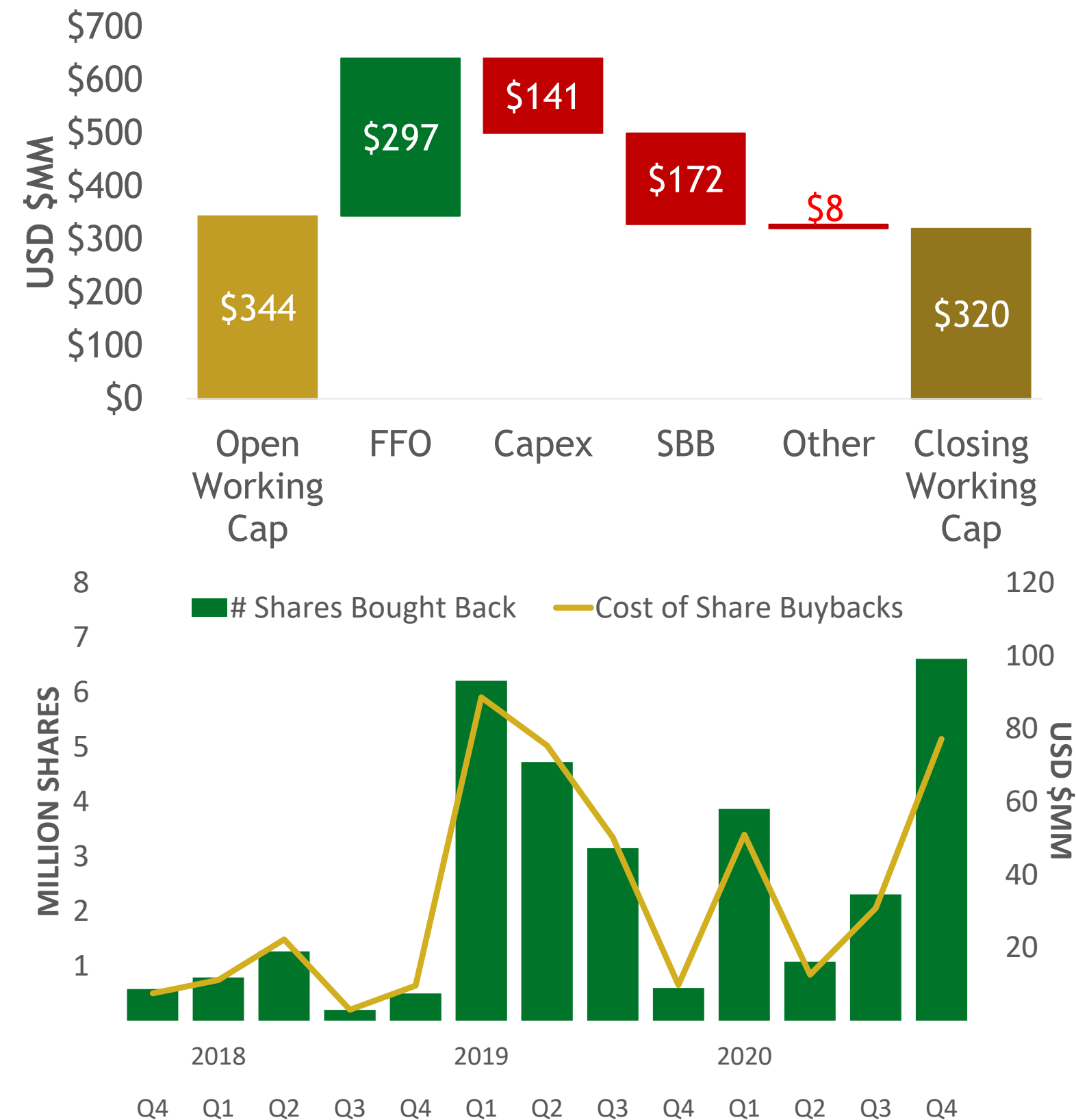
# 2020 YEAR-END OPERATIONAL RESULTS

- ▣ 2020 production averaged 46,518 boe/d
  - Reduction of 12% from 2019 due to voluntary shut-ins from COVID-19 and lower capital expenditures
- ▣ Reserve highlights include:
  - 18% increase in PDP reserves/share & 14% increase in 2P reserves/share;
  - PDP reserves grew 2% y/y, 2P was reduced 8% & 3P grew 7% y/y;
  - PDP & 2P F&D and FD&A were \$7.73/boe and \$8.45/boe
    - Resulting in 2.5x and 2.3x funds flow from operations per boe recycle ratio, respectively
  - 2P reserve life index (RLI) was extended to 11 years → added to sustainability
- ▣ Strong operating netbacks of \$20.84/boe
  - Generated funds flow provided by operations of \$297 MM (CAD \$2.15/share basic)



# 2020 YEAR-END FINANCIAL RESULTS

- Capital expenditures of \$141 MM generated free funds flow of \$156 MM and earnings were \$99 MM (CAD \$0.72/share basic)
- Strong financials during periods of low oil prices & market uncertainty
  - \$331 MM in Cash
  - \$320 MM of Working Capital
  - No Debt
  - \$200 MM of Undrawn Credit Facility
- With Free Funds Flow, Parex repurchased 13.9 million shares in 2020
  - Focused on shareholder return - returned CAD \$230 MM to shareholders in 2020 and CAD \$643 MM since 2017.



# SUSTAINABILITY HIGHLIGHTS - ESG

## Environment



- ☐ Improved CDP Climate Change score from C to B → Outperformed industry peer average score of B-
- ☐ Improved CDP Water Security Score from C to B- for 2020.
- ☐ Since 2015, Parex' Bloomberg ESG Disclosure score has improved 44 points (27 in 2015 & 71 in 2019)



## Social



- ☐ Invested \$3.8 MM into Sustainable Communities → Helped 6,372 families and 9,428 individuals.
- ☐ Invested \$737 thousand to Economic Development → Helped 672 families and 103 companies.
- ☐ Over the last 4 years, a total of 29,200 people have benefited from Parex' "Water for All" initiative. In 2020, 9,500 people gained access to clean water in 7 municipalities surrounding Parex' operations.
- ☐ Parex invested \$1.06 million for a new Intermediate Care Burn Unit at the Simón Bolívar Hospital in Bogota. Parex aims to share the benefits of its success with the communities surrounding its operations



## Governance



- ☐ Board has established an objective to achieve and maintain a Board in which women represent at least 30% of directors by May 2023.
- ☐ Parex reports using multiple standards and frameworks, including CDP, SASB, TCFD, GRI



# 2021 GUIDANCE

	\$45 Brent
Production (average for period) (boe/d)	47,000-49,000
Total Capital Expenditures	165-185
FFO <sup>(1)(2)</sup> (\$ MM)	320-340
Free Funds Flow <sup>(1)</sup> (\$ MM)	155
Share Buy-Back Program <sup>(3)</sup> (\$ MM)	150
Outstanding Shares (end of period) <sup>(3)</sup> (MM)	118-120
Production Per Share Growth (%)	14%
Estimated Working Capital (end of period) (\$ MM)	335
Bank Debt Outstanding (end of period) (\$ MM)	-
Operating Netback (\$/boe) <sup>(1)(3)</sup>	23
FFO netback <sup>(1)(2)</sup> (\$/boe)	19
Effective Tax Rate on FFO (%) <sup>(4)</sup>	8%

1) The table above contains Non-GAAP measures. Refer to “Non-GAAP Terms”.

2) 2021 Guidance assumes Brent/Vasconia crude differential less than \$3.75/bbl under \$45/bbl Brent pricing scenario.

3) It is expected free funds flow will be used to fund the 2021 share buy-back program and assumes an average share price of \$15/share CAD under \$45/bbl Brent pricing scenario.

4) Effective tax rate is the expected tax rate on funds flow from operations.

5) 2021 Guidance is using USD-CAD exchange rate of 1.31.

See Advisories on Slides 9-12.

All amounts herein are in USD unless otherwise stated.



# Questions and Answers

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## Forward-Looking Statements and FOFI

- 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), plans for and results of drilling activity, 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 vision, strategy and values; exploration prospects; the Company's exploration schedule; the Company's drilling plans and production capability/potential; anticipated drilling locations, including the Company's delineation and drilling plans; the Company's future plans for its business, including financial outlook; the Company's ESG initiatives and the benefits to be derived therefrom; and activities to be undertaken in various areas. Statements relating to "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future.
- 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; risks related to obtaining required approvals of regulatory authorities, in Canada and Colombia and partner and community approvals in 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, tax rates and/or incentive programs relating to the oil industry; changes to pipeline capacity; ability to access sufficient capital from internal and external sources; failure of counterparties to perform under the terms of their contracts; risk that Parex' evaluation of its existing portfolio of assets and exploration and development opportunities is not consistent with its expectations; that production test results may not be indicative of long-term performance or 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 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](http://www.sedar.com)).

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# ADVISORIES

- 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 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; 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. The forward-looking statements contained in this presentation are expressly qualified by this cautionary statement.
- This document also contains a financial outlook that has been prepared by Parex' management to provide an outlook of the Company's activities and results. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed above and assumptions with respect to the costs and expenditures to be incurred by the Company, capital equipment and operating costs, foreign exchange rates, taxation rates for the Company, general and administrative expenses and the prices to be paid for the Company's production. Management does not have firm commitments for all of the costs, expenditures, prices or other financial assumptions used to prepare the financial outlook or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not objectively determinable. The actual results of operations of the Company and the resulting financial results will likely vary from the amounts set forth in the analysis presented in this presentation, and such variation may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, Parex's expected expenditures and results of operations. However, because this information is highly subjective and subject to numerous risks including the risks discussed above, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, Parex undertakes no obligation to update such financial outlook.

## Oil and Gas Information

- The estimates of Parex' December 31, 2020 reserves set forth in this presentation have been prepared by GLJ Petroleum Consultants Ltd. ("GLJ") as of December 31, 2020 with a preparation date of February 4, 2021 (the "GLJ 2019 Report") in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluations Handbook (the "COGEH") and using GLJ's forecast prices and costs as at January 1, 2021. The estimates of Parex' December 31, 2019 reserves set forth in this presentation have been prepared by GLJ as of December 31, 2019 with a preparation date of February 6, 2020 in accordance with NI 51-101 and the COGEH and using GLJ's forecast prices and costs as at January 1, 2020. The estimates of Parex' December 31, 2018 reserves set forth in this presentation have been prepared by GLJ as of December 31, 2018 with a preparation date of February 7, 2019 in accordance with NI 51-101 and the COGEH and using GLJ's forecast prices and costs as at January 1, 2019. The estimates of Parex' December 31, 2017 reserves set forth in this presentation have been prepared by GLJ as of December 31, 2017 with a preparation date of February 2, 2018 in accordance with NI 51-101 and the COGEH and using GLJ's forecast prices and costs as at January 1, 2018. The estimates of Parex' December 31, 2016 reserves set forth in this presentation have been prepared by GLJ as of December 31, 2016 with a preparation date of February 6, 2017 in accordance with NI 51-101 and the COGEH and using GLJ's forecast prices and costs as at January 1, 2017. The estimates of Parex' December 31, 2015 reserves set forth in this presentation have been prepared by GLJ as of December 31, 2015 with a preparation date of February 5, 2016 in accordance with NI 51-101 and the COGEH and using GLJ's forecast prices and costs as at January 1, 2016.
- "Proved" or "1P" 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.
- "2P" means Proved Plus Probable reserves.
- "3P" means Proved Plus Probable Plus Possible reserves.

# ADVISORIES

- Estimates of the net present value of the future net revenue from Parex' reserves do not represent the fair market value of Parex' reserves. The estimates of reserves and future net revenue from individual properties or wells may not reflect the same confidence level as estimates of reserves and future net revenue for all properties and wells, due to the effects of aggregation.
- This presentation contains certain oil and gas metrics, including F&D, FD&A, FD&A/boe, reserves life index (or RLI), operating netbacks, cash netbacks, funds flow from operations netback, CAGR, replacement ratio, and recycle ratios, 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 and should not be used to make comparisons. 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 and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide investors with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented herein, should not be relied upon for investment or other purposes. A summary of the calculations of such metrics are as follows:
  - Finding and development ("F&D") costs are calculated by dividing capital expenditures by the change in reserves within the applicable reserves category. F&D costs, including FDC, include all capital expenditures in the year as well as the change in FDC required to bring the reserves within the specified reserves category on production.
  - Finding, development and acquisition ("FD&A") costs represent the costs of property acquisition, exploration, and development incurred. 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.
  - FD&A costs are calculated as capital expenditures plus net acquisition costs plus change in FDC. FD&A per boe is calculated as FD&A costs divided by reserves additions for the applicable period.
  - Reserves life index is calculated by dividing the applicable reserves category by the annualized fourth quarter production.
  - Replacement ratio is calculated by dividing the annual reserve additions by the annual production
  - Recycle ratio is calculated as FFO per boe divided by F&D or FD&A, as applicable
  - Funds Flow from Operations per boe is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital, divided by sales volumes for the period. In Q2 2019, the Company changed how it presents funds flow provided by (used in) operations to present a more comparable basis to industry presentation.
  - Operating netback is calculated as oil & gas revenue less expenses (royalties, production and transportation) divided by production for the period.
  - CAGR is calculated as:
    - i.  $(2020 \text{ debt adjusted production per share divided by } 2016 \text{ debt adjusted production per share})^{1/4} - 1$ , and
    - ii.  $(2020 \text{ 2P reserves per share divided by } 2016 \text{ 2P reserves per share})^{1/4} - 1$
  - Free cash flow yield is calculated as funds flow minus capex divided by market capitalization (converted in USD)
  - Return on average capital employed (ROACE), a non-GAAP measure, is calculated as net income (loss)/(average (net debt + shareholders' equity))
  - Cash return on invested capital calculated (CROIC), a non-GAAP measure, is calculated as EBITDA divided by average carrying value of exploration and evaluation assets and property, plant and equipment assets, excluding accumulated DD&A
- "BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (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 that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.
- All of Parex' crude oil reserves disclosed herein are located in Colombia. The Company has light, medium and heavy crude oil, natural gas liquids and conventional natural gas product types. The recovery and reserve estimates of reserves provided in this document are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than, or less than, the estimates provided herein. All evaluations and reviews of future net revenue contained in GLJ's reports are stated prior to any provision for interest costs or general and administrative costs and after the deduction of royalties, development costs, production costs, well abandonment costs and estimated future capital expenditures for wells to which reserves have been assigned.



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- Certain other information contained in this presentation has been prepared by third-party sources, which information has not been independently audited or verified by Parex. No representation or warranty, express or implied, is made by Parex as to the accuracy or completeness of the information contained in this document, and nothing contained in this presentation is, or shall be relied upon as, a promise or representation by Parex.
- This presentation contains references to type well production and economics, which are derived, at least in part, from available information respecting the well economics of other companies and, as such, there is no guarantee that Parex will achieve the stated or similar results, capital costs and return costs representative per well.
- References in this presentation to initial production test rates, initial "flow" rates, initial flow testing, and "peak" rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. While encouraging, investors are cautioned not to place reliance on such rates in calculating the aggregate production for Parex. Parex has not conducted a pressure transient analysis or well-test interpretation on the wells referenced in this presentation. As such, all data should be considered to be preliminary until such analysis or interpretation has been done.

## Financial Matters

- The Company discloses several financial measures that do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). These financial measures include operating netbacks, cash netbacks, funds flow netbacks, funds flow per share, free cashflow, funds flow from operations netback and funds flow from operations, return on average capital employed, cash return on invested capital calculated and EBITDA. Management believes that these financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities. 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 "Oil and Gas Information" and IFRS. Parex's 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](http://www.sedar.com) for additional information about these financial measures.

