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News release

December 5, 2011

Parex Resources Announces 2012 Budget

Calgary, Canada

Parex Resources Inc. (“Parex” or the “Company”) (TSX:PXT), a company focused on oil exploration and production in Colombia and Trinidad, announces its 2012 guidance. All amounts below are in United States dollars unless otherwise stated.

Parex 2012 Budget Summary

Building on our 2011 operational and exploration success, Parex currently plans a self funding 2012 capital investment program of \$230-\$275 million for exploration and development operations in Colombia and Trinidad resulting in a 2012 production exit rate of approximately 17,000 bopd.

Key highlights:

- High Colombia operating netback production provides for a self-funding capital program and exit rate production growth of 20 percent;
- Exploration activities across seven Colombia Llanos Basin blocks;
- Focused program to test high impact onshore Trinidad prospects; and
- Balance sheet strength to capitalize on new business opportunities.

A summary of the 2012 capital plans is provided below:

| | <u># Wells Planned</u> | | <u>Capex (Net \$ million)</u> | | <u>Capex Total</u> |
|--------------------|------------------------|--------------|-------------------------------|----------------------|--------------------|
| | Gross | Net | Drilling | Facilities & Seismic | |
| Colombia | 20-25 | 20-23 | 165-185 | 25-35 | 190-220 |
| Trinidad | 5-10 | 3-7 | 30-40 | 10-15 | 40-55 |
| Parex Total | 25-35 | 23-30 | 195-225 | 35-50 | 230-275 |

In addition to an exploration program that accesses Parex’ 814,000 gross acres in Colombia’s Llanos Basin, the Company is budgeting for a comprehensive exploration program in onshore Trinidad, targeting high impact prospects in the Central Range and Moruga blocks. The 2012 capital program is expected to be fully funded from funds flow from operations. Additionally, Parex could increase its 2012 program through accessing its existing \$78 million of working capital¹.

¹ Unaudited as at September 30, 2011.

During the second quarter of 2012, Parex expects to provide a forecast of 2012 average production for its Colombia operation after evaluating the dry season (typically Dec-March) exploratory drilling results. The Colombian production average has inherent uncertainty due to its exploration focus and seasonal constraints impacting timing of exploration work.

Colombia 2012 Capital Program Outlook

During 2012 Parex plans to drill 20-25 gross wells on seven blocks across its Colombian portfolio. The number of wells drilled and the split between exploration and appraisal/delineation is heavily dependent on timing of regulatory approvals, seasonal variability and drilling success.

| | <u>2012 Colombia Drilling Program</u> | | | | | | | |
|------------------|---------------------------------------|------------|------------|------------|------------|-------------|---------|--------------|
| | LLA- 16 | LLA- 20 | LLA- 29 | LLA- 30 | LLA- 57 | Los Ocarros | El Eden | Total |
| # of gross wells | 8-10 | 3-4 | 1-2 | 4 | 2 | 1-2 | 1 | 20-25 |

During 2012, we plan on maintaining our current drilling activity by operating three drilling rigs and one service rig on a continuous basis. The range of capital investment reflects the exploration focus of the Company's operations in Colombia.

Trinidad 2012 Capital Program Outlook

In 2012 Parex is embarking on an expanded Trinidad exploration program. The Company has budgeted to operate with two newly imported rigs and drill 5-10 wells, for which regulatory approval has been received for four wells. The planned 2012 exploration program includes drilling on the Central Range Block ("CRB") and on the Moruga Block as summarized below.

| | <u>2012 Trinidad Drilling Program</u> | | | |
|------------------|---------------------------------------|-------------|----------|--------------|
| | Moruga | CRB Shallow | CRB Deep | Total |
| # of gross wells | 2-5 | 1-3 | 2 | 5-10 |

Parex has entered into an agreement to purchase an additional 33.8 percent interest in the Moruga Block for approximately \$10 million. Upon closing, Parex' working interest in the Moruga Block would be 83.8 percent. The Company is currently importing a drilling rig which is expected to mobilize on the Moruga Block Firecrown location during December 2011.

2012 Outlook Key Assumptions

Key assumptions underlining the 2012 capital program are:

- Oil prices remain approximately WTI \$90/bbl and Brent \$105/bbl;
- Operating netback² of \$65/bbl;
- Colombia effective tax rate on cash flow of less than or equal to 20 percent; and
- Regulatory and partner approvals are obtained at a similar pace to 2011 in Colombia and are obtained in a timely manner in Trinidad.

An updated corporate presentation has been posted at <http://www.parexresources.com/sites/default/files/presentations.pdf>.

Operation Update

With the recent production addition of Kona-9, the current light oil production is approximately 13,000 bopd, on-track to achieve the exit rate guidance of 14,000 bopd. In addition:

- Drilling operations have begun on Trinidad CRB Mapepire prospect;
- Kona Norte-2 water disposal well was dual zone completed and tested oil in the Mirador Formation;
- Merida exploration well is drilling at 10,500 feet;
- Supremo-2 well drilled and awaiting testing;
- Kona-7 has cored the Mirador Formation and is being drilled to TD in the Gacheta formation prior to running casing; and
- Civil work on LLA-16 exploration prospect Java and LLA-20 prospect Cumbre is progressing.

Corporate Overview

Parex, through its direct and indirect subsidiaries, is engaged in oil and natural gas exploration, development and production in South America and the Caribbean region. Parex is conducting exploration activities on its 814,000 acre holdings in the Llanos Basin of Colombia and 223,500 acre holdings onshore Trinidad. Parex is headquartered in Calgary, Canada.

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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² Operating netback is defined as oil sales less royalties, production expense and transportation expense

GAAP and Non-GAAP Terms

Effective January 1, 2011, Parex adopted International Financial Reporting Standards ("IFRS"). The Corporation's interim consolidated financial statements and the 2010 comparative information has been prepared under IFRS which are generally accepted accounting principles ("GAAP") for publically accountable enterprises in Canada.

Funds flow used in, or from operations, cash flow, working capital, operating netback per barrel and total net debt may from time to time be used by the Company, but do not have any standardized meaning under IFRS and Canadian GAAP and may not be comparable to similar measures presented by other companies. Funds flow used in, or from operations includes all cash generated from operating activities and is calculated before changes in non-cash working capital. Funds flow used in operations is reconciled with comprehensive net income (loss) in the Consolidated Statements of Cash Flows. Funds flow per share is calculated by dividing funds flow used in, or from operations by the weighted average number of shares outstanding. Working capital includes current assets less current liabilities. Operating netback per barrel equals sales revenue, less royalties, production expense and transportation expense, divided by total equivalent sales volume. Total net debt is a non-GAAP measure defined as the sum of working capital less the convertible debentures (excluding the derivative financial liability associated with the convertible debentures). The principal amount of the convertible debentures is CDN\$85 million. 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 growth expenditures.

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 exit rate 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, 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).

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 there from. 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 Toronto Stock Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Toronto Stock Exchange) accepts responsibility for the adequacy or accuracy of this release.