



Parex Resources Inc.

PXT:TSX

Initiating Coverage

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Capital Management
Gestion de capitaux



Parex Resources

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Company Profile

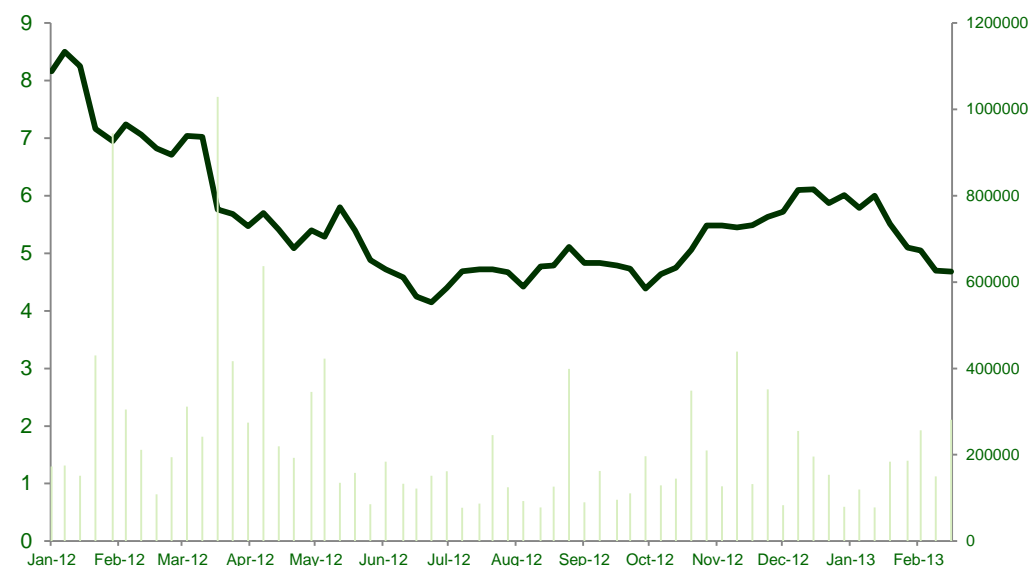
Market Summary

(in US\$ millions except per share data)

Share Price (Mar. 15, 2013)	\$4.68
<i>Dividend Yield</i>	-
<i>52 Week High</i>	\$7.15
<i>52 Week Low</i>	\$3.92
Shares Outstanding (mm)	108.6
Equity Market Value	\$508.2
Cash (Dec 31, 2012)	-32
Total Debt + Equivalents (Dec 31, 2012)	98
Enterprise Value	\$575

Forecast & Multiples	FY end 31 Dec			
	2011A	2012A	2013E	2014E
Revenue	160.30	496.50	531.00	538.2
Revenue Growth		209.73%	6.95%	1.36%
EBITDA	97.90	264.60	274.60	304.8
EBITDA Margin	61.1%	53.3%	51.7%	56.6%
Operating Cash Flow	120.25	254.53		
OCF Growth	NA	111.7%		
EPS	0.17	0.34	0.25	0.42
EV/EBITDA	5.97x	2.13x	1.98x	1.80x
Price/EPS	22.30x	10.53x	74.71x	8.96x
Price/BV	3.03x	1.38x		
Leverage Metrics				
Net Debt/EBITDA	0.25			
Total Debt/EBITDA	0.37			

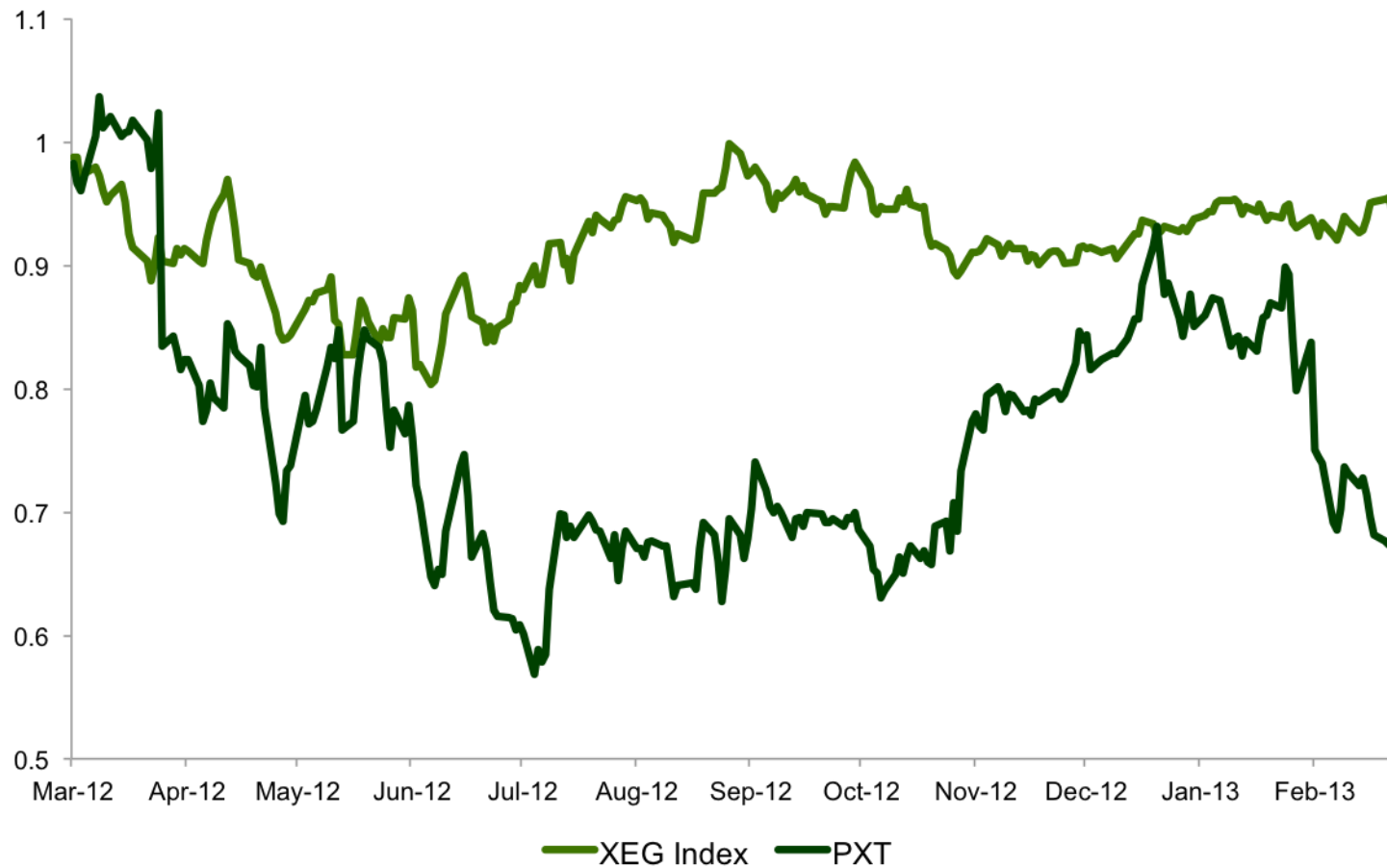
Share Performance LTM



Company Description

- Parex Resources explores for, develops, and produces oil in Colombia and Trinidad & Tobago
- The company is headquartered in Calgary, AB

Relative Performance



PXT has underperformed the Canadian Energy Sector

Relevant Events



Relevant News

Reserve Update: 2P Increase 50%

- Below analyst expectations of 100% growth
- Proved reserve growth of 103%
- Replaced 229% of production on a total proved plus probable basis
- FD&A costs of \$39.64 per barrel
 - Recycle ratio of 1.7

Petroamerica Announces Reserve Report

- 50% Partner in Los Ocarros Block released report citing an increase in 2P reserves of over 100% from 2.0 mmbbl to 4.7 mmbbl
- GeoPark Holdings announced operations update showing successful testing for production on Tua-3 well in LLA 34 Block of Llanos Basin
 - Parex has a 45% non-operating WI
- Minimizing downside valuation risk

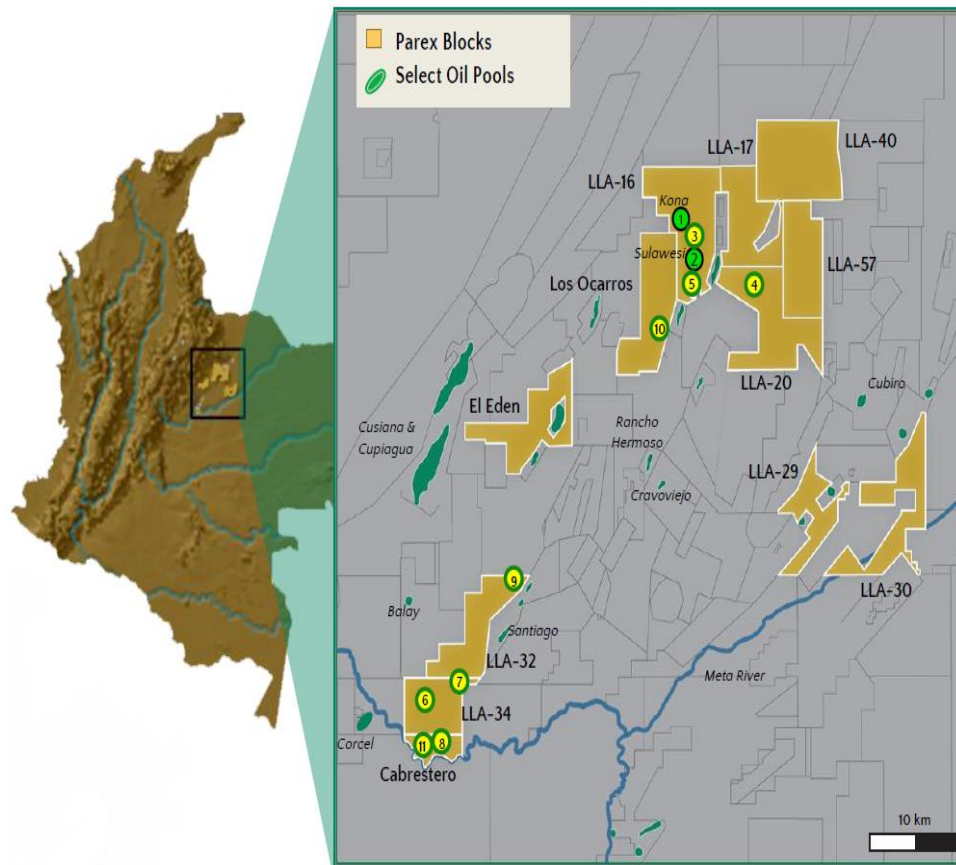
Management Approves Share Buy-Back Program

- Approved bid for management to purchase up to 8.8M common shares for cancellation
- The bid will run from March 2013-2014
- Parex believes that its shares are being undervalued by the market

Management Provides 2012 Operations Guidance

- Lowered 2012 exit production guidance from 17,000 bopd to 13,500 bopd
 - 2011 average production of 5,317 bopd
 - Unexpected shock to market
- Valuation plummeted to near core NAV

Columbian Operations



Oil Fields Added in 2012



Oil Fields at Year End 2011

Snapshot

- 2012 production of 11,407 bopd ; 2013 guidance of 14,000-14,500 bopd
- 2P reserves of 16.1 mmbbl (50% growth YoY)
- Brent reference pricing

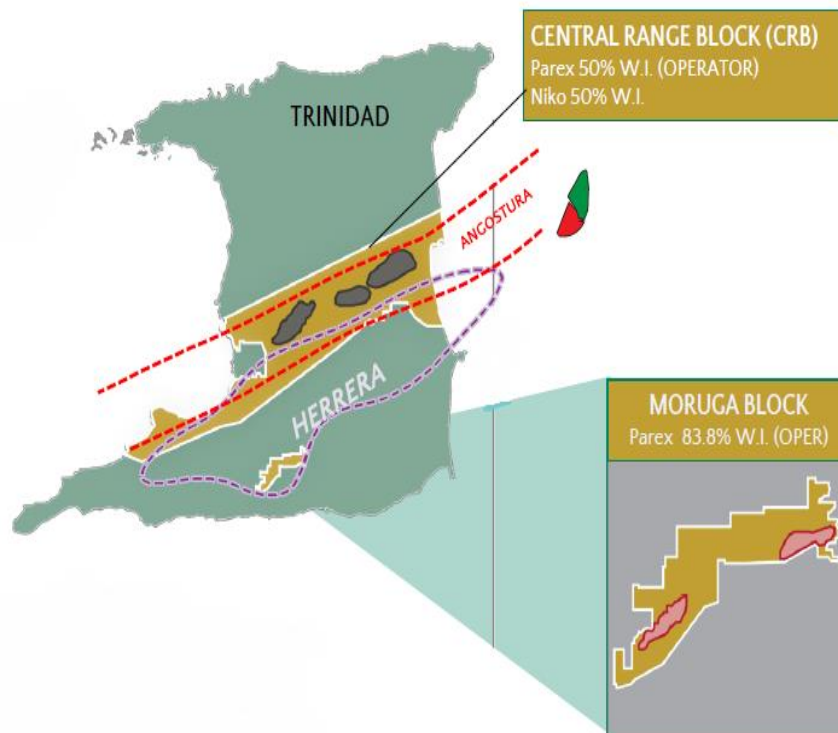
LLA-16: Kona

- 100% working interest property
- Producing light oil 30-37° API
- Exploration projects into Maragogi Norte in 2013
- Diminishing production at Kona seems to have been stabilized at 5,000 bopd
- Manage decline through infill development wells and recompletion of wells

Los Ocarros: Las Maracas

- Operating 50% working interest
- Producing light oil 29-37° API
- 2013 plan for 7 development/appraisal wells including one water disposal well
- Building up production as infrastructure permits with the goal of reaching 9,000-10,000 bopd by early 2013

Trinidad Exploration



Snapshot

- 211,478 gross acres
- Sharing production risk with other exploration companies
- Taking on operating risk
- Drilled 2 wells during 2012
- Initial exploration phase will continue until late 2014
- \$40M of capex in 2012 (about 15% of total budget)

Early Stage Trinidad Exploration

- 50% working interest operator with Niko Resources in Central Range Block on-shore oil exploration project
- 84% operating partner in Moruga Block
- Recently acquired 2D seismic data on CRB area
- Plans to drill commitment well in CRB during late 2013

Colombian Oil Industry

Why do we like it?

- Macroeconomics and regulatory conditions create an attractive environment for investors
- High untapped potential
- Geographic location, right next to the Panama Canal, Venezuela, and the Pacific Ocean.
- Low possibility of social unrest in the medium term due to high popularity of current government. Approval rate of President Santos is above 55%.
- No capital controls that currently affect international companies.

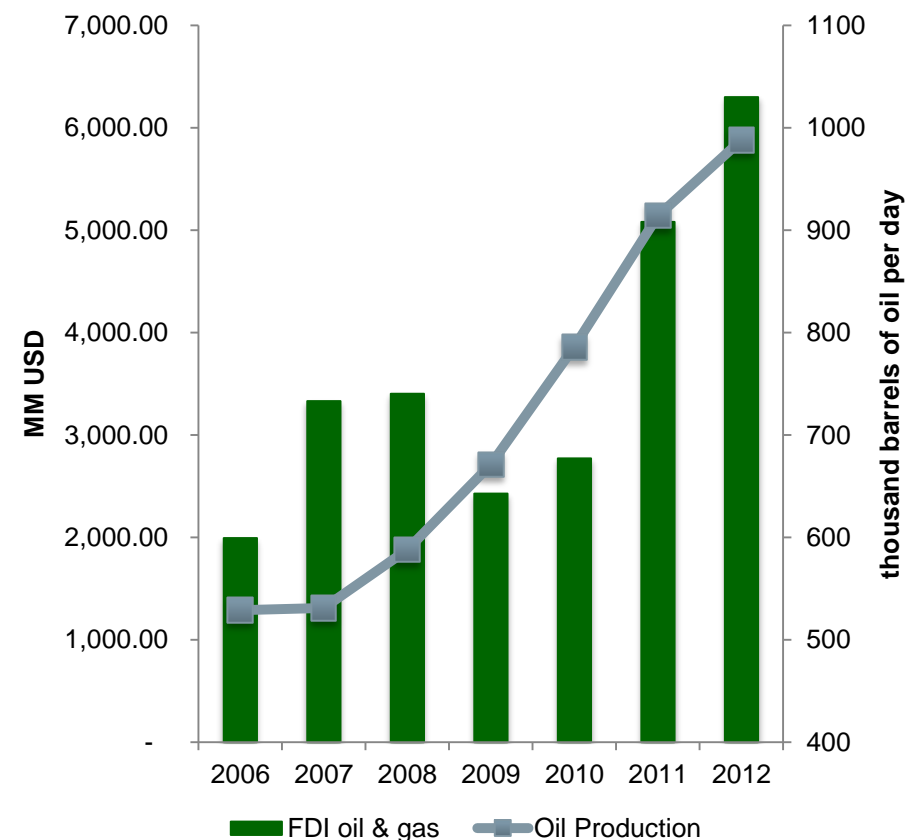
Foreign direct investment

- FDI in oil sector has represented more than 35% of total FDI since 2010.
- Absolute amount of FDI has consistently increased since 2009.

Markets risk perspective on the region

	5YR SR CDS (bps)
Chile	62
Colombia	88
Peru	88
Brazil	128
Venezuela	660
Argentina	2582

Average oil production & FDI



Source: Banco de la República de Colombia, Ecopetrol and DCM

Columbia Oil Industry

Logistical Constraints

- Current pipeline infrastructure insufficient for increasing Colombian oil output
- Constraints prevented government's guidance of 2012 exit production of 1,000,000 bbls/d
- Companies have been forced to use trucking to transport oil from fields; an expensive method prone to disruptions

Bicentennial Pipeline

- 450,000 bbls/d takeaway capacity to come online in 1H2013 after some delays
- Will provide relief for bottlenecks and decrease transportation costs for producers
- 960 km pipeline will stretch from the heart of the Llanos Basin to a Caribbean port



Peace Process

Why it matters to the oil industry?

- During 2013 more than 8 attacks have targeted oil infrastructure
- Most of the attacks have been focused on assets of the state owned oil company, Ecopetrol
- Armed groups don't have operations in the territories where Parex has their primary infrastructure

The process

- Started in September 2012
- FARC, ELN and the Colombian Government are the participants
- Cuba and Norway are the main negotiators with support from Chile, Venezuela, UN, OAS and the Catholic Church
- Key negotiation points
 - Comprehensive agricultural development plan
 - Amnesty for rebels and recognition of their groups as political parties
 - Lay down of arms
 - Legalization of drugs manufacturing

Timeline in 2013

- Jan 15 – Government does not compromise with FARC's agricultural proposition
- Jan 20 – FARC resumes hostile activities
- Jan 30 – Talks resume with high tension
- Feb 9 – FARC asks for land for poor farmers
- Feb 10 – Negotiations around hostages improve
- Mar 1 – Government and armed groups admit improvement in difficult issues



Investment Thesis

Parex is trading close to its core NAV, providing a floor on market valuation, and does not incorporate nearly all its exploration and development growth potential. Parex allows us to avoid uncertainty in the future of the Canadian oil and WTI spreads.

- Colombian E&P market is heavily discounted
- Favourable M&A environment
- Parex – experienced in exploration and reserve growth
- Established infrastructure and financial flexibility

Price Target - \$7.91

Recommendation - BUY

Management

Management Strength & Experience

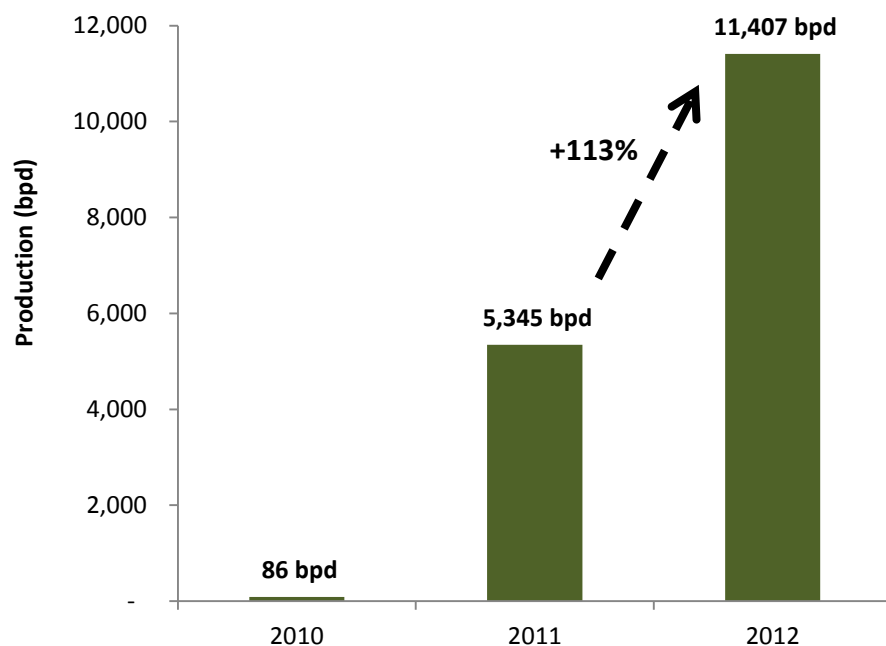
- Wayne Foo, President & CEO:
 - Over 30 years experience in oil & gas, 14 years in executive roles
 - 2003-2009: Founder, President & CEO, Petro Andina Resources: Grew to 30,000 bbls/d through drilling success in Argentina, company sold Colombia and Trinidad assets to Parex Resources
 - 1998-2002: President, Dominion Resources: Tripled the size through Exploration and Acquisition
 - 1996-1998: President & CEO, Archer Resources: Sold to Dominion Resources in 2008
- Barry Larson, VP Operations & COO
 - Over 30 years experience in oil & gas, 15 years in foreign operations
 - 2005-2009: VP Operations & COO, Petro Andina Resources
 - 1999-2004: Co-Founder & VP, Aventura Energy Inc.: Extensive operations experience in Argentina and Trinidad
- Ken Pinsky, VP Finance & CFO
 - 21 years financial experience, 11 years experience in senior financial positions in upstream oil & gas
 - 2008-2009: VP Finance & CFO, Petro Andina Resources
 - Founder of Argent Energy: US Operations, Sold company in 2008
 - 2001-2004: CFO, Ultima Energy Trust: Operations in Western Canadian Sedimentary basin
- Dave Taylor, VP Exploration & Business Development
 - 28 years experience in oil & gas
 - 2007-2009: VP & Business Development, Petro Andina Resources
 - Involvement in oil discoveries made in Trinidad with Exxon Production

Management team is experienced in making discoveries and operating in South America

Production Guidance

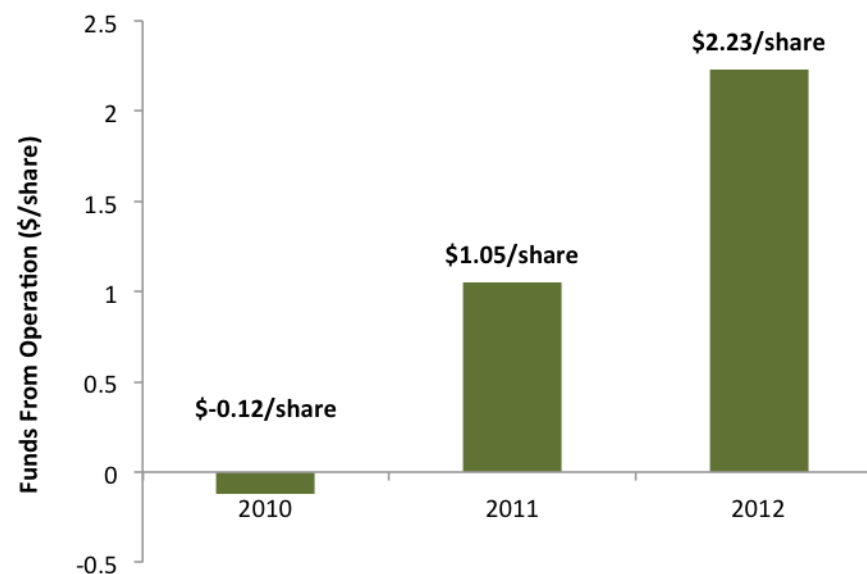
2013 Guidance

- Production guidance: 14 Mbbbl/d -14.5 Mbbbl/d
 - 20-25% growth over 2011 production (11.4 Mbbbls/d)
- Capex Guidance: \$210mm
 - 20 net wells in Colombia (10 exploration, 10 development)
 - 1.2 net exploration wells in Trinidad & Tobago
- Production should generate cash flows to cover capex
- Company retains financial flexibility with a \$75M undrawn credit facility



Production Update

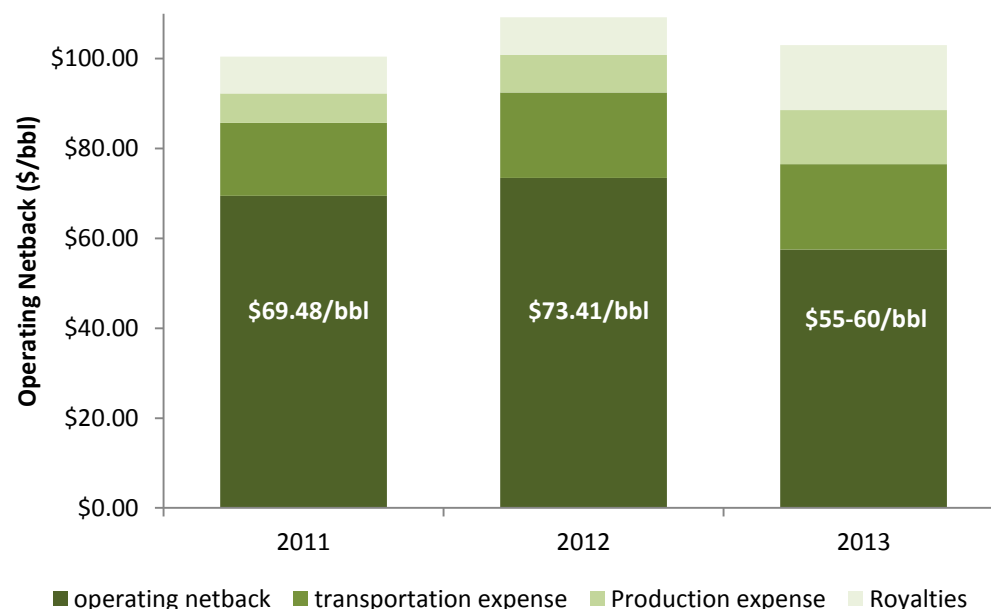
- Feb. averaged 14.5Mbbbl/d, at the top end of their 2013 average production guidance
- Increase in production is mainly due to the continued Kona recompletions and drilling in Las Maracas.
- The company is actively drilling in Colombia and is also shooting a 2D seismic program over several deep prospects in Trinidad



Operational Outlook

Reduction in Transportation Costs

- Management entered into a one- month marketing contract to sell 5% of production of light oil at a \$14.50 - 16.50/bbl discount to Brent as compared with earlier 2013 guidance of a \$20.00/bbl discount to Brent.
- Regulation changes in early 2013 allowed pipeline owners, to sell unused capacity to non-owners. (directly impacting Parex is the OCENSA pipeline)
- The opening of access of unused capacity to Parex will reduce transportation costs as pipeline is cheaper than trucking.



Operating Netback

- Operating Netback: Selling price less costs associated with bringing the oil to market, on a per barrel basis
- 2012 Operating Netback of \$73.41/bbl
- Some perspective:
 - Canadian oil sands netback: \$20-\$30/bbl
 - Canadian light oil netback: \$35/\$45/bbl
- Management expects 2013 Operating Netback of \$55-60/bbl
 - Lower than 2012 due to lower expected Brent prices and higher royalties
 - Very conservative estimate, does not factor in potential transportation cost savings

Reserves

Current Reserves

- P (Proved) Reserves: 10.1 mmbbls, 63% of the 2P total, a material improvement from 35% in 2011.
- 2P (Proved + Probable) Reserves: 16 mmbbls
- 3P (Proved + Probable + Possible): 23.1 mmbbls

Reserve Life

- 2012 reserves represent a RLI of 3.2 years, up from 2.1 the previous year.
- The 50% increase in the 2P reserves represents 229% of 2012 production
- The nature of most light oil production in the Llanos Basin proves to have relatively short reserve lives. Parex is actively expanding its reserve base
- New reserves from 10 discoveries in 2012

Reserve Estimates (mmbbls)

Proven	63%	10,063
Probable	37%	6,037
2P	100%	16,100

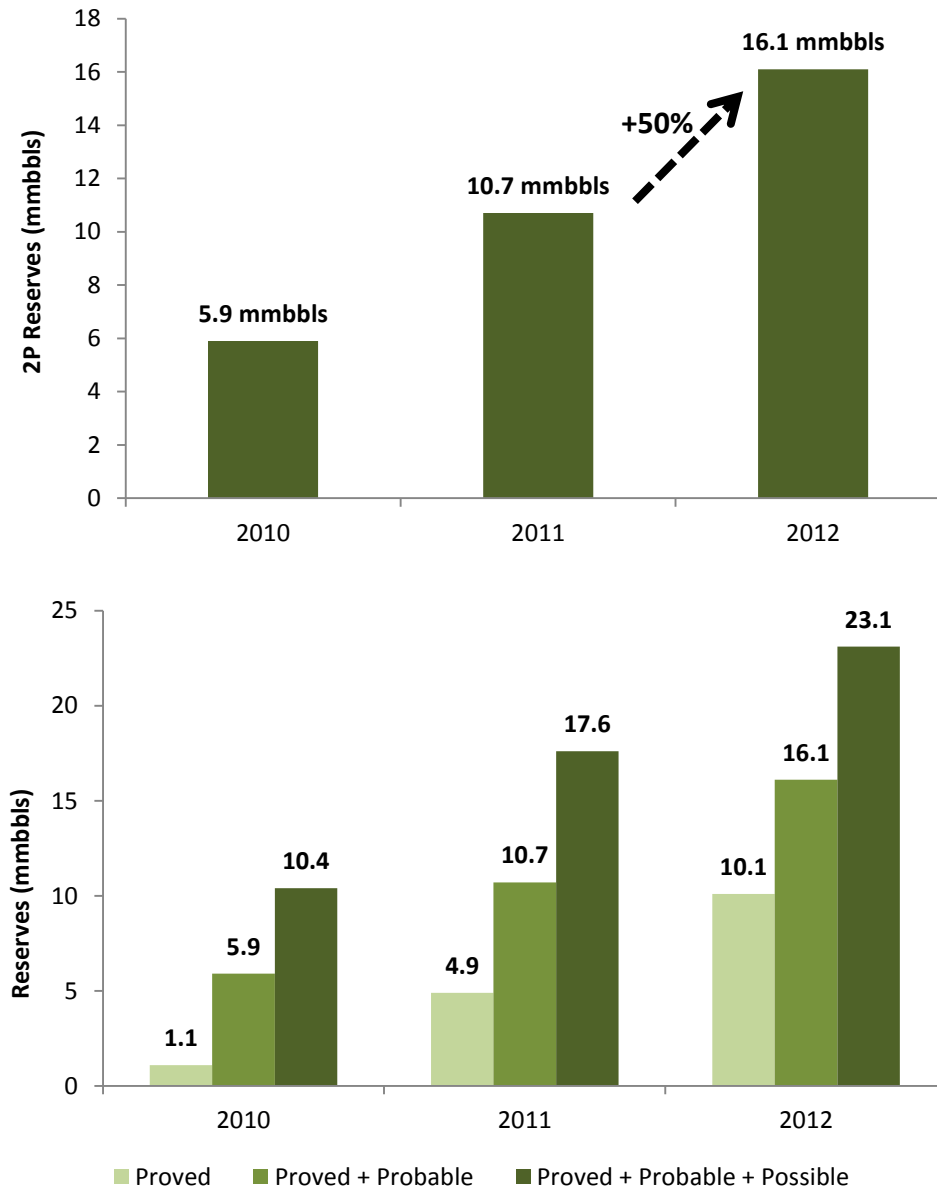
Concession Acres

	<u>Gross</u>	<u>Net</u>
Colombia	1,387,916	939,206
Trinidad	218,921	111,976
Total	1,606,837	1,051,182

Reserve Life Index

	<u>2012</u>	<u>2013</u>
Proven	2.43	1.93
2P	3.88	3.10

Reserve Growth



Reserve Growth

- 2P reserves grown to 16 mmbbls from 10.7 mmbbls
- P reserves grown to 10.1 mmbbls from 4.9 mmbbls
- Despite stalled growth at Kona, its largest field, Parex is able to grow by drilling 33 gross wells (20 net wells) with 87% success rate during 2012
- The Ramshorn acquisition of \$72 million (which added 2.3 mmbbls of 2P reserves) and capex of \$268 million in 2012 effectively replaced its production 2.3X on a 2P basis
- Parex reduced its 2P reserve replacements costs to \$39.65/bbl in 2012 from \$68.98/bbl in 2011, a 43% decrease
- Management expects reserves additions in 2013 of approx. 6 mmbbls
- Overall, reserves have grown at a CAGR of 66% and production grown at a CAGR of 57% since 2010, both organically and through acquisitions.

Catalysts

Exploration and Drilling

Results from multiple wells in Colombia, including La Casona-1 and Maragogi Norte-1, will most likely prompt more drilling updates from Parex's planned E&P program. Given their previous success rate, we believe that any update would be a catalyst for stock price appreciation.

Lower transportation costs

Bicentennial Pipeline to come online in 1H2013, will add 450,000 bbls/d takeaway capacity to the coasts. Pipeline transportation is cheaper and less risky than trucking (trucking is prone to disruptions due to poor road infrastructure and rebel attacks).

Peace Treaty in Colombia

Should the Peace Treaty be a success, Colombia will be viewed as relatively safer and more political stable for E&P companies to operate in. Parex will most likely enjoy better market valuation as a result.

Takeover Potential

Heavy oil-weighted Pacific Rubiales looking to build a pipeline of assets to replace maturing Rubiales field, partially through inorganic growth. Acquired C&C Energia at end 2012 for light oil assets in Llanos Basin, provides synergies through transportation savings and a source of diluent for heavy oil. Parex' primary 2P assets & production are in same basin.

Management has used share buyback strategy to enhance the share price of Petro Andina before its takeover.

Financial Valuation- NAV

Parex Resources Inc. - Net Asset Valuation (NAV)

Proved Reserves as of 12/31/2012:

Long-Term Production Decline:

Resource Prices for NAV:

Oil (MBbls):	16,100	Oil:	(5.0%)	Oil / NGL \$ per Bbl	Hedged Price %
				\$ 105.00	100.0%
Future Estimated Development Costs:	105000000	Discount Rate:	10.0%	Price Cased Used in NAV:	NAV
Development Years	3				

Year #		Oil			Revenue	Production & Development Expenses:				Cash Flows (\$ in Millions)		
		Beginning Reserves (MBbls)	Annual Production (MBbls)	Avg. Price \$/Bbl		Total		Total	Pre-Tax Cash Flows	Cash Tax Rate	After-Tax Cash Flows	
						Annual Bbl	Productive Per Bbl	Production Expenses				Development Expenses
2013	1	16,100	5,293	\$ 109.31	578,523,175	5,292,500	44	230,334,893	35,000,000	313,188,283	33%	209,836,149
2014	2	10,808	6,616	\$ 98.70	652,962,188	6,615,625	40	264,380,678	35,000,000	353,581,509	33%	236,899,611
2015	3	4,192	4,192	\$ 98.70	413,738,063	4,191,875	40	169,086,637	35,000,000	209,651,425	33%	140,466,455
2016	4	-	-	\$ 98.70	-	-	39	-	-	-	33%	-
2017	5	-	-	\$ 98.70	-	-	-	-	-	-	33%	-
2018	6	-	-	\$ 98.70	-	-	-	-	-	-	33%	-
2019	7	-	-	\$ 98.70	-	-	-	-	-	-	33%	-
2020	8	-	-	\$ 98.70	-	-	-	-	-	-	33%	-
2021	9	-	-	\$ 98.70	-	-	-	-	-	-	33%	-

Financial Valuation - NAV

PV of Cash Flow of Proven Reserves						\$ 492,079,464.91
Non-Operated Properties						
Region	Working Interest	Gross Acres	Net Acres	Value	Value to Parex	
Colombia Llanos Basin- Block LLA-32	30%	100,325.00	30,097	\$ 119,300,000	\$	35,790,000
Colombia Llanos Basin - Block LLA - 34	45%	82,286.00	37,029	\$ 122,400,000	\$	55,080,000
Total		182,611.00	67,126.00	\$ 241,700,000	\$	90,870,000
Enterprise Value:						\$ 492,079,465
Balance Sheet Adjustments:						\$ (66,285,000)
Implied Equity Value:						\$ 425,794,465
Diluted Shares Outstanding:						108,476,451
Core NAV/share			downside	upside	\$	3.93
Risked Exploration NAV/share			3.43	4.18	\$	3.99
Risked NAV/share			\$ 7.35	\$ 8.10	\$	7.91

		<u>Discount Rate</u>								
		9.00%	9.25%	9.50%	9.75%	10.00%	10.25%	10.50%	10.75%	11.00%
Brent Oil Price (\$)	\$7.91									
	95	\$7.60	\$7.58	\$7.57	\$7.55	\$7.53	\$7.52	\$7.50	\$7.48	\$7.47
	97	\$7.68	\$7.66	\$7.64	\$7.63	\$7.61	\$7.59	\$7.57	\$7.56	\$7.54
	99	\$7.76	\$7.74	\$7.72	\$7.70	\$7.68	\$7.67	\$7.65	\$7.63	\$7.62
	101	\$7.83	\$7.82	\$7.80	\$7.78	\$7.76	\$7.74	\$7.73	\$7.71	\$7.69
	103	\$7.91	\$7.89	\$7.87	\$7.86	\$7.84	\$7.82	\$7.80	\$7.78	\$7.76
	105	\$7.99	\$7.97	\$7.95	\$7.93	\$7.91	\$7.89	\$7.88	\$7.86	\$7.84
	107	\$8.07	\$8.05	\$8.03	\$8.01	\$7.99	\$7.97	\$7.95	\$7.93	\$7.91
	109	\$8.15	\$8.13	\$8.11	\$8.09	\$8.07	\$8.05	\$8.03	\$8.01	\$7.99
	111	\$8.22	\$8.20	\$8.18	\$8.16	\$8.14	\$8.12	\$8.10	\$8.08	\$8.06
	113	\$8.30	\$8.28	\$8.26	\$8.24	\$8.22	\$8.20	\$8.18	\$8.16	\$8.14
	115	\$8.38	\$8.36	\$8.34	\$8.32	\$8.29	\$8.27	\$8.25	\$8.23	\$8.21

Financial Valuation – Precedent Transactions

Target	Funding	Transaction Value (\$mm)	LTM Sales Multiple	LTM EBITDA Multiple	LTM EBIT Multiple	LTM BOPD Multiple (\$000s)	LTM Reserve Multiple	Premium vs Prior Share Price:		
								One Day	One Week	One Month
C&C Energia	Stock & Cash	498.5	1.2x	2.1x	3.9x	43.6x	27.1x	4.1%	15.0%	26.6%
Shona Energy Company, Inc.	Stock and Cash	121.7	6.6x	N/A	N/A	45.1x	7.7x	45.3%	30.8%	24.5%
PetroMagdalena Energy Corp.	Cash	238.8	3.0x	7.9x	N/A	66.3x	10.4x	28.0%	39.1%	48.1%
Petrolifera Petroleum Ltd.	Stock	150.8	3.5x	9.1x	N/A	46.1x	7.8x	44.0%	64.6%	70.0%
Solana Resources Ltd.	Stock	706.9	10.8x	19.5x	27.3x	282.8x	56.0x	26.2%	16.5%	-1.7%
Pacific Stratus Energy Ltd.	Stock	649.3	17.0x	130.7x	N/A	259.7x	51.4x	-7.4%	-8.7%	1.6%
Transaction Values - All										
Mean			7.0x	33.9x	15.6x	123.9x	26.7x	23.4%	26.2%	28.2%
Median			5.1x	9.1x	15.6x	56.2x	18.8x	27.1%	23.7%	25.6%
Transaction Values - Under \$500M										
Mean			3.6x	6.4x	3.9x	50.3x	13.3x	30.4%	37.4%	42.3%
Median			3.0x	7.9x	3.9x	66.3x	27.1x	4.1%	15.0%	26.6%

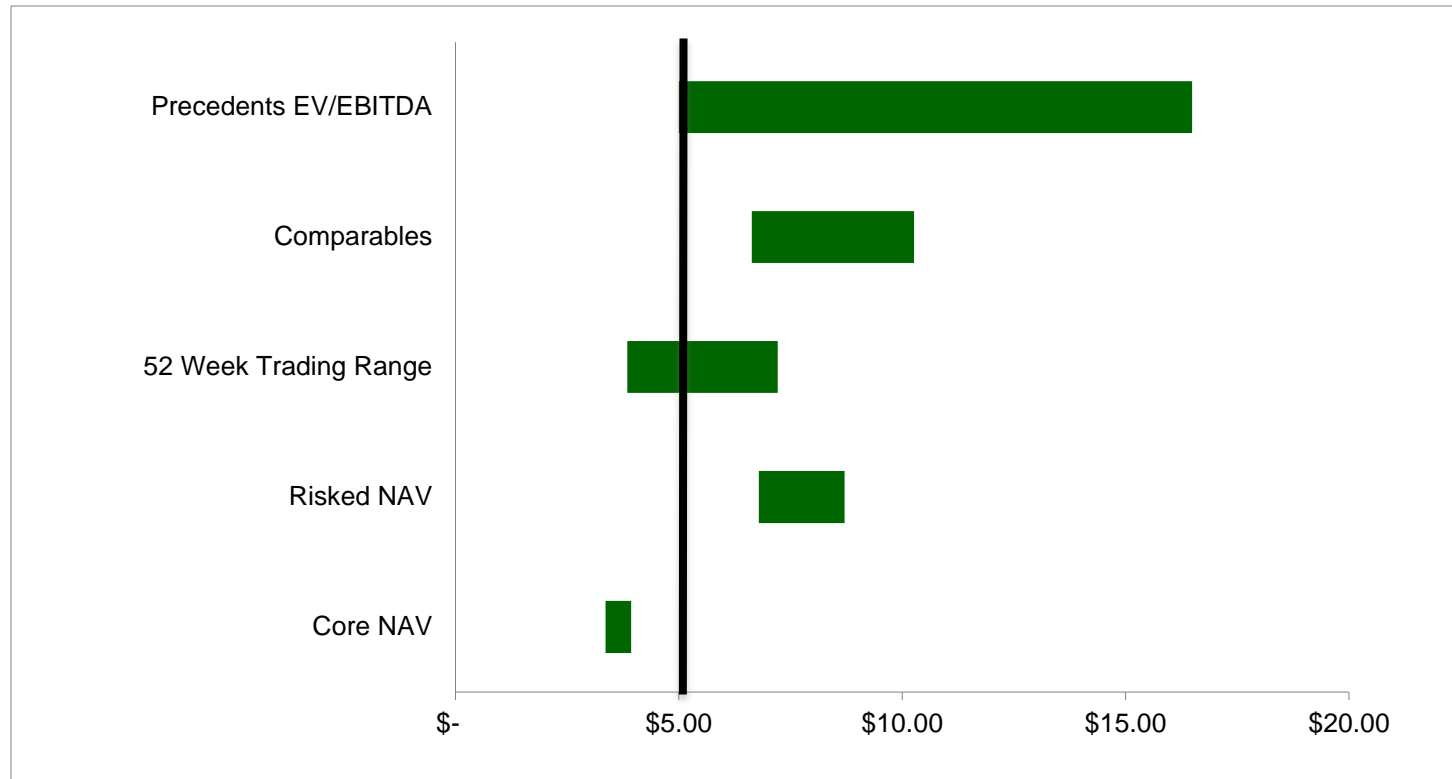
*Source: Capital IQ

Financial Valuation - Comparables

Small-Micro Cap Columbia E&P	Market Cap(\$mm)	Forward P/E	EV/EBITDA	EV/EBITDA 2013E	P/CF	P/BOE Reserves	EV/Daily Production	EBITDA Margin (%)	OP. Margin (%)	EV/DACF
Canacol Energy Ltd.	281.12	N/A	9.37x	4.08x	N/A	17.79x	N/A	23.93%	8.94%	3.30x
Petroamerica Oil Corp	179.94	3.73x	N/A	1.60x	N/A	N/A	N/A	-17.44%	-310.87%	15.40x
Suroco Energy Inc.	64.48	7.87x	2.07x	2.24x	3.30x	N/A	N/A	57.65%	31.16%	3.10x
Petrominerales Ltd.	529.84	7.83x	1.48x	1.88x	0.79x	N/A	N/A	71.14%	20.26%	2.50x
Gran Tierra Energy Inc.	1590.94	9.12x	3.36x	2.48x	10.46x	47.55x	76.16x	68.48%	35.19%	3.10x
Average	529.26	7.14x	4.07x	2.46x	4.85x	32.67x	76.16x	40.75%	-43.06%	5.48x
Parex Resources Inc.	510.97	12.65x	2.09x	1.83x	1.81x	N/A	49.54x	62.82%	25.60%	3.10x
Large Cap Columbia Integrates										
Pacifica Rubiales Energy Corp	7175.77	7.51x	4.48x	2.83x	3.56x	N/A	N/A	48.48%	26.57%	3.60x
Ecopetrol SA	115406.65	13.78x	7.69x	6.21x	10.00x	N/A	N/A	43.73%	35.16%	N/A
Average	61291.21	10.64x	6.09x	4.52x	6.78x	N/A	N/A	46.11%	30.86%	3.60x
Parex Resources Inc.	510.97	12.65x	2.09x	1.83x	1.81x	N/A	49.54x	62.82%	25.60%	3.10x

Parex seems to be undervalued compared to Canadian listed Columbian E&P companies on an EV/EBITDA AND P/CF basis, while also enjoying the highest netbacks and EBITDA margins.

Financial Valuation – Football Field



Parex appears to be trading near its floor valuation

Key Risks And Concerns

Parex-Specific Risks

- Exploration risk is relatively high
- Potential regulatory delays in Trinidad are a risk
- Higher-than-average geo-political risk as compared to other E&P companies in Canada

Sector-Specific Risks

- Political instability in Colombia disrupting production and transportation
- Drilling success
- Volatile commodity prices
- Cost overruns
- Government regulations and legislation
- Asset expropriation
- Changes in royalties, taxes, and exchange rates
- Environmental and weather concerns.

Appendix



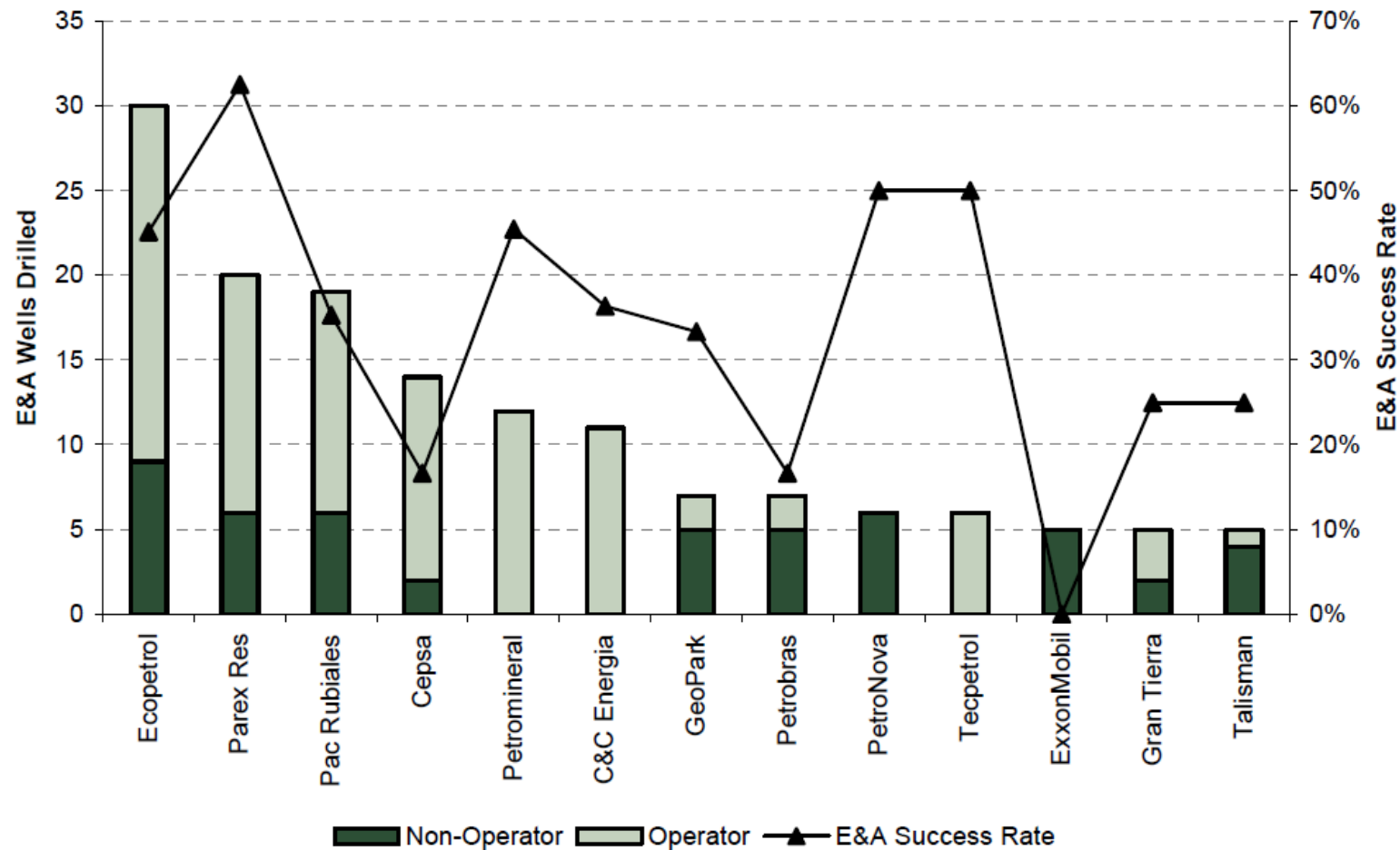
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Gestion de capitaux



Exploration and Appraisal Success Rate

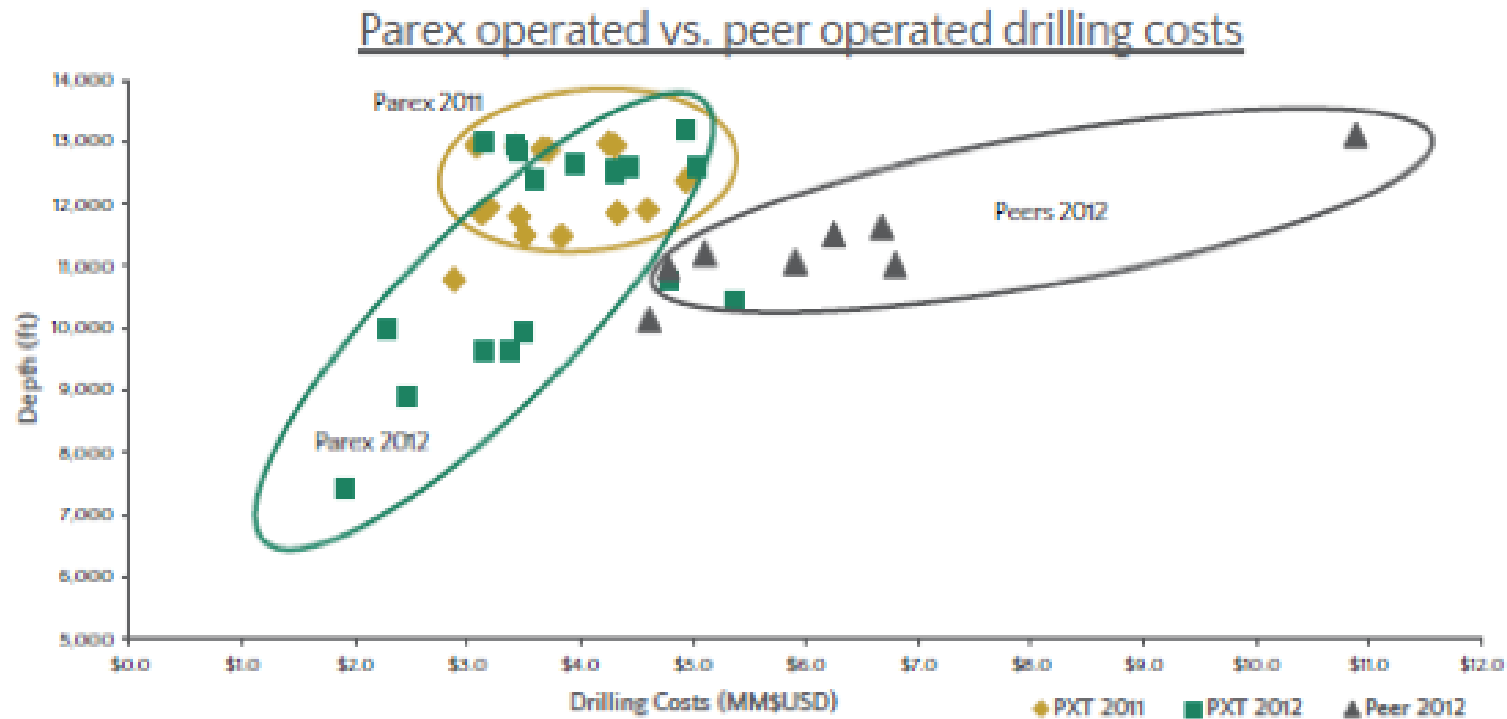
**Exhibit 1. Parex: 2012 Drilling Activity and Success Rates for Most Active Drillers in Colombia
(through Q3/12)**



Source: Wood Mackenzie Pathfinder, TD Securities

~50% Cheaper Well Costs than Peer Group

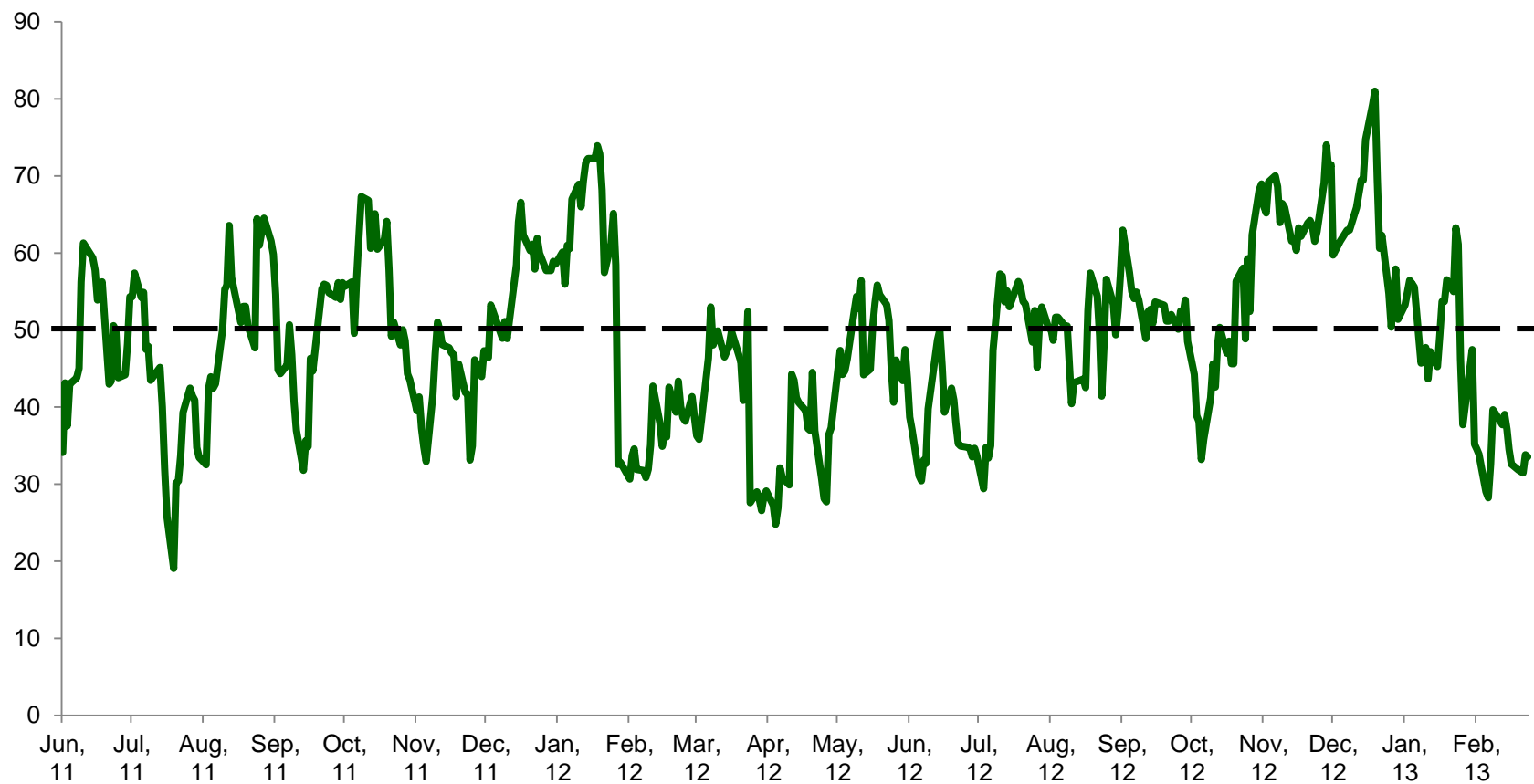
Competitive Advantage: Parex Drills Wells Materially Cheaper Than Peers



Source: Parex Resources

RSI: PXT Appears Oversold

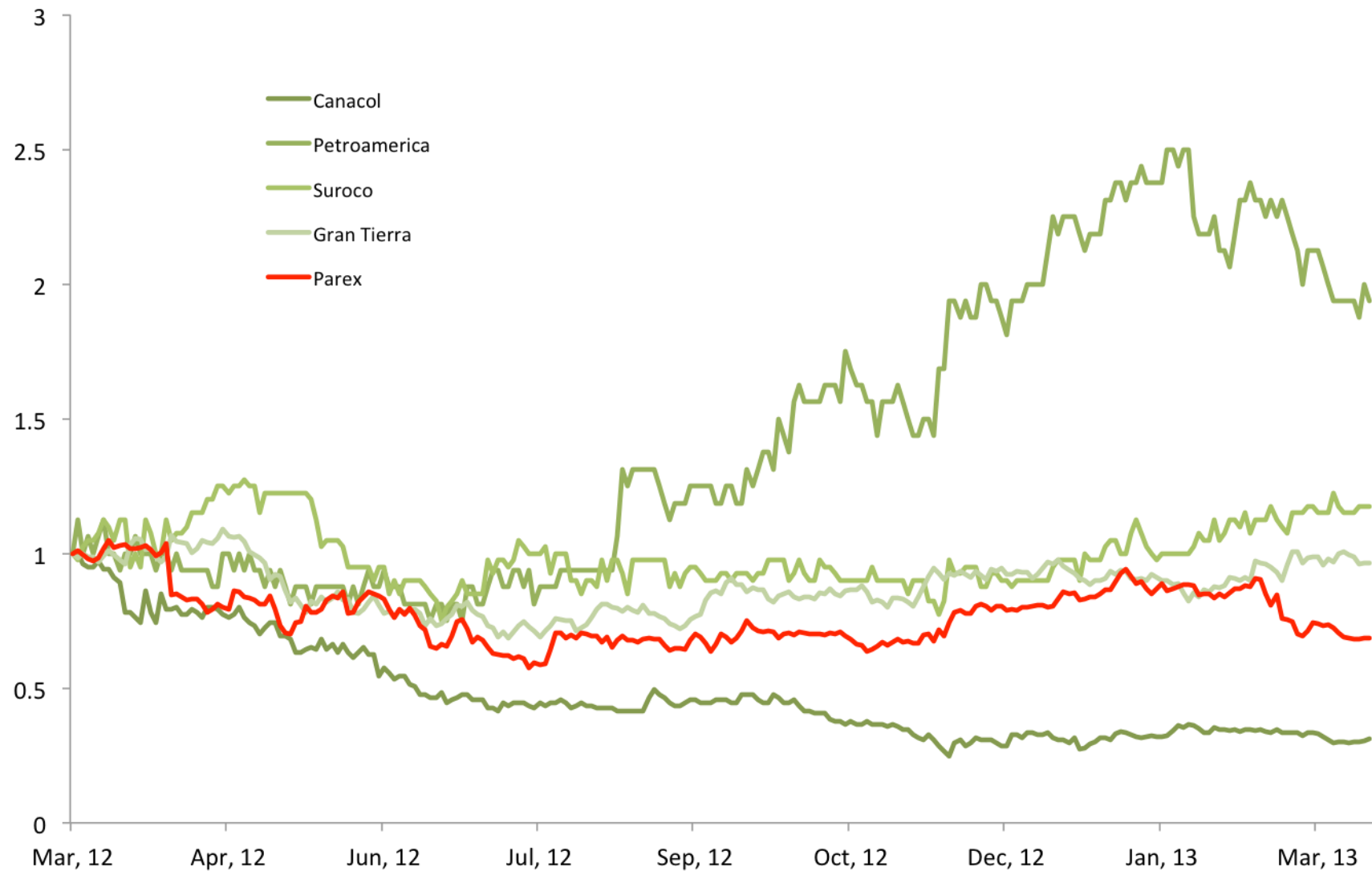
RSI



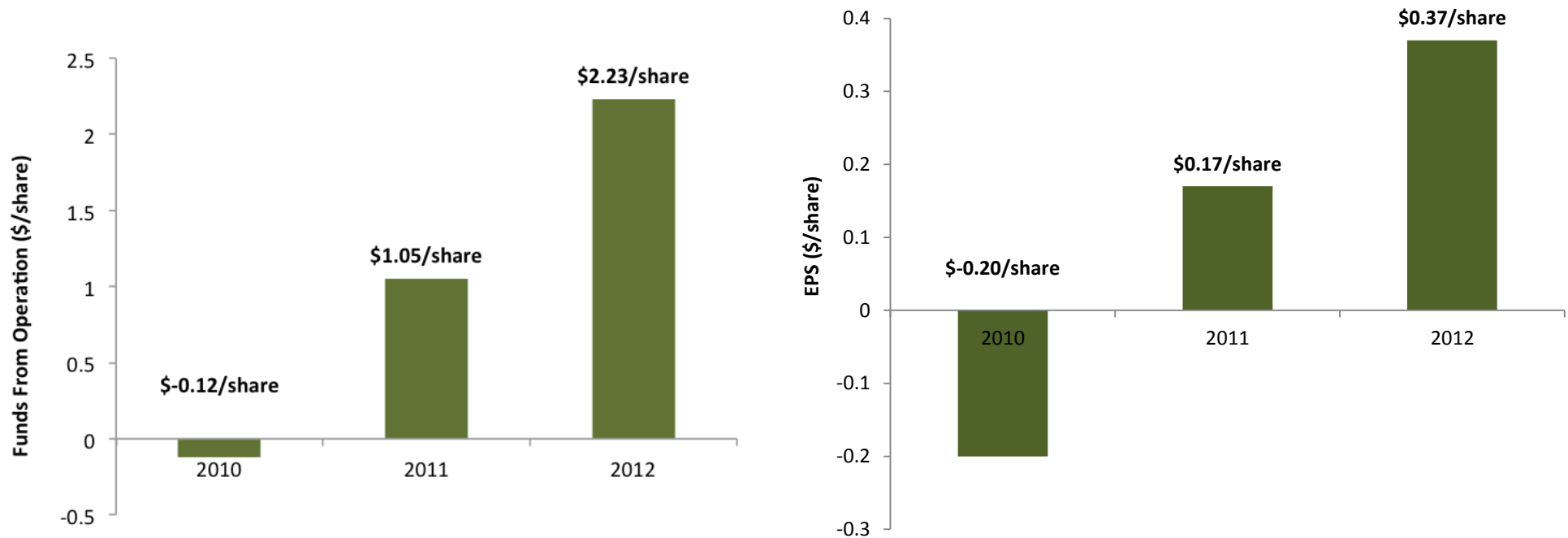
Analyst Estimates

				<u>EV/DACF</u>		<u>Production (bopd)</u>		<u>CFPS</u>	
<u>Date</u>	<u>Firm</u>	<u>Rating</u>	<u>Target</u>	FY2013E	FY2014E	FY2013E	FY2014E	FY2013E	FY2014E
Mar-13	TD Securities	Buy	\$8.00	2.60x	1.80x	14473	18257	\$1.96	\$2.29
Mar-13	Mackie Research	Buy	\$9.75	2.20x	2.00x	14250	15755	\$2.39	\$2.65
Feb-13	Dundee Capital Markets	Speculative Buy	\$8.50	2.70x	3.30x	14008	16	\$1.82	\$1.51
Feb-13	Credit Suisse	Neutral	\$6.50	2.50x	N/A	14700	16110	\$2.64	\$2.76
Feb-13	RBC Capital Markets	Sector Perform	\$6.50	N/A	N/A	14000	12000	\$1.73	\$1.47
Feb-13	Raymond James	Outperform	\$7.00	N/A	N/A	13974	14917	\$1.87	\$1.87
			<u>Analyst Estimates</u>						
			Mean	2.50x	2.37x	14234	12842	\$2.07	\$2.09
			Median	2.55x	2.00x	14129	15336	\$1.92	\$2.08

Relative Trading



Historical Performance



Production Projections

Parex Resources Inc. - Production Profile							
December 31,	Historical			Projected			
	2010	2011	2012	2013	2014	2015	2016
Days in Year:	35	365	365	365	365	365	365
Average Daily Production:							
Oil (Bbls):	3,629	9,424	11,407	14,500	18,125	20,844	22,928
Total Daily Boe:	3,629	9,424	11,407	14,500	18,125	20,844	22,928
Total Annual Production:							
Oil (Bbls):	127,015	3,439,760	4,163,555	5,292,500	6,615,625	7,607,969	8,368,766
Total Boe:	127,015	3,439,760	4,163,555	5,292,500	6,615,625	7,607,969	8,368,766
Average Daily Production Growth / (Decline) Rates:							
Oil:		160%	21%	27%	25%	15%	10%

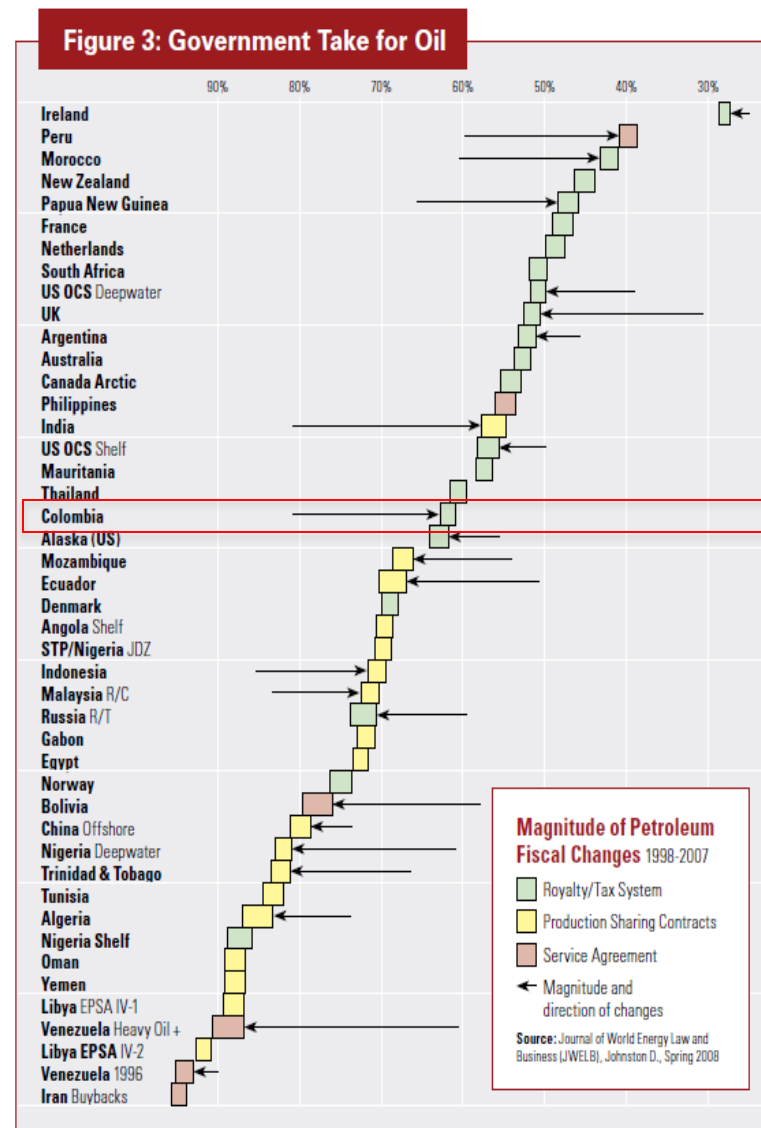
Revenue Forecast

Parex Energy Inc. - Resource Price, Hedging, and Revenue Profile (\$)							
December 31,	Historical		Projected				
	2010	2011	2012	2013	2014	2015	2016
Average NYMEX Prices: Brent							
Oil (\$ Per Bbl):		111.26	111.63	95	95	95	95
NYMEX Oil Prices (\$ Per Bbl):							
Base Case:				105	105	105	105
Downside Case:				95	95	95	95
Upside Case:				110	110	110	110
DCF Case:				105	105	105	105
NAV Case:				105	105	105	105
Selected Case:	Downside			95	95	95	95
Average Realized Sale Prices Before Hedging:							
Oil (\$ Per Bbl):		100.43	109.18	89.30	89.30	89.30	89.30
Pre-Hedging Price Differential:							
Oil:		90%	98%	94%	94%	94%	94%
Average Realized Sale Prices After Hedging:							
Oil (\$ Per Bbl):		100.43	109.31	84.84	84.84	84.84	84.84
Hedged Prices, % of Pre-Hedged Prices:							
Oil:		100.00%	100.12%	95.00%	95.00%	95.00%	95.00%
Hedged Prices, % of Pre-Hedged Prices:							
Base Case:				100%	100%	100%	100%
Downside Case:				95%	95%	95%	95%
Upside Case:				110%	110%	110%	110%
DCF Case:				100%	100%	100%	100%
NAV Case:				100%	100%	100%	100%
Selected Case:	Downside			95%	95%	95%	95%
Total Revenue by Segment:							
Oil:	171,170,000	523,514,000	448,989,238	561,236,547	645,422,029	709,964,232	
Royalties:	(13,929,000)	(35,890,000)	73,334,908.79	84,572,541.72	92,149,235.10	97,958,033.36	
Total Revenue:	157,241,000	487,624,000	375,654,329	476,664,005	553,272,794	612,006,198	
Revenue Growth %:			210%	-23%	27%	16%	11%

Expense Projections

Parex Energy Inc. - Resource Price, Hedging, and Revenue Profile							
(\$ in Millions)							
	Historical			Projected			
December 31,	2010	2011	2012	2013	2014	2015	2016
Expenses Per Barrel of Production:							
Production:		6.58	8.40	7.49	7.95	7.72	7.83
Taxes, Transportation & Other:		16.20	19.00	17.60	18.30	17.95	18.13
Exploration:	-		5.65	5.65	5.65	5.65	5.65
DD&A:		27.60	43.37	35.49	39.43	37.46	38.44
Accr. of Asset Retirement Obli.:		0.03	0.09	0.06	0.08	0.07	0.07
G&A (Exc. Stock-Based Comp.):		4.59	7.45	2.00	2.00	2.00	2.00
Acquisitions:		73.55	17.24	20.00	20.00	20.00	20.00
Total Expenses Per Barrel:		128.54	101.20	88.28	93.40	90.84	92.12
Total Production-Linked Expenses:							
Production:		11,219,000	36,286,000	39,640,825	52,561,141	58,714,499	65,537,896
Taxes, Transportation & Other:		27,604,000	91,397,000	93,148,000	121,065,938	136,563,039	151,683,877
Exploration:	-		23,511,000	29,885,991	37,357,489	42,961,112	47,257,223
DD&A:		53,772,000	181,149,000	187,804,363	260,837,555	284,965,979	321,711,042
Accr. of Asset Retirement Obli.:		97,000	395,000	325,675	517,362	531,562	619,591
G&A (Exc. Stock-Based Comp.):		15,781,000	31,018,000	10,585,000	13,231,250	15,215,938	16,737,531
Acquisitions:		252,987,000	71,774,000	105,850,000	132,312,500	152,159,375	167,375,313
Total Production-Linked Exp:		361,460,000	435,530,000	467,239,854	617,883,234	691,111,504	770,922,473
Non-Production-Linked Expenses:							
Stock-Based Compensation:		6,478,000	8,115,000	10,863,891	10,858,843	14,302,332	14,881,339
Derivative FV (Gain) / Loss:		(3,146,000)	(2,446,000)	(2,796,000)	(2,796,000)	(2,796,000)	-
Total Non-Prod.-Linked Expense:		3,332,000	5,669,000	8,067,891	8,062,843	11,506,332	14,881,339
Non-Production-Linked Expense Projections:							
SBC % Revenue:		4.12%	1.66%	2.89%	2.28%	2.59%	2.43%

Appendix: Comparison of tax effects in other legislations



Source: Journal of World Energy Law and Business

Colombia macro view

Macroeconomic statistics

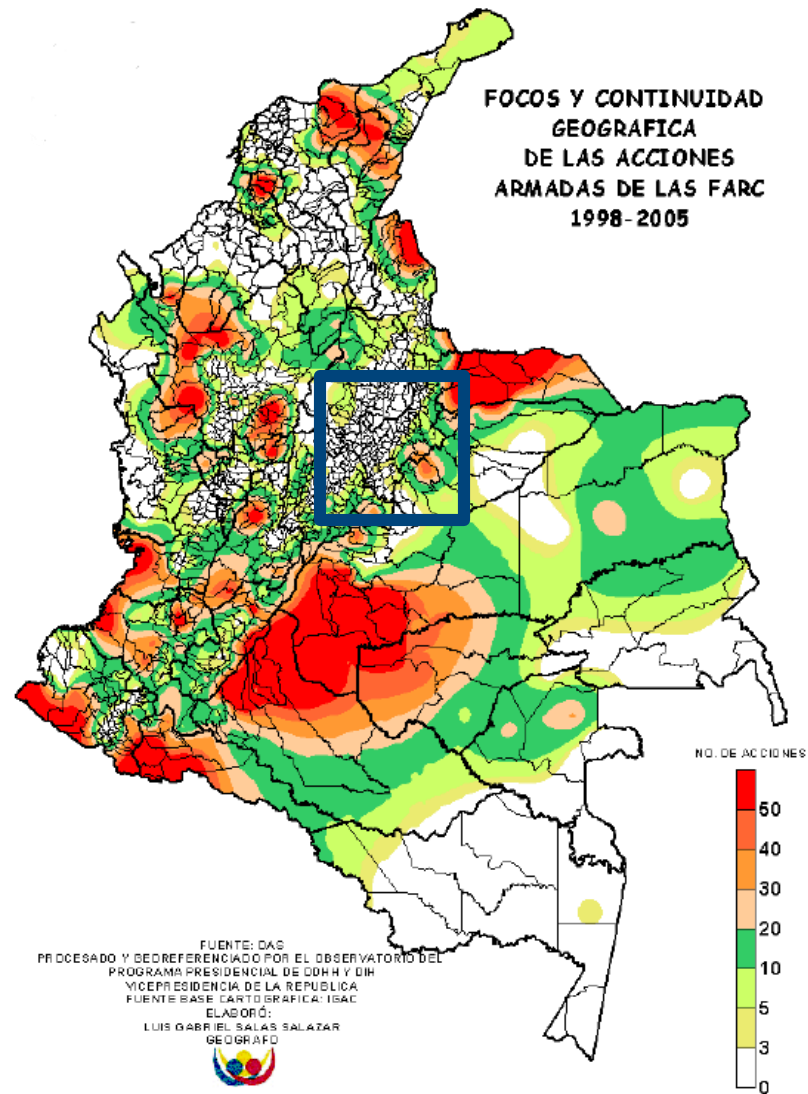
- 4.5% average real GDP growth since 2010.
- Shrinking fiscal deficit, 0.3% of GDP in 2012.
- Currency traded in a 15% range since 2010

Qualitative aspects

- Government and paramilitary groups initiated a peace process in late 2012
- Positive signs from the Rule of Law
 - When President Alvaro Uribe, with a popularity of more than 75%, tried to change the constitution to run for a third period, the Supreme Court declared his proposal to be unconstitutional and he respected the decision.

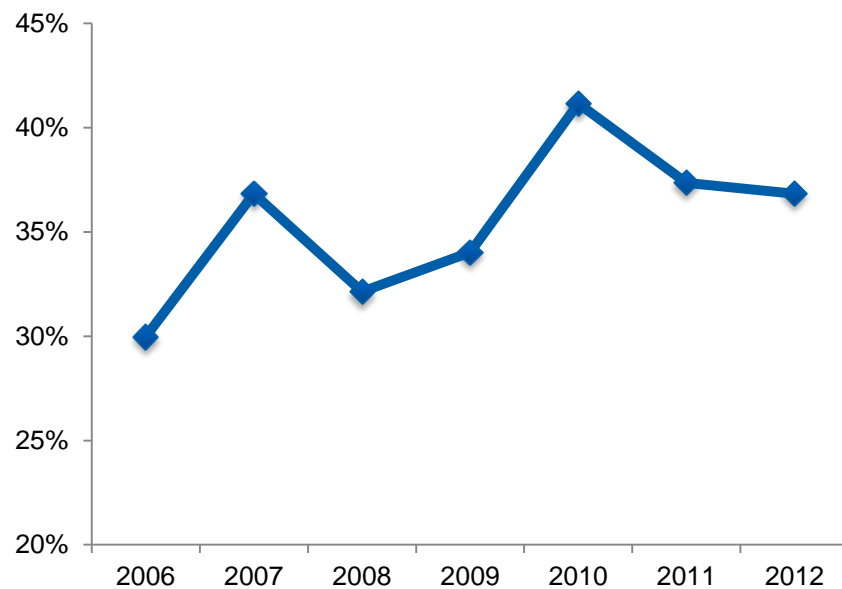


Appendix: FARC hostile operations until 2005

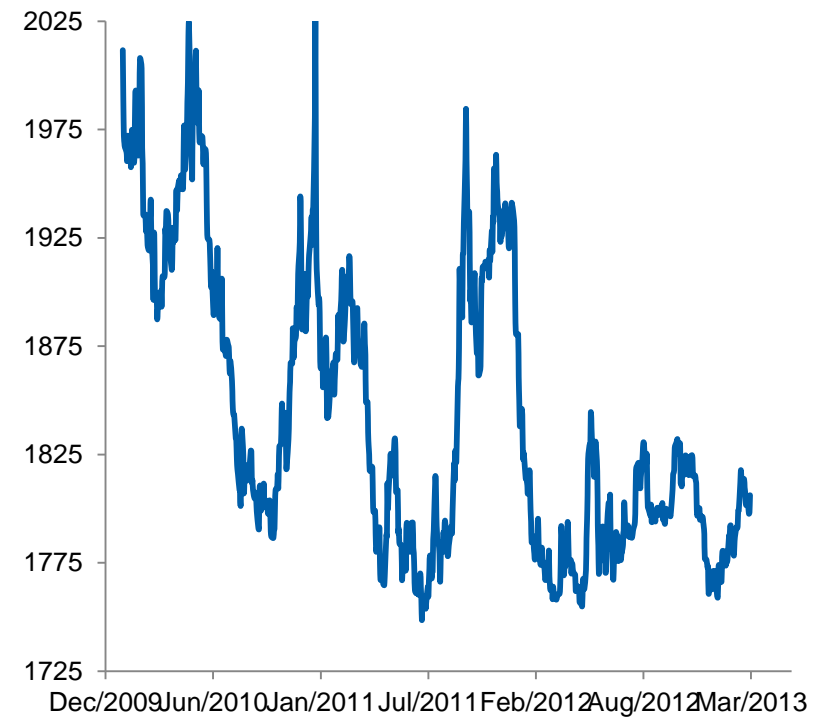


Appendix: FDI and COP

FDI in oil and gas as a % of total FDI



Colombian Peso



Canada vs. Colombia

Canadian E&P	Market Cap(\$mm)	Current P/E	Forward P/E	EV/EBITDA	EV/EBITD A 2013E	P/CF	P/BOE Reserves	EV/Daily Production	EBITDA Margin (%)	OP. Margin (%)	EV/DACF
Legacy Oil and Gas	870.12	75.88x	99.51x	6.33x	5.09x	3.97x	16.59x	80.52x	62.96%	13.04%	7.15x
Bellatrix Exploration Ltd.	655.30	30.37x	8.15x	5.37x	3.25x	6.05x	N/A	52.85x	59.78%	18.88%	N/A
Twin Butte Energy Ltd.	592.82	4.34x	48.67x	8.07x	4.92x	4.58x	15.43x	53.27x	46.47%	17.19%	N/A
Renegade Petroleum Ltd.	428.64	21.10x	30.58x	5.56x	3.83x	2.64x	19.18x	130.69x	60.67%	7.69%	N/A
Pinecrest Energy Inc.	242.03	11.30x	6.65x	6.26x	2.49x	3.51x	41.55x	93.31x	71.12%	28.65%	10.52x
Average	557.78	28.60x	38.71x	6.32x	3.92x	4.15x	23.19x	82.13x	60.20%	17.09%	8.84x
Parex Resources Inc.	510.97	17.73x	12.65x	2.09x	1.83x	1.81x	N/A	49.54x	62.82%	25.60%	3.10x

Parex is priced at a discount to similar sized E&P corporations operating in Canada.