

# Compass Petroleum Ltd. Announces Financial and Operating Results for the First Quarter of Fiscal 2012

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CALGARY, ALBERTA -- ([Marketwire](#) - Dec. 28, 2011) - [Compass Petroleum Ltd.](#) (TSX VENTURE: CPO) ("Compass" or the "Company") announced today that it has released its financial and operating results for the three month period ended September 30, 2011.

The Company has filed its unaudited interim financial statements for the quarter ended September 30, 2011 (the "Financial Statements") and related Management's Discussion and Analysis ("MD&A") with certain securities regulatory authorities in Canada. Copies of the Financial Statements and MD&A may be obtained through the SEDAR website at [www.sedar.com](http://www.sedar.com) (under the Company's profile) and on the Company's website at [www.compasspetroleum.com](http://www.compasspetroleum.com).

These interim financial statements represent the first financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"). Further information concerning the transition to IFRS is provided in the Financial Statements and the MD&A.

Selected financial and operating information for the quarter ended September 30, 2011 (and 2010 comparative information) is set out below, which should be read in conjunction with the Financial Statements and MD&A.

## Fiscal 2012 Q1 Highlights

Highlights of the Company's activities in the first quarter of fiscal 2012 were as follows:

- Drilled and cased fourteen (net 13.1) Viking horizontal wells in the Dodsland area of west central Saskatchewan and completed eleven (net 9.6) of those wells using multistage fracturing technology.
- Increased average production to 1,087 barrels of oil equivalent per day ("boe/d"), up 26% from Q1 of fiscal 2011; oil weighting increased from 60% in the first quarter of fiscal 2011 to 80% in the first quarter of fiscal 2012.
- Generated funds from operations of \$2.971 million in the quarter, up 151% from \$1.184 million in the first quarter of fiscal 2011.
- Closed the sale of the Alberta oil and natural gas assets of Compass Petroleum Partnership for aggregate gross cash consideration of \$29.5 million and positioned the Company to focus exclusively on the Viking light oil resource play in west central Saskatchewan.
- Ended the quarter with no bank debt and positive adjusted working capital of \$13.581 million.

## Summary of Operations

The following table sets out certain financial and operating information of the Company for the periods indicated.

(Unaudited)

(Thousands except per share amounts) Three Months Ended September 30  
2011 2010  
Financial

Petroleum and natural gas sales	\$ 6,636	\$ 3,842
Cash provided by operating activities	3,523	1,611
Funds from operations(1)	2,971	1,184
per share, (basic and diluted)	0.05	0.04

Profit (Loss) for the period 4,960(3 ) (1,863 )  
per share, (basic and diluted) 0.08 (0.06 )

Capital additions 16,710 6,775  
Dispositions 28,915(4 ) 260  
Net capital additions (12,205 ) 6,515

Net adjusted working capital/(net debt)(1) 13,581 (1,664(2 ))  
Convertible notes –face value - 10,920

Total assets 94,303 85,146(2 )  
Total shares outstanding at quarter end -basic 59,018,724 59,018,724(2 )  
Total shares outstanding at quarter end –fully diluted 65,597,724 64,752,724(2 )

#### Operations

Production  
Natural gas (Mcf/d) 1,331 2,056  
Oil (bbl/d) 865 521  
Boe/d (6Mcf = 1bbl) 1,087 864  
Product Prices  
Natural gas (\$/Mcf) \$ 3.65 \$ 3.53  
Oil (\$/bbl) \$ 77.12 \$ 66.12

*(1) Refer to information set out in the section entitled “Non-IFRS Financial Measurements” in this News Release.*

*(2) As of June 30, 2011.*

*(3) Includes a gain of \$4.303 million on the disposition of the Alberta oil and natural gas assets of Compass Petroleum Partnership.*

*(4) Net of transaction costs.*

#### Financial and Corporate

Oil and natural gas revenue increased to \$6.636 million for Q1 of fiscal 2012 from \$3.842 million for Q1 of fiscal 2011. Higher average commodity prices, a higher weighting of crude oil and higher crude oil production volumes from the Company's west central Saskatchewan Viking light oil properties accounted for the increased revenues.

Compass Petroleum Partnership closed the sale of its Alberta oil and natural gas assets on September 13, 2011 for aggregate net proceeds of \$28.915 million (after transaction costs). Oil and natural gas revenues from those Alberta assets have been accounted for through September 13, 2011 and are included in the Financial Statements.

Funds from operations increased 151% to \$2.971 million (or \$0.05 per share basic and diluted) in Q1 of fiscal 2012, compared to \$1.184 million (or \$0.04 per share basic and diluted) in Q1 of fiscal 2011. Compass reported a profit of \$4.960 million in the first quarter of fiscal 2012 (or \$0.08 per share basic and diluted) compared with a loss of \$1.863 million (or (\$0.06) per share basic and diluted) for the same period in fiscal 2011. The profit was principally due to a gain on the sale of the Alberta oil and natural gas assets of Compass Petroleum Partnership.

The Company incurred approximately \$16.710 million of capital expenditures in Q1 of fiscal 2012, which was offset by the net proceeds from the sale of the Alberta oil and natural gas assets of Compass Petroleum Partnership resulting in net expenditures of (\$12.205 million). In Q1 of fiscal 2011, net capital additions were \$6.515 million. The increased capital expenditures in the first quarter of fiscal 2012 were incurred in connection with the drilling and casing of 14 (net 13.1) Viking horizontal wells, the completion of 11 (net 9.6) horizontal Viking oil wells, ongoing emulsion and solution gas pipeline construction at Lucky Hills, construction of a second oil treating battery and expansion of the existing oil treating facility at Lucky Hills.

At quarter end, Compass did not have any outstanding bank debt and had positive adjusted working capital of \$13.581 million.

In November 2011, the Company renewed its credit facility with its principal lender, consisting of a \$17.0

million revolving demand loan and a \$3.0 million non-revolving facility. The terms of the new facility are substantially the same as the Company's prior credit facility. The Corporation's principal lender has advised that the revolving facility may be increased to \$21.0 million on or before February 29, 2012 following satisfaction of certain conditions related to wells drilled since June 30, 2011.

Subsequent to quarter end, the Company entered into four new fixed price crude oil swap arrangements in relation to the period from January 1, 2012 to December 31, 2012. The swap arrangements are for a total of 600 barrels per day of oil production at fixed prices ranging from Cdn\$97.50 per barrel to Cdn\$102.35 per barrel.

## Production

The Company's average sales for the three months ended September 30, 2011 increased by 26% to 1,087 boe/d from 864 boe/d for the three months ended September 30, 2010. The Company's crude oil weighting in Q1 of fiscal 2012 increased to 80% of overall production from 60% for Q1 of fiscal 2011.

As noted above, the disposition of the Alberta oil and natural gas assets of Compass Petroleum Partnership closed on September 13, 2011. For the quarter, Alberta production accounted for an average of 444 boe/day or 41% of total sales. Saskatchewan sales consisted of 564 bbls per day of crude oil and liquids and 472 mcf/d of natural gas in the quarter compared to 193 bbls per day and 455 mcf/d, respectively, in Q1 of fiscal 2011.

## Subsequent Event

On October 13, 2011, the Company announced that its Board of Directors had determined to consider a range of strategic alternatives, with a view to enhancing shareholder value. The Company retained a third party financial advisor to provide financial advisory services in connection with the process. On December 15, 2011, the Company announced that it had entered into an arrangement agreement (the "Arrangement Agreement") with [Whitecap Resources Inc.](#) ("Whitecap"), providing for the acquisition by Whitecap of all of the issued and outstanding common shares of the Company pursuant to a plan of arrangement under the Business Corporations Act (Alberta). The Arrangement Agreement contemplates that Compass shareholders will receive, at their election, either (i) 0.205 of a Whitecap common share or (ii) \$1.60 in cash for each Compass common share held, subject to: (i) an aggregate cash maximum of \$20 million and a maximum distribution of approximately 10.9 million Whitecap common shares; and (ii) proration as set out in the Arrangement Agreement. Completion of the arrangement is subject to the receipt of all necessary regulatory and third party approvals (including the approval of the Court of Queen's Bench of Alberta) and the approval of the Compass shareholders. The Arrangement Agreement provides that an information circular and proxy statement setting out additional details regarding the arrangement be mailed to shareholders in January 2012. Closing of the arrangement is scheduled to occur in February 2012.

## NON-IFRS FINANCIAL MEASUREMENTS

This news release includes references to "funds from operations". Funds from operations is a non-IFRS measure that is commonly used in the oil and natural gas industry. It represents cash provided by operating activities before changes in non-cash working capital and decommissioning expenditures. The Company considers funds from operations to be a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Funds from operations should not be considered as an alternative to, or more meaningful than, cash flow provided by operating activities as determined in accordance with IFRS as an indicator of the Company's performance. The Company's determination of funds from operations may not be comparable to that reported by other issuers.

The Company calculated "funds from operations" as follows for the periods indicated:

Quarter ended	Quarter ended	
September 30, 2011	September 30, 2010	
Cash provided by operating activities	\$ 3,523,449	\$ 1,611,344
Changes in non-cash working capital	(552,360)	(480,126)
Decommissioning expenditures	- 52,359	
Funds from operations	\$ 2,971,089	\$ 1,183,577

This news release also includes references to "adjusted working capital" and "net debt", which is defined as current liabilities (excluding future income taxes) plus outstanding bank debt less current assets (excluding

financial instruments), as a measure of short term liquidity. The Company calculated "adjusted working capital and net debt" as follows at the dates noted:

September 30, 2011 June 30, 2011

Current assets

(excluding financial instruments) \$ 32,674,607 \$ 9,503,460

Accounts payable and accrued liabilities

(excluding financial instruments) (19,093,680 ) (11,169,893 )

Adjusted working capital / (net debt) \$ 13,580,927 \$ (1,664,433 )

Where "net debt" is positive the Company uses the term "adjusted working capital and net debt".

## OTHER MEASUREMENTS

Reported production represents the Company's ownership share of sales before the deduction of royalties. Where amounts are expressed on a barrel of oil equivalent basis, natural gas has been converted at a ratio of six thousand cubic feet to one boe. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe's may be misleading, particularly if used in isolation. References to natural gas liquids ("liquids") include condensate, propane, butane and ethane and one barrel of liquids is considered to be equivalent to one boe.

Compass is an oil weighted, oil focused junior oil and natural gas exploration and production corporation based in Calgary, Alberta. The Company's current main focus is on the exploitation and development of its Viking light oil resource lands in the Dodsland area of west central Saskatchewan.

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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