Online Energy Inc. Announces Second Quarter 2012 Financial Results

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CALGARY, ALBERTA -- (Marketwire - Aug. 23, 2012) - Online Energy Inc. ("Online" or the "Company") (TSX VENTURE:ONL) announces its financial and operating results for the three and six months ended June 30, 2012. Selected financial and operational information is outlined below and should be read in conjunction with the unaudited condensed interim financial statements for the three and six months ended June 30, 2012, which are available on the SEDAR website at www.sedar.com and on the Company's website at www.onln.ca.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Financial - Canadian $				
Petroleum and natural gas sales	1,086,232	1,197,639	2,373,596	1,910,160
Net loss and comprehensive loss	(668,580)	(423,194)	(1,199,595)	(1,403,104)
Per share - basic and diluted	(0.01)	(0.01)	(0.03)	(0.04)
Capital expenditures				
Property, plant and equipment	35,209	1,351,554	150,709	7,145,013
Exploration and evaluation	1,611,874	733,180	4,293,046	1,846,301
Working capital (deficiency)	(1,759,375)	8.545,447	(1,759,375)	8,545,447
Common shares outstanding	45,768,089	41,309,889	45,768,089	41,309,889
Operating				
Average Daily Production				
Crude oil - Bbls/d	78	38	81	28
Natural gas liquids - Bbls/d	80	78	79	67
Natural gas - Mcf/d	1,482	1,191	1,540	1,005
Total - Boe /d	406	315	417	263
Average Sales Prices				
Crude oil - $/Bbl	66.53	91.76	73.10	88.89
Natural gas liquids - $/Bbl	46.79	63.59	51.62	59.46
Natural gas - $/Mcf	1.84	3.95	1.99	3.89
Total - $/Boe	29.43	41.82	33.31	40.19
Operating Netbacks (1)				
Oil - $/Boe	22.28	11.36	25.42	11.65
Gas - $/Mcfe	(0.84)	1.09	(0.11)	1.24
Total - $/Boe	0.76	7.02	4.59	7.85

(1) Refer to Cautionary Statements.

Results of Operations

Production of crude oil and natural gas for the three and six months ended June 30, 2012 (the "Quarter" and the "First Half", respectively) were significantly higher than the comparable periods in 2011, primarily as a result of production additions from acquisitions, work-overs and drilling.

Crude oil prices received by the Company for the Quarter and the First Half declined 27% and 18%, respectively from the comparable periods in 2011. The decline was a result of lower WTI prices combined with increased differentials on Canadian oil due primarily to refinery outages and upgrades, oil production growth in both Canada and the United States and pipeline infrastructure bottlenecks in the mid-western region of the United States.

Natural gas liquids prices for the Quarter and the First Half declined 26% and 13%, respectively from the comparable periods in 2011 as a result of an increasing supply of liquids from drilling activity focused on liquids-rich gas.

Natural gas prices for the Quarter and the First Half declined 53% and 49%, respectively from the comparable periods in 2011 as a result a surplus of natural gas in Canada and the United States.

Despite increased production volumes for the Quarter, the decline in commodity prices resulted in a 9% decrease in total revenue for the Quarter compared to the second quarter in 2011.

Revenues increased 24% for the First Half compared to the first half in 2011 as the 59% increase in production volumes exceeded the impact of the 22% decline in overall commodity prices.

The net loss and comprehensive loss for the Quarter and the First Half of $668,580 and $1,199,595, respectively were primarily a result of the lower commodity prices coupled with non-cash charges relating to depletion and depreciation, stock based compensation, accretion and offset by a deferred tax benefit. The net loss and comprehensive loss for the first half of 2011 included an impairment provision of $1,121,013 in addition to non-cash charges relating to depletion and depreciation, stock based compensation, accretion and a deferred tax benefit.

Crude oil netbacks for the Quarter and the First Half increased 96% and 118%, respectively, from the comparable periods in 2011. The increases were a result of the inclusion of netbacks of approximately $30.00 from the Company's initial Ostracod horizontal oil well that commenced production in February 2012.

Natural gas netbacks for the Quarter and the First Half were both negative as a result of decreased natural gas prices. The Company continues to monitor natural gas prices and is shutting-in gas wells where appropriate.

Total capital expenditures for the Quarter and the First Half were $1,647,083 and $4,443,755, respectively, with the majority of these expenditures directed towards the Company's Ostracod project.

As at June 30, 2012, the Company had a working capital deficiency of $1,759,375 and a credit facility with a Canadian chartered bank consisting of a revolving operating demand loan to a maximum of $4,750,000 and an acquisition development demand loan to a maximum of $1,250,000. As at June 30, 2012, no funds had been drawn on the credit facility.

The Company raised $1,220,792 during the Quarter, issuing 2,916,700 common shares at a price of $0.26 per share and 1,541,500 flow-through common shares at a price of $0.30 per share. Share issue costs were $260,275.

Outlook

The Company anticipates the recently completed Paddle River 1-5-56-7W5M Ostracod horizontal oil well will commence production by September 15, 2012 at an initial rate of approximately 400 boe/d (80% oil and Ngls). The two week delay from previous guidance is a result of the heavy rains that have impacted the Company's operations in the Greater Paddle River area for most of the summer. While there currently is not an established decline curve for the Ostracod horizontal oil project due to the lack of data, the Company has budgeted that the 1-5 well will decline approximately 50% from its initial rate by December 31, 2012. Based on these estimates, the Company has budgeted production of 450 boe/d and 675 boe/d for Q3-2012 and Q4-2012, respectively (43% and 53% oil & liquids, respectively).

Online controls approximately 43 net sections of prospective lands on the Ostracod oil trend in the Paddle River area.

The Company has successfully assembled an extensive land position of 140 net sections in the Greater Paddle River area of west-central Alberta. This concentrated acreage position supports a large inventory of horizontal multi-frac well locations on a variety of resource plays including the Notikewin, Wilrich, Ostracod, Rock Creek, Nordegg and Duvernay formations. Online also maintains a growing inventory of low-risk vertical oil locations targeting the Viking and Nordegg formations as well as a number of low- cost re-entry opportunities.

Interested parties are invited to view the Company's corporate presentation which is periodically updated on its website at www.onln.ca.

Cautionary Statements:

This press release contains certain forward-looking statements (forecasts) under applicable securities laws relating to future events or future performance. Forward-looking statements are necessarily based upon assumptions and judgements with respect to the future. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "projects", "plans", "anticipates" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof affecting the economic performance of Online. Undue reliance should not be placed on these forward-looking statements which are based upon management's assumptions and are subject to known and unknown risks and uncertainties, including the business risks discussed above, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. These statements speak only as of the date specified in the statements.

In particular, this press release may contain forward looking statements pertaining to the following:

- the performance characteristics of the Company's oil and natural gas properties;
- oil and natural gas production levels;
- capital expenditure programs;
- the quantity of the Company's oil and natural gas reserves and anticipated future cash flows from such reserves;
- projections of commodity prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; and
- treatment under governmental regulatory regimes.

The material assumptions in making these forward-looking statements include certain assumptions disclosed in the Company's most recent management's discussion and analysis included in the material available in this press release.

The Company's actual results could differ materially from those anticipated in the forward looking statements contained throughout this press release as a result of the material risk factors set forth below, and elsewhere in this press release:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- failure to realize the anticipated benefits of acquisitions;
- general business and market conditions; and
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry.

These factors should not be construed as exhaustive. Unless required by law, Online does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Natural gas reserves and volumes are converted to barrels of oil equivalent (Boe) on the basis of six thousand cubic feet (Mcf) of gas to one barrel (Bbl) of oil. Oil and natural gas liquid reserves and volumes are converted to a thousand cubic feet of gas equivalent (Mcfe) on the basis of one barrel (Bbl) of oil and natural gas liquids to six thousand cubic feet (Mcf) of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf to 1 Bbl and a Mcfe conversion ratio of 1 Bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Estimated values contained in this press release do not represent fair market value.

This press release uses the term "netback" which is a term that does not have standardized meanings under GAAP and this non-GAAP measurement may not be comparable with the calculation of other entities. The Company uses this measure to analyze operating performance.

The term "netback", which is calculated as the average unit sales price, less royalties and operating expenses, represents the cash margin for every barrel of oil equivalent sold. The Company considers this a key measure as it demonstrates its profitability relative to current commodity prices. This term does not have any standardized meaning prescribed by GAAP and, therefore, might not be comparable with the calculation of a similar measure for other companies.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as the 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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