

# Petrobank Announces 2013 Reserves and Resources and Year-End 2013 Financial and Operating Results

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CALGARY, March 6, 2014 - [Petrobank Energy and Resources Ltd.](#) (TSX:PBG) announces the results of our reserves and resources evaluation for the year ended December 31, 2013 conducted by McDaniel and Associates Consultants Ltd. ("McDaniel") and Sproule Associates Ltd. ("Sproule") and provides an operating update.

The consolidated financial statements as at and for the years ended December 31, 2013 and 2012 represent the operations of the assets and liabilities transferred to Petrobank pursuant its corporate re-organization with PetroBakken Energy Ltd. (now renamed [Lightstream Resources Ltd.](#)) at December 31, 2012. These assets and liabilities previously comprised the 'Petrobank Standalone' operating segment (also referred to as 'HBU' (Heavy Oil Business Unit) and Corporate') in our historic financial disclosure. In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present a fair statement of the financial position and the results of operations in accordance with International Financial Reporting Standards ("IFRS").

This news release includes forward-looking statements and information within the meaning of applicable securities laws. Readers are advised to review "Forward-Looking Information and Statements" at the conclusion of this news release. A full copy of our Year-end and Fourth Quarter 2013 Financial Statements and Management's Discussion and Analysis ("MD&A") have been filed on our website at [www.petrobank.com](http://www.petrobank.com) and under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

All financial figures are audited and in Canadian dollars (\$) unless otherwise noted. All reserve and resource numbers presented herein are total company interest in such reserves or resources, unless otherwise noted. Comparisons presented in this press release are the fourth quarter of 2013 compared to the fourth quarter of 2012 and annual comparisons are 2013 to 2012, unless otherwise noted.

## OVERVIEW

### 2013 Reserves

- THAI® possible reserves at our Kerrobert project were reduced to 2.6 million barrels from 5.4 million barrels at the end of 2012. These revisions are due to 2013 production from the project not sustaining the production rates assumed by McDaniel in its year end 2012 report. The Exploitable Oil Initially In Place ("EOIIP") at our Kerrobert THAI® project lands remained unchanged at 18.7 million barrels (see "Exploitable Oil/Bitumen Initially in Place").
- Luseland best estimate contingent resources is unchanged at 20.6 million barrels (see "Resources and Contingent Resources") and EOIIP of 48.8 million barrels. Together with the Kerrobert THAI® project lands, EOIIP associated with our Saskatchewan assets totalled 67.5 million barrels.
- Saskatchewan conventional cold production proved ("1P"), proved plus probable ("2P") and proved, probable and possible ("3P") reserves of 34,800 barrels, 44,400 barrels and 57,300 barrels were assigned, respectively. 2013 is the first year of reserves assignment for our Saskatchewan cold production.
- Dawson 1P, 2P and 3P reserves of 0.9 million barrels, 1.4 million barrels and 2.0 million barrels, respectively, were increased from 2012. The 2012 Sproule evaluation was based on full field cold production from horizontal wells while the 2013 evaluation was based on cyclic steam stimulation ("CSS") at our two horizontal THAI® wells assuming varying recovery factors plus cold production development outside the CSS area.
- There was a small reduction in the best estimate contingent resources to 58.0 million barrels from 58.3 million barrels in 2012 at Dawson and Exploitable Bitumen Initially in Place (see "Exploitable Oil/Bitumen Initially in Place") remains unchanged at 436.2 million barrels based on CSS.

## Q4 and Year-End 2013 Financial and Operating Review

- Average production at our Kerrobert THAI® project was 222 barrels of oil per day ("bopd") in Q4 2013 compared to 155 in Q3 2013 and 307 bopd in Q4 2012. Kerrobert THAI® production averaged 180 bopd in 2013.
- We currently operate two cold conventional heavy oil wells which produce approximately 50 bopd combined.
- We were granted approval to operate two CSS cycles at our Dawson project to better condition the reservoir for THAI®. We initiated steam injection in one of the two horizontal THAI® wells in late December 2013 and in the second well in mid-February 2014. Initial production is expected in May 2014 with each well expected to produce for approximately nine months before starting a second steam and production cycle.
- We recognized a non-cash accounting impairment related to our Kerrobert THAI® project and Luseland and other assets of \$45.0 million, reflecting assessed fair value less costs of disposal at December 31, 2013.
- Petrobank reported expenditures on exploration assets of \$25.1 million in 2013 compared to \$41.3 million in 2012. The decrease was primarily related to a decrease in capitalized pre-commercial operating costs at our Kerrobert project and reduction in expenditures on land, seismic and exploration.
- We ended 2013 with \$50.8 million of positive working capital and no debt.
- In early 2013, we invested approximately \$40 million of excess cash in shares and U.S. dollar denominated notes of PetroBakken Energy Ltd. (now renamed Lightstream Resources Ltd. ("Lightstream")). The primary reason for this investment was to earn a reasonable return on capital in a company with an asset base, business plan and management team that was well known to Petrobank at the time of the investment. In late 2013, we sold the Lightstream notes and realized a return of over 10% on this investment. We continue to hold 3.5 million Lightstream shares which earn a \$0.04 per share monthly cash dividend based on Lightstream's current dividend policy.

## CORPORATE RESERVES AND RESOURCES SUMMARY

The following tables summarize our 2013 year-end reserves and resources by project area, as well as a comparison of 2013 and 2012 year-end total Company reserves and resources. Reserves and resources were evaluated by McDaniel for the Kerrobert THAI® project, Saskatchewan conventional cold production and Luseland properties and by Sproule for the Dawson assets.

### Company Interest(1) Reserves and Resources (Mbbbls)(2)

|  | 2013               |  |         | 2012             | Change           |
|--|--------------------|--|---------|------------------|------------------|
|  | Kerrobert<br>THAI® | Sask. cold<br>production<br>and Luseland | Dawson  | Total<br>Company | Total<br>Company |
| Total Proved                                     | -                  | 35                                       | 904     | 939              | 666              |
| Proved + Probable (2P)                           | -                  | 44                                       | 1,430   | 1,475            | 1,166            |
| Proved + Probable + Possible (3P) (3)            | 2,587              | 57                                       | 2,047   | 4,691(6)         | 7,156(6)         |
| Best Estimate Contingent Resources(4)            | -                  | 20,626                                   | 58,011  | 78,637           | 78,894           |
| Exploitable Oil/Bitumen<br>Initially in Place(5) | 18,663             | 48,807                                   | 436,200 | 503,669          | 503,669          |

(1) "Company Interest" reserves, which represent the Company's working interest share and royalty interest share of reserves before deduction of the Company's royalty obligations.

(2) "Mbbbls" means thousand barrels.

(3) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. Stand-alone possible reserves have been assigned to our Kerrobert THAI® project as a result of current uneconomic production rates associated with the project.

(4) Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but

which are not currently considered to be commercially recoverable due to one or more contingencies. See "Resources and Contingent Resources".

(5) Represents exploitable oil initially in place at the Kerrobert THAI® project and Luseland properties and exploitable bitumen initially in place at Dawson. Exploitable oil or bitumen initially in place is the estimated discovered volume of oil or bitumen, as applicable, from known accumulations, before any production has been removed, which is contained in a subsurface stratigraphic interval that meets or exceeds certain reservoir characteristics considered necessary for the application of known recovery technologies. The difference between exploitable oil initially in place and 3P reserves at the Kerrobert THAI® project is comprised of approximately 212,300 barrels of production, with the remainder being considered unrecoverable. The difference between exploitable oil or bitumen initially in place and contingent resources or reserves on the remaining properties is considered unrecoverable.

(6) This volume is an arithmetic sum of multiple estimates of proved + probable + possible reserves, which statistical principles indicate may be misleading as to volumes actually recovered. Readers should give attention to the estimates of individual classes of proved, probable and possible reserves, and appreciate the differing probabilities of recovery associated with each class, as explained herein and in our annual information form.

#### Net Present Value, 10% Discount Rate, Before Tax, Forecast Prices (\$ millions)(1)

|                                    | Kerrobert THAI® | Sask. cold production | Luseland | Dawson  |
|------------------------------------|-----------------|-----------------------|----------|---------|
| Total Proved                       | -               | \$0.6                 | \$9.8    | \$10.4  |
| Proved + Probable (2P)             | -               | \$0.7                 | \$14.9   | \$15.7  |
| Proved + Probable + Possible (3P)  | -               | \$11.5                | \$1.0    | \$20.9  |
| Best Estimate Contingent Resources | -               | \$61.0                | \$53.6   | \$114.6 |

(1) Kerrobert THAI®, Saskatchewan cold production and Luseland based on McDaniel forecast heavy oil netback prices. Dawson based on Sproule forecast heavy oil netback prices. Interest expenses and corporate overhead were not included. Net present values are discounted at 10%. The net present values do not represent the fair market value of the reserves and/or resources.

Petrobank first received independent recognition of THAI® reserves at our Kerrobert project for year-end 2010. The Kerrobert THAI® project was operational with all 12 production wells capable of production in September 2011. Since that time, Petrobank has focused on increasing production through increasing air injection, expanding the combustion front, increasing well and facility run times and other operational adjustments. At this time, production has not reached commercial levels and averaged 180 bopd in 2013. As a result of these production levels being less than assumed in McDaniel's 2012 evaluation, 3P reserves have decreased 52%.

Petrobank received reserves for our two conventional cold production wells which were in operation at the end of 2013.

McDaniel has assigned best estimate contingent resources and EOIP on our Luseland properties of 20.6 million barrels and 48.8 million barrels, respectively. Including EOIP associated with the Kerrobert THAI® project, total EOIP of all the Company's Saskatchewan heavy oil properties was 67.5 million barrels.

Petrobank engaged Sproule to evaluate our Dawson lands in 2012. In 2012, the Dawson evaluation was based on conventional cold production in all the channel lands, which was the plan at that time. In 2013, the Dawson evaluation is based on CSS production at the two THAI® horizontal production wells plus conventional cold production in the channel lands outside the CSS area.

Sproule has not changed its resource evaluation of our Bluesky channel and Bluesky/Gething non-channel lands. Based on Sproule's experience with other operators near our Dawson lands, they assigned 58.0 million barrels of best estimate contingent resource and exploitable bitumen initially in place of 436.2 million barrels based on CSS, which represents a small decrease in best estimate contingent resource and no change in exploitable bitumen initially in place.

## OPERATIONAL UPDATE

### Kerrobert THAI® Project and Saskatchewan Conventional Cold Production

Fourth quarter 2013 Kerrobert THAI® production averaged 222 bopd, an increase from Q3 2013 production

of 155 bopd and a decrease from 307 bopd in the fourth quarter of 2012. January and February 2014 production was 275 bopd based on field estimates.

As announced in late 2013, Petrobank is committed to eliminating the negative field operating netbacks at our Kerrobert THAI® project by mid-2014. This may include investing small amounts of capital to test new processes to increase production and reducing costs by shutting-in low-volume wells that require workovers. We are planning to test steam co-injection in the near future at one of our air injection wells. It is our intention to suspend THAI® operations in the event the negative netback cannot be eliminated by the end of the first half of 2014. We have also filed a regulatory approval application to test steam assisted gravity drainage ("SAGD") operations at one of our THAI® wells. We will continue to evaluate the economics, opportunities and challenges with SAGD as we await regulatory approval.

Petrobank has two conventional cold production wells operating. These wells averaged approximately 50 bopd combined in January and February 2014. We continue to optimize these wells for higher production.

## Dawson

At Dawson, we commenced CSS steaming operations at one of the two horizontal THAI® production wells in late-December 2013 and initiated steaming operations at the second well in mid-February 2014. First production is expected in May 2014. We are planning a nine-month production cycle followed by a second steam and production cycle. With success of these two CSS wells, Petrobank intends to prepare and submit an application for full field CSS development at Dawson.

## LIQUIDITY AND CAPITAL RESOURCES

We ended 2013 with positive working capital of \$50.8 million, including \$55.7 million of cash and marketable securities, and no third party debt. In December, we sold all our investment in Lightstream's U.S. dollar denominated notes to take advantage of a stronger U.S. dollar relative to the Canadian dollar. We still own 3.5 million Lightstream shares and are receiving monthly cash dividends of \$0.04 per share based on Lightstream's current dividend rate.

Our current capital resources are expected to be more than adequate for our planned 2014 expenditures while providing financial flexibility to pursue future strategic opportunities.

## SUMMARY OF FINANCIAL RESULTS

The following table provides a summary of Petrobank's financial results for the three months and year ending December 31, 2013 and 2012. Audited consolidated financial statements with MD&A will be available on the Company's website at [www.petrobank.com](http://www.petrobank.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

| Three months ended December 31,<br>(\$000s except where noted) | 2013   | Years ended December 31,<br>2012 | Change | 2013   |
|--|--------|----------------------------------|--------|--------|
| Net loss   | 44,255 | 155,830                          | (72%)  | 52,874 |
| Per share - basic and diluted (\$)                             | 0.45   | 1.60                             | (72%)  | 0.54   |
| Expenditures on exploration assets                             | 4,266  | 9,746                            | (56%)  | 25,839 |
| Total assets   | 96,839 | 165,803                          | (42%)  | 96,839 |
| Common share outstanding, end of period                        |        |                                  |        |        |
| Basic and diluted (000s)                                       | 97,443 | 97,597                           | -      | 97,443 |

## INVESTOR CONFERENCE CALL

Management of Petrobank plans to hold a conference call for investors, financial analysts, media and any interested persons on Friday, March 7, 2014 at 8:30 a.m. Mountain Time (10:30 a.m. Eastern Time) to discuss Petrobank's year-end and fourth quarter 2013 financial and operating results and provide an update on our strategic activities. The investor conference call details are as follows:

Participant dial-in number(s): 416-695-7806 / 888-789-9572  
Participant pass code: 5181186

Replay dial-in number(s): 905-694-9451 / 800-408-3053  
Replay pass code: 7467379

The live audio webcast link is: <http://www.gowebcasting.com/5281> and is also available on our website at: <http://www.petrobank.com/investors/presentations-webcasts>.

[Petrobank Energy and Resources Ltd.](#) is a Calgary-based oil and natural gas exploration and production company with operations in western Canada. Petrobank is applying our patented THAI® heavy oil recovery process in the field. THAI® is an evolutionary in-situ combustion technology for the recovery of bitumen and heavy oil. THAI® is a registered trademark of Archon Technologies Ltd., a wholly-owned subsidiary of Petrobank Energy and Resources Ltd., for specialized methods for recovery of oil from subterranean formations through in-situ combustion techniques and methodologies with or without upgrading catalysts.

## Reserves Data

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

The reserve data provided in this news release presents only a portion of the disclosure required under NI 51-101. All of the required information will be contained in our AIF, which will be filed on SEDAR on or before March 31, 2014.

**Possible Reserves:** Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

**Resources and Contingent Resources:** In this press release, Petrobank has disclosed estimated volumes of "contingent resources". "Resources" are oil and gas volumes that are estimated to have originally existed in the earth's crust as naturally occurring accumulations but are not capable of being classified as "reserves". "Contingent resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies at both Dawson and on the Luseland lands include current uncertainties around the specific scope and timing of the development of the projects; lack of regulatory approvals; uncertainty regarding marketing plans for production from the subject area; and need for improved estimation of project costs. Contingent resources do not constitute, and should not be confused with, reserves. There is no certainty that it will be commercially viable to produce any portion of the contingent resources on the Luseland or Dawson lands.

**Exploitable Oil/Bitumen Initially In Place:** Exploitable Oil/Bitumen Initially in Place is the estimated discovered volume of oil or bitumen, as applicable, from known accumulations, before any production has been removed, which is contained in a subsurface stratigraphic interval that meets or exceeds certain reservoir characteristics considered necessary for the application of known recovery technologies. Examples of such reservoir characteristics include continuous net pay, porosity, and mass bitumen content. Exploitable Oil/Bitumen Initially in Place are resources that does not constitute, and should not be confused with, reserves. There is no certainty that it will be commercially viable to produce any portion of the resource.

**Net Present Values (NPV):** Estimated values of future net revenue disclosed in this press release do not necessarily represent fair market values.

## Forward-Looking Statements:

*Certain information provided in this press release constitutes forward-looking statements. Specifically, this press release contains forward-looking statements relating to financial results, results from operations, the timing of certain projects, and anticipated sources of available financing. Forward-looking statements are necessarily based on a number of assumptions and judgments, including but not limited to, assumptions*

*relating to the outlook for commodity and capital markets, the success of future resource evaluation and development activities, the successful application of our technology, the performance of producing wells and reservoirs, well development and operating performance, general economic conditions, weather and the regulatory and legal environment. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. You can find a discussion of those risks and uncertainties in our Canadian securities filings. Such factors include, but are not limited to: general economic, market and business conditions; weather conditions and access to our properties; fluctuations in oil prices; the results of exploration and development drilling, recompletions and related activities; timing and rig availability; outcome of exploration contract negotiations; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; uncertainties associated with the regulatory review and approval process in respect to our projects; risks associated with the application of early stage technology; risks associated with oil and gas operations; and other factors, many of which are beyond the control of the Company. There is no representation by Petrobank that actual results achieved during the forecast period will be the same in whole or in part as those forecasted. Except as may be required by applicable securities laws, Petrobank assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.*

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