

# Calvalley announces record quarterly earnings and cash flow for the fourth quarter ended December 31, 2011

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## Highlights

- Earnings increased to \$0.11 per share (\$10.5 million) in the fourth quarter of 2011 up 83 per cent from the \$0.06 per share (\$6.0 million) in the fourth quarter of 2010 and up 10 per cent from the record achieved in the third quarter of 2011. For the twelve month period ended December 31, 2011 earnings increased to \$0.22 per share (\$21.3 million) up 47 per cent from the \$0.15 per share (\$14.6 million) for the twelve month period in 2010. This record quarterly earnings result can be directly attributed to the increase in crude oil shipments which occurred during the fourth quarter representing a net sales volume (before royalties and taxes) of 3,015 barrels of oil per day for the period up from the 2,887 barrels of oil per day shipped in the third quarter.

- The Company's working interest share of production volumes before royalties and taxes averaged a record 3,231 barrels per day in the fourth quarter 2011 being 49 per cent higher than 2,167 barrels per day for the fourth quarter of 2010. During the fourth quarter the Company benefited from production from the Ras Nowmah 2 well which came on production in September 2011. Production for the quarter from Ras Nowmah 2 averaged approximately 2,600 (gross) barrels of oil per day. The production contribution from the Al Roidhat field for the fourth quarter averaged approximately 380 (gross) barrels of oil per day.

- The Company's initiative to access export infrastructure to the east of Block 9, as an alternative to the western pipeline route to the Red Sea, via the construction and commissioning of the truck offloading facility (the "TOF") at Block 51 has paid significant dividends to the Republic of Yemen and the Block 9 owners in 2011. In the absence of the TOF, production from Block 9 would have been interrupted due to the continuing pipeline outages on the western route. Under the agreements related to this infrastructure Calvalley receives a price for its blended crude oil stream, including heavy oil from the Al Roidhat field, based on the Dated Brent Crude Price.

- For the fourth quarter of 2011 the average realized price was \$109.73 per barrel, up 28 per cent from the price received in the fourth quarter of 2010. The product netback in the fourth quarter of \$47.91 per barrel represents an increase of approximately 42 per cent from \$33.82 per barrel for the same period of 2010.

- Funds flow from operations ("Cash Flow") for the three months ended December 31, 2011 of \$0.13 per share (\$12.4 million) is an increase of 63 per cent from the \$0.08 per share (\$8.0 million) for the same period of 2010 and surpasses the \$0.12 per share for the third quarter as the highest quarterly Cash Flow per share in the Company history. For the twelve months ended December 31, 2011 Cash Flow was \$0.29 per share (\$27.6 million), an increase of 32 per cent from the prior year period.

- Capital expenditures in the current quarter of \$3.6 million are down significantly from \$10.3 million in the comparable quarter of 2010. Year to date capital expenditures of \$16.4 million are down 22 per cent from \$21.1 million in 2010.

- With the recent improvements in security in the area of Block 9 the Company is resuming its development and exploration drilling plans. Initial priorities include drilling two development wells at Ras Nowmah, two water injection wells at Hiswah, and an exploration well at Ras Nowmah South.

- During the quarter, the Company renewed its normal course issuer bid ("NCIB") and received approval to purchase approximately 7.6 million shares through the facilities of the TSX commencing October 12, 2011 and ending October 11, 2012, subject to certain restrictions and limitations. In the quarter the Company repurchased a total of 1,217,244 shares at an average price of CS1.49 per share.

- Calvalley has a healthy balance sheet with approximately \$75 million in working capital at December 31, 2011. With crude oil inventory valued at current market prices, the working capital balance increases to over \$79 million at December 31, 2011. The current estimate of the fair value of working capital is approximately

\$82 million. As the Company expands its production base in Yemen, Cash Flow will continue to support increased investment activities and future share repurchases.

## Financial information

Significant financial information is included in the table below and is discussed further in the Company's Management Discussion and Analysis.

| (in thousands of US dollars except per share amounts) |            |        |        | Three months ended |   |
|---|------------|--------|--------|--------------------|---|
| December 31(1)  | Year ended |        |        |                    |   |
| December 31(1)  | 2011       | 2010   | 2011   | 2010               |   |
| Revenue (Gross)                                       | 30,440     | 22,042 | 74,305 | 63,867             |   |
| Revenue from crude oil sales (net of royalties)       |            |        | 18,981 | 13,681             | 4 |
| EBITDA(2)   | 14,143     | 9,212  | 31,696 | 25,454             |   |
| Operating income(2)                                   | 12,271     | 7,536  | 27,420 | 19,694             |   |
| Profit  | 10,477     | 5,982  | 21,343 | 14,582             |   |
| Per share   | 0.11       | 0.06   | 0.22   | 0.15               |   |
| Capital expenditures                                  | 3,595      | 10,302 | 16,433 | 21,077             |   |
| Funds flow from operations(2)                         | 12,371     | 7,976  | 27,565 | 21,911             |   |
| Per basic share                                       | 0.13       | 0.08   | 0.29   | 0.22               |   |
| Per diluted share                                     | 0.13       | 0.08   | 0.28   | 0.22               |   |
| Cash flow from operating activities                   | 23,531     | 11,863 | 25,187 |                    |   |

(1) On January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the year ended December 31, 2011, including required comparative information, have been prepared in accordance with International Financial Reporting Standards.

Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS. The adoption of IFRS has not had an impact on the Company's operations, cash flows or strategic decisions. The most significant area of impact was the adoption of the IFRS upstream accounting principles. Further information on the IFRS impacts is provided in the Changes in Accounting Policies Section of the Company's Q4 2011 Interim MD&A filed on [www.sedar.com](http://www.sedar.com)

(2) See "Non-IFRS Measures" disclosure in 2011 Annual MD&A filed on [www.sedar.com](http://www.sedar.com)

## FILING OF REPORTS ON SEDAR

Calvalley's Management's Discussion and Analysis and Consolidated Financial Statements for the year ended December 31, 2011 can be found for viewing by electronic means on The System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com). They can also be found on the Company's website at [www.calvalleypetroleum.com](http://www.calvalleypetroleum.com).

Calvalley is listed on the Toronto Stock Exchange, trading under the symbol "CVI.A".

THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

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hereof.

*Forward-looking statements and other information contained herein concerning the oil and gas industry and Calvalley's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which Calvalley believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While Calvalley is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.*

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