Petrominerales Reports Second Quarter Financials and Provides Operational Update Highlighted by Production Increase to 23,975 bopd

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CALGARY, ALBERTA -- (Marketwired - Aug 1, 2013) - Petrominerales (TSX:PMG) (BVC:PMGC) announces 2013 second quarter financial results and an operational update highlighted by July production of 23,975 barrels of oil per day ("bopd").

SECOND QUARTER FINANCIAL AND OPERATING HIGHLIGHTS

- New reserves additions from our Curito-1 and Taya-1 oil discoveries and successful appraisal drilling on our Mantis oil field, extending the oil pool boundaries with our Mantis-4, 5 and 6 wells.
- We acquired an 87.5 percent interest in the Canaguaro Block in the Llanos Basin for $15.4 million subject to ANH approval, including 416 bopd of working interest production and 2.3 million barrels of proved plus probable working interest reserves.
- The Company repurchased and cancelled $60.2 million of our 2016 convertible debentures, leaving $138.7 million outstanding.
- We extended the put date on our 2016 convertible debentures to February 25, 2014.
- We generated funds flow from operations of $86.9 million, or $1.03 per share.
- Our operating netback was $54.54 per barrel.
- Our oil marketing business earned $11.1 million of operating cash flow.
- We initiated a formal sales process for our pipeline assets. Subsequent to the quarter, to maximize value, we joined with three other OCENSA shareholders in a process to market a combined 27% equity interest in the OCENSA pipeline.
- We were awarded three new blocks in the Brazil Bid Round located onshore in the Reconcavo and Tucano basins.

Financial Highlights	Three months ended June 30,			Six months ended June 30,		
($US millions, except where noted)	2013	2012	% change	2013	2012	% change
Oil sales	269.4	289.8	(7)	523.5	622.8	(16)
Funds flow from operations[1]	86.9	173.7	(50)	189.2	373.5	(49)
Per share - basic ($)	1.03	1.78	(42)	2.24	3.79	(41)
- diluted ($)	1.02	1.75	(42)	2.22	3.72	(40)
Adjusted net income [1]	2.3	38.3	(94)	8.8	118.6	(93)
Per share - basic ($)	0.03	0.39	(92)	0.10	1.20	(92)
- diluted ($)	0.03	0.38	(92)	0.10	1.14	(91)
Dividends declared	10.1	11.0	(8)	20.5	23.5	(13)
Expenditures on PP&E and E&E[2]	88.6	150.6	(41)	170.4	369.0	(54)

As at,	June 30, 2013	March 31, 2013	December 31, 2012
Net working capital deficit[1] [2]	82.7	77.2	129.9
Long-term bank debt and convertible debentures[4]	662.9	643.9	598.9
Total assets	2,180.4	2,177.9	2,124.9
Common shares (000s)	84,898	84,579	84,464
Common shares and in-the-money dilutives (000s)[5]	89,182	89,251	86,883

Operating Highlights	Three months ended June 30,			Six months ended June 30,		
	2013	2012	% change	2013	2012	% change
Production (bopd)						
Deep Llanos	12,454	20,936	(41)	13,359	22,261	(40)
Central Llanos	4,811	4,914	(2)	4,197	4,657	(10)
Neiva	2,603	3,428	(24)	2,662	3,587	(26)
Orito	1,333	1,827	(27)	1,272	2,026	(37)
Heavy oil	300	8	-	273	37	638
Production Colombia	21,501	31,113	(31)	21,763	32,568	(33)

Production Brazil	38	-	-	37	-	-
Total production	21,539	31,113	(31)	21,800	32,568	(33)
Inventory changes and other	(769)	1,025	-	(354)	(93)	281
Produced oil sales volumes	20,770	32,138	(35)	21,446	32,475	(34)
Operating netback ($/bbl)(1)						
Brent benchmark price	102.51	108.44	(5)	107.53	113.46	(5)
Discount - Brent to Vasconia	(3.85)	(4.81)	(20)	(4.61)	(4.53)	2
Vasconia benchmark price	98.66	103.63	(5)	102.92	108.93	(6)
Discount Vasconia to sales price	(3.16)	(4.54)	(30)	(2.34)	(3.56)	(34)
Sales price(6)	95.50	99.09	(4)	100.58	105.37	(5)
Transportation expenses(6)	7.89	7.42	6	7.76	7.12	9
Realized crude oil price	87.61	91.67	(4)	92.82	98.25	(6)
Royalties(6)	12.75	10.63	20	13.71	11.18	23
Royalties as a % of realized price	15	12	25	15	11	36
Production expenses(6)	20.32	16.62	22	21.05	14.91	41
Operating netback(1)	54.54	64.42	(15)	58.06	72.16	(20)

(1) Non-IFRS measure. See "Non-IFRS Measures" at end of this news release.

(2) Working capital includes current assets less pipeline assets available for sale, with a carrying value of $225 million, less trade payables and other liabilities.

(3) PP&E consists of property, plant and equipment assets and E&E consists of exploration and evaluation assets from the consolidated statement of cash flow.

(4) Consists of the principal portion of the Company's 2016 and 2017 convertible debentures and amounts drawn on the reserves-based credit facility. The holders of the 2016 convertible debentures have a one-time put option right of prepayment of the debentures on February 25, 2014.

(5) Consists of the sum of common shares, deferred common shares, incentive shares, and potential shares issuable on conversion of in-the-money stock options and convertible debentures outstanding as at the period-end.

(6) Based on sales volumes of produced oil and the produced oil segment results from the segmented information note to the financial statements.

FINANCIAL REVIEW

Our sales volumes of produced oil of 20,770 bopd and operating netback of $54.54 per barrel resulted in funds flow from operations of $86.9 million ($1.03 per basic share) for the second quarter, a 15% decrease over the preceding quarter. The change in funds flow primarily relates to 9% lower world oil prices and 2% lower oil production offset by increased income from our oil marketing business.

Capital expenditures in the second quarter were $88.6 million, representing an 8 percent increase from the first quarter of 2013. We drilled a consistent amount of wells in the quarter (8) and had increased spending on our Block 25 3D seismic program that we completed in July.

During the second quarter we earned $6.5 million of operating cash flow through the purchase and re-sale of third party oil using available capacity on our pipeline assets and an additional $4.6 million from other marketing activities, nearly doubling our first quarter profit.

As previously disclosed, we are pursuing strategic options regarding our pipeline assets. We have entered into an agreement with three other OCENSA shareholders in a process to sell a combined 27% equity interest in the OCENSA pipeline. We expect this process to be completed in the fourth quarter of 2013. In order to facilitate participation in this combined sales process, we extended the put repayment date on our 2016 convertible debentures to February 25, 2014. In an independent process we are pursuing alternatives for our OCENSA transportation rights and our interest in the OBC pipeline.

OPERATIONAL REVIEW

Production

Second quarter production averaged 21,539 bopd, 2% or 524 bopd lower than the first quarter mainly due to:

- Deep Llanos production was lower by 13% or 1,819 bopd, primarily due to natural declines;
- Central Llanos production was higher by 35% or 1,235 bopd primarily due to our Curito oil discovery, successful appraisal drilling in our Mantis field (Mantis-4 and Mantis-5) and recovered production from wells offline due to workovers;
- Neiva production was lower by 4% or 119 bopd primarily due to natural declines;
- Higher Orito production of 123 bopd primarily due to Orito-197 which began producing in June at 1,462 bopd;

- Higher Heavy Oil production of 54 bopd related to production volumes from our Tatama horizontal well that was tested with a higher capacity pump that increased the well rate of production to 620 bopd during the 44 days testing period; and
- Consistent Brazil production of 37 bopd relating to the Alvopetro acquisition that closed in December 2012.

Production averaged 23,975 bopd in July, a six percent increase over June, mainly due to oil discoveries made late in June (Curito-1 and Mantis-6).

Central Llanos Basin (Casimena, Castor, Casanare Este, Mapache Blocks), Colombia

In June, we announced an exploration success with our Curito-1 well on the Casanare Este Block. We recovered oil in each of the four tested intervals: Ubaque, Gacheta, Mirador, and Carbonera C7. Following analysis of the test results, we put the well on production from the C7 Formation and the well has produced an average of over 2,800 bopd at less than one percent water-cut to-date under natural flow conditions. We are planning a follow-up well to this new multi-zone discovery targeting the Ubaque Formation.

In the quarter we drilled three successful oil wells, Mantis 4, 5 and 6 that were not included in our December 31, 2012 reserve report. Mantis-4 confirmed a southwest extension to the field in both the Upper and Lower Mirador Formations. Mantis-5 was an in-fill location that was placed on production in June and Mantis-6, a northern field extension started production early in July. We are currently drilling Mantis-7 to further test the northern oil pool boundary and to evaluate the potential for a tilted oil/water contact that could further expand the pool. If Mantis-7 proves successful, we have identified several addition locations that could be drilled north along this trend up to our existing Pisingo discovery.

Deep Llanos Basin (Corcel, Guatiquia, South Block 31, Canaguaro), Colombia

In May we announced Taya-1 as an oil discovery on our Corcel Block. Well logs indicate 42 feet of potential net oil pay in the Mirador Formation and 31 feet in the Guadalupe Formation. The well has been on production from the Guadalupe Formation and we are planning to re-complete the well and test the Mirador Formation in the third quarter. During the second quarter we drilled Taya-2, a separate structure from Taya-1. We cased the well and tested the Guadalupe and Mirador formations. Both tests produced water, inconsistent with our geological interpretation. We plan to evaluate the Mirador results in Taya-1 to determine additional plans for this discovery.

In May we acquired an 87.5 percent interest in the Canaguaro Block in the Llanos Basin, subject to ANH approval. The acquisition included 416 barrels of oil per day of working interest production and 2.3 million barrels of proved plus probable working interest reserves for $15.4 million. This transaction adds to our existing production and reserves and provides a large, contiguous area of underexplored land adjacent to our Deep Llanos acreage.

In July we drilled our Guatiquia NE prospect. Based on petrophysical interpretation, we decided to abandon the well.

For the remainder of the year, we are planning to drill at least two additional wells in the area, consisting of Canaguay-2, an appraisal well on our recently acquired Canaguaro Block, and one additional exploration well, Ceibo-1 on our Guatiquia Block on trend with our Candelilla and Yatay oil pools.

Llanos Basin Heavy Oil Blocks (Rio Ariari, Chiguiro Oeste, Chiguiro Este), Colombia

In March, we recommenced our Tatama horizontal well production test with a higher fluid rate pump. During the production testing, the well averaged 633 bopd with a 90 percent water-cut, and the well has cumulatively produced 55,600 barrels of oil from the Mirador Formation. This test has confirmed that these heavy oil horizontal wells are capable of producing at commercial rates. The Tatama well has been shut-in since May 20 while we obtain long-term production permits.

We plan to drill a second location in the Mochelo area to test the productivity of a more optimally designed horizontal well. This is expected to provide the basis for a first phase commercial development. We expect to have this well drilled and on production early in the fourth quarter.

On our Chiguiro Este Block we drilled the Chiguiro Este-2 exploration well. Based on well logs, we abandoned the well.

Orito (Putumayo Basin), Colombia

We recommenced our Orito development drilling program in December 2012 and have drilled five wells to-date targeting the Caballos and Villeta formations. Orito-197 came on production in early June and has averaged 1,232 bopd to-date. Orito Norte, a well outside our reserve pool, was drilled but experienced completion issues and we had to abandon the well. We did recover oil from the Caballos formation while drilling Orito Norte. To fully test this field extension concept, we plan to re-complete Caldero-1, a well at the same location that was drilled in 1967.

We also drilled Orito-151 and Orito-148 and plan to complete these wells for production in the third quarter. Our next location at Orito is a horizontal well, Orito-196 HZ, targeting the Villeta Formation.

Neiva (Upper Magdalena Basin), Colombia

As planned, we have received an update of the environmental license and we expect to resume our development drilling program at Neiva in August with one rig drilling up to six development wells and completing up to eight workovers.

Brazil

In December 2012, we entered Brazil in the Recôncavo Basin, by acquiring a 75 percent interest in Alvopetro Oil and Gas Investments Inc. We later complemented our onshore Brazilian portfolio with the acquisition of interest in two additional blocks in the Recôncavo Basin: Blocks 170 and 183, subject to the Agencia Nacional do Petróleo, Gás Natural e Biocombustíveis of Brazil ("ANP") approval. Both blocks are contiguous with our existing acreage, offering the same tight-oil potential in the Gomo sands in the Candeias Formation.

In May, at the 11th Brazilian Bid Round, we were awarded Block REC-T 106 and Block REC-T 107 in the Reconcavo Basin and Block TUC-T 177 in the Tucano Basin, all located in the state of Bahia, onshore Brazil for land bonuses totaling $0.5 million. The three blocks are expected to be finalized in August and will be subject to ANP contracts. Upon the execution of the contracts, Petrominerales will hold a 100 percent interest in Block REC-T 106 and Block TUC-T 177 and a 75% interest in Block REC-T 107.

Our land position in Brazil is now 119,690 acres (103,334 net acres) and we have a significant exposure not only to the deep tight oil potential in the Gomo horizon but also to considerable exploration potential in shallower conventional reservoirs. Our initial focus will be to demonstrate the commercial deliverability of the Gomo sands using fracture stimulation technology. We plan to drill our first two wells in the fourth quarter of 2013 and recomplete one well in our existing producing oil field, Bom Lugar.

OUTLOOK

For the remainder of 2013, we plan to drill up to 20 oil wells, consisting of:

- Development drilling at our Orito and Neiva blocks, drilling up to three more wells at Orito and up to six wells at Neiva;
- Drilling up to six wells on our Central Llanos acreage with an appraisal of our Curito discovery and testing the northern extension of the Mantis oil field with the Mantis-7 well;
- Drilling two more exploration wells in Llanos Basin of Colombia, Canaguay-2 and Ceibo-1;
- Drilling and production testing Mochelo Sur, our next heavy oil horizontal well, to verify the commercial potential of our Mochelo discovery area positioning ourselves to quickly develop a commercial production platform;
- Drilling our first two wells in Brazil targeting a large, tight oil resource on our newly acquired lands;
- Exposure to the first of two high-impact exploration prospects to be drilled by our joint venture partner in Perú; and
- Securing additional capital from our pipeline assets through a monetization process.

We look forward to updating our shareholders on our progress throughout the remainder of 2013.

CONFERENCE CALL AND WEBCAST

Management of Petrominerales will be holding a conference call and webcast for investors, financial analysts, media and any interested persons on August 1, 2013 at 9:00 a.m. (Mountain Time, 11:00 a.m. Eastern Time) to discuss our 2013 second quarter results.

The investor conference call details are as follows:
Live call dial-in number(s): 416-695-6617 / 800-446-4472
Live audio webcast link: www.gowebcasting.com/4466
Replay dial-in numbers: 905-694-9451 / 800-408-3053
Replay Pass code: 2849205

Petrominerales Ltd. is an international oil and gas company operating in Latin America since 2002. Our high-quality land base and multi-year inventory of exploration and development opportunities in Colombia, Perú and Brazil provide long-term growth potential for years to come.

Non-IFRS Measures.

This press release contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS"), such as funds flow from operations, adjusted net income, funds flow per share, adjusted net income per share, working capital deficit and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. We evaluate our performance and that of our business segments based on funds flow from operations and adjusted net income. Funds flow from operations is a non-IFRS term that represents cash generated from operating activities before changes in non-cash working capital. Adjusted net income is determined by adding back any losses or deducting any gains on the derivative liabilities and effects of the buyback of the convertible debentures (accelerated accretion and gain on settlement). Management considers funds flow from operations, funds flow per share, adjusted net income and adjusted net income per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities and repay debt. Net working capital deficit includes current assets less pipeline assets held available for sale and trade payables and other liabilities and is used to evaluate the Company's short-term financial leverage. Operating netback is determined by dividing oil revenue less royalties, transportation and production expenses by sales volume of produced oil. Management considers operating netback important as it is a measure of profitability per barrel sold and reflects the quality of production. Funds flow from operations, funds flow per share, adjusted net income, adjusted net income per share, working capital deficit and operating netback may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with IFRS.

Forward-Looking Statements and Cautionary Language.

Certain information provided in this press release constitutes forward‐looking statements. Specifically, this press release contains forward‐looking statements relating to the Company's future exploration and development activities and the timing for bringing wells on production. The forward‐looking statements are based on certain key expectations and assumptions, including expectations and assumptions concerning the availability of capital, the success of future drilling and development activities, the performance of existing wells, the testing and performance of new wells, prevailing commodity prices and economic conditions, the availability of labour and services, the ability to transport and market our production, timing of completion of infrastructure and transportation projects, weather and access to drilling locations. 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; fluctuations in oil prices; the test results and performance of exploration and development drilling, recompletions and related activities; timing and rig availability; availability of transportation and offloading capacity, outcome of exploration contract negotiations; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; 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 Petrominerales that actual results achieved during the forecast period will be the same in whole or in part as those forecast; and there is no representation by Petrominerales that the test results of any new exploration well or development well is necessarily indicative of long-term performance or ultimate recovery. Except as may be required by applicable securities laws, Petrominerales 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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