

# Petro One Energy Corp. Update on Financing and Drilling Program

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VANCOUVER, Dec 1, 2014 - [Petro One Energy Corp.](#) (TSX VENTURE:POP)(FRANKFURT:C6K1) reports that KMDC Resources Ltd. ("Resources"), a subsidiary of Korea Myanmar Development Company Ltd. ("KMDC"), has forfeited 2,600,000 shares and 2,600,000 warrants to the Company pursuant to the arrangement described in the Company's November 3, 2014 news release. The shares and warrants were issued to Resources on October 7, 2014 for \$650,000, which the Company will now retain for its general working capital purposes.

KMDC and Resources did not purchase or arrange for other persons to purchase 8,000,000 units having an aggregate subscription price of \$2,000,000 by November 30, 2014 as they committed to do in early November. KMDC requested a further extension, but did not meet the Company's conditions for granting such an extension. Accordingly, KMDC and Resources are again in default of their contractual obligations to Petro One. However, by virtue of the arrangement announced on November 3, the Company's financial position has improved by \$650,000. The Company has formally declined to grant any further extension to KMDC or Resources to meet their obligations to the Company.

KMDC remains contractually obligated to fund the \$2,450,000 balance of PP#1 and, in addition, to advance \$14,000,000 to the Company for the drilling fund provided for in the original Program Earning and Joint Venture Agreement for a combined obligation totaling \$16,450,000. In light of this most recent failure to fund and the likelihood that the defaults will not be remedied, the Company is reviewing its legal options regarding claims for those defaults against KMDC and its Chairman, Lee Young Soo, as well as Resources and its CEO, Seok Hee-guen. The Company is also reviewing its legal options regarding claims for those defaults against Joon Young Hong, who introduced the Company to KMDC in the first instance and negotiated the terms of PP#1 and the drilling joint venture on behalf of KMDC.

In the interim the Company has instructed counsel to commence legal proceedings against Joon Young Hong and his son, Seok Chan Hong, both residents of Vancouver, B.C., for breach of their obligations to pay \$600,000 and \$150,000 respectively on completion of PP#1 on October 7, 2014. Shortly after the agreement with KMDC was announced on July 28, 2014, the Hong's irrevocably subscribed for and agreed to purchase PP#1 Units having aggregate subscription prices of \$600,000 and \$250,000 respectively to partially fulfill KMDC's \$4,000,000 funding obligation for PP#1. The defendant Seok Chan Hong, also known as Philip Hong, arranged payment of \$100,000 towards his subscription prior to October 7, 2014, but has failed to pay the \$150,000 balance owing. The defendant Joon Hong has failed to pay any portion of his \$600,000 subscription. The Company included the Hong's in its extension arrangement with KMDC because of their close ties to KMDC, but now that KMDC is in default under that arrangement, the Company will be filing a Notice of Claim in the Supreme Court of British Columbia today seeking an Order for payment of the unpaid subscription funds, consequential damages, interest and costs. KMDC will remain liable for any unpaid subscription funds which the Company is not able to collect from the Hong's, as well as damages for its defaults.

The litigation regarding the Hong subscriptions is considered relatively straightforward and will not distract the Company from its business at hand. As reported on November 5, 2014, the Company has received the license to drill its first horizontal well at Milton, where the Company's consulting geologists have identified up to 49 net horizontal Upper Viking drill locations. The Company has now secured the required surface lease for Well 6-22 and has received an Authorization for Expenditure from the drilling company. The Company looks forward to spudding Well 6-22 as soon as the agreed rig is available, expected to be sometime in early to mid-December.

The target Viking reservoir at Milton is 10 metres thick and contains oil throughout. The technical team has described oil saturated core from two vertical wells on section 10 as excellent quality Viking sand and strongly recommend focusing on horizontal drilling in the Upper Viking as the best way to exploit that reservoir. Core from the nearest Petro One well had an average porosity of 21.7% and an average permeability of 16.89 mD over the entire Upper Viking interval. The data from those wells indicates that horizontal wells targeting the upper Viking should provide water-free or near water free production as is the case with a majority of other horizontal Viking wells in the immediate area, including those drilled by Novus at the newly discovered Marengo field, just 1.5 kilometres south of Milton.

The Viking in West Central Saskatchewan produces 35° - 39° API light sweet oil, and Saskatchewan offers

an extremely attractive royalty system whereby Viking horizontal wells qualify for a 2.5% royalty rate on crown lands for the first 37,700 barrels of cumulative oil production, significantly enhancing the economics for horizontal drilling.

The Company also plans to proceed with testing of Well SR1 at South Reston, where it has confirmed a reservoir in a large Waulsortian mound with a strong oil show in a 20 meter interval at the top of the Mississippian Lodgepole limestone, which was the target formation. At Milton, with up to 49 horizontal drill locations, management is also exploring the possibility of converting an existing vertical well into a water disposal well and battery site that would significantly enhance the economics of future production.

Petro One continues to assess the potential for a further financing by way of private placement or joint venture with persons unrelated to KMDC.

The Company will report on further developments as they occur.

#### ON BEHALF OF THE BOARD

Peter Bryant  
President & Director

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#### **Forward-Looking Statements**

*Certain statements contained herein constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation, including, but not limited to management's assessment of future plans and operations, including: drilling plans and potential locations; expected production levels; development plans; reserves growth; production and operating sales and expenses; reservoir characteristics; the results of applying certain operational development techniques; certain economic factors; and capital expenditures.*

*Forward-looking statements are typically identified by words such as "anticipate", "estimate", "expect", "forecast", "may", "will", "project" and similar words suggesting future events or performance or may be identified by reference to a future date. In addition, statements relating to oil and gas reserves and resources are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves or resources described, as the case may be, exist in the quantities predicted or estimated and can be profitably produced in the future. With respect to forward-looking statements herein, the Company has made assumptions regarding, among other things; future capital expenditure levels; future oil and natural gas prices; ability to obtain equipment and services in a timely manner to carry out development activities; ability to market oil and natural gas successfully to current and new customers; the ability to obtain financing on acceptable terms; and the ability to add production and reserves through development and exploitation activities. Although the Company believes that the expectations reflected in the forward-looking statements contained herein, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included herein, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous risks and uncertainties that contribute to the possibility that the forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections. The forward-looking statements contained herein are made as of the date hereof. The Company does not undertake any obligation to, nor does it intend to, publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement. In addition, readers are cautioned that historical results are not necessarily indicative of future performance.*

#### **Contact**

For further information, please visit the company's website at [PetroOneEnergy.com](http://PetroOneEnergy.com), follow the Company's

tweets at [Twitter.com/PetroOneEnergy](https://twitter.com/PetroOneEnergy).

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