ABERDEENSHIRE, UNITED KINGDOM--(Marketwired - Mar 21, 2016) - Xcite Energy Ltd. (TSX VENTURE: XEL) (LSE: XEL) (AIM: XEL)

TSX-V: XEL

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LSE-AIM: XEL

21 March 2016

Xcite Energy Ltd.
("Xcite Energy" or the "Company")

Reserves and Resources Assessment Report, as at 31 December 2015

Xcite Energy announces the publication of its Reserves and Resources Assessment Report ("RAR") dated 17 March 2016, as evaluated by AGR TRACS International Limited ("TRACS"), an independent, qualified reserves auditor and a wholly owned subsidiary of AGR Group (Holdings) Limited.

Summary of the RAR

- Mean PIIP for the Bentley field of 885 MMstb.
- 1P, 2P and 3P heavy oil reserves for the Bentley field of 236 MMstb, 267 MMstb and 298 MMstb, respectively, based on an initial 35 year production period.
- 1P, 2P and 3P natural gas reserves for the Bentley field of 23 bcf, 36 bcf and 49 bcf, respectively.(1)
- NPV10 (after tax) value of reserves for the Bentley field of approximately $2.1 billion, $2.5 billion and $2.9 billion on a 1P, 2P and 3P basis, respectively.
- P50 Contingent Resources of 9 MMstb assigned to the Bentley field for potentially recoverable volumes beyond the initial 35 year production period.
- Aggregate, unrisked mean Prospective Resources assigned of approximately 70 MMstb, relating to prospects in the Greater Bentley area.

Notes:
(1) Natural gas reserves excludes natural gas liquids and assumes that 90% of produced gas is used for process heat and power within the Bentley facilities during ongoing operations.

Background to the RAR

Since the previous RAR dated 29 April 2015, the Company has continued to add further project definition and risk mitigation to the Bentley field development plan in conjunction with the Bentley development group, which it is believed has improved the efficiency, cost effectiveness and deliverability of the plan.

The principal elements of the work that the Company has undertaken, the results of which are incorporated into the RAR, include:

- Refinements to the well design, resulting in slim-hole wells being replaced by full-hole well architecture.
- Quantitative review of drilling and completion times, benchmarked to Bentley drilling data and cross-referenced to North Sea drilling databases, resulting in material time savings in drilling for the first phase development.
- An accelerated well delivery programme resulting from the improved definition of well times increases production volumes in the first seven years of field life, increasing 2P reserves from 265 to 267 MMstb
- Completion of the pre-FEED and optimisation engineering required at this stage to support the development concept.
- Completion of a cost optimisation program including active engagement with suppliers and contractors to receive updated quotes for key services and materials in order to update and validate the cost base, resulting in material overall savings and reducing the unescalated, full field life cycle costs for 2P reserves from approximately $35/stb to approximately $30/stb, with the escalated, full field life cycle costs for 2P reserves reducing from approximately $47/stb to approximately $40/stb.

The aggregate effect of the reductions in costs and taxation (including the reduction in Supplementary Charge to 10% announced in the budget on 16 March) has offset the predicted reduction in oil revenue. For the 2P reserves on an NPV10 basis, the reduction in costs and taxation amount to $1,124 million, while the reduction in oil revenue is $883 million, following a drop in the forward price curve of Brent crude. This has resulted in an increase in the NPV10 from $2.25 billion in the previous RAR dated 29 April

2015, to $2.50 billion in the current RAR.

For additional information regarding the RAR, please see the Company's website at www.xcite-energy.com.

The Company's oil and gas reserves are held through its wholly owned subsidiary, Xcite Energy Resources plc ("XER"), comprising 100% working interests in Blocks 9/3b, 9/4a, 9/8b and 9/9h, which contain the Bentley field ("Bentley" or the "Field") and adjoining assets (together the "Greater Bentley area").

In accordance with the AIM Rules, the information in this release has been reviewed and signed off by Tom Gunningham (C.Eng. MEI.), an associate at TRACS, who is a Chartered Petroleum Engineer, member of the Energy Institute and an Independent Qualified Reserves Auditor.

Cautionary Language

Liberum Capital Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Xcite Energy and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Xcite Energy for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

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The calculation of the NPV10 (after tax) for the Field disclosed above takes into account the following: (a) UK Ring-Fence Corporation Tax is charged at the rate of 30% on net taxable income; (b) UK Supplementary Charge ("SC") is charged at the rate of 10% on net taxable income with no deduction for finance charges and interest; and (c) investment allowances have been applied to offset the SC to the extent possible.

Glossary

"*1P*" means proved reserves, which are those quantities that are estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"*2P*" means proved plus probable reserves. Probable reserves are those quantities of additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"*3P*" means proved plus probable plus possible reserves. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

"bcf" means billion cubic feet of gas.

"Contingent Resources" means 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 may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.

"*FEED*" means front-end engineering and design.

"*MMstb*" means millions stock tank barrels.

"*NPV10*" means net present value in money of the day using a 10% forward discount rate, which values do not represent fair market value.

"PIIP" means petroleum initially in place.

"Prospective Resources" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from

undiscovered accumulations by application of future projects. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources.

"*stb/d*" means stock tank barrels per day.

"$" means United States dollars.

Forward-Looking Statements

Certain statements contained in this announcement constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the Company's future outlook and anticipated events or results and, in some cases, can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "target", "potential", "continue" or other similar expressions concerning matters that are not historical facts. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities. While the Company considers these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what is currently expected. These factors include risks associated with the oil and gas industry (including operational risks in exploration and development and uncertainties of estimates in oil and gas potential properties), the risk of commodity price and foreign exchange rate fluctuations and the ability of Xcite Energy to secure financing. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

Statements relating to "resources" and "reserves" are deemed to be forward-looking statements or information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future. There are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the Company. The reserve data included herein represents estimates only. In general, estimates of economically recoverable oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil reserves attributable to any particular group of properties and classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Company with respect to these reserves will vary from such estimates, and such variances could be material.

Consistent with its previous disclosures, the Company has used forecast prices and costs in calculating reserve quantities included herein. Actual future net cash flows also will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. The estimated future net revenue set out herein does not necessarily represent the fair market value of the Company's reserves.

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