



## PETROBANK ANNOUNCES 2012 RESERVES AND RESOURCES AND YEAR-END 2012 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta – March 7, 2013 – Petrobank Energy and Resources Ltd. (TSX: PBG) announces the results of our reserves and resources evaluation for the year ended December 31, 2012 conducted by McDaniel and Associates Consultants Ltd. (“**McDaniel**”) and Sproule Associates Ltd. (“**Sproule**”) and our 2012 fourth quarter and year-end financial and operating results.

Petrobank was incorporated as 1708589 Alberta Ltd. on October 24, 2012 for the purpose of a corporate reorganization by way of Plan of Arrangement (the “**Arrangement**”) with PetroBakken Energy Ltd. (“**PetroBakken**”) and the previous Petrobank Energy and Resources Ltd. (“**Old Petrobank**”) which existed until it was amalgamated with PetroBakken as part of the Arrangement. The purpose of the Arrangement was to distribute Old Petrobank’s majority ownership in PetroBakken to the Old Petrobank shareholders, effective December 31, 2012. 1708589 Alberta Ltd. was renamed Petrobank Energy and Resources Ltd. (“**Petrobank**” or the “**Company**”) in conjunction with the Arrangement. With the Arrangement completed, we no longer report PetroBakken’s reserves or financial information. PetroBakken released their 2012 reserves information on February 21, 2013. The consolidated financial statements as at and for the years ended December 31, 2012 and 2011 represent the operations of the assets and liabilities transferred to the Company pursuant to the Arrangement, which 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”), however, they may not reflect Petrobank’s financial position, results of operations and cash flows had the Company been operating in its current structure during the reporting periods presented in these consolidated financial statements. The historic financial results of Old Petrobank are reflected in PetroBakken’s financial statements. PetroBakken expects to announce their year-end 2012 financial and operating results next week.

*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 2012 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).*

Comparisons presented in this press release are the fourth quarter of 2012 compared to the fourth quarter of 2011 and annual comparisons are 2012 to 2011, unless otherwise noted. The comparative 2011 figures were previously included in Old Petrobank’s MD&A for the year ended December 31, 2011 as the ‘HBU and Corporate’ operating segment. All financial figures are audited and in Canadian dollars (\$) unless otherwise noted.

### OVERVIEW

#### 2012 Reserves

- THAI® proved plus probable plus possible (“**3P**”) reserves at our Kerrobert project were reduced to 5.4 million barrels from 8.5 million barrels at the end of 2011. THAI® proved plus probable (“**2P**”) reserves at our Kerrobert THAI® project were reduced to zero from 3.6 million barrels at the end of 2011. These revisions are due to 2012 production from the project not sustaining economic production rates assumed by McDaniel in its year end 2011 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”).

- In addition to our THAI® project, McDaniel also evaluated our North Kerrobert and Luseland properties (“**Kerrobert Trend Lands**”), recognizing best estimate contingent resources of 20.6 million barrels (see “Resources and Contingent Resources”) and EOIP of 48.8 million barrels. Together with the Kerrobert THAI® project lands, EOIP associated with our Saskatchewan assets totalled 67.5 million barrels.
- Sproule conducted an evaluation of our assets at Dawson, assigning initial proved reserves of 0.7 million barrels, 2P reserves of 1.2 million barrels and 3P reserves of 1.7 million barrels. These reserves were based on cold production from horizontal wells.
- Sproule assigned best estimate contingent resources of 58.3 million barrels at Dawson and Exploitable Bitumen Initially in Place (see “Exploitable Oil/Bitumen Initially in Place”) of 436.2 million barrels based on cyclic steam stimulation, up from 33.2 million barrels of Exploitable Bitumen Initially in Place assigned by McDaniel in 2011, primarily as a result of the evaluation of additional lands outside our proposed Dawson THAI® project area.

#### **Q4 and Year-End 2012 Financial and Operating Review**

- We completed a corporate reorganization on December 31, 2012 that saw Old Petrobank shareholders effectively receive Old Petrobank’s proportionate interest in its PetroBakken shareholdings while maintaining their interest in the remaining Petrobank assets. Petrobank shareholders received 1.1051 PetroBakken shares and one Petrobank share for each Old Petrobank share held at December 31, 2012. Petrobank continued operations as a well capitalized junior heavy oil exploration and production company leveraging unique patented technology.
- We entered 2013 with over \$90 million of positive working capital, including over \$100 million of cash, cash equivalents and marketable securities with no debt.
- Average production at our Kerrobert THAI® project increased to 307 barrels of oil per day (“bopd”) in Q4 2012 compared to 305 bopd in Q3 2012 and 41 bopd in Q4 2011. Kerrobert THAI® production averaged 261 bopd in 2012.
- Petrobank reported a net loss of \$119.8 million in 2012 (\$1.23 per share) compared to \$129.5 million in 2011 (\$1.33 per share), primarily as a result of an increase in impairment expense from \$65.9 million to \$185.9 million offset by a deferred income tax recovery in 2012 compared to a deferred income tax expense in 2011.
- Petrobank reported expenditures on exploration assets of \$41.3 million in 2012 compared to \$166.9 million in 2011. The decrease was primarily related to the elimination of expenditures on our May River property (along with our Conklin demonstration project) as a result of the disposition of the property in February 2012 and the completion of our Kerrobert expansion development capital in late 2011, offset by an increase in capitalized pre-commercial operating costs at our Kerrobert project from a full year of operations.
- Concurrent with the completion of the Arrangement, we recognized a non-cash accounting impairment related to our Kerrobert THAI® project and our patents and other intangible assets of \$185.9 million, reflecting assessed value in use at December 31, 2012. We remain focused on increasing the value of our THAI® related assets through the commercialization of our Kerrobert THAI® project, while continuing to conservatively steward our capital resources and maximize the future potential of our other assets.

## CORPORATE RESERVES AND RESOURCES SUMMARY

The following tables summarize our 2012 year-end reserves and resources by project area, as well as a comparison of 2011 and 2012 year-end total Company reserves and resources. For 2012, reserves and resources were evaluated by McDaniel for the Kerrobert THAI® project and Kerrobert Trend Lands and by Sproule for the Dawson assets. For our year-end 2011 report, all reserve and resource assessments were conducted by McDaniel.

### Company Interest<sup>(1)</sup> Reserves and Resources (MMbbls)<sup>(2)</sup>

	2012			Total Company	2011	Change
	Kerrobert THAI®	Kerrobert Trend Lands	Dawson		Total Company <sup>(7)</sup>	
Total Proved	-	-	0.7	0.7	-	0.7
Proved + Probable (2P)	-	-	1.2	1.2	3.6	(2.4)
Proved + Probable + Possible (3P) <sup>(3)</sup>	5.4	-	1.7	7.1 <sup>(6)</sup>	8.5 <sup>(6)</sup>	(1.4)
Best Estimate Contingent Resources <sup>(4)</sup>	-	20.6	58.3	78.9	-	78.9
Exploitable Oil/Bitumen Initially in Place <sup>(5)</sup>	18.7	48.8	436.2 <sup>(8)</sup>	503.7 <sup>(8)</sup>	80.7 <sup>(8)</sup>	423.0 <sup>(8)</sup>

(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) "MMbbls" means million 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. It is our intention to develop such reserves by continuing to operate the project with a view to increasing production to commercial rates.

(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 Kerrobert Trend Lands 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 145,000 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.

(7) Does not include May River (sold February 2012) or PetroBakken (distributed to Petrobank shareholders December 2012).

(8) For 2012, exploitable bitumen initially in place at Dawson includes Sproule's assessment of resources associated with all of our lands at Dawson. For 2011, exploitable bitumen initially in place at Dawson includes only resources associated with our initial proposed THAI® project area.

### Net Present Value, Before Tax, Forecast Prices (\$ millions)<sup>(1)</sup>

	Kerrobert THAI®	Kerrobert Trend Lands	Dawson	Total Company
Total Proved	-	-	\$4.0	\$4.0
Proved + Probable (2P)	-	-	\$7.9	\$7.9
Proved + Probable + Possible (3P)	\$63.0	-	\$12.6	\$75.6
Best Estimate Contingent Resources	-	\$71.3	\$69.1	\$140.4

**Net Present Value, After Tax, Forecast Prices (\$ millions)<sup>(1)</sup>**

	Kerrobert THAI®	Kerrobert Trend Lands	Dawson	Total Company
Total Proved	-	-	\$2.3	\$2.3
Proved + Probable (2P)	-	-	\$5.1	\$5.1
Proved + Probable + Possible (3P)	\$45.8	-	\$8.5	\$54.3
Best Estimate Contingent Resources	-	\$39.6	\$23.9	\$63.5

(1) Kerrobert and Kerrobert Trend Lands 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 and has since experienced quarter-over-quarter production growth. However, at the end of 2012, production was not meeting the performance criteria assumed by McDaniel in its year end 2011 report, resulting in a revision of 2P reserves for the project to zero. We anticipate that 1P and 2P reserves will be assignable to the project when sustainable commercial production rates are reached. McDaniel also reduced its estimate of peak production rates, leading to a 36% reduction in 3P reserves.

McDaniel has assigned best estimate contingent resources and EOIP on our Kerrobert Trend Lands 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. Based on conventional cold production in our THAI® project area, Sproule assigned 0.7 million barrels, 1.2 million barrels and 1.7 million barrels of 1P, 2P and 3P reserves, respectively. Sproule also provided a 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 58.3 million barrels of best estimate contingent resource and exploitable bitumen initially in place of 436.2 million barrels based on cyclic steam stimulation, significantly higher than the 33.2 million barrels assigned by McDaniel in 2011 when our non-channel lands were not assessed.

**OPERATIONAL UPDATE***Kerrobert THAI® Project, Kerrobert Trend Lands and Kerrobert Conventional Cold Production Initiative*

Fourth quarter 2012 production averaged 307 barrels of oil per day ("**bopd**"), a small increase from Q3 2012 production of 305 bopd and an increase from 41 bopd in the fourth quarter of 2011. January 2013 production was 236 bopd based on field estimates.

At our Kerrobert THAI® project, our operating focus is to continue to reduce costs and to significantly increase air injection. With increased injection, we will generate more heat in the reservoir and therefore mobilize more oil. This process began in the fourth quarter of 2012 and will continue through 2013. We began by increasing air injection on two wells, and we are now increasing air on a full-field basis. As the wells have different operational characteristics, our operating procedure involves evaluating individual well performance to assess increasing air injection rates. Since beginning this process we have increased the field air injection rate to 20% of design capacity and we now have all wells involved in the operating plan.

Early in 2013, we experienced frequent interventions into our KP-12 production well due to a build-up of fines that impacted downhole pump performance. We have recently shut-in this well to evaluate a remediation plan.

We continue to evaluate our Kerrobert Trend Lands, where we have completed three vertical stratigraphic wells and a large 3D seismic program. The stratigraphic wells and 3D seismic data contributed to the increase in the EOIP assigned by McDaniel to the Kerrobert Trend Lands. We also completed a 4D seismic update at our Kerrobert THAI® project.

Petrobank currently has five conventional cold production wells operating on our Kerrobert Trend Lands. These wells are not yet producing at material oil rates.

#### *Dawson Demonstration Project*

At Dawson, we commenced cold production operations from both horizontal THAI® production wells in late 2012 and the wells produced at a combined rate of 20 bopd in the first two months of 2013. These wells will continue to produce conventional heavy oil, and assist in pre-conditioning the reservoir until such time as we commence the start-up of the approved THAI® demonstration project.

#### *Land Acquisition*

In early 2013, we purchased 46 sections of land in a Saskatchewan Crown land sale for approximately \$2 million. These lands further enhance our inventory of opportunities for new THAI® projects and conventional heavy oil resources. We now own approximately 81 sections of land in Saskatchewan and 31 sections of land at Dawson, Alberta.

### LIQUIDITY AND CAPITAL RESOURCES

On completion of the Arrangement with PetroBakken at the end of 2012, Petrobank began 2013 as a well financed junior heavy oil company leveraging our heavy oil asset base and patented technology. We ended 2012 with positive working capital of \$91 million, including \$103 million of cash and marketable securities, and no third party debt. We expect to fund our 2013 expenditures with cash on hand and sales revenue from production.

Our current capital resources are expected to be more than adequate for our planned 2013 expenditures while providing financial flexibility to pursue future THAI® developments and acquisition opportunities. In early 2013, we invested approximately \$40 million of cash which is not expected to be used during 2013 in shares and debt securities of PetroBakken. 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. These securities were purchased for investment purposes and may be sold at any time. In addition to the PetroBakken shares received under PetroBakken's dividend reinvestment plan in January from the December 2012 dividend, we now hold approximately \$48 million of PetroBakken shares and debt securities based on historical cost. A committee of Petrobank executives and directors who are independent of PetroBakken has been formed, which approved the initial investment in PetroBakken and is authorized to direct the timing of any future acquisitions or dispositions of PetroBakken securities.

### SUMMARY OF FINANCIAL RESULTS

The following table provides a summary of Petrobank's financial results for the three months and year ending December 31, 2012 and 2011. 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).

(\$000s except where noted)	Three months ended December 31,			Years ended December 31,		
	2012	2011	Change	2012	2011	Change
Net loss	155,830	59,482	162%	119,846	129,516	(7%)
Per share – basic and diluted (\$) <sup>(1)</sup>	1.60	0.61	162%	1.23	1.33	(8%)
Expenditures on exploration assets	9,746	27,710	(65%)	41,281	166,856	(75%)
Total assets	165,803	440,564	(62%)	165,803	440,564	(62%)
Common share outstanding, end of period						
Basic and diluted (000s) <sup>(1)</sup>	97,597	97,597	-	97,597	97,597	-

(1) Since Petrobank's shares were issued pursuant to the Arrangement, the per share amounts and shares outstanding for all periods are based on the number of shares outstanding on December 31, 2012.



## INVESTOR CONFERENCE CALL

Management of Petrobank plans to hold a conference call for investors, financial analysts, media and any interested persons on Friday, March 8, 2013 at 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) to discuss Petrobank's year-end and fourth quarter 2012 financial and operating results. The investor conference call details are as follows:

Live call dial-in numbers: 416-340-2217 / 866-696-5910  
 Replay dial-in numbers: 905-694-9451 / 800-408-3053  
 Replay pass code: 8987176

The live audio webcast link is: <http://events.digitalmedia.telus.com/petrobank/030813/index.php> 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 its 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® and CAPRI® are registered trademarks 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. Used under license by Petrobank Energy and Resources Ltd.

### 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, 2013.

**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 Kerrobert Trend 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 Kerrobert Trend 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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STRENGTH IN OUR RESOURCES

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