



Not for Distribution in the United States Newswire services or for dissemination in the United States

### **Palliser Reports 2010 First Quarter Financial and Operating Results**

May 19, 2010, Calgary, Alberta – **Palliser Oil & Gas Corporation** ("**Palliser**" or the "**Company**") (**TSX VENTURE:PXL**) is pleased to report the financial and operating results for the three months ended March 31, 2010. Certain selected financial and operational information are set out below and should be read in conjunction with Palliser's quarterly financial statements complete with the notes to the financial statements and related MD&A which is available on [www.sedar.com](http://www.sedar.com) or the Company's website at [www.palliserogc.com](http://www.palliserogc.com).

Over the last few months Palliser has grown from a private oil and gas start up, into an emerging, publicly trading, junior oil and gas company, due to the efforts of our people and the success of our capital program. The Company is currently focused on its heavy oil prospects in the greater Lloydminster area.

#### **The following are the highlights of the first quarter of 2010:**

##### *Financing*

- Palliser became a public reporting issuer and commenced trading on the TSX Venture Exchange (PXL: V) on February 10, 2010.
- On March 9, 2010 the Company closed a special warrants equity financing at \$0.80 per special warrant for gross proceeds of \$10.1 million (\$9.2 million net) by issuing 12.6 million special warrants. The special warrants were exercised into an equal number of common shares on March 11, 2010.
- The Company's credit facility was increased to \$3.75 million.

##### *Production and Current Operations*

- Average production has increased more than five times, from 70 boe/d (95% gas) in the first quarter of 2009 to 382 boe/d (~80% heavy oil) for the comparable period in 2010.
- Two (2.0 net) wells were drilled and one (1.0 net) well was reactivated in the Lloydminster core area, resulting in three (3.0 net) oil wells.

**Three months ended March 31, 2010 and 2009 (unaudited)**

	<b>2010</b>	<b>2009</b>
<b>Operations</b>		
Undeveloped land holdings (net acres)	<b>39,000</b>	44,100
Drilling (net wells)		
Natural gas	-	-
Oil	<b>2</b>	-
Dry holes	-	-
Total	<b>2</b>	-
<b>Production</b>		
Oil – bbl/d	<b>305</b>	3
Gas – mcf/d	<b>461</b>	399
Total – boe/d	<b>382</b>	70
<b>Realized prices</b>		
Oil – \$/bbl	<b>\$ 64.77</b>	\$ 40.96
Gas – \$/mcf	<b>\$ 4.63</b>	\$ 4.07
<b>Financial</b>		
Production revenue	<b>\$ 1,967,743</b>	\$ 157,602
Per boe	<b>\$ 57.31</b>	\$ 25.18
Operating netback <sup>(1)</sup>	<b>\$ 21.71</b>	\$ 3.50
Funds flow from operating activities <sup>(1)</sup>	<b>\$ 239,771</b>	\$ (315,161)
Per share – basic	<b>\$ 0.01</b>	\$ (0.01)
Net loss	<b>\$ (602,258)</b>	\$ (418,263)
Per share – basic	<b>\$ (0.02)</b>	\$ (0.02)
Shares outstanding	<b>34,368,348</b>	21,159,870
Weighted average shares outstanding	<b>24,517,792</b>	21,146,927
Diluted shares outstanding	<b>36,594,848</b>	23,386,370
Capital expenditures <sup>(2)</sup>	<b>\$ 2,039,705</b>	\$ 1,543,693
Working capital <sup>(1)</sup>	<b>\$ 5,164,150</b>	\$ 4,893,595
Shareholders' equity	<b>\$ 23,905,980</b>	\$ 16,613,258

<sup>(1)</sup> Funds flow from operating activities is a non-GAAP measure that represents net loss before non-cash items such as depletion, depreciation and accretion, stock-based compensation and future income tax. The inclusion of changes in non-cash working capital results in cash flow from operating activities on the statements of cash flows. Per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net loss per share. Funds flow from operating activities is a key measure as it demonstrates the Company's ability to generate the funds necessary to achieve future growth through capital investment. Other entities may calculate these figures differently than Palliser. This table also contains other industry benchmarks and terms, such as working capital (calculated as current assets less current liabilities) and operating netbacks (calculated on a per unit basis as production sales less royalties, transportation and operating costs), which are not recognized measures under GAAP. Management believes these are useful supplemental measures of, firstly, the total net position of current assets and current liabilities of the Company and secondly, the profitability relative to commodity prices.

<sup>(2)</sup> Excludes non-cash items totaling \$93,646 for 2010 and \$127,448 for 2009.

## **Outlook**

Average production of 382 boe/d for the first quarter was lower than anticipated due to operational and weather related issues. Based on field estimates, Palliser's production averaged 480 boe/d in April and as such, we remain confident that we will achieve our forecast of exit production (1,100 – 1,250 boe/d) and average production (650-750 boe/d) for 2010. With the resources in place to fund the 2010 capital program, we look forward to the end of spring breakup and expect to resume drilling later this month. The majority of the work on this program is expected to be completed by the end of September with production ramping up through the fourth quarter.

The Corporation has initiated a search for a new CFO, with an announcement forthcoming regarding the appointment of the new CFO.

Palliser is a Calgary-based emerging junior oil and gas company currently focused on high netback conventional heavy oil production in the greater Lloydminster area of both Alberta and Saskatchewan.

## **Cautionary Statements**

*Certain information contained in this press release constitutes forward-looking statements, including, without limitation, the Corporation management's assessment of future plans and operations, anticipated exploration and development opportunities, drilling inventory and wells to be drilled, capital expenditures and the timing thereof, drilling programs and drilling efficiencies, the quantity of undeveloped land and drilling locations and inventory, operating costs, debt levels, credit facilities. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the party's control including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources, inability to meet or continue to meet listing requirements, the inability to obtain required consents, permits or approvals and the risk that actual results will vary from the results forecasted and such variations may be material. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation may prove to be imprecise and, as such, undue reliance*

*should not be placed on forward-looking statements. The Corporation's actual results, performance or achievement could differ materially from those expressed in or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom.*

*The forward-looking statements contained in this press release are made as of the date of this press release. Palliser disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Additionally, Palliser undertakes no obligation to comment on the expectations of, or statements made by, third parties in respect of the matters discussed above.*

*Production volumes are commonly expressed on a barrel of equivalent (“BOE”) basis whereby natural gas volumes are converted at a ratio of six thousand cubic feet to one barrel of oil. The intention is to convert oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. The term BOE may be misleading, particularly if used in isolation. The conversion ratio is based on an energy equivalent method and does not represent an economic value equivalency at the wellhead.*

***The TSX Venture Exchange has neither approved nor disapproved the contents of this press release.***

***For further information please contact:***

Kevin Gibson  
President and CEO  
kevin@palliserogc.com  
(403) 209-5717

***Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this Press release.***