



For Immediate Release

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Palliser Announces 2012 Capital Budget, Guidance and Increased Bank Credit Facility

February 1, 2012, Calgary, Alberta – **Palliser Oil & Gas Corporation** ("**Palliser**" or the "**Company**") (TSXV: **PXL**) is pleased to announce its capital budget and production guidance for 2012 and an increase in the Company's credit facility.

Palliser's budgeted capital expenditures for 2012 is \$30 million, to be spent entirely in the greater Lloydminster area. This includes \$13.5 million allocated to the drilling, completing, and equipping of heavy oil wells, including the drilling or reactivation of 26 (26.0 net) heavy oil wells. In addition, budgeted capital expenditures include \$9.3 million allocated to salt water disposal facilities and infrastructure, \$6.3 million allocated to land, seismic, and minor property acquisitions, and \$0.9 million of capitalized overhead and office equipment.

The Company's average production guidance for 2012 is between 2,250 to 2,350 boe/d, and exit production guidance (December 2012 average) is between 2,600 to 2,800 boe/d, both with a 98% heavy oil weighting. The Company has achieved production growth in each of the last twelve consecutive quarters and is budgeting to continue to achieve quarter over quarter production growth in 2012. The Company's budget continues to show strong production per share growth in 2012.

The 2012 capital expenditure program is budgeted to be funded by cash flow and bank debt. The Company's credit facility is being increased from a total of \$28 million to a total of \$38 million. The increased credit facility will consist of a revolving operating demand loan of \$28 million and an acquisition and development demand loan of \$10 million.

Palliser continues to build an inventory of heavy oil prospects through the addition of new lands and the acquisition of additional proprietary seismic in the Company's greater Lloydminster core area. At the present time the Company's heavy oil prospect inventory has increased significantly and stands at 139 locations providing the Company with a multi-year drilling inventory and significant growth opportunities for future capital programs.

Palliser's corporate presentation has been updated and is available on the Company's website at www.palliserogc.com. A copy of this press release is available at www.sedar.com or the Company's website at www.palliserogc.com.

About Palliser

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

Forward-Looking Statements

*Certain statements contained in this Press Release 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: commodity focus; 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, Palliser has made assumptions regarding, among other things; future capital expenditure levels; future oil and natural gas prices; "differentials" between West Texas Intermediate and Western Canadian Select benchmark pricing; future oil and natural gas production levels; future water disposal capacity; future exchange rates and interest rates; 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 impact of increasing competition; the ability to obtain financing on acceptable terms; and the ability to add production and reserves through development and exploitation activities. Although Palliser 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 Palliser's actual performance and financial results in future periods to differ materially from any estimates or projections. Additional information on these and other factors that could affect Palliser's results are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form, and may be accessed through the SEDAR website at www.sedar.com.*

Barrels of oil equivalent (boe) is calculated using the conversion factor of 6 Mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The forward-looking statements contained herein speak only as of the date hereof. Except as expressly required by applicable securities laws, Palliser 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.

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

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