



For Immediate Release

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Palliser Oil & Gas Corporation Announces Strategic Property Acquisition

January 26, 2011, Calgary, Alberta – **Palliser Oil & Gas Corporation** ("**Palliser**" or the "**Company**") (TSXV: **PXL**) is pleased to announce that it has acquired certain heavy oil properties (the "Acquired Properties") which are currently producing approximately 310 bbl/d (net) of heavy oil (the "Acquisition"). The Acquired Properties are located adjacent to Palliser's existing Manitou properties in the greater Lloydminster area. The total consideration for the Acquisition is \$14.0 million (\$44,900 per bbl/d), comprised of \$9.5 million cash and 3.0 million Palliser common shares at a deemed price of \$1.50 per share. The Acquisition, which closed on January 26, 2011, with an effective date of January 1, 2011, is consistent with Palliser's strategy of acquiring assets with large reserves of oil in place and historically low recovery factors. The acquired assets are 100% working interest operated properties and include a battery and salt water disposal facility.

Combined corporate production is currently 1,400 to 1,500 boe/d (96% heavy oil weighting), after accounting for the Acquisition.

Acquired Properties

The following table outlines the forecasted Company interest reserves for the Acquired Properties, effective January 1, 2011:

	<u>Oil</u> (Mbbls)	<u>10% NPV⁽¹⁾</u> (Millions)	<u>Metrics</u> (Per bbl)
Total Proved	513	\$11.2	\$21.87
Total Proved plus Probable	786	\$14.6	\$17.81

Notes:

- (1) Estimated net present values do not represent fair market value.
- (2) Company interest reserves are working interest reserves prior to the deduction of royalties and include royalty interests.

The Acquired Properties were evaluated based on Palliser's internal engineering report in accordance with NI 51-101, using GLJ's price forecast effective January 1, 2011.

The Acquired Properties provide Palliser with another opportunity to utilize the High Volume Lift (HVL) methodology which the Company has been developing, with excellent results to date in the Edam,

Saskatchewan field. Palliser intends to increase production from the Acquired Properties through optimization of existing producing wells, conversion of an existing shut in well to water disposal (for which regulatory approval has already been received) and reactivation of wells which are currently shut in. The Company expects that several drilling locations will be identified by utilizing the existing 3 dimensional seismic which was acquired as part of the Acquisition.

Financing

The cash to close the Acquisition of approximately \$9.5 million was funded through bank debt. The Company also issued 3.0 million common shares to the vendor. As at January 26, 2011, the Company has 37.6 million common shares outstanding and 40.2 million common shares on a fully diluted basis.

Concurrent with this property acquisition, the Company's credit facility with its lender has been increased from \$7.0 million to \$16.0 million. The \$16.0 million credit facility consists of a \$12.0 million operating loan facility ("Facility 1") with interest payable at prime plus 2.0% per annum and no set terms of repayment, and a \$4.0 million operating loan facility ("Facility 2") with interest payable at prime plus 3.5% per annum and payable in full on the earlier of demand or May 31, 2011. The next annual review is scheduled for March 31, 2011. If Facility 1 is increased subsequent to the next annual review, then Facility 2 will be decreased by the amount of that increase.

Outlook and Revised 2011 Guidance

Palliser anticipates that the heavy oil focused capital program in 2011 will be funded from the substantial free cash flow generated by the asset base and the Company's credit facility. Palliser's revised guidance for 2011 is for a \$39.1 million capital program (including the Acquired Properties cost of \$14.0 million), average yearly production between 1,900 to 2,050 boe/d (97% crude oil weighting), and 2011 exit production between 2,350 to 2,600 boe/d. The Company's guidance includes maintaining a strong balance sheet, with quarterly debt to annualized cash flow of less than 1.0 throughout the year and continued top quartile capital efficiency.

The Company'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 conventional heavy oil production in the greater Lloydminster area of both Alberta and Saskatchewan.

Forward-Looking Statements

Certain statements contained in this news release constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this release should not be unduly relied upon. Information and statements in this news release relating to "resources" are deemed to be forward looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources described exist in the quantities predicted or estimated, and that the resources described can be profitably produced in the future. Actual results could differ materially as a result of changes in Palliser's plans, changes in commodity prices, regulatory changes, general economic, market and business conditions as well as production, development and

operating performance and other risks associated with oil and gas operations including anticipated success of resource prospects and the expected characteristics of resource prospects; uncertainties inherent in estimating quantities of resources; anticipated capital requirements, project rates of return and estimated project life; estimates of original discovered resource; estimates of recovery factors; lack of diversification; and overall technical and economic feasibility of the Company's projects. These statements speak only as of the date of this release or as of the date specified in the documents accompanying this release, as the case may be. The Company undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities laws.

Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this press release are derived by converting gas to oil according to this 6 mcf to 1 bbl ratio.

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

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