Strategic Oil & Gas Ltd. Announces 2011 Year End Results; PV10 Increases by 99% on Proved Reserves

CALGARY, ALBERTA--(Marketwire -04/03/12)- Strategic Oil & Gas Ltd. ("Strategic" or the "Corporation") (TSX-V: SOG.V - News) is pleased to announce it has filed on SEDAR its audited financial statements and related Management' Discussion and Analysis ("MD&A") for the year ended December 31, 2011. Selected financial and operational information is outlined below and should be read in conjunction with Strategic's audited financial statements and the related MD&A which are available for review at www.sogoil.com or at www.sedar.com.

Financial and Operations Overview

	Three Months Ended December 31			Year Ended December 31		
	2011	2010	% change	2011	2010	% change
Financial ($000's, except per share amounts)						
Petroleum and natural gas sales	8,606	1,640	425	23,853	6,124	289
Funds from (used in) operations (1)	824	1,164	(29)	745	(1,868)	(140)
Per share basic	0.01	(0.01)	(200)	0.01	(0.02)	(150.00)
Per share diluted	0.01	(0.01)	(200)	0.01	(0.02)	(150.00)
Net income (loss)	(16,194)	3,092	(624)	(24,646)	(339)	7,170
Per share basic	(0.11)	0.03	(467)	(0.18)	-	-
Per share diluted	(0.11)	0.03	(467)	(0.18)	-	-
Capital expenditures (excluding acquisitions)	12,648	7,676	65	46,030	13,645	237
Working capital surplus	29,793	24,999	8	19,600	25,286	(22)
Operating						
Production						
Crude oil (Bbl per day)	943	239	295	659	221	198
Natural gas (Mcf per day)	1,725	471	266	1,780	493	261
Barrels of oil equivalent (Boe per day)	1,230	317	288	956	303	216
Average realized price						
Crude oil ($ per Bbl)	93.05	66.92	39	88.82	66.42	34.00
Natural gas ($ per Mcf)	3.36	3.89	(14)	3.83	4.26	(10)
Barrels of oil equivalent ($ per Boe)	76.03	56.21	35	68.37	55.34	24
Netback per Boe ($)						
Petroleum and natural gas sales	76.03	56.21	35	68.37	55.34	24
Royalties	17.27	1.68	928	15.13	4.62	227
Operating expenses	30.91	29.33	5	32.54	28.29	15
Transportation expenses	2.37	2.89	(18)	2.17	2.12	2
Operating Netback ($ per Boe)	25.48	22.31	14	18.54	20.31	(9)

Common Shares (000's)						
Common shares outstanding, end of period	186,562	138,555	35	186,562	138,555	35
Weighted average common shares (basic)	144,139	96,219	50	140,161	80,240	75

(1) Management uses funds from operation and working capital surplus (deficit) and operating netback to analyze operating performance and leverage. These terms, as presented, do not have any standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures for other entities.

ACCOMPLISHMENTS

- The Corporation improved its Before Tax Net Present Value (Disc. at 10%) on Total Proved reserves by 99% and on Total Proved plus Probable reserves by 71%.
- Total Drill and Improved Recovery additions of 1.59 million barrels for Total Proved Plus Probable Reserves.
- Conversion of 1.24 million barrels of oil from the probable category to the proven category with an increased oil weighting from 66% to 83% year over year.
- The Corporation's average monthly sales increased 408% to 1,392 Boe/d in December 2011 from December 2010.
- During the second half of 2011 the Corporation drilled and cased 7 (net 5.8) wells. Drilling success included the development of the Keg River H Pool with all weather access and infrastructure, the discovery and production from the Sulphur Point and continued development with all weather access and infrastructure of the Maxhamish Chinkeh pool.
- Average annualized daily production increased by 216% to 956 Boe/d in 2011 versus 303 Boe/d 2010. Oil and natural gas revenues increased by 289% to $23.9 million for 2011 versus $6.1 million in 2010. The Corporation received an average of $68.37 per Boe versus $55.34 per Boe in 2010.
- Production for the fourth quarter of 2011 averaged 1,230 Boe/d, an increase of 288% over the same period in 2010. Oil and natural gas revenues for the fourth quarter of 2011 were $8.6 million versus $1.6 million for 2010, a 425% increase. The Corporation received an average price of $76.03 per Boe versus $56.21 per Boe for the fourth quarter in 2010.
- Raised $44.6 million representing $34.6 million in common shares and $10.0 million in flow through shares in the fourth quarter of 2011.
- Capital of $46.0 million spent in the twelve months ended December 31, 2011, primarily at Steen River and Maxhamish.
- At December 31, 2011, the Corporation had working capital of $19.5 million and no debt.

OPERATIONAL OVERVIEW

Steen River

Strategic drilled and completed two wells in first half of 2011 and five wells in the second half of 2011.

- Steen River (1H11 program): Two wells were drilled in the first half of 2011.
    - Well 103/10-22: Keg River Vertical. IP60 of 214 Boe/d.
    - Well 100/08-22: Keg River Vertical. IP60 of 48 Boe/d

-- Steen River (2H11 program): Five wells were drilled during the second half of 2011. Strategic's capital program in Steen also included, seismic, land acquisition, the all weather road access and infrastructure development. The following wells were drilled during second half of 2011.

- -- Well 102/11-22: Sulphur Point horizontal. IP30 of 124 Boe/d
- -- Well 100/15-22: Keg River vertical. IP60 of 166 Boe/d.
- -- Well 102/15-22: Keg River vertical. IP60 of 335 Boe/d.
- -- Well 103/15-18: Keg River vertical. IP60 of 98 Boe/d.
- -- Well 102/03-22: Exploratory vertical well with light oil tested in a new zone.

Maxhamish

-- Strategic, with its operating partner Legacy Oil & Gas Inc., completed an all-weather road including well pads in early July, 2011. Two wells were drilled and fracture stimulated initial production rates have been encouraging. The second well came on production in January 2012 and continues to recover load fluid. Strategic continues to be encouraged with the play, as the two horizontal wells drilled in 2010 have been producing at a stabilized rate of approximately 55 Boe/d per well after almost two years of production.

RESERVES

In accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), GLJ petroleum Consultants Ltd. ("GLJ") evaluated, as at December 31, 2011, materially all of Strategic's oil, natural gas liquids and natural gas reserves.

HIGHLIGHTS

- -- Before Tax Net Present Value (Disc. at 10%) of $68.2 million for Total Proven reserves (99% increase) and Before Tax Net Present Value (Disc. at 10%) of $96.3 million for Total Plus Proven reserves (71% increase).
- -- Increased Total Proved plus Probable reserves by 11% to 5.27 mmboe (81% oil) and Total Proved reserves by 24% to 3.21 mmboe (83% oil).
- -- The proven reserves component of proved plus probable reserves has increased from 53% to 61% year over year.

The following table is a summary, as at December 31, 2011, of Strategic's petroleum and natural gas reserves as evaluated by GLJ. Recovery and reserves estimates provided herein are forward looking estimates. Actual future reserves may be greater or less then the estimates provided herein.

Summary of Corporation Gross Reserves (1)

	As at December 31, 2011(2)			As at December 31, 2010(3)	
	Oil + NGL	Gas	Total	Total	
	(mbbls)	(mmscf)	(mboe)	(mboe)	% Change

Proved producing	1,723	2,437	2,129	904	136%
Proven non-producing	39	575	135	1,229	-89%
Undeveloped	912	240	952	470	103%
Total Proved	2,674	3,252	3,216	2,603	24%
Probable	1,611	2,666	2,055	2,130	-4%
Total Proved plus Probable	4,285	5,918	5,271	4,733	11%

(1) Reserves information may not add due to rounding.

Summary of Before Tax Net Present Value of Future Net Revenue (Forecast Pricing) ($000's) (4) (5)

	As at December 31, 2011(2)			As at December 31, 2010 (3)	
	0%	5%	10%	10%	%Change
Proved producing	65,669	54,638	47,033	10,073	367%
Proven non-developing	2,635	2,078	1,669	20,194	-92%
Undeveloped	31,145	23,940	19,457	3,961	391%
Total Proved	99,449	80,656	68,159	34,228	99%
Probable	61,390	39,781	28,171	22,211	27%
Total Proved plus Probable	160,839	120,437	96,330	56,439	71%

(1) Gross Corporate reserves are the Corporation's total working interest share before the deduction of any royalties and without including any royalty interests of the Corporation. The December 31, 2011 reserves report has been prepared in accordance with the definitions, procedures and standards contained in the Canadian Oil and Gas Evaluation Handbook and the Canadian Securities Administrators National Instrument 51-101- Standards of Disclosure for Oil and Gas Activities.

(2) Based on GLJ's January 1, 2012 escalated price forecast.

(3) Based on GLJ's January 1, 2011 escalated price forecast.

(4) Tables and other reportings may not add due to rounding. Values are net of abandonment liabilities. The estimated net present value of future net revenue is based on current legislation in place at December 31, 2011. It should not be assumed that the present worth of estimated future cash flow presented in the tables above represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Strategic's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

(5) All future net revenues are stated prior to provision for interest, general and administrative expenses and after deduction of royalties, operating costs and estimated future capital expenditures. Future net revenues have been presented on a before tax basis. Estimated values of future net revenue disclosed herein do not represent fair market value.

CAPITAL EXPENDITURES, FINDING AND DEVELOPMENT COSTS

Strategic incurred capital expenditures of $46.0 million in 2011, of which $37.5 million was spent on exploration and development and $8.49 million was spent on land and seismic. 72% of the total exploration and development capital was spent at Steen River and 27% was spent at Maxhamish.

The Corporation's 2 year average F,D&A cost is $18.76 per Boe excluding natural gas technical revisions(7).

2011 F&D Costs		
	Total Proved(2)	Total Proved plus Probable(2)
Capital Expenditure ($ 000s)		
Exploration & development expenditure	37,538	37,538
Land & seismic	8,492	8,492
Change in FDC(1)	8,990	9,294
2011 Reserve Additions (Mboe)(3)		
Oil	1208	1410
Natural Gas	(221)	(497)
F&D Costs ($ per Boe) - including natural gas technical revisions(4)		
2011 F&D excluding changes in FDC	46.68	50.43
2011 F&D including changes in FDC	55.79	60.62
F,D$A Costs ($ per Boe) - including natural gas technical revisions(5)		
2-year F,D&A average excluding changes in FDC(5)	24.07	16.13
2-year F,D&A average including changes in FDC(5)	28.33	21.43
F&D Costs ($ per Boe) - excluding natural gas technical revisions(6)		
2011 F&D excluding changes in FDC	35.68	29.47
2011 F&D including changes in FDC	42.65	35.41
F,D&A Costs ($ per Boe) - excluding natural gas technical revisions(7)		
2-year F,D&A average excluding changes in FDC(7)	21.90	14.12
2-year F,D&A average including changes in FDC(7)	25.77	18.76

(1) The aggregate of the exploration and development costs incurred in the most recent financial period and the change during that period in estimated future development costs (FDC) generally will not reflect total finding and development costs related to reserve additions for that period.

(2) Based on gross reserves meaning the total company interest (operated and non-operated) share before deduction of royalties payable to others.

(3) Reserve additions include drilling, improved recovery and technical revisions. Boe conversion ratio for natural gas of 1 Boe:6 Mcf has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead

(4) Determined by dividing the sum of exploration, development, land & seismic costs and, where indicated, changes to FDC by additions to reserves including natural gas technical revisions.

(5) Includes Steen acquisition in 2010. Determined by the summation of 2011 and 2010 exploration, development, land, seismic & aquisition costs and, where indicated, changes to FDC by the additions to the 2011 and 2010 reserves including natural gas technical revisions.

(6) Excludes natural gas technical revisions: Determined by dividing the sum of exploration, development, land & seismic costs and, where indicated, changes to FDC by additions to reserves excluding natural gas technical revisions. F&D costs have been presented excluding natural gas technical revisions because downward technical revision in natural gas reserves have a significant impact on the Corporation's ongoing reserve replacement costs and including these amounts can result in an inaccurate portrayal of the Corporation's cost structure.

(7) Excludes natural gas technical revisions: Determined by the summation of 2011 and 2010 exploration, development, land, seismic & aquisition costs and, where indicated, changes to FDC by the additions to the 2011 and 2010 reserves including natural gas technical revisions. F,D&A costs have been presented excluding natural gas technical revisions because downward technical revision in natural gas reserves have a significant impact on the Corporation's ongoing reserve replacement costs and including these amounts can result in an inaccurate portrayal of the Corporation's cost structure.

OUTLOOK

During 2011, Strategic made great strides in establishing itself as an efficient light oil operator in Northern Alberta. Significantly increased production of light oil resulting from 4Q11 and 1Q12 activities at Steen River will generate substantial cash flow allowing the company to continue development of its operated property at Steen River as well as continued participation at its non-operated Maxhamish property. Strategic continues to evaluate and assemble an inventory of exploration and acquisition prospects that will be accretive to the Corporation's oil focussed asset base.

For 2012 the Corporation has an approved capital budget of $60 million that is expected to provide a significant growth in crude oil production in 2012. The capital program includes an anticipated $35 million focused on the crude oil program at Steen River, and the remainder of the capital program will target optimizing the Corporation's assets with production optimization as well as investment in land and seismic. The Corporation's drilling plan includes an estimated 20 (17net) wells and is expected to provide 2012 average production of 2,400 Boe/d and generate funds flow of approximately $34-38 million.

Steen River, Northwest Alberta

Strategic has drilled nine wells in 1Q12. Two of the nine wells drilled in Q1 2012 are on production with both wells producing at rates over 300 Boe/d. The remaining seven wells have been drilled and cased. Eight of the nine wells drilled in 2012 will be on production by April 2012. The remaining one well will be tied in August 2012. Strategic intends to resume drilling activities in 3Q12 and expects to drill up to five additional wells before the end of 2012. Additional work at Steen will include the acquisition of follow up 2D and 3D seismic data, the extension of an all-weather road infrastructure and the expansion of oil processing facility.

Maxhamish

At Maxhamish, plans for continuing with further drilling are proceeding. During 2011 an all-weather road and drilling pad were constructed to allow for all weather access and additional drilling. By January 2012 the third and fourth wells were successfully drilled and stimulated and are now producing oil. The pace of development at Maxhamish is dependent upon Strategic's operating partner, Legacy Oil & Gas Inc. Strategic continues to work closely with Legacy to advance the project. Strategic expects to participate in the drilling program at Maxhamish beginning July 2012.

Amber

In 2011 Strategic acquired a large land position in an emerging oil play in Northern Alberta. Strategic has identified multiple prospective oil zones underlying its lands. Extensive road and pipeline infrastructure exists in the Amber area. Strategic plans to drill two exploratory horizontal wells with drilling activity commencing in Q3, 2012.

Summary

Strategic is in a unique position for a junior oil and gas company:

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--  Ability to significantly increase production at Steen River utilizing
    existing infrastructure and with over 100 sections of undeveloped land
    with multi zone light oil potential.
--  Maxhamish light oil play with over 100 sections with 42 API oil.
--  Emerging oil play at Amber in the Jean Marie and the Muskwa.
--  Access to three drilling rigs for the remainder of 2012 with options for
    continued utilization into 2013.
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About Strategic

Strategic is a well-capitalized junior oil and gas company committed to growth by exploiting its light oil assets in Maxhamish, northeast BC and Steen River in northwest Alberta. Strategic's is primarily focused on implementing development plans for its light oil properties, while continuing to review other high impact light oil resource plays. Strategic's common shares trade on the TSX Venture Exchange under the symbol SOG.

Complete financial statements, with accompanying management discussion and analysis are available for review at www.sedar.com. Further information with respect to the Corporation can be found on its website at www.sogoil.com.

BOE PRESENTATION: Barrel ("bbl") of oil equivalent ("Boe") amounts may be misleading particularly if used in isolation. All Boe conversions in this report are calculated using a conversion of six thousand cubic feet of natural gas to one equivalent barrel of oil (6 mcf=1 bbl) and is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

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4/3/2012