



## NEWS RELEASE

August 25, 2011

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### **BELLAMONT EXPLORATION LTD. RELEASES SECOND QUARTER 2011 FINANCIAL AND OPERATING RESULTS**

CALGARY, August 25, 2011 - Bellamont Exploration Ltd. (the "Corporation" or "Bellamont") (TSXV:BMX.A) (TSXV:BMX.B) is pleased to provide a summary of its financial and operating results for the three and six months ended June 30, 2011.

#### **SECOND QUARTER 2011 HIGHLIGHTS**

- Second quarter funds generated from operations increased 25 percent to \$5.0 million from \$4.0 million in the same period in 2010;
- Increased average production to 2,549 Boe/d in the second quarter, an increase of 14 percent from the same period of 2010;
- Increased average oil and liquids production to 1,185 Boe/d in the second quarter, an increase of 27 percent from the same period of 2010;
- Increased operating netback to \$30.28/Boe, an increase of 37 percent from the same quarter of 2010;
- Incurred \$7.0 million of net capital expenditures, the significant components of which were as follows:
  - Captured a new light oil resource play in the Birch Area of British Columbia by closing an agreement with a private company to acquire a non-producing property for a purchase price of \$3.5 million in cash. The property has assigned reserves of 0.6 million BOE, with a December 31, 2010 value of \$5.7 million (NPV@10%BT)<sup>1</sup>; and includes 25 net sections of lands, with an average working interest of approximately 90 percent;
  - Acquired 2 sections of land (100 percent working interest) in Grande Prairie, immediately offsetting Bellamont's Grande Prairie Montney I pool, for \$1.5 million in cash;
  - Equipped 2 (1.75 net) oil wells that were drilled in the first quarter of 2011;
  - Completed electrification of the producing pad sites in the Grimshaw area reducing future operating expenses.

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<sup>1</sup> Estimated values do not represent fair market value

## AREA UPDATES

### Grimshaw Triassic D Montney Oil Pool

Bellamont has successfully drilled and cased an additional 2 (2 net) infill horizontal wells at its Triassic D Montney Oil Pool discovery at Grimshaw (the "Triassic D Pool"). These wells are scheduled to be completed in September and expected to be brought on production in October. Bellamont forecasts new wells in this pool to produce at an average initial thirty day rate of 90 bbl/d. Bellamont is currently producing approximately 420 Boe/d net (90% oil) at Grimshaw from a total of 9 wells (8.75 net), eight of which were drilled horizontally. In the second quarter, Bellamont's operating netback at Grimshaw was in excess of \$44/Boe.

Over the past several months, Bellamont has been conducting special laboratory work evaluating core from a vertical pilot well located in the Triassic D Pool. The purpose of this work is to evaluate the potential for water flood and assist in estimating the Discovered Petroleum Initially in Place ("DPIIP")<sup>2</sup>.

The core analysis indicates favorable relative permeability of the Montney formation at Grimshaw, similar to the Dixonville Montney C Pool, located approximately 18 miles northwest. The operator at Dixonville has successfully implemented a waterflood scheme and is forecasting an ultimate recovery factor over 23%. Preliminary analysis of the core at Grimshaw suggests a similar recovery factor to Dixonville is possible. Bellamont has now initiated a waterflood simulation study for the purpose of applying for waterflood approval from the Energy Resources Conservation Board. The latest two infill horizontal wells drilled by Bellamont were strategically located for implementing a pilot waterflood. The Corporation expects waterflood approval should be obtained in early 2012, at which time the pilot program will be commenced. Waterflooding at Grimshaw represents material upside to Bellamont as, to date, Bellamont's reserve evaluators have only assigned a primary recovery factor of 8.8% of the recognized DPIIP.

Bellamont's analysis of the Grimshaw Montney formation core indicates DPIIP up to 19.0 million barrels per section (i.e. 640 acres). Bellamont estimates the wells drilled to date in the Triassic D Pool have established a DPIIP up to 50 million barrels over 1920 acres of land owned by Bellamont (96% average working interest). As of December 31, 2010, Bellamont's independent reserve evaluators have only recognized 10.7 million barrels of DPIIP located over an area of 1,105 acres of land. Bellamont expects the information obtained from its core analysis, in combination with results of the wells drilled to date in 2011, will lead to recognition by its reserve evaluators of considerably more DPIIP than is currently contained in the 2010 year end reserve report. Bellamont has identified another 15 (14.25 net) low risk development horizontal locations within the currently established boundary of the Triassic D Pool.

In September, Bellamont plans to drill and core 2 (1.75 net) vertical delineation test wells at Grimshaw. The purpose of these wells is to expand the known areal extent of the Triassic D Pool and resultant DPIIP estimate. These wells are estimated to cost approximately \$500 thousand per well and were identified on the Corporation's interpretation of three dimensional seismic data. The Corporation believes the delineation wells could establish the existence of an additional 70 million barrels of DPIIP in the Triassic D Pool. Success in the

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<sup>2</sup> Discovered Petroleum Initially in Place ("DPIIP") - is defined in the Canadian Oil and Gas Evaluation Handbook ("COGEH") as the quantity of hydrocarbons that are estimated to be in place within a known accumulation. Original Gas in Place ("OGIP") is a more commonly used industry term when referring to gas accumulations. DPIIP is divided into recoverable and unrecoverable portions, with the estimated future recoverable portion classified as reserves and contingent resources. There is no certainty that it will be economically viable or technically feasible to produce any portion of this DPIIP except for those portions identified as proved or probable reserves.

delineation program could lead to another 46 (35.5 net) horizontal locations. The information from the delineation wells is expected to be fully compiled by the end of September.

One of the delineation wells is being drilled as a test well pursuant to a Farmin agreement with a third party whereby Bellamont has secured the right to earn up to an additional 1,280 acres (768 net) of highly prospective lands. Earning these lands will increase Bellamont's total acreage on this play to 10,240 acres (8,880net).

Ultimately, Bellamont believes the optimal development of the Triassic D pool will consist of 8 horizontal wells per section. In comparison, the Dixonville Montney C pool was developed with up to 16 horizontal wells per section. The Corporation has built a 100% owned centralized battery that will facilitate continued growth of the property. Bellamont is preparing to license and drill up to 10 (8.4 net) additional horizontal wells in the six months following its delineation program.

### **Grande Prairie Montney**

In the first six months of 2011 Bellamont has been producing an average of 1,000 Boe/d from six horizontal wells in its Grande Prairie Montney I pool, despite being completely shut in for two weeks in May due to a third party plant turnaround. Bellamont optimized several wells in the pool in the first half of the year by installing plunger lifts, resulting in more efficient run times. Notwithstanding persistently low natural gas prices, Bellamont enjoyed an operating netback of approximately \$24/Boe during this period from these wells, as a result of high light oil and NGL content of the production stream (194 bbl/d of 42° API oil and 90 bbl/d of NGL's).

During the second quarter, Bellamont acquired a 100 percent interest in a section of land immediately offsetting its wells in the Grande Prairie Montney I pool. Based on three dimensional seismic and well control, the Corporation's reserve evaluators estimate the acquired lands contain 1.9 MMboe of DPIIP. This acquisition increased the Corporation's drilling inventory in the known boundary of the Montney I pool to 21 (21 net) locations, based on 8 horizontal wells per section. The Corporation has commenced licensing 3 (3 net) additional locations, which it intends to drill over the next 12 to 18 months. The average initial rate of the horizontal wells in this pool (first 90 days) has been approximately 500 Boe/d. Bellamont expects this pool to be a consistent source of production, cash flow and reserve growth for the next several years.

The Corporation has recently drilled and cased a potential Montney gas well on a new 4 (3.5 net) section block of lands located 2 miles north of the Montney I pool, acquired by Bellamont earlier this year. Design of the completion of this well is pending detailed analysis of core obtained from the well.

### **New British Columbia Core Area - Light Oil Resource Potential**

Early in 2011, Bellamont made a strategic decision to expand its opportunity portfolio and began building a land base in a new core area in British Columbia. The Corporation's mandate was to build a land position in an area where it could see the potential for repeatable "resource type" plays. Bellamont has now compiled a land position of 54 sections (43 net) in the Birch and Stoddart areas of British Columbia.

The Corporation's primary target in the Birch and Stoddart areas is light oil (38° API) in the Baldonnel formation, a shallow marine dolomitized carbonate reservoir, typically located at a depth of 1,300 metres. Over the past two years Bellamont has conducted a detailed study of the Baldonnel formation and believes that an oil saturated fairway exists between Birch and Stoddart. To date, the only commercial development of this

potential resource play has been in the Birch and Stoddart areas. Bellamont believes the answer to unlocking this play on a more regional basis may be the use of horizontal wells with multistage fracture stimulations.

Bellamont has accumulated 21.75 (16.3net) sections of lands directly offsetting the Birch Baldonnel "C" Pool (the "Baldonnel C Pool"). To date, the Baldonnel C Pool has produced a total of 3.5 million barrels of light (38°API) oil. This pool was discovered with vertical wells, and then subsequently developed with short reach (i.e. ~400 metre) horizontal wells, prior to the development of multi-stage fracing technology. The average horizontal wells in the Baldonnel C pool have produced an average initial oil rate of 125 bbl/d and are expected to produce an average cumulative total of 139 mboe per well. Recently, the operator of this pool has increased production by over 700 boe/d by drilling 4 wells and has licensed 8 more. Bellamont believes it can enhance production rates and recoverable reserves per well by utilizing longer reach (up to 1,000 metres) horizontal wells with multistage fracture stimulations. Furthermore Bellamont believes it can use this technology to potentially extend the boundary of the Baldonnel C Pool. Bellamont has identified 12 (12 net) low risk horizontal locations on lands located within one mile of the Baldonnel C Pool, with the potential for another 12 (12 net) horizontal locations if this pool can be successfully extended.

In addition to the Baldonnel formation, the Birch area is also prospective for liquids rich (25-35 barrels/mmcf) natural gas in the Montney formation. Bellamont now has a total of 8 (7.75 net sections) of Montney rights in this area. Several other operators in the near vicinity have recently reported success drilling horizontal wells targeting the Montney formation. In particular, three horizontal wells have been drilled by other operators. One well was placed on production at a reported initial rate of 5.0 mmcf/d. A second well was recently tested at a reported rate up to 6.3 mmcf/d. The third well is awaiting completion via multistage fracture stimulations. Bellamont's has mapped a considerable amount of natural gas over its lands in this area, based on log characteristics typically referenced by industry participants in the Montney resource natural gas play. Accordingly, Bellamont should benefit if this play continues to be successfully advanced by others. No capital is currently planned for the Montney formation in this area.

In the Stoddart area, Bellamont has accumulated 12.5 (12.5 net) sections of lands prospective for Baldonnel oil. In this area, light oil has been produced from several vertical wells, the best of which produced at a rate over 70 bbl/d of oil. Collectively, these wells have produced a cumulative total in excess of 80,000 bbls of light oil. The production profiles from these wells are very similar to the vertical wells that were first drilled into the Birch Baldonnel C pool (i.e. prior to its subsequent development with horizontal wells). As a result, Bellamont anticipates that development of Stoddart area with horizontal wells will yield results equivalent to the Birch area. Bellamont is in the process of securing surface access and licensing its first horizontal well in Birch, which it expects to be ready to drill in the fourth quarter. The well's location will be of low geological risk, as its location is offset between two of the existing producing Baldonnel oil wells in this area. The Corporation has a total of 5 (5 net) firm horizontal Baldonnel oil locations in the Stoddart area with the potential for an additional 18 (18 net) horizontal locations.

## **SALE OF ASSET BACKED COMMERCIAL PAPER**

On June 14, 2011, Bellamont closed agreements with two vendors for the sale of its investment in asset backed commercial paper ("ABCP"). Gross proceeds totalled \$5.22 million, representing a gain of \$0.48 million from the March 31, 2011 carrying value of \$4.74 million. The Corporation acquired the investment in ABCP through the acquisition of Standard Energy Inc. on February 11, 2010. Funds from the sale of ABCP were applied against the Corporation's long-term debt related to investments facility of \$5.22 million, after which, the facility was retired.

## FINANCIAL AND OPERATING HIGHLIGHTS

The Corporation will file its unaudited interim financial report and related management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2011, with Canadian securities regulatory authorities on SEDAR. Copies of these documents may be accessed electronically on SEDAR at [www.sedar.com](http://www.sedar.com) or at [www.bellamont.com](http://www.bellamont.com). Certain selected financial and operational information for the three and six months ended June 30, 2011 and 2010 are set out below and should be read in conjunction with Bellamont's interim financial report and MD&A.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
<b>FINANCIAL</b> (\$000s, except per share)				
Petroleum and natural gas sales	<b>13,038</b>	9,512	<b>24,888</b>	17,015
Funds generated from operations <sup>(1)</sup>	<b>5,035</b>	4,032	<b>10,212</b>	7,426
Per Class A and Class B share <sup>(2)</sup>	<b>0.03</b>	0.03	<b>0.07</b>	0.05
Net income/(loss)	<b>1,773</b>	(684)	<b>1,480</b>	(5,972)
Per share basic and diluted <sup>(3)</sup>	<b>0.01</b>	-	<b>0.01</b>	(0.05)
Net capital expenditures <sup>(4)</sup>	<b>7,066</b>	9,489	<b>16,460</b>	69,495
Net debt <sup>(1)</sup>	<b>38,603</b>	20,814	<b>38,603</b>	20,814
<b>OPERATING</b>				
Production				
Crude Oil (Bbbls per day)	<b>1,020</b>	773	<b>1,018</b>	695
Natural gas (Mcf per day)	<b>8,182</b>	9,491	<b>8,466</b>	7,903
Natural gas liquids (Bbbls per day)	<b>165</b>	160	<b>165</b>	112
Total (Boe per day)	<b>2,549</b>	2,515	<b>2,594</b>	2,125
Average realized prices				
Crude Oil (\$ per Bbl)	<b>94.16</b>	71.08	<b>88.91</b>	73.50
Natural gas (\$ per Mcf)	<b>4.23</b>	4.15	<b>4.16</b>	4.52
Natural gas liquids (\$ per Bbl)	<b>76.31</b>	63.85	<b>71.28</b>	64.10
Average realized price (\$ per Boe)	<b>56.21</b>	41.57	<b>53.01</b>	44.24
Netbacks <sup>(1)</sup> (\$ per Boe)				
Petroleum and natural gas sales	<b>56.21</b>	41.57	<b>53.01</b>	44.24
Royalties	<b>(9.62)</b>	(5.19)	<b>(8.89)</b>	(6.50)
Production and operating expenses	<b>(16.31)</b>	(14.27)	<b>(15.16)</b>	(13.76)
Operating netback	<b>30.28</b>	22.11	<b>28.96</b>	23.98
Undeveloped land holdings				
Gross acres	<b>104,493</b>	91,286	<b>104,493</b>	91,286
Net acres	<b>79,530</b>	61,775	<b>79,530</b>	61,775
Average working interest	<b>76%</b>	68%	<b>76%</b>	68%
<b>SECURITIES</b> (000s)				
Shares outstanding, end of period				
Class A shares	<b>140,998</b>	140,788	<b>140,998</b>	140,788
Class B shares	<b>1,012</b>	1,012	<b>1,012</b>	1,012
Weighted average shares				
Basic <sup>(3)</sup>	<b>140,825</b>	140,788	<b>140,806</b>	127,114
Diluted <sup>(3)</sup>	<b>151,924</b>	140,788	<b>151,930</b>	127,114

(1) Funds generated from operations, Net debt and Netbacks as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. Please refer to the Non-IFRS Measures section of the MD&A for more details.

(2) For the three and six month periods ended June 30, 2010 and June 30, 2011, the Class B shares are converted at the minimum Class A share price of \$1.00 and added to the Class A shares. Thus, each Class B share converted to 10 Class A shares for the purpose of funds generated from operations per share.

(3) Included in diluted earnings per share is the effect of stock options and convertible Class B shares as they were dilutive for the three and six month periods ended June 30, 2011. For the three and six month periods ended June 30, 2010 the effect of stock options and convertible Class B shares were excluded from the diluted earnings per share as they were anti-dilutive.

(4) Total net capital expenditures, including and acquisitions and dispositions.

## **OUTLOOK**

To date in 2011, Bellamont has successfully broadened its opportunity inventory and now has established four key core growth areas with a focus on light oil and liquids rich gas at Grimshaw, Grande Prairie, Birch and Stoddart. The Corporation's Montney Oil pool development at Grimshaw has been very successful to date and is ready to be accelerated with success in the delineation program and implementation of water flood. Bellamont's prolific Montney I pool in Grande Prairie has been a solid cash flow generator and should provide production, reserve and cash flow growth for several years. Finally, the newly acquired assets in British Columbia have cemented new core areas in Birch and Stoddart, prospective for repeatable "resource type" developments for Baldonnel light oil and liquids rich Montney natural gas.

Bellamont is currently producing approximately 2,500 Boe/d (47.0% oil and liquids) with an additional 300 boe/d (180 bbl/d oil) to be added in October from the two new horizontal wells in Grimshaw and behind pipe volumes.

During the course of 2011, Bellamont reallocated capital to capture 47.5 net sections of undeveloped land in the Birch, Stoddart and Grande Prairie areas. To date, \$8.4 million has been spent on building its new core land positions. Bellamont's management believes redirecting these expenditures has significantly deepened Bellamont's prospect inventory to a larger potential resource base.

The Corporation has a deep drilling inventory consisting of over 200 drilling locations, only 19 (gross) of which are booked in the 2010 year end reserve report. Seventy five percent of the Corporation's drilling inventory target light oil and are lower risk and developmental in nature. The drilling inventory will provide Bellamont with a solid platform for growth over the next several years.

The company plans to announce an updated capital program and guidance later in the third quarter which will be based on the results of the delineation program at Grimshaw and a detailed review of the newly acquired lands.

Bellamont's strategy is to build a low risk reserve, production and cash flow base through acquiring, developing and exploring primarily in the Peace River Arch area of Alberta and British Columbia. Bellamont has a strong technically focused management team that internally generates and develops high quality large resource based prospects.

Bellamont is an oil and gas company focused on the acquisition, exploration, development and production of oil and natural gas in western Canada and trades on the TSX Venture Exchange under the symbols "BMX.A" and "BMX.B". The Corporation has 140,997,699 Class A shares and 1,012,000 Class B shares outstanding.

## **FORWARD LOOKING STATEMENTS**

This press release may contain forward-looking statements including expectations of future production, cash flow, recycle ratios, netbacks and earnings. More particularly, this press release contains statements concerning Bellamont's future production estimates, expansion of oil and gas property interests, exploration and development drilling and capital expenditures. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to: the risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks),

commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Additional information on these and other factors that could affect Bellamont's operations or financial results are included in Bellamont's reports on file with Canadian securities regulatory authorities.

The forward-looking statements or information contained in this news release are made as of the date hereof and Bellamont undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws

## **OIL AND GAS ADVISORY**

This press release contains disclosure expressed as "Boe/d". All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

Discovered Petroleum Initially in Place ("DPIIP") - Is defined in the Canadian Oil and Gas Evaluation Handbook ("COGEH") as the quantity of hydrocarbons that are estimated to be in place within a known accumulation. Original Gas in Place ("OGIP") is a more commonly used industry term when referring to gas accumulations. DPIIP is divided into recoverable and unrecoverable portions, with the estimated future recoverable portion classified as reserves and contingent resources. There is no certainty that it will be economically viable or technically feasible to produce any portion of this DPIIP except for those portions identified as proved or probable reserves.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release. Not for distribution to U.S. newswire services or for dissemination in the United States. Any failure to comply with this restriction may constitute a violation of U.S. securities law.

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