

# News Release

## Porto Energy Corp. Reports Second Quarter Fiscal 2011 Results

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**April 28, 2011** – Porto Energy Corp., (“**Porto**” or the “**Company**”) (TSXV:PEC), a company focused on oil and gas exploration, appraisal and development in Portugal, today announced its financial results for the three and six month periods ended February 28, 2011. All amounts are stated in US dollars unless otherwise noted by C\$ for Canadian dollars or € for Euros.

### Selected Recent Highlights

- Successfully completed a private placement in December 2010 which placed 29,326,683 units at a price of \$0.60 per unit for gross proceeds of approximately \$17,596,000;
- Successfully completed an initial public offering (the “Offering”) through a syndicate of underwriters (the “Agents”), issuing 70,000,000 common shares at a price of C\$1.00 raising gross proceeds C\$70,000,000;
- Acquired 240 km<sup>2</sup> of 3D seismic within the Aljubarrota-3 and Torres Vedras-3 Concessions in anticipation of the 2011-2012 exploration and development work programs, with interpretation expected to be completed by the end of the third fiscal quarter 2011;
- Entered into a one year drilling contract with KCA Deutag Drilling GmbH valued at approximately €8.0 million; and
- Posted a \$2.0 million work program bond with a third party bank in favor of the Ministério da Economia e da Inovação Direcção Geral de Energia e Geologia (“DGEG”), as part of the Company’s approved work program commitments as stipulated under the concession agreements.

“Having secured financing from our successful IPO, we are now ready to execute our drilling campaign to appraise and develop our gas discovery and test our Jurassic Reef and Pre-Salt prospects in our concessions in Portugal,” said Joseph Ash, President and CEO of Porto.

### Financial Review

For the periods, revenue was composed primarily of interest income from cash on hand. The Company has not yet established commercial oil and gas production from the Concessions and, as such, its sources of revenue are not of a recurring, consistent nature.

G&A expense increased by \$977,642 from \$252,189 for the three months ended February 28, 2010 to \$1,229,831 for the corresponding period in 2011. G&A expense for the six months ended February 28, 2011 was \$1,955,848 as compared to \$466,127 for the same period in the prior year. The increase in G&A expense for the three and six months ended February 28, 2011 was a result of hiring additional management and operations staff including a one-time charge of \$246,622 in severance payments to former employees, higher office expenses from new office facilities and increased travel costs as a result of the increased activity of the Company compared to the prior period, which coincided with reduced corporate spending.

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Stock based compensation expense for the three and six months ended February 28, 2011 was \$927,169 and \$988,145, respectively, compared to \$nil for both the three and six months ended February 28, 2010. During the three months ended 2011, a total of 11,600,000 options to acquire shares of common stock were issued to officer, directors and employees in accordance with the Company's stock option plan subject to vesting requirements and 1,548,208 options were cancelled due to employment terminations.

Foreign currency translation gains for the three and six months ended February 28, 2011 was \$50,411 and \$61,811, respectively compared to a translation loss of \$23,873 and \$87,529 in the comparative period in 2010, respectively. The foreign currency unrealized gains and losses reflect the changing value of the Canadian dollar/Euro versus the US dollar at the respective period ends, in which the Company maintains its accounts.

The Company recorded a net loss before income taxes and gain on settlement of debt for the three and six months ended February 28, 2011 of \$2,205,870 and \$3,119,579, respectively, as compared to \$560,727 and \$905,157 the comparative period in 2010, respectively. As the Company is in the exploration and development phase, there is currently no oil and natural gas producing properties from which to generate revenues. The Company's net losses for the three and six months was generated primarily from G&A expenses including salaries, office costs and travel costs in addition to professional fees and stock based compensation.

At February 28, 2011, the Company had working capital of \$5,186,328, comprised primarily of accounts payable and accrued liabilities, and cash of \$6,439,000 as compared to working capital of \$1,866,842 and cash of \$3,315,591 at August 31, 2010. Working capital increased as a result of the Company's completion of a private placement in December 2010 which placed 29,326,683 units at a price of \$0.60 per unit for gross proceeds of approximately \$17,596,000. This was partially offset by the comprehensive loss of \$4,050,043 due to the lack of any significant revenues being generated as well as net cash used in property and equipment of \$9,517,614 mainly associated with the Company's 3D seismic acquisition during the six months ended February 28, 2011. Both factors contributed to limited receivables, decreased cash on hand and increased current liabilities. Subsequent to quarter end the Company successfully completed an initial public offering issuing 70,000,000 common shares at a price of \$1.00 raising gross proceeds C\$70,000,000. The Over-Allotment Option granted to the Agents in connection with the Offering, expired unexercised. After giving effect to the two offerings, the Company had cash and cash equivalents of \$61.4 million at April 26, 2011. Through the proceeds from the two recent offerings, the Company anticipates having sufficient funds on hand to sustain operations for a period of approximately 24 months following the closing of the initial public offering in addition to all material capital expenditures currently contemplated under the Company's business strategy.

### **Outlook**

The Company has put in place an approximately \$75.6 million exploration program covering 2011 and 2012. The Company's exploration plans for the Lusitanian Basin initially focuses on certain prospects and trends identified by the Company within the Aljubarrota-3, Torres Vedras-3, São Pedro de Muel-2, and Cabo Mondego-2 Concessions. These include the Jurassic Aljubarrota gas trend, the Upper Jurassic reef trend, Triassic pre-salt clastics and dolomites, the Montejunto Anticline, the Monte Real Platform, the Obidos Nazare trend and Upper Jurassic Arruda clastics. The Company has identified multiple prospects within each of these plays and is currently planning to drill 11 onshore wells on these prospects in three of these geologic plays and trends, as outlined below. The work program includes exploration, appraisal and development drilling with planned drill depths of 1,500 to 3,500 metres. All of these prospects will be defined with a combination of 2D and 3D seismic data including 240 km<sup>2</sup> of 3D seismic acquired over certain areas of the Aljubarrota-3 and Torres Vedras-3 Concessions that will provide final definition for Aljubarrota gas wells, several reef wells and the pre-salt well.

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The wells planned for the Aljubarrota-3 Concession includes the Alj-4 re-entry and Alj-4H appraisal wells and three subsequent development horizontal well (Alj-5H, ALJ-6H and ALJ-7H) targeting gas bearing carbonates zones. The Company will also drill a pre-salt exploration well on this Concession, located within the Rhodochrosite Prospect targeting Triassic sandstones and Lower Jurassic dolomites. On the Torres Vedras-3 Concession, the Company is planning four exploration wells targeting Upper Jurassic reefs.

In the near term, the Company intends to mobilize its recently secured drilling rig and use it initially to re-enter and deepen the Alj-4 well to a depth of 2,500 metres to appraise the two gas bearing reservoirs in the Brenha carbonate. The information gathered will then allow the Company to make a decision with respect to a horizontal appraisal well and up to three possible horizontal development wells on the Aljubarrota Concession.

The work program also includes two additional 3D seismic programs that will cover a total of approximately 1,340 km<sup>2</sup>. The Company expects to complete an 1,100 km<sup>2</sup> 3D offshore seismic program within the São Pedro de Muel-2 and Cabo Mondego-2 Concessions, from which the Company expects to define exploration well locations for currently mapped prospects. The Company is also planning a 240 km<sup>2</sup> 3D seismic program for the Montejunto Anticline in the Torres Vedras-3 Concession to high-grade prospects and define locations for future wells.

### **About Porto Energy Corp.**

Porto Energy Corp. is an international oil and gas company engaged in the exploration of crude oil and natural gas in Portugal, including the appraisal of a gas discovery. Through its wholly owned subsidiary, Mohave Oil And Gas Corporation (a Texas corporation with branch offices in Portugal), the Company holds working interests in five concessions in Portugal's Lusitanian Basin totaling 1,444,152 net acres or 5,844 km<sup>2</sup>. Through its exploration efforts to date, the Company has identified seven major exploration trends over its concessions and generated more than 45 prospects and leads. Porto Energy's shares trade on the TSX Venture Exchange under the ticker symbol "PEC". For more information on Porto Energy visit [www.portoenergy.com](http://www.portoenergy.com).

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