

News Release

Porto Energy Corp. Reports Third Quarter Fiscal 2011 Results

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THE WOODLANDS, TX, July 28 /CNW/ – 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 nine month periods ended May 31, 2011. All amounts are stated in US dollars unless otherwise noted by C\$ for Canadian dollars or € for Euros.

Selected Recent Highlights

- 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;
- Completed the re-entry of the ALJ- 4 well and recovered approximately 65 meters of conventional core and approximately 430 meters of open hole logs in the Jurassic Brenha gas reservoir;
- Spud the SPC-1 well using the 3-D seismic interpretation from the 240 km² survey completed in Q2;
- In June 2011, the Company entered into an agreement to acquire 3-D seismic over approximately 240 km² over the Montejunto Anticline in the Torres Vedras-3 concession onshore Portugal;
- Completed a 25,000 km² aeromagnetic data survey in July 2011; and
- Began acquiring 1,000 km² of 3-D seismic offshore Portugal in its Sao Pedro de Muel-2 and Cabo Mondego-2 concessions to cover the Monte Real Platform Trend which is expected to define exploration well locations.

“Activities levels were higher in the quarter as we continued to advance our drilling campaign to appraise and develop our gas discovery while simultaneously testing our Jurassic Reef and Pre-Salt oil prospects in our concessions in Portugal,” said Joseph Ash, President and CEO of Porto.

Financial Review

For the periods ended May 31, 2010 and 2011, revenue was composed primarily of interest income from cash on hand. The Company has not yet established commercial oil and gas production from its concessions and, as such, its sources of revenue are not of a recurring, consistent nature.

G&A expense increased by \$521,140 from \$853,990 for the three months ended May 31, 2010 to \$1,375,130 for the corresponding period in 2011. G&A expense for the nine months ended May 31, 2011 was \$3,330,978 as compared to \$1,320,117 for the same period in the prior year. The increase in G&A expense for the three and nine months ended May 31, 2011 was a result of hiring additional management and operations staff, higher rent and office expenses from new office facilities and increased travel costs as a result of increased corporate and operational activity of the Company compared to the prior year periods, which coincided with period of reduced corporate spending. The increase for the nine months ended May 31, 2011, also includes a one-time charge of \$246,622 in severance payments to former employees.

Stock based compensation expense for the three and nine months ended May 31, 2011 was \$963,548 and \$1,951,693, respectively, compared to \$nil for both the three and nine months ended May 31, 2010.

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During the nine months ended May 31, 2011, a total of 11,600,000 options to acquire shares of common stock were issued to officers, directors and employees in accordance with the Company's long-term incentive plan, subject to vesting requirements, and 1,548,208 options expired due to employment terminations.

Foreign currency translation gains for the three and nine months ended May 31, 2011 were \$228,431 and \$290,242, respectively, compared to translation losses of \$209,811 and \$297,340 in the comparative periods for 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 nine months ended May 31, 2011 of \$2,231,140 and \$5,350,719, respectively, as compared to \$1,355,886 and \$2,261,043 for the comparative periods in 2010, respectively. As the Company is in the exploration phase of operations, there are currently no oil and natural gas producing properties generating revenues. The Company's net losses for the three and nine months was primarily generated from G&A expenses including salaries, office costs and travel costs in addition to professional fees and stock based compensation.

At May 31, 2011, the Company had working capital of \$60,370,591, comprised primarily of cash of \$59,964,680 and accounts payable and accrued liabilities, as compared to working capital of \$1,866,842 and cash of \$3,315,591 at August 31, 2010. Working capital increased primarily as a result of the Company's completion of a public offering in March 2011 of 70,000,000 common shares of stock at a price of C\$1.00. This was partially offset by the comprehensive loss of \$6,345,093 for the nine months ended May 31, 2011 due to the lack of any significant revenues being generated as well as net cash used in property and equipment of \$15,251,028 mainly associated with the Company's 3-D seismic acquisition and the beginning of drilling operations during the nine months ended May 31, 2011. With the proceeds from the recent offering, the Company anticipates having sufficient funds on hand to sustain current operations and all material capital expenditures currently contemplated under the Company's business strategy.

Outlook

During the quarter ended May 31, 2011, the Company's main focus was on completing a C\$70.0 million equity raise, the 240 km² 3-D seismic program on its Aljubarrota-3 and Torres Vedras-3 Concessions as well as on long lead activities in anticipation of commencing its continued exploration of the Lusitanian Basin in Portugal. The Company entered into an agency agreement dated March 15, 2011 and qualified the sale and distribution of 70,000,000 common shares at a price of C\$1.00 per common share on March 29, 2011. The gross proceeds received by the Company were approximately C\$70,000,000, before deducting issue expenses and agents' fees in the aggregate totaling approximately C\$4,370,000.

In March 2011, the Company completed the acquisition and processing of 240 km² of 3-D seismic within its Aljubarrota-3 and Torres Vedras-3 Concessions in anticipation of its 2011-2012 exploration and development work programs. Interpretation of the 3-D seismic data over the Jurassic Reef Play in Torres Vedras-3 has been completed and is being used to delineate drill sites. The interpretation of the remaining 3-D seismic data is expected to be complete by the end of August 2011.

In April 2011, the Company entered into a one year drilling rig contract with KCA Deutag drilling GmbH. Mobilizing the Deutag Rig soon after, the Company commenced re-entry operations on the Alj-4 well on the Aljubarrota-3 onshore concession in central Portugal in May 2011. The Alj-4 well was originally drilled in 2005 to a depth of 2,110 meters as a direct offset to the Company's Alj-2 well that discovered 366 BCF of contingent gas resources in a Jurassic fractured Brenha carbonate formation where it was temporarily

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abandoned above the gas accumulation due to operational constraints. The Company deepened the Alj-4 well by 450 meters to approximately 2,550 meters and recovered approximately 65.0 meters of conventional core and approximately 430 meters of open hole logs in the Jurassic Brenha gas reservoir. The Company is currently testing and analyzing the core, logs and associated data. Drilling operations, including acquisition of 60-70 meters of conventional core, took approximately one month. Analysis of the well results is expected to be completed by calendar year end 2011.

After completing the re-entry of the ALJ- 4 well, the Deutag rig was mobilized to the SPC-1 well in July 2011. The SPC-1 well was spud using the 3-D seismic interpretation from the 240 km² mentioned above. The SPC-1 well is the first well of a proposed two to four well exploration drilling program in the Company's Jurassic Reef Trend. The target depth of this well is anticipated to be approximately 1,970 meters and is expected to test multiple Jurassic Reef oil prospect levels as delineated by the Company's recently completed 120 km² 3-D seismic survey of this area. The Company expects to reach total depth by the end of August 2011.

In June 2011, the Company entered into an agreement to acquire 3-D seismic over approximately 260 km² over the Montejunto Anticline in its Torres Vedras-3 concession onshore Portugal. It is currently permitting the area and anticipates surveying to begin within the next few months.

The Company also completed a 25,000 km² aeromagnetic data survey in July 2011. Management expects this survey to help locate sedimentary basins, inferring the location of the thickest sedimentary section and delineate the boundaries of the Lusitanian Basin in order to help management understand the regional geology to economically focus exploration efforts. Processing is expected to be completed in August and interpretation by the end of November 2011.

In July 2011, the Company began acquiring 1,000 km² of 3-D seismic offshore Portugal in its Sao Pedro de Muel-2 and Cabo Mondego-2 to cover the Monte Real Platform Trend which is expected to define exploration well locations. Completion of the offshore 3-D seismic is anticipated within approximately two months and processing and interpretation of the data is expected to be completed by the end of February 2012.

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 km². 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.

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