CALGARY, ALBERTA--(Marketwired - April 2, 2015) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) reports financial and operating results for the three months and year ended December 31, 2014. Detailed results are presented in Strategic's annual consolidated financial statements, related Management's Discussion and Analysis ("MD&A") and Annual Information Form which will be available through the Company's website at www.sogoil.com and on SEDAR at www.sedar.com.

FINANCIAL AND OPERATIONAL SUMMARY

	Three Months Ended December 31			Year Ended December 31		
	2014	2013	% change	2014	2013	% change
Financial ($thousands, except per share amounts)						
Oil and natural gas sales	18,790	15,377	22	82,466	78,738	5
Funds from (used in) operations [1]	4,974	(320)	-	12,270	17,162	(29)
Per share basic & diluted	0.01	0.00	100	0.03	0.08	(63)
Cash flow from operating activities	8,134	2,122	283	13,396	18,493	(28)
Per share basic & diluted	0.02	0.01	100	0.04	0.08	(50)
Net loss	(117,321)	(9,852)	1,090	(129,490)	(22,316)	480
Per share basic & diluted	(0.22)	(0.04)	450	(0.34)	(0.10)	240
Capital expenditures (excluding acquisitions)	24,456	29,484	(17)	101,319	119,151	(15)
Net debt	48,399	82,547	(41)	48,399	82,547	(41)
Operating						
Average daily production						
Oil and NGL (bbl per day)	2,694	1,888	43	2,343	2,339	-
Natural gas (mcf per day)	7,382	5,753	28	6,715	5,588	20
Barrels of oil equivalent (boe per day)	3,925	2,847	38	3,462	3,270	6
Average prices						
Oil & NGL, before risk management ($ per bbl)	65.67	77.25	(15)	83.56	84.35	(1)
Oil & NGL, including risk management ($ per bbl)	70.49	74.67	(6)	76.66	81.31	(6)
Natural gas ($ per mcf)	3.70	3.71	-	4.49	3.30	36
Natural gas, including risk management ($ per mcf)	3.76	3.71	1	4.32	3.30	31
Netback ($ per boe)						
Petroleum and natural gas sales	52.04	58.72	(11)	65.26	65.97	(1)
Royalties	9.19	11.93	(22)	13.80	14.51	(5)
Operating costs	22.83	34.54	(34)	25.73	24.02	7
Transportation costs	1.55	3.64	(58)	2.50	3.56	(30)
Operating Netback ($ per boe) [1]	18.47	8.61	115	23.23	23.88	(3)
Common Shares (thousands)						
Common shares outstanding, end of period	542,319	260,601	108	542,319	260,601	108
Weighted average common shares (basic)	539,483	258,318	109	381,240	217,604	75
Weighted average common shares (diluted)	539,483	258,318	109	381,240	217,604	75

[1] Funds from operations, net debt and operating netback are non-IFRS measurements; see "Non-IFRS Measurements" in the Company's MD&A.

FOURTH QUARTER SUMMARY

- Production increased 38 percent from 2,847 boed for the three months ended December 31, 2013 to 3,925 boed for the current quarter, primarily due to the Company's successful Muskeg drilling program at Marlowe. Production for the fourth quarter of 2013 was affected by a 25 day shutdown related to a plant turnaround and facility expansion at Marlowe. Production volumes for the current period were also positively impacted by the sale of 24,000 barrels of oil (260 bbl/d) from inventories held at September 30, 2014 which could not be sold in the third quarter as a result of a temporary shut-down of a third party sales oil pipeline. Strategic routed Marlowe oil production to its company-owned storage facility at Bistcho during the shut-down and was able to avoid curtailing production due to this event.

- Funds from (used in) operations increased significantly to $5.0 million from $(0.3) million for the comparable quarter in 2013, due to higher production levels and lower production and finance costs. The operating netback increased to $18.47/boe from $8.61/boe for the fourth quarter of 2013 despite an 11 percent reduction in realized prices.

- Capital expenditures of $24.5 million for the current quarter included drilling five wells at Marlowe, as well as completion of road construction and other projects required to continue development of the Muskeg fairway in north Marlowe throughout 2015.

- Strategic completed a private placement of common shares at $0.40 per common share and flow-through common shares at $0.44 per flow-through share, issuing a total of 181.3 million shares for total net proceeds of $73.0 million. Approximately 90 percent of the private placement closed on September 30, 2014 with the remainder closing on October 15, 2014.

ANNUAL SUMMARY

- Production increased by 6 percent from 3,270 boed in 2013 to an average of 3,462 boed in 2014 due to Muskeg drilling activities and a full year of production from assets acquired at Bistcho/Cameron Hills in February 2013.

- Funds from operations decreased 29 percent from $17.2 million in 2013 to $12.3 million in 2014 as higher revenues due to increased production levels were more than offset by increases in realized losses on risk management contracts and operating costs. The operating netback at Bistcho/Cameron Hills was challenged in 2014 as a result of declining production and higher repair & maintenance expenses compared to 2013, reducing funds from operations for the current year.

- Capital expenditures totaled $101.3 million for the twelve months ended December 31, 2014 as compared to $119.2 million for 2013. Approximately 91 percent of capital spending was directed to the Company's light oil asset at Marlowe. Drilling, completions and equipping expenditures decreased 6 percent to $68.5 million for the current year from $72.7 million for 2013 despite an increase in the number of wells drilled to 14 in 2014 from 12 the previous year. Pipeline and facility expenditures decreased 24 percent from 2013 levels to $29.9 million, and included construction of a major sales pipeline to transport oil from Marlowe to the Rainbow sales pipeline system, as well as a gathering line from West Marlowe to one of the Company's oil processing facilities and major plant turnarounds at Bistcho/Cameron Hills.

- The sales oil pipeline, a key aspect of the Company's growth strategy, was completed in the first quarter of 2014. The pipeline was operational on March 31, 2014 and contributed to a reduction of 30 percent in transportation costs over 2013 levels, and a 58 percent reduction in the fourth quarter of 2014 relative to the last three months of 2013. In 2015 the Company has discontinued the use of railcars for a portion of oil sales in order to take full advantage of the lower costs of the sales oil pipeline.

- Strategic increased its proved and probable oil and gas reserves by 1.2 MMboe compared to the previous year, despite a reserves reduction due to economic factors of 2.1 MMboe related primarily to Bistcho/Cameron Hills, as determined by the Company's independent reserve evaluators McDaniel and Associates Consultants Ltd. ("McDaniel") at December 31, 2014. The Company added 4.7 MMboe of proved and probable reserves in 2014 at Marlowe, excluding production, for a reserve replacement ratio of 403 percent.

- Net loss increased to $129.5 million for 2014 compared to a loss of $22.3 million for 2013, primarily as a result of an impairment charge of $114.0 million for the current year driven by the significant decline in oil prices in the fourth quarter.

PERFORMANCE OVERVIEW

In 2014 the Company continued to execute on its corporate strategy to pursue its light oil development opportunities at Marlowe in northern Alberta, as well as constructing a pipeline to connect Marlowe to the Rainbow sales pipeline system and increase the handling capacity of its existing infrastructure. The Company's focus in the first quarter of the year was on completing the Bistcho sales oil pipeline, which connects oil production from Marlowe to the Rainbow pipeline system over a total distance of 115 kilometers. Strategic also drilled 3 Muskeg wells in the first quarter of 2014, and followed up on its success with an 11 well program at Marlowe in the second half of the year, comprised of 9 horizontal wells and 2 Keg River vertical wells. The Company's drilling success rate was 100 percent for the year.

Average production volumes for the last six months of 2014 were 3,580 boed, 6 percent short of production guidance of 3,800 boed, as a result of production downtime on flowing Muskeg wells caused by cold weather in December, as well a delay in receiving new well licenses early in the fourth quarter which resulted in delays in drilling and bringing new wells on production relative to the Company's forecast. 2014 exit production guidance of 4,600 boed was also not met as a result of these delays.

Corporate operating netbacks decreased slightly to $23.23 per boe in 2014 from $23.88 per boe in 2013, due to an increase in workovers and higher than expected costs at Bistcho/Cameron Hills, partially offset by a lower royalty rate per boe as a higher proportion of the Company's production was contributed by newly drilled wells, which benefit from a reduced first-year royalty rate. Strategic continued to generate a competitive netback of $32 per boe at Marlowe, where it has assembled a concentrated base of land and infrastructure and achieved substantial success in delineating the Muskeg resource in 2014. This area will be the focus of development for the Company in future years.

OUTLOOK

In response to the sudden and dramatic decrease in commodity prices, Strategic has made several changes to its cost structure and 2015 capital spending plans:

- The Company prudently elected to stop the winter Muskeg drilling program in order to preserve capital. One Muskeg horizontal well (13-31) was drilled and completed in January 2015 and is currently undergoing tie-in operations.
- Strategic's revised capital expenditure budget for the first half of 2015 is $11 million.
- Approximately 700 boed of production has been shut-in by suspending operations at Bistcho, Cameron Hills and Larne, which are not economic at current commodity prices.
- The Company has reduced its office and field staff by approximately 35 percent in order to remain competitive. Staff reductions were primarily related to the suspension of operations at Bistcho, realignment of the management team structure and the reduction in budgeted capital spending in 2015 compared to previous years.

With the shut-in of production at Bistcho and Cameron Hills, the Company estimates that production for the first six months of 2015 will average 3,000 boed (73 percent oil). Approximately 35 percent of expected oil production for the first half of 2015 is hedged at CAD $90.15/bbl at WTI, and the Company's production is unhedged after that date.

Despite a difficult commodity price environment, Strategic has continued to experience success with its Muskeg drilling program, improving production performance and reducing drilling days and costs. The Company drilled 1 Muskeg Stack horizontal wells in January 2015 and completed another well drilled in December 2014 before curtailing its capital program due to low oil prices and financial constraints. These wells are currently on production and meeting the Company's internal type curve.

The Company anticipates being in violation of the working capital covenant of its $60 million credit facility as at March 31, 2015. Strategic is working proactively with its lenders regarding the facility and the covenants. In order to address the working capital violation and obtain the financial flexibility required to continue the development program at Marlowe when commodity prices improve, the Company is evaluating measures such as asset sales, other third party funding alternatives and elimination of all non-critical capital spending programs.

ABOUT STRATEGIC

Strategic is a junior oil and gas company with a dominant land position of 500,000 acres in Canada. The company is committed to building a premier oil company through from its high-quality, concentrated reserve base, and constructing a company-operated integrated sales infrastructure to support the company's significant future growth. Strategic's common shares trade on the TSX Venture Exchange under the symbol SOG.

ADDITIONAL INFORMATION

Additional information is also available at www.sogoil.com and at www.sedar.com.

To view the Financial Statements, click on the following link: http://media3.marketwire.com/docs/166fs.pdf

To view the Management's Discussion & Analysis, click on the following link: http://media3.marketwire.com/docs/166mda.pdf

To view the Annual Information Form, click on the following link: http://media3.marketwire.com/docs/166aif.pdf

Forward-Looking Statements

This news release includes certain information, with management's assessment of Strategic's future plans and operations, and contains forward-looking statements which may include some or all of the following: (i) anticipated production rates; (ii) expected production and service costs and the impact of capital projects on production costs; (iii) expected capital spending; (iv) the Company's financial strength and capitalization; (v) estimates of reserves; (vi) potential financing and the use of proceeds; (vii) corporate production levels; (viii) wells to be drilled in 2014 and momentum from current drilling programs; (ix) timing for completion of drilling programs and resulting production additions; which are provided to allow investors to better understand the Company's business. By their nature, forward-looking statements are subject to numerous risks and uncertainties; some of which are beyond Strategic's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources, and other risks and uncertainties described under the heading 'Risk Factors' and elsewhere in the Company's Annual Information Form for the year ended December 31, 2014 and other documents filed with Canadian provincial securities authorities and are available to the public at www.sedar.com. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The principal assumptions Strategic has made includes security of land interests; drilling cost stability; royalty rate stability; oil and gas prices to remain in their current range; finance and debt markets continuing to be receptive to financing the Company and industry standard rates of geologic and operational success. Actual results could differ materially from those expressed in, or implied by, these forward-looking statements. Strategic disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Basis of Presentation

This discussion and analysis of Strategic's oil and natural gas production and related performance measures is presented on a working-interest, before royalties basis. For the purpose of calculating unit information, the Company's production and reserves are reported in barrels of oil equivalent (boe) and boe per day (boed). Boe may be misleading, particularly if used in isolation. A boe conversion ratio for natural gas of 6 Mcf: 1 boe 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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Non-IFRS Measurements

The Company utilizes certain measurements that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including net debt, operating netback and funds from operations. Readers are referred to advisories and further discussion on Non-IFRS measurements contained in the Company's MD&A.

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