



NEWS RELEASE

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PINECREST ENERGY INC. PROVIDES UPDATE

January 11, 2012 – Calgary, Alberta - Pinecrest Energy Inc. (“Pinecrest” or the “Company”) is pleased to announce its 2011 production exit rate, 2012 capital budget, an increase in its credit facility, a type curve update and corporate hedging information.

2011 Exit Rate

As a result of continued operational success at its Red Earth core area, the Company has exceeded its 2011 exit rate guidance (3,000 – 3,200 bbls/d – 99% light oil) by approximately 13%. Corporate production averaged over 3,500 bbls/d, 99% light oil, since mid-December 2011. Additionally, the Company has drilled and completed 1 (1 net) well in 2011 that is currently being equipped for production and 2 (2 net) wells that are awaiting completion operations.

2012 Capital Budget

The Board of Directors of Pinecrest has approved a 2012 capital budget of \$166MM, focused on the drilling, completion and tie-in of wells targeting the Slave Point light oil resource play in the Company’s greater Red Earth core area.

The capital and operating assumptions used in the budget are as follows:

- 28-30 net Slave Point wells: \$145MM
- Pipelines, facilities, land and maintenance : \$21MM
- Production exit rate: 5,000 – 5,200 boepd (>99% light oil)
- US \$85WTI per bbl
- Exchange Rate: 1.00 \$USD/CDN
- Average crude quality: 39°API
- Royalty rate: ~ 8.75%
- Operating costs: \$13.25 per bbl

The budget is to be financed with a combination of cash flow, available cash on hand and the Company’s expanded credit facility, resulting in projected 2012 year end net debt of \$83 million and a debt to forward cash flow ratio of approximately 0.6 times.

Credit Facility

Pinecrest has received an increase to its credit facility with a Canadian chartered bank. With the recent drilling success and corresponding increase in production, the facility has been increased to \$75 million from the previous limit of \$30 million. This increase reflects the nature of the Company’s high quality, long-life Slave Point light oil assets and its opportunity base.

Type Curves

The Company's independent reserve evaluator, Sproule Associates Limited ("Sproule"), has updated its Slave Point type curves used in evaluating the greater Red Earth Slave Point light oil resource play. The following reference table sets out for the various Sproule categorized well types, the original type curves, the revised type curves, the corresponding increase in initial production ("IP") and recoverable reserves reflecting the positive results of the play.

Original Curves	Type 1	Type 2	Type 3	Type 4
IP (bbls/d)	120	200	250	300
2P Reserves (mmbbls)	150	180	210	240

Revised Curves	Type 1	Type 2	Type 3	Type 4
IP (bbls/d)	150	200	250	300
2P Reserves (mmbbls)	150	210	280	350
2P NPV 10% (\$000's) (before tax) ^{1,2}	1,491	4,049	6,202	8,446

Increase	Type 1	Type 2	Type 3	Type 4
IP (bbls/d)	30	0	0	0
2P Reserves (mmbbls)	0	30	70	110

¹ Average December 31, 2011 escalated price forecasts (Sproule, GLJ, AJM Deloitte, McDaniel, and Insite)

² Assumes capital of \$4.9MM/well

Hedging

Cash flow management is an integral part of the Company's overall business strategy. The risk exposure inherent in fluctuations in the price of crude oil and natural gas, the US/Cdn dollar exchange rate and interest rates are monitored by the Company's management and its Board of Directors. A hedging policy has been established to mitigate these risks. At present, the Company has the following hedges in place:

<u>Duration</u>	<u>Type</u>	<u>Quantity (bbls/d)</u>	<u>Price/bbl (Cdn\$)</u>
Calendar 2012	Fixed Price	500	\$92.20
Calendar 2012	Fixed Price	200	\$97.75
Calendar 2012	Fixed Price	500	\$103.50

Looking forward, the Company will continue to monitor prices and to strategically hedge up to 50 percent of its volumes, (after royalties) at prices above long term commodity and budget levels.

Outlook

Pinecrest entered 2012 with an extensive low risk light oil development drilling inventory of over 230 net Slave Point drilling locations (4 wells per section), which represents over seven years of development drilling, based upon expected 2012 activity levels. This opportunity base does not include significant incremental upside associated with waterflood implementation, and a corresponding opportunity to downspace to 8 wells per section.

Management believes the high quality, light oil development inventory will drive strong per share reserve and production growth. Concurrent with the execution of the development program, Pinecrest continues to evaluate and bring forward incremental growth opportunities.

For additional information, please refer to the updated January 2012 presentation on our website at www.pinecrestenergy.com.

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Advisory

The information in this press release contains certain forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. In particular, forward looking statements in this press release includes, but is not limited to: Pinecrest's capital program and 2012 business objectives, Pinecrest's 2012 budget, oil recovery rates, royalty rates, operating costs, cash flows, the effects of waterfloods on recovery factors, decline rates and type curves for wells, production rates, exit rates for production and bank debt, downspacing opportunities, the quantity of reserves, and projections of market prices and costs. These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Pinecrest's control, including: the impact of general economic conditions; industry conditions; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; fluctuations in commodity prices and foreign exchange and interest rates; stock market volatility and market valuations; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions, of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves. Pinecrest's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Pinecrest will derive from them. Except as required by law, Pinecrest undertakes no obligation to publicly update or revise any forward-looking statements.

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources or reserves described can be profitably produced in the future.

Any references in this news release to initial production (IP) rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company.

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