



## Press Release

### Q2 2008 Financial and Operating Results

FOR IMMEDIATE RELEASE – August 12, 2008

**CROCOTTA ENERGY INC. (TSX – CTA)** is pleased to announce its financial and operating results for the three and six months ended June 30, 2008, including financial statements, notes to the financial statements, and Management's Discussion and Analysis. All dollar figures are Canadian dollars unless otherwise noted.

#### HIGHLIGHTS

- Continued quarter-over-quarter growth in production and funds from operations. Production averaged 2,493 boepd for Q2 2008, a 15% increase over Q1 2008. Funds from operations was \$12.0 million in Q2 2008, a 60% increase over Q1 2008.
- Acquired additional lands in key Montney and Rock Creek focus areas.

FINANCIAL <sup>(1)</sup>	Three Months Ended June 30			Six Months Ended June 30		
	2008	2007	% Change	2008	2007	% Change
(\$000s, except per share amounts)						
<b>Oil and natural gas sales</b>	<b>19,255</b>	1,266	1,421	<b>32,192</b>	1,797	1,691
<b>Funds from operations <sup>(2)</sup></b>	<b>11,953</b>	323	3,601	<b>19,420</b>	252	7,606
per share - basic and diluted	<b>0.36</b>	0.03	1,100	<b>0.59</b>	0.03	1,867
<b>Net earnings (loss)</b>	<b>3,446</b>	(339)	(1,117)	<b>4,254</b>	43	9,793
per share - basic and diluted	<b>0.10</b>	(0.03)	(433)	<b>0.13</b>	-	100
<b>Net capital expenditures</b>	<b>5,611</b>	1,416	296	<b>17,020</b>	3,650	366
<b>Corporate acquisition</b>	-	34,596	(100)	-	34,596	(100)
<b>Net working capital (deficiency)</b>				<b>(9,170)</b>	8,448	(209)
<b>Common shares outstanding (000s)</b>						
weighted average - basic	<b>33,045</b>	10,229	223	<b>33,045</b>	9,110	263
weighted average - diluted	<b>33,045</b>	10,322	220	<b>33,045</b>	9,191	260
end of period - basic	<b>33,045</b>	16,845	96	<b>33,045</b>	16,845	96
end of period - diluted	<b>38,506</b>	25,182	53	<b>38,506</b>	25,182	53

(1) On October 12, 2007, Crocotta's outstanding common shares were consolidated on a three-to-one basis. As such, per share amounts and outstanding shares for the comparative period have been adjusted to reflect the three-to-one consolidation.

(2) Funds from operations and funds from operations per share do not have any standardized meaning prescribed by Canadian GAAP, and therefore may not be comparable to similar measures used by other companies. Please refer to the Non-GAAP Measures section in the MD&A for more details and the Funds from Operations section in the MD&A for a reconciliation to cash flow from operating activities.



































**Crocotta Energy Inc.**  
**Notes to the Financial Statements**  
**Three and six months ended June 30, 2008**

*(Tabular amounts in 000s, unless otherwise stated)*

**f) Per share information**

The weighted average number of shares outstanding for the determination of basic and diluted per share amounts are as follows:

	<b>Three Months Ended June 30, 2008</b>	Six Months Ended June 30, 2008
Basic and diluted	<b>33,045</b>	33,045

**8. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk, and to maintain investor, creditor, and market confidence to sustain future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity, debt, and working capital. To maintain or adjust the capital structure, the Company may, from time to time, issue shares, raise debt, and/or adjust its capital spending to manage its current and projected debt levels.

	<b>June 30, 2008</b>	December 31, 2007
Shareholders' equity	<b>118,536</b>	119,838
Bank debt	<b>9,454</b>	5,850
Working capital (deficiency)	<b>(9,170)</b>	(11,455)

In addition, management prepares annual, quarterly, and monthly budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. The annual budget is approved by the Board of Directors.

The Company's share capital is not subject to external restrictions; however, the Company's operating demand loan credit facility includes a covenant requiring the Company to maintain a working capital ratio of not less than one-to-one, as defined by its creditor. The Company was fully compliant with this covenant at June 30, 2008.

There were no changes in the Company's approach to capital management from the previous year.

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company is exposed to market risks related to the volatility of commodity prices, foreign exchange rates, and interest rates. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. Risk management is ultimately established by the Board of Directors and is implemented by management.

**a) Fair value of financial instruments**

The Company's financial assets and financial liabilities are comprised of cash and cash equivalents, accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities, capital lease obligations (see note 6), and amounts drawn on the revolving credit facility (see note 4). The fair values of the Company's financial assets and financial liabilities approximate their carrying amount due to the short-term maturity of these instruments.

**b) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk, and other price risk, such as commodity price risk. The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns.

*Foreign exchange risk*

The prices received by the Company for the production of crude oil, natural gas, and NGLs are primarily determined in reference to U.S. dollars, but are settled with the Company in Canadian dollars. The Company's cash flow from commodity sales will therefore be impacted by fluctuations in foreign exchange rates. A \$0.01 increase or decrease in the Canadian/U.S. dollar exchange rate would have impacted net earnings by \$0.1 million for the three months ended June 30, 2008 and \$0.2 million for the six months ended June 30, 2008.

*Interest rate risk*

The Company is exposed to interest rate risk as it borrows funds at floating interest rates (see note 4). In addition, the Company is exposed to interest rate risk to the Canada Revenue Agency for interest on unexpended funds on the Company's flow-through share obligations. The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations. A 1% increase or decrease in interest rates would have impacted net earnings by virtually \$nil for each of the three and six months ended June 30, 2008.

**Crocotta Energy Inc.**  
**Notes to the Financial Statements**  
**Three and six months ended June 30, 2008**

(Tabular amounts in 000s, unless otherwise stated)

*Commodity price risk*

The Company's oil, natural gas, and NGLs production is marketed and sold on the spot market to area aggregators based on daily spot prices that are adjusted for product quality and transportation costs. The Company's cash flow from product sales will therefore be impacted by fluctuations in commodity prices. A \$1.00/boe increase or decrease in commodity prices would have impacted net earnings by \$0.1 million for the three months ended June 30, 2008 and \$0.2 million for the six months ended June 30, 2008.

**c) Credit Risk**

Credit risk represents the financial loss that the Company would suffer if the Company's counterparties to a financial instrument, in owing an amount to the Company, fail to meet or discharge their obligation to the Company. A substantial portion of the Company's accounts receivable and deposits are with customers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally grants unsecured credit but routinely assesses the financial strength of its customers and joint venture partners.

The Company sells the majority of its production to three petroleum and natural gas marketers and therefore is subject to concentration risk. Historically, the Company has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within one to three months of the joint venture invoice being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval for significant capital expenditures prior to the expenditure being incurred. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however, in certain circumstances, the Company may cash call a partner in advance of expenditures being incurred.

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet. At June 30, 2008, there are no material financial assets that the Company considers impaired or past due.

**d) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity risk include ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual, quarterly, and monthly capital expenditure budgets, which are monitored and updated as required, and requires authorizations for expenditures on projects to assist with the management of capital. In managing liquidity risk, the Company ensures that it has access to additional financing, including potential equity issuances and additional debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The following are the contractual maturities of financial liabilities at June 30, 2008:

<b>Financial Liability</b>	<b>Less than 1 Year</b>	<b>1 to less than 2 Years</b>	<b>Thereafter</b>	<b>Total</b>
Accounts payable and accrued liabilities	11,095	-	-	11,095
Revolving credit facility	9,454	-	-	9,454
Capital lease obligation	261	328	-	589
	20,810	328	-	21,138

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

**a) Net change in non-cash working capital**

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Accounts receivable	(1,431)	(1,269)	(1,956)	(2,123)
Prepaid expenses and deposits	107	(74)	131	(305)
Accounts payable and accrued liabilities	(4,870)	107	(7,075)	(734)
Current portion of capital lease	4	-	8	-
Non-cash working capital acquired on				
Plan of Arrangement	-	1,167	-	1,167
Net change in non-cash working capital	(6,190)	(69)	(8,892)	(1,995)
Relating to:				
Investing	(5,419)	(749)	(6,854)	(2,162)
Operating	(771)	680	(2,038)	167
Net change in non-cash working capital	(6,190)	(69)	(8,892)	(1,995)

**Crocotta Energy Inc.**  
**Notes to the Financial Statements**  
**Three and six months ended June 30, 2008**

*(Tabular amounts in 000s, unless otherwise stated)*

**b) Interest and taxes**

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Cash interest received	<b>4</b>	115	<b>11</b>	230
Cash interest paid	<b>(142)</b>	(3)	<b>(256)</b>	(3)
	<b>(138)</b>	112	<b>(245)</b>	227
Cash taxes paid	-			-

**11. RELATED PARTY TRANSACTIONS**

During the first half of 2008, drilling services were performed for Crocotta by a private company that is partially owned by a director of Crocotta. The total amount of services performed for the Company during the quarter was \$0.9 million. At June 30, 2008, the Company did not have a balance outstanding to the related party.

## **CORPORATE INFORMATION**

### **OFFICERS AND DIRECTORS**

**Robert J. Zakresky, CA**  
President, CEO & Director

**Nolan Chicoine, MPAcc, CA**  
VP Finance & CFO

**Terry L. Trudeau, P.Eng.**  
VP Operations & COO

**Weldon Dueck, BSc., P.Eng.**  
VP Business Development

**R.D. (Rick) Sereda, M.Sc., P.Geol.**  
VP Exploration

**Helmut R. Eckert, P.Land**  
VP Land

**Kevin Keith**  
VP Production

**Larry G. Moeller, CA, CBV**  
Chairman of the Board

**Daryl H. Gilbert, P.Eng.**  
Director

**Don Cowie**  
Director

**Brian Krausert**  
Director

**Gary W. Burns**  
Director

**Don D. Copeland, P.Eng.**  
Director

**Brian Boulanger**  
Director

### **BANK**

National Bank of Canada  
2700, 530 - 8th Avenue SW  
Calgary, Alberta T2P 3S8

### **TRANSFER AGENT**

Valiant Trust Company  
310, 606 - 4th Street SW  
Calgary, Alberta T2P 1T1

### **LEGAL COUNSEL**

Gowling Lafleur Henderson LLP  
1400, 700 – 2nd Street SW  
Calgary, Alberta T2P 4V5

### **AUDITORS**

KPMG LLP  
2700, 205 - 5th Avenue SW  
Calgary, Alberta T2P 4B9

### **INDEPENDENT ENGINEERS**

GLJ Petroleum Consultants Ltd.  
4100, 400 - 3rd Avenue SW  
Calgary, Alberta T2P 4H2

For further information, please visit our website at [www.crocotta.ca](http://www.crocotta.ca) or contact:

**Crocotta Energy Inc.**  
Suite 700, 639 - 5th Avenue SW  
Calgary, Alberta T2P 0M9  
Phone: (403) 538-3737  
Fax: (403) 538-3735

Robert J. Zakresky, President & CEO  
Phone: (403) 538-3736

Nolan Chicoine, VP Finance & CFO  
Phone: (403) 538-3738