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## KAISEN RELEASES ANNUAL FINANCIAL AND OPERATING RESULTS AND PROVIDES UPDATE ON YEAR END RESERVES AND CURRENT OPERATIONS

### PERSEVERANCE IN THE PROLONGED DOWNTURN

2015 was a challenging year for the oil & gas industry. Since the fourth quarter of 2014, Kaisen saw a material decrease in its realized commodity prices, spurred by a significant drop in the West Texas Intermediate (“WTI”) crude oil price benchmark. The decrease has been largely due to a current supply-demand imbalance, with OPEC participants flooding the market with crude oil in addition to expanding supplies from North American producers. Now as we move into the second quarter of 2016, the market continues to be over supplied with oil inventories reaching historic highs, OPEC remaining on course to defend market share, Iranian sanctions ending resulting in added oil barrels, and concerns about global growth principally in China. As with every past resource cycle however, there has been a massive investment response to low oil prices with significant capital investment reductions by the industry. Major long-life oil projects have been put on hold, spurring predictions of a very volatile oil price environment in the future with a greater and sharper upward price response the longer capital investment continues to erode. More recent news of slowing inventory builds (yet still at record levels) coupled with the impending major producers meeting in Doha in mid April to discuss proposed production caps from both OPEC and non-OPEC producers has provided recent support to WTI prices with a material rebound in the WTI price from \$26.00 per barrel in February to approximately \$40.00 in the last days of March. The differential for heavy oil has also improved on a percentage basis from almost a 50% discount in February to the current forecast of closer to 30%. Recent price strengthening has occurred in spite of continuing record crude oil storage levels which might suggest that the market is becoming more bullish beyond the current refinery turnaround season with growing recognition that the massive reduction in active drilling over the past 18 months is very likely to start having a material impact on production in the second half of 2016. However, regardless of any speculative views on forward commodity prices, volatility will continue to produce nearer term material price movements in both directions until clearer indications of a fundamental supply/demand balance occurs.

In the face of continued headwinds, Kaisen will continue to respond to these challenges with a strategic mind towards preservation of balance sheet strength and readiness to jump into action when the inevitable price strengthening occurs. With the capital resources now available to us through our recent private equity deal with Azimuth Capital Management (“Azimuth”), we are in a very enviable position of strength. With this strength, we will remain focused on existing asset optimization and will continue to scour for new opportunities as they evolve out of the carnage of this challenged commodity price environment.

### OPERATIONS UPDATE

Quarterly Production by Area	Current Estimate	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
Lone Rock (bbl/d)	280	382	291	327	556	828	529	291	421	534
Edam (bbl/d)	425	440	537	580	826	864	549	458	486	394
Other (boe/d)	-	-	-	-	-	7	26	24	35	35
<b>Total daily average (boe/d)</b>	<b>705</b>	<b>822</b>	<b>828</b>	<b>907</b>	<b>1,382</b>	<b>1,699</b>	<b>1,104</b>	<b>773</b>	<b>942</b>	<b>963</b>

For the first three months of 2016, our development activities have been relatively minimal due to the ongoing low price environment. In February 2016 we proceeded to drill 1 vertical well at Lone Rock (A8-6), targeting a new Sparky oil pool, in an effort to prove up the potential of adjacent expiring lands. Unfortunately, A8-6 came in showing limited porosity and sand development, and we elected to abandon the well. On the operating front, our operating mandate throughout most of 2015 and even more so during the recent price lows in the first quarter of 2016, was to minimize well workover activity to only those projects that were economic at current prices. This has resulted in an accumulation of overdue well workovers with associated production shut-ins of approximately ~300 barrels per day. We are closely watching the recent price strengthening to US WTI\$40.00 as we view this price as being at or near the required threshold to begin workover activities on many of these wells. If the current price strengthening holds at or near WTI\$40.00, we hope to kick off some of these projects immediately after the spring break-up period (late May).

In times like these, controlling costs is one of the few variables that is within our control, and one which is tantamount to survival at the lowest of low prices (as we have seen in recent months.) Our field operators have been working tirelessly to continuously deliver

ongoing operating improvements and efficiencies. We have also worked very closely with our suppliers and service providers, leveraging the strength of our relationships in the area, to seek out further cost reductions in a long term win-win partnership, recognizing that it takes more than just Kaisen to get a barrel of oil to the market. As always, the strength of our people is the ultimate key to our success. We have taken every measure to ensure we retain our core group of operations personnel on whom we greatly depend. We believe the culmination of these efforts will reward Kaisen with meaningful operating cost reductions in the first quarter of 2016 of up to \$4.00-\$5.00 per barrel at current production levels. Just as importantly, these hard earned operating efficiencies and resulting service provider and supplier loyalties will position Kaisen to operate more successfully than ever before in a strengthening price environment. It is amazing how much can be learned with ones feet in the fire, the key to winning is to ensure one carries these lessons forward as industry hardships eventually turn to prosperity.

With the ongoing price volatility, we will continue to be prudent in our investment decisions as we contemplate the near and long term benefits of each project in the context of maximizing shareholder value while preserving financial flexibility and security.

## RESERVES HIGHLIGHTS

### Reserves summary at December 31, 2015 using Sproule December 31, 2015 forecast pricing

Company interest	Heavy Oil (mmbbls)	Natural Gas (mmcf)	2015 Total (mboes)	2014 Total (mboes)	2013 Total (mboes)
Proved Developed Producing	470.8	-	470.8	1,077.1	765.4
Proved Developed Non-Producing	470.9	143.0	494.7	427.8	565.0
Proved Non-Producing & Undeveloped	2,797.2	-	2,797.2	2,670.5	2,056.9
<b>Total Proved</b>	<b>3,739.0</b>	<b>143.0</b>	<b>3,762.8</b>	<b>4,175.4</b>	<b>3,387.3</b>
Total Probable	4,810.7	68.0	4,822.0	6,174.1	2,800.3
<b>Total Proved plus Probable</b>	<b>8,549.7</b>	<b>211.0</b>	<b>8,584.9</b>	<b>10,349.5</b>	<b>6,187.6</b>

### Net present value of future revenues before income taxes under forecast prices and costs discounted at 10%

Company interest (\$ thousands)	Heavy Oil	Natural Gas	2015 Total	2014 Total	2013 Total
Proved Developed Producing	\$5,183	-	\$5,183	\$26,026	\$20,818
Proved Developed Non-Producing	\$6,656	(\$37)	\$6,619	\$6,932	\$8,290
Proved Non-Producing & Undeveloped	\$36,541	-	\$36,541	\$41,052	\$23,225
<b>Total Proved</b>	<b>\$48,380</b>	<b>(\$37)</b>	<b>\$48,343</b>	<b>\$74,009</b>	<b>\$52,333</b>
Total Probable	\$85,600	\$15	\$85,615	\$104,541	\$54,239
<b>Total Proved plus Probable</b>	<b>\$133,936</b>	<b>\$22</b>	<b>\$133,958</b>	<b>\$178,551</b>	<b>\$106,572</b>

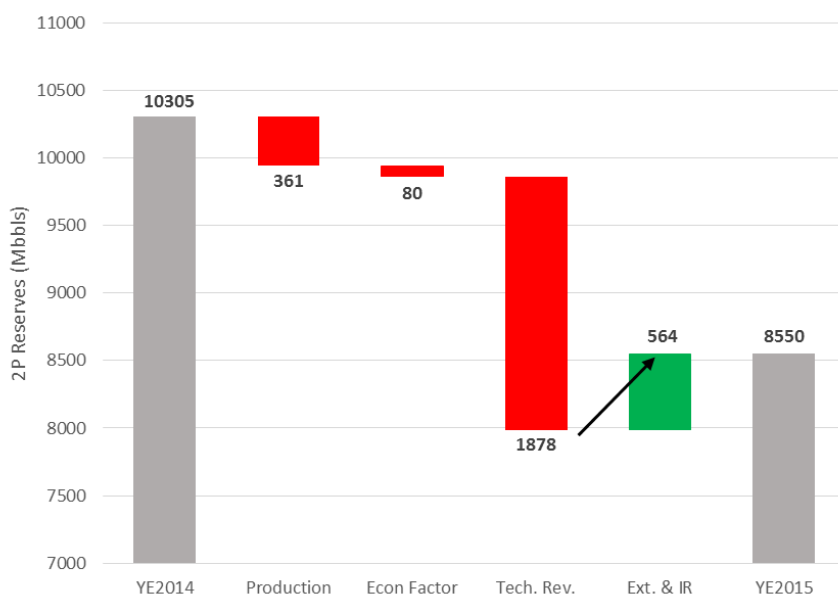
### Efficiency Ratios

The following tables summarize Kaisen's annual reserves review and highlights the capital efficiency through finding and development ("F&D") and finding, development and acquisition ("FD&A") per boe metrics as well as a recycle ratio metric.

2015 Reserves Reconciliation	Proved (Mbbbl)	Proved Plus Prob (Mbbbl)
December 31, 2014	4,142	10,305
CatChg PBUD to PRV	245	0
CatChg to NP	-20	-48
Extension	94	124
Improved Recovery	450	440
NRA from New Capital	-80	-110
Technical Revision	-656	-1,720
Price	-75	-80
Production	-361	-361
<b>December 31, 2015</b>	<b>3,739</b>	<b>8,550</b>

#### Abbreviations:

"Prob" Probable, "CatChg" Category change, "PRV" Proved, "PBUD" Probable undeveloped, "NP" Non-producing, "NRA" No reserves assigned, "Econ" Economic, "Tech. Rev." Technical revisions, "Ext" Extension drilling, "IR" Improved recoveries



(\$ thousands, except per share amounts)	3-Year Avg Proved plus probable	2015 Proved plus probable	2014 Proved plus probable	2013 Proved plus probable
Reserves acquired (mboes)		-	540.6	1,939.5
Reserves additions/(reductions) (mboes)		(1,405.0)	4,036.0	4,246.1
Current year production (mboes)		(361.0)	(412.7)	(154.9)
Total capital spending (\$,000)		\$3,762	\$15,798	\$5,646
Total acquisitions (\$,000)		-	(\$689)	\$13,622
Change in FDC (\$,000)		(\$26,494)	\$37,151	\$33,606
Total capital (\$,000)		(\$22,732)	\$52,260	\$52,874
F&D costs including FDC per boe	<b>\$8.42</b>	n/a	\$9.54	\$9.24
FD&A costs including FDC per boe		n/a	\$11.42	\$8.55
Recycle Ratio (FD&A with FDC) <sup>1</sup>	<b>2.3x</b>	n/a	2.4x	3.5x
Reserve life index (years) – using annualized Q4 production rate		28.6	16.8	17.6

1. Recycle ratio is calculated using the Company's full year operating netback of \$4.84 per boe (\$26.22 & \$28.03 in 2014 & 2013 respectively)

horizontal wells, 47 vertical wells and 6 future horizontal well conversions to water injection in the Lone Rock Sparky. Overall, Kaisen's proved plus probable ("2P") mbbbls reserves decreased by 17% with a 25% reduction in the 2P net present value discounted at 10%. Kaisen's 2P net present value (discounted at 10%) of \$133.0 million represents a value of \$4.37 per diluted outstanding common share, (\$178.6 million or \$9.57 per diluted outstanding share, in the prior year). In consideration of the challenging circumstances that plagued 2015, we are not at all surprised by this outcome. Despite the challenges of 2015 that impacted the results of most of our peers, Kaisen's 3-year trend of value creation is top quartile in our peer group, with a 3-year average finding, development and acquisition ("FD&A") rate (including the change in future development capital) of \$8.42 per boe (peer average of \$20.89 per boe) and an FD&A operating recycle ratio of 2.3x (peer average of 1.4x). With a 28 year reserve life index (based on fourth quarter production volumes), Kaisen's reserves confirm a significant resource from which substantial value can be created.

Kaisen's year-end 2P reserves were impacted by both technical (1,720 mbbbls) and economic (80 mbbbls) negative revisions. On the technical front, negative revisions at Edam were driven by sour water encroachment issues where we wrote down 1,500 mbbbls from 3 producing wells, 17 undeveloped vertical wells and 2 reactivation wells. Edam revisions were partially offset by positive revisions at Lone Rock from an improved forecast recovery factor in our main Sparky channel pool, through the conversion of much of our inventory from vertical to horizontal wells, which together added 440 mbbbls for a 57% increase in Lone Rock 1P reserves. Combined, Kaisen has booked 96 undeveloped drill locations, comprised of 49

## FINANCIAL UPDATE

	Quarterly Results (unaudited)							
	Q4, 2015	Q3, 2015	Q2, 2015	Q1, 2015	Q4, 2014	Q3, 2014	Q2, 2014	Q1, 2014
<b>Financial results (\$,000 except per share amounts)</b>								
Petroleum and natural gas	\$2,059	\$2,730	\$4,000	\$4,166	\$9,124	\$7,593	\$5,480	\$5,782
Realized hedging gains/(losses)	\$651	\$505	\$166	\$301	\$771	(\$335)	(\$688)	(\$404)
Funds flow from operations <sup>(1)</sup>	\$205	(\$144)	\$997	\$566	\$2,754	\$2,510	\$747	\$728
Per share – basic <sup>(1)</sup>	\$0.01	(\$0.02)	\$0.06	\$0.04	\$0.18	\$0.20	\$0.06	\$0.06
Per share – diluted <sup>(1)</sup>	\$0.01	(\$0.02)	\$0.06	\$0.04	\$0.17	\$0.16	\$0.06	\$0.06
Net earnings / (loss)	(\$1,429)	\$358	(\$1,667)	(\$607)	\$403	\$1,618	(\$104)	(\$1,854)
Per share – basic	(\$0.07)	\$0.02	(\$0.11)	(\$0.04)	\$0.03	\$0.13	(\$0.01)	(\$0.16)
Per share – diluted	(\$0.07)	\$0.02	(\$0.11)	(\$0.04)	\$0.03	\$0.11	(\$0.01)	(\$0.16)
Capital Expenditures	\$1,091	\$1,519	\$747	\$700	\$2,511	\$8,487	\$1,536	\$2,460
Net debt	\$3,022	\$4,930	\$3,267	\$3,516	\$3,382	\$3,620	\$5,282	\$4,359
<b>Share Capital (.000)</b>								
Outstanding – basic	23,420	15,420	15,420	15,420	15,420	15,420	11,912	11,895
Outstanding – diluted	30,649	18,649	18,649	18,649	18,649	18,649	14,736	14,719
Weighted average– basic	19,768	15,420	15,420	15,420	15,420	12,865	11,912	11,895
Weighted average– diluted	19,768	15,598	15,420	15,420	16,123	15,391	14,736	11,895
<b>Operating Netbacks</b>								
Sales price	\$27.22	\$35.85	\$48.44	\$33.48	\$58.40	\$74.76	\$77.86	\$68.37
Royalties	(\$4.08)	(\$6.57)	(\$10.61)	(\$6.60)	(\$14.82)	(\$19.14)	(\$18.84)	(\$16.42)
Saskatchewan surcharge tax	(\$0.69)	(\$1.92)	(\$0.91)	(\$1.84)	(\$2.97)	-	-	-
Operating expenses	(\$22.50)	(\$24.95)	(\$19.74)	(\$16.32)	(\$17.03)	(\$19.48)	(\$29.09)	(\$24.73)
Transportation expenses	(\$2.79)	(\$2.89)	(\$2.84)	(\$2.26)	(\$2.28)	(\$2.09)	(\$2.62)	(\$2.19)
Netbacks (before hedging)	(\$2.84)	(\$0.48)	\$14.34	\$6.46	\$21.30	\$34.05	\$27.31	\$25.03
Realized gain/(loss) on hedging	\$8.60	\$6.63	\$2.01	\$2.42	\$4.94	(\$3.30)	(\$9.77)	(\$4.70)
<b>Netbacks (after hedging)</b>	<b>\$5.76</b>	<b>\$6.15</b>	<b>\$16.35</b>	<b>\$8.88</b>	<b>\$26.24</b>	<b>\$30.75</b>	<b>\$17.54</b>	<b>\$20.33</b>
G&A	(\$5.10)	(\$7.59)	(\$7.35)	(\$4.88)	(\$5.42)	(4.88)	(6.73)	(11.23)
Cash interest costs	(\$0.37)	(\$0.52)	(\$0.47)	(\$0.28)	(\$0.11)	(0.33)	(0.65)	(0.35)
Current tax (expense)/recovery	\$2.41	\$0.06	\$3.54	\$0.84	(\$2.57)	-	-	-
<b>Corporate Netbacks</b>	<b>\$2.70</b>	<b>(\$1.90)</b>	<b>\$12.07</b>	<b>\$4.56</b>	<b>\$18.14</b>	<b>25.54</b>	<b>10.16</b>	<b>8.75</b>

During the three months ended December 31, 2015 (the “Quarter”), oil prices dropped to their lowest point in 2015 with US denominated WTI averaging US\$42.16. The WCS differential as a percentage of WTI was 34%, where historically it has been in the 20% to 25% range. In January 2016, US denominated WTI prices intermittently dipped below US\$30 per barrel and the WCS differential widened to almost a 50% discount. The net result is that WCS heavy barrels have traded at the lowest they ever have since inception of the WCS benchmark.

With the price movements in WTI and WCS during 2015, combined with the weakening of the Canadian dollar, Kaisen’s realized commodity price decreased to \$27.22 per barrel in the Quarter and \$36.11 per barrel for the full year, a 53% and 47%, respectively, decline over the same periods in 2014.

Operating netbacks for the Quarter (before hedging) averaged a loss of \$2.84 per barrel, in stark contrast to the second quarter netback profit of \$14.34 per barrel and \$21.30 per barrel in the fourth quarter of 2014. Kaisen continued with cost reduction initiatives during the Quarter, and despite the large fixed cost component to our operations, spread over a declining production base, we realized a decrease in operating costs per barrel of \$2.45 compared to the prior quarter.

Realized field netbacks (including hedging gains) for the Quarter, received significant relief from our 2015 hedging program which generated a realized hedging gain of \$8.60 per barrel (\$650,659) for a total field netback of \$5.76 per barrel (\$6.15 per barrel in the prior.)

On the administrative front, net G&A expenses for the Quarter totaled \$386,028, 33% lower than the prior quarter and 54% lower than the same period in 2014. Meaningful reductions in G&A expenses during the year are due to various cost reduction measures, most significant of which included incentive compensation cost reductions to management and staff.

Kaisen ended the year with no debt and a cash surplus of \$3,022,039. With a further \$10,000,000 of available equity in connection with the private placement offering to Azimuth, along with our currently available borrowing capacity of \$5,500,000 from ATB Bank, Kaisen is very well capitalized as we move through 2016.

For further details on our fourth quarter and annual operations and related financial results, please refer to the accompanying financial statements and management discussion and analysis for the three and twelve month periods ended December 31, 2015.

## OUTLOOK FOR 2016

As a continued response to this ongoing challenging economic environment, Kaisen will continue to wait for a sustained price rebound to levels at or higher than US WTI\$40.00 before giving further consideration to implementing a measured capital program. In the meantime, we will continue to seek out further operating efficiencies through ongoing well by well level economic and technical reviews and where economically practical, we may initiate various low-cost well workovers and facility enhancements to squeeze further benefit from our existing asset base. Until such time as we are comfortable with injecting capital towards well optimization and new drilling activities, we recognize that natural production declines will continue as they have over the past 12 months to levels not seen since our maiden year, 2013. However, in these unusual economic times, we have conscientiously focused our attention towards the preservation of our balance sheet strength to ensure that when the opportunity arises, we will have maximum optionality to capitalize on the growth of our existing assets as well as the ability to act on acquisition opportunities that may become present in the coming months.

### KAISEN EXECUTIVE MANAGEMENT TEAM:

*Cameron King*  
President & CEO

*Jeff Holmgren*  
Senior VP & CFO

*Chris McGinnis*  
VP Operations & Engineering

*Andy Kramchynski*  
VP Geology

### Disclaimer

*This communication may contain certain statements regarding Kaisen's future plans and operations as at April 5, 2016 and may contain forward-looking information including but not limited to: future commodity prices; the Company's ability to develop its existing assets; the Company's ability to aggregate complimentary assets at attractive prices; the Company's ability to be a successful operator in a low commodity price environment; and the success of executing capital projects.*

*Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity prices and exchange rate fluctuations, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures.*

*With respect to forward looking information contained in this communication, we have made the following assumptions, including the success of optimization and efficiency improvement projects, the availability of capital, current legislation, the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the Company's growth strategy, general economic conditions, availability of required equipment and services and prevailing commodity prices. The reader is cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, undue reliance should not be placed on forward-looking information. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained herein is expressly qualified by this cautionary statement. Kaisen does not assume any obligation to publicly update or revise any forward-looking information to reflect new events or circumstances.*