

**CALGARY, CANADA (TSX-V:CEX)
NEWS RELEASE**

Contact Announces Shale Gas Evaluation Summary and Operations Update

January 25, 2011, (Calgary, Alberta) Contact Exploration Inc. ("Contact" or the "Company") (TSX-V: CEX) is pleased to announce a summary of the results of an independent study (the "Study") of the quantity of shale gas resource contained on Company lands within the Frederick Brook Member of the Albert Formation in the Hillsborough region of the Moncton sub-basin in southern New Brunswick. The Study, effective December 31, 2010, was conducted by GLJ Petroleum Consultants Ltd. ("GLJ") of Calgary, Alberta in accordance with the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. The results of the Study are based on all available seismic and well information within the Study area provided by Contact to GLJ, as well as non-confidential data available from other operators in the sub-basin. The Study uses seismic and numerous wells to define the areal extent and thickness of the Frederick Brook shale on Company lands and also to correlate to other wells near the Elgin area that have successful gas tests in the Frederick Brook shales. The Study states that the best estimate⁽¹⁾ of prospective resources⁽²⁾ on Company lands is 2.138 TCF based on a 20% recovery factor of the undiscovered petroleum-initially-in-place of 10.897 TCF gross and 10.690 TCF Contact working interest (98.1%) (please refer to table below). The Study concludes that recovery factors should range between 10 and 30 percent for such resources, with a P50 case of 20 percent.

There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Total Frederick Brook Shale Resource	P90 (Low Estimate)	P50 (Best Estimate) ⁽¹⁾	P10 (High Estimate)
Gross Interest Petroleum Initially in Place	7.659 TCF	10.897 TCF	15.264 TCF
Working Interest Petroleum Initially in Place	7.513 TCF	10.690 TCF	14.974 TCF
Recoverable Prospective Resources ⁽²⁾	750 BCF	2.138 TCF	4.492 TCF

Notes:

1. "Best estimate" is defined as the value that best represents the expected outcome with no optimism or conservatism.
2. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance

of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

Numerous aspects of this shale gas resource provide encouragement to Contact for the further development of the Frederick Brook shale:

- The reported resource considers "free" gas-in-place ("FGIP") in available porosity only and does not consider adsorbed gas within existing kerogen or clays which may add materially to the total volume of gas-in-place;
- Relative to the majority of shale gas reservoirs identified, the Frederick Brook is over-thickened across much of the Hillsborough area, enabling high FGIP accumulations;
- Well penetration in the Hillsborough area confirm pore pressure within the Frederick Brook shale to be significantly greater than hydrostatic pore pressure, resulting in higher than normal formation pressures within the shale;
- Mineral types and percentages within the Frederick Brook in the Hillsborough area suggest that the rock will deform in a brittle fashion when placed under stress;
- Core data from the Hillsborough #1 well confirms open natural fractures within the Frederick Brook shale section which could materially enhance storage and deliverability of hydrocarbons; and
- Although yet to have an independent reserves assessment performed, another thick organic-rich shale has also been identified above the Frederick Brook in the Hiram Brook Member of the Albert Formation. Similar rock properties have been observed in this unit.

The Company continues to investigate various business strategies that will enable it to understand, evaluate and generate future shareholder value from this shale gas resource that resides on Contact's acreage. This may include a future vertical appraisal well or seeking a joint venture partner to determine the commerciality of the shale gas resource.

Operations Update

In late 2010, Contact successfully drilled and completed a two well horizontal drill program which was designed not only to secure increased production from the field, but to additionally facilitate future development. Contact had planned the wells to investigate reservoir quality, continuity and pressure in different regions of the oil pool. The wells were also drilled at

different geometric orientations to assist in better understanding stress regime and operational efficiency of drilling, completing and producing in the different orientations.

Since being placed on production, the N-88 well (800m, 8 stages) has steadily averaged over 120 bbl/d oil, pump restricted, with varying but decreasing water cuts. The N88 well is now shut-in for a downhole pump replacement and is expected to resume production shortly.

The K-78 well (600m, 6 stages) initially began production at 200 bbls/day total liquids, pump restricted. The well production declined to approximately 60 bbls/day oil and produced at this level for one week. The K-78 well was then shut-in so that various reservoir parameters could be evaluated through pressure build-up and analysis. This well has been placed back online as of January 22, 2011.

Contact remains very encouraged with the Stoney Creek reservoir and the results of its recent drilling program. Aggregate production from the field is now approximately 10 times what it was prior to Contact placing its two new wells on-stream. Additionally, the Company has gained new understanding of stress regime and relationship to well performance enabling future wells to be drilled in the optimum trajectory. The K78 well, although accessing equal or higher reservoir pressure than the N88 well, appears to have been less effectively stimulated, likely related to fracture growth parallel to well trajectory, rather than perpendicular to the well bore as experienced at N88. The Company remains confident that at least 12 future wells, modeled off the N-88 geometry, can yield economic performance.

Contact is currently planning a multi-well program in Stoney Creek for 2011 to be coordinated with a new drill into the Hopewell Prospect. The Hopewell Prospect, located approximately 8 kilometers south of the Stoney Creek Field, is defined by both well and seismic data. The reservoir appears to have slightly lower porosity than the primary oil zone observed at Stoney Creek, but is of greater areal extent than the Stoney Creek oil field and has already tested light oil from a flanking well. Contact believes that with the application of current drilling and completions technology this prospect and others flanking the Stoney Creek field may be capable of the economic recovery of hydrocarbons.

About Contact Exploration Inc.

Contact Exploration Inc. is a public company with a focus on Canadian East Coast onshore oil and gas production and exploration. Our philosophy is to operate production and exploration in our core area of Atlantic Canada and to participate through overrides and carried interests in certain regional unconventional plays, such as coalbed methane in the Cumberland Basin, shale gas in the Windsor area, and exploration on the west coast of Newfoundland. Contact has onshore interests in Nova Scotia, Newfoundland and New Brunswick which includes the Stoney Creek Field. In addition to the Atlantic Canadian properties, Contact has producing oil assets in south eastern Saskatchewan.

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forward looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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