

## TWOCO PETROLEUMS LTD. SECOND QUARTER HIGHLIGHTS AND 2010 UPDATE

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August 30, 2010

**Calgary, Alberta** – Twoco Petroleum Ltd. (“**Twoco**” or the “**Company**”) (TSX Venture – TWO) announces financial and operating results for the quarter ended June 30, 2010 and an update of its 2010 activities.

Twoco has filed the following documents on the System for Electronic Document Analysis and Retrieval (SEDAR):

1. Unaudited financial statements as at and for the quarter ended June 30, 2010, together with the notes thereto; and
2. Management’s discussion and analysis of financial condition and results of operations as at and for the quarter ended June 30, 2010.

Copies of these documents may be obtained via SEDAR at [www.sedar.com](http://www.sedar.com).

Highlights of the Second Quarter 2010 include:

- Average production of 736 boe per day – a 42% decrease from the Second Quarter 2009 – a result of shut-in volumes due to low natural gas prices, a lack of drilling activity and natural production declines;
- Petroleum and natural gas sales revenue of \$1,366,288 – a 39% decrease from the Second Quarter 2009 – due to lower production and lower natural gas prices;
- Cash flow from operations of \$68,265 (\$0.01 per share) – an 87% decrease from the Second Quarter 2009 due to lower production, lower natural gas prices and new bank fees;
- Operating netback of \$989,147 (\$14.77 per boe);
- Net loss of \$1,622,865 (\$0.11 per share);
- Capital expenditures of \$367,611;
- Current land position of 128,827 gross (95,648 net) acres;
- Operating costs of \$7.46 per boe; and
- General and administrative expenses of \$5.03 per boe.

Highlights of Twoco’s anticipated 2010 work program and summary of operations for the year to date include:

- Current production of approximately 700 boe per day.
- Twoco estimates current shut-in and behind pipe production capability of 200 boe per day.
- On July 29, 2010, the Company announced an equity financing of up to \$6,000,000 and that it will take steps to enter into agreements with the holders of its outstanding unsecured 17% debentures to exchange such debentures for common shares of the Company (the “**Debenture Exchange**”). In connection with the proposed equity financing and Debenture Exchange, the Company has also entered into an amending agreement (the “**Amending Agreement**”) to its credit facility with Alberta Treasury Branches (the “**Bank**”).
- On August 10, 2010, the Company filed a final prospectus in connection with a short form prospectus offering in British Columbia, Alberta and Ontario (the “**Offering**”) of up to \$2,000,000 of units of the Company (“**Units**”) at a price of \$0.23 per Unit and up to \$4,000,000 of flow-through units of the

Company (“**Flow-Through Units**”) at a price of \$0.25 per Flow-Through Unit to raise minimum gross proceeds of \$3,000,000 (the “**Minimum Offering**”) and maximum gross proceeds of \$6,000,000. Each Unit will be comprised of one common share of the Company (“**Common Share**”) and one Common Share purchase warrant (“**Warrant**”). Each Flow-Through Unit will be comprised of one Common Share to be issued as a “flow-through share” (“**Flow-Through Share**”) within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”) and one-half of one Warrant. Each whole Warrant shall be exercisable into one Common Share at a price of \$0.30 per Common Share for a period of 24 months from the closing date (“**Closing Date**”) of the Offering. Pursuant to the terms of an agency agreement between Twoco and Macquarie Private Wealth Inc. (the “**Agent**”) dated effective July 13, 2010 (the “**Agency Agreement**”), the Offering will be conducted on a commercially reasonable efforts agency basis. It is anticipated that closing of the Offering will occur by September 15, 2010.

- As of May 7, 2010, Twoco had a loan facility with the Bank that included a \$18,000,000 revolving credit facility and a \$500,000 non-revolving loan facility. On May 7, 2010, the Bank and the Company agreed to changes to the credit facility that includes an increase to the interest rate on its \$18,000,000 credit facility to prime plus 3.75% effective as of April 15, 2010.
- On July 29, 2010, the Company and the Bank entered into an amending agreement (the “**Amending Agreement**”) further amending the terms of the Company’s \$18,000,000 revolving credit facility. In particular, among other things, the repayments of the revolving credit facility are to be made from net proceeds of any additional borrowings, proceeds on sale of property, proceeds from insurance and proceeds from equity issuances other than the Offering. In addition, the Company is required to complete an equity issuance for a minimum of \$3,000,000 in gross proceeds on or before September 15, 2010, which includes the Offering. The next review date of the credit facilities was also extended in connection with the Amending Agreement to March 31, 2011 but may be changed at any time at the sole discretion of the Bank.
- Due to continuing depressed prices for natural gas, the Company has determined to strategically diversify its commodity mix by targeting exploration towards oil prospects it has identified on its existing lands. Assuming completion of the Offering, the Company intends to increase its capital budget to drill up to 4 horizontal oil wells on four sections of land on the Company’s Sparky oil prospect in the Warspite area of Alberta and one horizontal oil well on the Company’s Viking prospect in the Bellshill Lake area of Alberta. The net proceeds of the Offering will also be used to drill up to 6 vertical natural gas wells in the Company’s Warspite, Colinton, Sunland and Plain operating areas of Alberta and a modest amount of the net proceeds of the Offering may be used for general corporate purposes. The gross proceeds from the issuance of Flow-Through Shares in an amount equal to the portion of the aggregate purchase price for Flow-Through Units which is allocated to the Flow-Through Shares, will be used to incur Canadian Exploration Expenses (as such term is defined in the Tax Act) prior to December 31, 2011 (the “**Flow-Through Commitment**”). The Company will renounce such Canadian Exploration Expenses to the subscribers of the Flow-Through Units effective on or before December 31, 2010.
- All capital expenditures are discretionary. In the event that less than \$6,000,000 is raised pursuant to the Offering, there will be fewer dollars immediately available to the Company and therefore fewer wells will be drilled using proceeds from the Offering. Subject to satisfying the Flow-Through Commitment and in compliance with the terms of the Amending Agreement, Twoco will review all capital expenditures on a regular basis throughout 2010 and 2011 and adjust spending based on factors such as changes in commodity prices and drilling and production results.

Twoco is an oil and gas company engaged in the exploration for, and the acquisition, development and production of, oil and natural gas reserves primarily in the Province of Alberta. Twoco has 14,941,406 Common Shares issued and outstanding as at today’s date.

In this news release the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of six thousand cubic feet (Mcf) of natural gas for one barrel (Bbl) of oil based on an energy equivalency conversion method. Boes may be misleading particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1Bbl is based

on an energy equivalency conversion method primarily applicable to the burner tip and does not represent a value equivalency at the wellhead.

### **Forward-Looking Statements:**

Certain information set forth in this news release contains forward-looking statements or information (“**forward-looking statements**”), including statements regarding Twoco’s capital budget, participation in the drilling of wells, behind pipe production capability, the closing of the Offering, the receipt of applicable regulatory approvals, the anticipated use of the net proceeds of the Offering, proposed changes to the Corporation’s capital budget, the Debenture Exchange and the terms of the Amending Agreement. The closing of the Offering and the Debenture Exchange could be delayed if the Company is not able to obtain the requisite regulatory and TSX Venture Exchange approvals on the timelines it has planned. The Offering and the Debenture Exchange will not be completed at all if these approvals are not obtained or some other condition to closing the Offering is not satisfied, including obtaining the Minimum Offering and meeting the requirements of the Amending Agreement. Accordingly, there is a risk that the Offering and the Debenture Exchange will not be completed within the expected timeframe or at all. The intended use of the net proceeds of the Offering by the Company might change if the board of directors of the Company determines that it would be in the best interests of the Company to deploy the proceeds for some other purpose. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Twoco’s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, operational risks in exploration and development, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal and external sources. Although Twoco believes that the expectations in our forward-looking statements are reasonable, our forward-looking statements have been based on factors and assumptions concerning future events which may prove to be inaccurate. Those factors and assumptions are based upon currently available information. Such statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward looking information. As such, readers are cautioned not to place undue reliance on the forward looking information, as no assurance can be provided as to future results, levels of activity or achievements. The risks, uncertainties, material assumptions and other factors that could affect actual results are discussed in our Annual Information Form and other documents available at [www.sedar.com](http://www.sedar.com). Furthermore, the forward-looking statements contained in this document are made as of the date of this document and, except as required by applicable law, Twoco does not undertake any obligation to publicly update or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

*This news release is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States or to or for the account or benefit of US persons (as such terms are defined in Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act")), absent registration or an exemption from registration. The securities offered have not been and will not be registered under the U.S. Securities Act or any state securities laws and, therefore, may not be offered for sale in the United States, except in transactions exempt from registration under the U.S. Securities Act and applicable state securities laws.*

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