



North Peace Announces ERCB Approval of Top Down Steam Drive Process and Filing of Second Quarter Financial Results

Calgary, Alberta, August 26, 2010 – North Peace Energy Corp. (“North Peace” or the “Company”) announces it has received ERCB approval and the filing of its second quarter financial results.

Top Down Steam Drive Process

North Peace has received approval from the Energy Resources Conservation Board (“ERCB”) to implement the Top Down Steam Drive process at its Red Earth pilot project. The Top Down Steam Drive process is described in the updated corporate presentation available on the Company’s website at:

http://www.northpec.com/investor/event_presentations.html

Second Quarter Financial Results

The Company's financial statements, notes to the financial statements and management's discussion and analysis are available on the Company’s website (www.northpec.com/investor/financial_reports.html) and have been filed on SEDAR (www.sedar.com).

Second Quarter Highlights

- Working capital of approximately \$2.3 million and no debt as at June 30, 2010
 - Current working capital of approximately \$2 million
- Capital expenditures of \$700,000 during the quarter, focused on pilot operations and completions work on the Company's conventional assets.
- Oil sales of \$85,605 from the Red Earth pilot and \$103,235 from the conventional assets

Operations Update

Production was completed on the second cycle of the L1 well at the Red Earth Pilot on June 15, 2010. The Steam Oil Ratio (“SOR”) for the full second cycle was 3.9 (SAGD equivalent SOR of 3.3 when adjusted for heat content of injected steam). This compares favorably to current industry average SOR of approximately 3.7 for existing SAGD projects in commercial operations. Average production rates were 25 bbl/d over a period of 32 weeks, which includes both steam and production time.

Post completion of the second cycle, the L1 well has been prepared for the third cycle and the L2 well has been configured for a steam circulation test. The next step is to implement the Top-Down Steam Drive process which will be undertaken when the funds are secured either with the completion of the strategic alternatives process or the equity financing. In the interim, the Company has suspended steam generation and production operations at the pilot.

Corporate Update

North Peace is continuing with its previously announced process to explore strategic alternatives for enhancing shareholder value, which may include, but are not limited to, a corporate sale, merger or other business combination, joint venturing with an interested party, a major financing or any other combination that will result in unlocking additional value for shareholders.

The Company also continues to pursue the previously announced non-brokered private placement of up to 25,000,000 units ("Units") at a price of \$0.20 per Unit for gross proceeds to North Peace of up to \$5 million as part of its ongoing strategic alternatives review process. Each Unit consists of one common share and one half of one common share purchase warrant ("Warrant") of the Company. Each whole Warrant entitles the holder to acquire one common share of the Company at a price of \$0.30 per share for a period of 12 months from the closing date of the offering. The Company intends to use the net proceeds from the private placement to develop and implement its Top Down Steam Drive process on its existing wells and for working capital purposes.

North Peace does not intend to disclose developments with respect to the strategic review process including the proposed private placement unless and until its Board of Directors has approved a definitive transaction or strategic option. There can be no assurance that any transaction including the private placement will occur, or if a transaction is undertaken, as to its terms or timing. Any announcements regarding the strategic alternatives review will be disclosed in accordance with applicable legal and regulatory requirements.

About North Peace

North Peace has an early stage in-situ oil sands play in northern Alberta. The Company has a 100% working interest in 86,400 acres of Crown oil sands leases in the Peace River area plus interests in other non-core areas. The oil sands leases have the benefit of over 300 legacy wells and are surrounded by accessible oil and natural gas production infrastructure. The target Bluesky zone is a regional sand, deposited in a near shore marine environment at approximately 400 metres in depth. Management estimates the initial area of focus has approximately 22 sections with 10 to 16 metres of oil-bearing thickness, technically sufficient to advance a 10,000 bbl/d commercial project with ultimate potential of 30,000 bbl/d. North Peace is currently advancing the development of its resource using Cyclic Steam Stimulation ("CSS"), a robust and proven in-situ thermal recovery process. The Company is currently operating a two well CSS pilot on its lands.

Forward-Looking Statements

Certain statements contained in this news release constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this release should not be unduly relied upon. Information and statements in this news release relating to "reserves or resources" are deemed to be forward looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and that the reserves and resources described can be profitably produced in the future. In particular, this news release contains forward-looking statements pertaining, directly or indirectly, to the following: risks associated with the strategic alternatives process including the terms or timing of any transaction and the risk that no transaction will occur, risks associated with financing activities, including the ability to raise sufficient funds as well as receipt of all required regulatory and other approvals as well as securities and other market conditions and economic factors, business and operations strategies including the operations at North Peace's pilot project and potential commencement of a subsequent commercial project and the application of the Top Down Steam Drive process to North Peace's project. Actual results could differ materially as a result of North Peace's inability to complete a strategic transaction or raise sufficient funds, non-receipt of required regulatory and other approvals including for the proposed private placement and for the implementation of the Top Down Steam Drive process, securities and other market conditions and economic factors, the substantial

capital requirements of the Company's project, changes in North Peace's plans, changes in commodity prices, regulatory changes, general economic, market and business conditions as well as production, development and operating performance and other risks associated with oil and gas operations including uncertainties inherent in bitumen recovery processes such as CSS, SAGD and the Top Down Steam Drive process, anticipated success of resource prospects and the expected characteristics of resource prospects; uncertainties inherent in estimating quantities of reserves and resources; anticipated capital requirements, project rates of return and estimated project life; estimates of original discovered resource; estimates of recovery factors; lack of diversification; and overall technical and economic feasibility of the Company's project. There can be no assurance that the Top Down Steam Drive process can be successfully applied to the Company's project or that it will achieve the necessary increases in steam injectivity or production rates. Certain of the risks and uncertainties referred to above are described in more detail in the Company's Annual Information Form for the year ended December 31, 2009, which is available on the SEDAR website at www.sedar.com. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. These statements speak only as of the date of this release or as of the date specified in the documents accompanying this release, as the case may be. The Company undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities laws.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as the term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

The TSX Venture Exchange has neither approved nor disapproved the contents of this press release.

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