



Press Release

August, 4 2010

**PETROLIFERA PETROLEUM LIMITED COMPLETES AMENDMENT TO ITS RESERVE-BACKED CREDIT FACILITY AND REDUCES INDEBTEDNESS**

Calgary, Alberta – Petrolifera Petroleum Limited (PDP – TSX) announced today that it has completed an amendment (“Amendment”) to its reserve-backed credit facility, resulting in an extension of its term until June 30, 2012 and a reduction in borrowings under the facility to US\$38.25 million, as a result of a one-time payment of US\$8 million, made immediately prior to closing and the simultaneous payment of an additional US\$3.75 million, representing the second quarter 2010 payment which under normal circumstances would have been paid prior to June 30, 2010 if, as was anticipated, the Amendment had been closed prior thereto.

Petrolifera has agreed to make similar quarterly principal repayments of \$US3.75 million, which are anticipated to be financed from its cash balances and cash flow from operations, at the end of each ensuing quarter until June 30, 2012, when the balance of US\$12 million (or such lesser amount as may be outstanding) will become due and payable. Pursuant to the Amendment, a portion of any funds received by Petrolifera from the recovery of sunk costs (up to a maximum of US\$5 million in the aggregate) pursuant to any farmout agreements which may be consummated with respect to the company’s lands in Colombia and Peru will also be used to further reduce indebtedness. Pricing reflects current market conditions based on the London Interbank Rate (“LIBOR”). Pursuant to the Amendment, should alternative sources of funding become available to it, the company retains the right to discharge any balance of indebtedness of this amended reserve-backed credit facility, at any time and without penalty.

The Amendment provides Petrolifera with an immediate improvement in its working capital position, as a significant portion of the company’s reserve-backed indebtedness will now be classified as long-term debt. This balance sheet effect will be reflected in the company’s financial statements for the six months ended June 30, 2010, which will be released to the public on August 5, 2010. However, cash balances and total debt outstanding at June 30, 2010 will not reflect the payments detailed herein, as they were made after the end of the reporting period and have resulted in the reduction in reserve-backed indebtedness to an aggregate of US\$38.25 million, including the current and long-term portion.

Petrolifera retains significant liquidity and anticipates being able to continue meeting its financial obligations pursuant to the terms of this Amendment, but in due course will continue to examine and may pursue alternative funding arrangements to discharge any residual credit facility indebtedness which may remain outstanding, including that which may be due on June 30, 2012.

Petrolifera Petroleum Limited is a Calgary-based crude oil and natural gas exploration and production company with operations in Argentina, Colombia and Peru.

**Forward Looking Information:**

*This press release contains forward-looking information, including information relating to future payment obligations under the amended reserve-backed credit facility, sources of funding associated therewith, the expectation that the company will continue to meet its financial obligations under the reserve-backed credit facility and the planned examination of possible alternative financing arrangements to discharge outstanding amounts under the reserve-backed credit facility. Forward-looking information is not based on historical facts but rather on Management's expectations regarding the company's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities and expectations with respect to general economic and capital market conditions. Such forward-looking information reflects Management's current beliefs and assumptions and is based on information currently available to Management. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including but not limited to, risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production, delays or changes to plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environment risks), the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with negotiating with foreign governments and third parties located in foreign jurisdictions and the risk associated with international activity. There can be no assurance that the company will be successful in its efforts to secure planned farmouts and/or joint venture arrangements and thereby reduce its indebtedness under the reserve-backed credit facility. Additionally, the company's ability to pay quarterly principal repayments when due is dependent on cash flow from operations which is dependent on future production levels, commodity prices and foreign exchange rates. Additional risks and uncertainties associated with Petrolifera's business and affairs are described in Petrolifera's Annual Information Form for the year ended December 31, 2009. Although the forward-looking information contained herein is based upon assumptions which Management believes to be reasonable, the company cannot assure investors that actual results will be consistent with this forward-looking information. This forward-looking information is made as of the date hereof and the company assumes no obligation to update or revise this information to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions inherent in forward-looking information, prospective investors in the company's securities should not place undue reliance on this forward-looking information.*

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