

Twoco Petroleums Ltd.

Annual Information Form

For the Period Ended December 31, 2004

April 20, 2005

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ABBREVIATIONS

Oil and Natural Gas Liquids

bbl	barrels
mdbl	thousand barrels
mmbbl	million barrels
bbl/d	barrels of oil per day
API	American Petroleum Institute
NGLs	natural gas liquids
stb	standard stock tank barrel
mstb	thousand standard stock tank barrels

Natural Gas

mcf	thousand cubic feet
mmcf	million cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
mmbtu	million British thermal units
GJ	gigajoule
GJ/d	gigajoules per day

Other

boe	barrel of oil equivalent converting six mcf of natural gas to one barrel of oil (6:1)
boe/d	barrels of oil equivalent per day
mboe	thousand of barrels of oil equivalent
M\$	thousands of dollars
MM\$	millions of dollars
NPV	net present value

In this Annual Information Form the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of 6,000 cubic feet (6 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 : 1 bbl is based on an energy equivalency conversion method primarily applicable to the burner tip and does not represent a value equivalency at the wellhead.

CURRENCY

In this Annual Information Form, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form and in certain documents incorporated by reference into this Annual Information Form, constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements 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. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be. The Corporation does not intend, and does not assume any obligation, to update or revise these forward-looking statements.

In particular, this Annual Information Form and the documents incorporated by reference contain forward-looking statements pertaining to the following:

- the quantity of reserves;

- oil and natural gas production levels;
- capital expenditure programs;
- projections of market prices and costs;
- supply and demand for oil and natural gas
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development; and
- treatment under government regulatory and taxation regimes.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in market prices for oil and natural gas;
- liabilities and risks inherent in oil and natural gas operations;
- uncertainties associated with estimating reserves
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions; and
- geological, technical, drilling and processing problems.
- fluctuations in foreign exchange or interest rates and stock market volatility
- changes in government regulations

These factors should not be considered exhaustive.

THE CORPORATION

Twoco Petroleum Ltd. ("**Twoco**" or the "**Corporation**") was incorporated pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**") on September 21, 2000. On September 19, 2002, Twoco filed Articles of Amendment to split the then outstanding common shares on a 1,000-for-1 basis. On August 27, 2003, Twoco filed Articles of Amendment to remove "private company provisions" from its Articles. On December 18, 2003, Twoco filed Articles of Amendment to split the then outstanding common shares on a 2-for-1 basis.

The head office of the Corporation is located at 1050, 1122 - 4th Street S.W., Calgary, Alberta T2R 1M1 and its registered office is located at 1000, 400 - 3rd Street S.W., Calgary, Alberta T2P 4H2.

GENERAL DEVELOPMENT OF THE BUSINESS

Business of the Corporation

The Corporation is engaged in the exploration for, and the acquisition, development and production of, oil and natural gas reserves in the Western Canadian Sedimentary Basin.

Corporate Strategy

The business plan of the Corporation is to create sustainable and profitable per share growth in the oil and natural gas industry in western Canada. To accomplish this, Twoco will continue to pursue an integrated growth strategy including development and exploration drilling, acquisitions and the creation of joint ventures.

To date, the Corporation has achieved all revenue and production growth via drilling success on exploration plays generated in-house. Generally, it is management's philosophy to not attempt to acquire mineral rights in any prospect that Twoco is not prepared to drill itself.

It is Twoco's intention to achieve the majority of future growth utilizing a strategy similar to that adopted in the past, that is, successful drilling of internally generated and acquired prospects within the Province of Alberta. Nevertheless, the Corporation, when it deems it advantageous to do so, may pursue asset or corporate acquisitions of crude oil and natural gas properties. It is the intention to finance such acquisitions through a combination of cash flow from operations, debt and future equity issues.

History of the Corporation

Twoco was formed to operate in Canada as an oil and natural gas exploration, development and production company. Twoco expects to continue to develop new reserves and production in its core project areas in the Western Canadian Sedimentary Basin and is active in developing drilling projects and analyzing strategic property (or corporate) acquisitions where the Corporation views further exploitation, development and exploration opportunities exist.

Twoco was initially formed by Mr. Wayne Malinowski and Mr. Timothy Bashforth, with interests of 80% and 20%, respectively, and was the operating entity in a joint venture involving Twoco as to a 10% interest, Prelude Oil & Gas Inc. ("**Prelude**") as to a 72% interest, a company owned by Mr. Malinowski and his spouse and Predator Resources Ltd. ("**Predator**") as to an 18% interest, a company owned by Mr. Bashforth and his spouse. Twoco's share of expenses to acquire Crown land was funded by shareholder loans from Messrs. Malinowski and Bashforth, and Twoco was granted a farm-in to earn 50% of each of the interests of Prelude and Predator in such land. Twoco completed a private placement, comprised of flow-through and non flow-through common shares, in the fall of 2002 to raise sufficient funds for working capital and to drill the properties, thereby increasing its positions in the properties to 55%.

Effective July 30, 2003, Twoco acquired all of the shares of Prelude in exchange for 2,197,936 shares of Twoco (after giving effect to the share split on December 18, 2003) at a deemed value of \$1.706 per share (also post share split). Also effective July 30, 2003, Twoco acquired all of the shares of Predator in exchange for 526,008 shares of Twoco (after giving effect to the share split on December 18, 2003) at a deemed value of \$1.706 per share (also post share split.) Concurrent with the acquisition of Prelude and Predator, Messrs. Malinowski and Bashforth converted a portion of their shareholder loans to Twoco, \$200,000 and \$50,000, respectively, into shares of Twoco also at a deemed value of \$1.706 per share (after giving effect to the share split on December 18, 2003). Prior to the 2003 year end, each of Prelude and Predator were wound up into Twoco.

On October 14, 2003, Twoco completed a private placement of \$1,500,000 of 15% convertible redeemable debentures dated effective September 30, 2003 and maturing September 30, 2005 ("**Convertible Debentures**"). Interest on the Convertible Debentures is payable quarterly commencing 6 months after issuance. The principal amount of each debenture is convertible at the option of a holder at any time prior to maturity at a conversion price of \$1.25 per common share (conversion price is after the share split effected on December 18, 2003), and, within certain time limitations, the Convertible Debentures are redeemable by the Corporation, unless earlier converted in the event of an offer to purchase being made to the holders of common shares whereby the offeror would, together with persons acting jointly or in concert, if successful, control directly or indirectly more than 50% of the outstanding common shares of the Corporation. The Convertible Debentures also contain anti-dilution as well as other adjustment provisions on the occurrence of certain events. Proceeds of the Convertible Debentures were used for the acquisition of a compressor/dehydration facility and gathering system to tie-in natural gas production in the Andrew/Willington area of Alberta, one of Twoco's core areas.

On December 22, 2003, Twoco completed a private placement of 1,176,500 special warrants ("**Special Warrants**") issued on a "flow-through" basis for gross proceeds of \$2,000,050.

On April 16, 2004, Twoco completed its initial public offering ("**IPO**") of 3,530,000 units at a price of \$1.70 per unit for gross proceeds of approximately \$6,001,000. Each unit was comprised of one common share and one-half of one non-transferable common share purchase warrant, each whole warrant entitled the holder to acquire one common share of Twoco at a price of \$1.95 per share until April 16, 2005.

On April 28, 2004, Twoco commenced trading on the TSX Venture Exchange.

Environmental Matters

The oil and gas industry is subject to environmental regulations pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on release or emission of various substances produced in association with certain oil and gas industry operations, and requires that well and facility sites be abandoned and reclaimed to the satisfaction of environmental authorities. As at December 31, 2004, Twoco recorded an obligation on its balance sheet of \$708,230 for asset retirement. The Corporation maintains an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. The Corporation also has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure.

Employees

At December 31, 2004, Twoco's head office work force consisted of three employees and three part-time consultants. Field operations are provided by one part-time consultant.

Trends

There are a number of trends developing in the oil and gas industry which may have both a short term and long term effect on Twoco. There is a continuing trend relating to the level and volatility of oil and natural gas prices. Prices for both commodities have trended upwards and volatility has increased. Although oil prices are dependent on world events, natural gas prices react more to North American supply and demand factors. The Canadian/U.S. exchange rate influences commodity prices for Canadian producers as there is a high correlation between Canadian and U.S. oil and natural gas prices.

The cyclical nature of the oil and gas industry is trending to shorter cycles, primarily as a result of commodity price volatility. For some investors shorter cycles implies higher risk. If investors reduce their exposure to riskier businesses, there may be less capital available to the oil and gas industry.

The consolidation of the oil and gas industry continues and recent transactions indicate that Canadian income trusts are the dominant consolidator. As a result of natural decline rates and a relatively low cost of capital, most observers believe income trusts will continue to be active asset gatherers. There is a continuing trend of mid-sized and larger oil and gas companies reorganizing into two new entities; an income trust and an exploration and development corporation.

Income trusts have had a significant impact on the oil and gas industry, including emerging and junior companies. Many junior exploration and development companies are staffed by personnel who were formerly employed by a corporation acquired by a trust. These experienced management teams often have pre-defined exit strategies that recognizes the growing income trust sector.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Petroleum and Natural Gas Reserves

AJM Petroleum Consultants (“**AJM**”), independent petroleum engineers of Calgary, Alberta prepared a Reserves Assessment and Evaluation of Canadian Oil and Gas Properties - Corporate Summary and Property Reports and a corporate evaluation dated March 7, 2005 of Twoco’s oil and gas reserves (the “**AJM Report**”) which evaluation is effective December 31, 2004. **The AJM Report is in respect of Twoco’s core oil and gas properties.** In preparing its report, AJM obtained basic information from Twoco, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the AJM Report is based, was obtained from public records, other operators and from AJM’s non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by AJM as represented.

The following tables set forth certain information relating to the oil and natural gas reserves of the Corporation’s properties and the present value of the estimated future net cash flow associated with such reserves as at December 31, 2004 which numbers may vary slightly from those presented in the AJM Report, due to rounding. Also due to rounding, certain columns may not add exactly. The information set forth below is derived from the AJM Report which report has been prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in National Instrument 51-101 - Standards of Disclosure For Oil and Gas Activities (“**NI 51-101**”). **All evaluations and reviews of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimated future net cash flow shown below is representative of the fair market value of the Corporation’s properties. There is no assurance that such price and cost assumptions will**

be attained and variances could be material. The recovery and reserve estimates of crude oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, NGLs and natural gas reserves may be greater than or less than the estimates provided herein.

In accordance with the requirements of NI 51-101, attached hereto are the following appendices:

Appendix A: Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2

Appendix B: Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3

Definitions used for reserve categories in the AJM Report are attached as Appendix C hereto.

**SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2004**

CONSTANT PRICES AND COSTS

RESERVES CATEGORY	RESERVES					
	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (mbbl)	Net (mbbl)	Gross (mmcf)	Net (mmcf)	Gross (mbbl)	Net (mbbl)
Proved						
Developed Producing	3	3	6,084	4,960	6	5
Developed Non-Producing	0	0	1,391	1,074	6	5
Undeveloped	0	0	140	120	1	0
Total Proved	3	3	7,615	6,154	13	10
Probable	4	4	3,451	2,796	2	1
Total Proved Plus Probable	7	7	11,066	8,950	16	11

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2004**

CONSTANT PRICES AND COSTS

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/YEAR)					AFTER INCOME TAXES DISCOUNTED AT (%/YEAR)				
	0	5	10	15	20	0	5	10	15	20
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved										
Developed Producing	26,495	22,271	19,265	17,044	15,346	19,699	16,441	14,157	12,483	11,209
Developed Non-Producing	5,723	5,048	4,522	2,670	3,762	3,781	3,317	2,957	2,670	2,437
Undeveloped	483	443	409	1,812	353	329	299	273	251	232
Total proved	32,701	27,762	24,196	21,526	19,461	23,809	20,057	17,387	15,404	13,878
Probable	15,292	9,789	6,968	5,325	4,273	10,467	6,655	4,720	3,599	2,883
Total Proved Plus Probable	47,993	37,551	31,164	26,851	23,734	34,276	26,712	22,107	19,003	16,761

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2004**

CONSTANT PRICES AND COSTS

Reserves Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Well Abandonment Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Proved Reserves	47,720.1	9,207.2	6,895.8	217.1	734.2	32,700.5	8,891.4	23,809.4
Proved Plus Probable Reserves	68,943.8	13,305.5	9,462.4	277.7	795.3	47,992.4	13,716.8	34,275.4

**FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2004**

CONSTANT PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES & ARTC (discounted at 10%/year) (M\$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	71
	Natural Gas (including by-products but excluding solution gas from oil wells)	22,852
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	101
	Natural gas (including by-products by excluding solution gas from oil wells)	29,307

**SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2004**

FORECAST PRICES AND COSTS

RESERVES CATEGORY	RESERVES					
	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (mbbl)	Net (mbbl)	Gross (mmcf)	Net (mmcf)	Gross (mstb)	Net (mstb)
Proved						
Developed Producing	3	3	6,113	4,983	6	4
Developed Non-Producing	0	0	1,394	1,075	7	5
Undeveloped	0	0	140	121	1	1
Total Proved	3	3	7,646	6,179	14	10
Probable	4	4	3,466	2,806	2	2
Total Proved Plus Probable	7	7	11,112	8,985	16	12

**SUMMARY NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2004**

FORECAST PRICES AND COSTS

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/YEAR)					AFTER INCOME TAXES DISCOUNTED AT (%/YEAR)				
	0	5	10	15	20	0	5	10	15	20
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved										
Developed Producing	28,494	23,953	20,771	18,437	16,658	21,038	17,561	15,156	13,405	12,076
Developed Non-Producing	6,133	5,435	4,889	4,452	4,095	4,033	3,554	3,181	2,882	2,639
Undeveloped	546	503	465	433	405	373	340	312	289	268
Total proved	35,173	29,891	26,126	23,323	21,159	25,444	21,455	18,649	16,576	14,983
Probable	17,770	10,770	7,455	5,624	4,489	12,177	7,323	5,046	3,795	3,023
Total Proved Plus Probable	52,943	40,661	33,581	28,946	25,648	37,621	28,778	23,695	20,371	18,006

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2004
FORECAST PRICES AND COSTS**

Reserves Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Abandonment Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Proved Reserves	51,021.8	9,892.5	7,110.7	217.1	734.2	35,172.8	9,729.4	25,443.6
Proved Plus Probable Reserves	75,186.7	14,386.1	9,785.2	277.7	795.3	52,942.9	15,322.1	37,620.8

**FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2004
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES & ARTC (discounted at 10%/year) (M\$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	75
	Natural Gas (including by-products but excluding solution gas from oil wells)	24,725
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	109
	Natural Gas (including by-products by excluding solution gas from oil wells)	31,667

AJM PRICING ASSUMPTIONS

Constant Prices and Costs Employed by AJM - December 31, 2004

AJM employed the following pricing and exchange rate assumptions in estimating Twoco's reserves data using constant prices and costs. Constant prices were based on marker prices posted at or near December 31, 2004. Adjustments for oil differential and gas heating values were then applied to arrive at a company average. Capital and operating costs were not inflated to reflect constant dollars.

Crude Oil and Natural Gas Prices

Oil Edmonton Par	\$45.61/bbl	
WTI Oil - NYMEX	\$42.45/bbl US	
Oil Hardisty Lloyd Blend	\$24.31/bbl	
Natural Gas - AECO	\$5.96/GJ	\$6.29/Mcf
Exchange Rate to \$US	0.8264	
Natural Gas - NYMEX	\$6.15/Mcf US	

Forecast Prices and Costs Employed by AJM - December 31, 2004

AJM employed the following pricing, exchange rate and inflation rate assumptions in estimating Twoco's reserves data using forecast prices and costs as of December 31, 2004.

FORECAST PRICES USED IN PREPARING RESERVES DATA

AJM Petroleum Consultants Base Case Forecast Effective December 31, 2004

	Inflation Rate	Exchange Rate	Crude Oil Pricing								Natural Gas Liquids Pricing				Natural Gas Pricing										Sulphur Pricing						
			WTI at Cushing		Edmonton		Med. Oil		Heavy Oil		Edmonton Par Prices				Alberta		Alberta		Alberta		Alberta		B.C.			B.C.		Sask.			
			\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.		\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.	\$/bbl U.S.
			Real	Current	Real	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current		Current	Current	Current	Current	Current	Current
1991	5.8%	0.873	\$28.47	\$21.50	\$30.97	\$23.39	\$16.64	\$15.10	\$9.03	n/a	\$11.92	\$15.26	\$22.30	\$1.71	\$1.29	n/a	\$1.27	\$0.95	\$1.22	\$1.08	\$1.41	n/a	n/a	n/a	n/a	\$53.45					
H 1992	1.9%	0.829	\$24.95	\$20.58	\$28.88	\$23.82	\$18.45	\$17.54	\$12.96	n/a	\$10.50	\$14.04	\$22.34	\$1.66	\$1.37	n/a	\$1.30	\$1.04	\$1.17	\$1.10	\$1.17	n/a	n/a	n/a	n/a	\$19.77					
I 1993	1.8%	0.776	\$22.59	\$18.46	\$26.84	\$21.04	\$17.59	\$16.73	\$13.26	n/a	\$14.10	\$13.64	\$21.17	\$2.09	\$1.71	n/a	\$1.69	\$2.16	\$1.41	\$2.10	\$2.07	n/a	n/a	n/a	n/a	(\$9.68)					
S 1994	0.2%	0.730	\$20.64	\$17.18	\$26.76	\$22.27	\$19.30	\$18.47	\$15.02	n/a	\$12.53	\$13.45	\$21.69	\$2.17	\$1.81	n/a	\$1.81	\$1.06	\$1.52	\$1.87	\$1.81	n/a	n/a	n/a	n/a	\$16.57					
T 1995	2.2%	0.729	\$22.09	\$18.42	\$29.00	\$24.19	\$21.69	\$20.80	\$17.28	n/a	\$13.90	\$13.70	\$24.11	\$1.57	\$1.31	n/a	\$1.22	\$1.02	\$0.95	\$1.12	\$0.98	n/a	n/a	n/a	n/a	\$30.07					
O 1996	1.5%	0.733	\$25.78	\$21.98	\$34.46	\$29.39	\$28.10	\$25.13	\$20.08	n/a	\$22.31	\$17.15	\$30.06	\$1.52	\$1.30	n/a	\$1.63	\$1.28	\$1.16	\$1.47	\$1.28	n/a	n/a	n/a	n/a	\$14.44					
R 1997	1.6%	0.722	\$23.79	\$20.60	\$32.32	\$27.98	\$23.85	\$21.60	\$15.42	n/a	\$18.41	\$19.02	\$30.85	\$2.16	\$1.87	\$1.71	\$1.78	\$1.69	\$1.35	\$1.98	\$1.74	\$2.99	\$2.59	\$11.50							
L 1998	0.7%	0.675	\$16.35	\$14.38	\$23.13	\$20.35	\$17.22	\$14.79	\$9.48	n/a	\$11.97	\$12.92	\$22.35	\$2.21	\$1.94	\$2.07	\$1.90	\$1.95	\$1.90	\$2.00	\$2.13	\$2.40	\$2.11	(\$6.51)							
C 1999	1.8%	0.648	\$21.78	\$19.29	\$31.15	\$27.60	\$21.72	\$20.29	\$17.62	\$8.09	\$13.21	\$14.39	\$20.94	\$2.80	\$2.48	\$2.75	\$2.22	\$2.50	\$1.97	\$2.52	\$2.61	\$2.34	\$2.07	\$6.93							
A 2000	2.6%	0.674	\$33.51	\$30.22	\$48.82	\$44.03	\$39.89	\$35.23	\$28.57	\$14.10	\$32.59	\$36.51	\$46.30	\$5.01	\$4.51	\$5.01	\$4.84	\$4.93	\$5.10	\$4.89	\$5.05	\$4.34	\$3.92	\$13.59							
I 2001	2.5%	0.646	\$27.94	\$25.87	\$42.14	\$39.03	\$31.54	\$27.68	\$18.07	\$17.20	\$30.62	\$30.49	\$43.03	\$5.82	\$5.39	\$6.27	\$5.42	\$6.05	\$6.61	\$6.26	\$6.10	\$4.73	\$4.38	(\$14.50)							
2002	2.3%	0.636	\$27.48	\$26.11	\$42.27	\$40.16	\$35.52	\$30.63	\$27.63	\$11.21	\$20.92	\$27.78	\$41.22	\$4.09	\$3.88	\$4.07	\$3.85	\$3.89	\$3.37	\$3.93	\$4.08	\$3.42	\$3.25	\$9.91							
2003	2.8%	0.710	\$31.90	\$31.01	\$44.41	\$43.17	\$37.47	\$31.12	\$27.35	\$18.43	\$32.31	\$36.03	\$45.18	\$6.29	\$6.12	\$6.70	\$6.11	\$6.49	\$5.53	\$6.32	\$6.67	\$5.55	\$5.40	\$41.36							
2004	1.8%	0.768	\$41.34	\$41.34	\$52.76	\$52.76	\$46.10	\$36.92	\$31.47	\$18.90	\$33.98	\$42.72	\$54.76	\$6.26	\$6.26	\$6.79	\$6.26	\$6.62	\$5.62	\$6.42	\$6.84	\$6.09	\$6.09	\$40.81							
F 2005	0.0%	0.800	\$42.00	\$42.00	\$51.40	\$51.40	\$42.40	\$33.40	\$28.90	\$20.10	\$33.40	\$41.10	\$53.95	\$6.75	\$6.75	\$7.00	\$6.70	\$6.80	\$6.35	\$6.70	\$6.95	\$6.40	\$6.40	\$40.00							
O 2006	2.0%	0.800	\$40.00	\$40.80	\$48.85	\$49.85	\$41.85	\$35.85	\$29.85	\$19.80	\$32.40	\$39.90	\$52.35	\$6.50	\$6.65	\$6.90	\$6.60	\$6.70	\$6.25	\$6.60	\$6.85	\$6.20	\$6.30	\$30.00							
O 2007	2.0%	0.800	\$38.00	\$39.55	\$46.45	\$48.30	\$40.30	\$34.30	\$28.30	\$19.80	\$31.40	\$38.65	\$50.70	\$6.40	\$6.65	\$6.90	\$6.60	\$6.70	\$6.25	\$6.60	\$6.85	\$5.90	\$6.15	\$20.00							
R 2008	2.0%	0.800	\$36.00	\$38.20	\$43.95	\$46.65	\$39.65	\$34.65	\$29.15	\$18.60	\$30.30	\$37.30	\$49.00	\$5.90	\$6.25	\$6.50	\$6.20	\$6.30	\$5.85	\$6.20	\$6.45	\$5.65	\$6.00	\$15.00							
E 2009	2.0%	0.800	\$34.00	\$36.80	\$41.50	\$44.90	\$37.90	\$32.90	\$27.40	\$17.85	\$29.20	\$35.90	\$47.15	\$5.55	\$6.00	\$6.25	\$5.95	\$6.05	\$5.60	\$5.95	\$6.20	\$5.35	\$5.80	\$15.30							
C 2010	2.0%	0.800	\$32.00	\$35.35	\$39.00	\$43.05	\$36.05	\$31.05	\$25.55	\$16.80	\$28.00	\$34.45	\$45.20	\$5.10	\$5.65	\$5.90	\$5.60	\$5.70	\$5.25	\$5.60	\$5.85	\$5.00	\$5.50	\$15.60							
A 2011	2.0%	0.800	\$32.00	\$36.05	\$39.00	\$43.95	\$36.95	\$31.95	\$26.45	\$17.25	\$28.55	\$35.15	\$46.15	\$5.15	\$5.80	\$6.05	\$5.75	\$5.85	\$5.40	\$5.75	\$6.00	\$5.00	\$5.65	\$15.90							
S 2012	2.0%	0.800	\$32.00	\$36.80	\$39.00	\$44.85	\$37.85	\$32.85	\$27.35	\$17.70	\$29.15	\$35.90	\$47.10	\$5.15	\$5.95	\$6.20	\$5.90	\$6.00	\$5.55	\$5.90	\$6.15	\$5.00	\$5.75	\$16.20							
T 2013	2.0%	0.800	\$32.00	\$37.50	\$39.00	\$45.75	\$37.75	\$31.75	\$25.75	\$18.00	\$29.75	\$36.60	\$48.05	\$5.15	\$6.05	\$6.30	\$6.00	\$6.10	\$5.65	\$6.00	\$6.25	\$5.00	\$5.85	\$16.50							
2014	2.0%	0.800	\$32.00	\$38.25	\$39.00	\$46.70	\$38.70	\$32.70	\$26.70	\$18.60	\$30.35	\$37.35	\$49.05	\$5.20	\$6.25	\$6.50	\$6.20	\$6.30	\$5.85	\$6.20	\$6.45	\$5.00	\$6.00	\$16.85							
2015	2.0%	0.800	\$32.00	\$39.00	\$39.00	\$47.65	\$39.65	\$33.65	\$27.65	\$19.05	\$30.95	\$38.10	\$50.05	\$5.25	\$6.40	\$6.65	\$6.35	\$6.45	\$6.00	\$6.35	\$6.60	\$5.00	\$6.10	\$17.20							
2016	2.0%	0.800	\$32.00	\$39.80	\$39.00	\$48.60	\$40.60	\$34.60	\$28.60	\$19.35	\$31.60	\$38.90	\$51.05	\$5.30	\$6.50	\$6.75	\$6.45	\$6.55	\$6.10	\$6.45	\$6.70	\$5.00	\$6.20	\$17.55							
2017	2.0%	0.800	\$32.00	\$40.60	\$39.00	\$49.60	\$41.60	\$35.60	\$29.60	\$19.95	\$32.25	\$39.70	\$52.10	\$5.30	\$6.70	\$6.95	\$6.65	\$6.75	\$6.30	\$6.65	\$6.90	\$5.00	\$6.35	\$17.90							
2018	2.0%	0.800	\$32.00	\$41.40	\$39.00	\$50.60	\$41.60	\$32.60	\$28.10	\$20.25	\$32.90	\$40.50	\$53.15	\$5.30	\$6.80	\$7.05	\$6.75	\$6.85	\$6.40	\$6.75	\$7.00	\$5.00	\$6.45	\$18.25							
2019	2.0%	0.800	\$32.00	\$42.20	\$39.00	\$51.65	\$42.65	\$33.65	\$29.15	\$20.85	\$33.55	\$41.30	\$54.25	\$5.30	\$7.00	\$7.25	\$6.95	\$7.05	\$6.60	\$6.95	\$7.20	\$5.00	\$6.60	\$18.60							
2020	2.0%	0.800	\$32.00	\$43.05	\$39.00	\$52.70	\$43.70	\$34.70	\$30.20	\$21.45	\$34.25	\$42.15	\$55.35	\$5.35	\$7.20	\$7.45	\$7.15	\$7.25	\$6.80	\$7.15	\$7.40	\$5.00	\$6.75	\$19.00							
2021	2.0%	0.800	\$32.00	\$43.95	\$39.00	\$53.80	\$44.80	\$35.80	\$31.30	\$21.75	\$34.95	\$43.05	\$56.50	\$5.35	\$7.30	\$7.55	\$7.25	\$7.35	\$6.90	\$7.25	\$7.50	\$5.00	\$6.85	\$19.40							
2022	2.0%	0.800	\$32.00	\$44.80	\$39.00	\$54.90	\$45.90	\$36.90	\$32.40	\$22.35	\$36.70	\$44.90	\$57.65	\$5.35	\$7.50	\$7.75	\$7.45	\$7.55	\$7.10	\$7.45	\$7.70	\$5.00	\$7.00	\$19.80							
2023	2.0%	0.800	\$32.00	\$45.70	\$39.00	\$56.00	\$46.00	\$36.00	\$31.00	\$22.95	\$38.40	\$44.80	\$58.80	\$5.35	\$7.70	\$7.95	\$7.65	\$7.75	\$7.30	\$7.65	\$7.90	\$5.00	\$7.15	\$20.20							
2024	2.0%	0.800	\$32.00	\$46.60	\$39.00	\$57.15	\$47.15	\$37.15	\$32.15	\$23.55	\$37.15	\$45.70	\$60.00	\$5.35	\$7.90	\$8.15	\$7.85	\$7.95	\$7.50	\$7.85	\$8.10	\$5.00	\$7.30	\$20.60							
2024+	2.0%	0.800	0.0%	2.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	2.0%	2.0%	2.0%							

Notes - All prices are in Canadian dollars except WTI and NYMEX gas which are in U.S. dollars.

- Edmonton city gate prices based on light sweet crude posted at major Canadian refineries. (40 Deg. API < 0.5% Sulphur)
- Natural Gas Liquid prices are forecasted at Edmonton therefore an additional transportation cost must be included to plant gate sales point.
- 1 Mcf is equivalent to 1 mmbtu.
- System gas prices includes TCGSL, Progas, Pan Alberta and Alliance.
- Real dollars listed include future growth in prices with no escalation considered.
- Alberta gas prices, except AECO, include an Average cost of service to the plant gate.

Twoco's weighted average realized sales prices for the year ended December 31, 2004 were \$48.96/bbl for crude oil and NGLs and \$6.59/Mcf for natural gas.

RECONCILIATION OF CHANGES IN RESERVES AND FUTURE NET REVENUE

Reserves Reconciliation

The following table sets forth a reconciliation of Twoco's total net proved, probable and proved plus probable reserves as at December 31, 2004 against such reserves as at December 31, 2003 based on forecast price and cost assumptions.

Factors	LIGHT AND MEDIUM OIL			ASSOCIATED AND NON-ASSOCIATED GAS			NATURAL GAS LIQUIDS		
	Net Proved	Net Probable	Net Proved Plus Probable	Net Proved	Net Probable	Net Proved Plus Probable	Net Proved	Net Probable	Net Proved Plus Probable
	(m bbl)	(m bbl)	(m bbl)	(m mcf)	(m mcf)	(m mcf)	(m bbl)	(m bbl)	(m bbl)
December 31, 2003	0	0	0	2,918	2,777	5,695	0	0	0
Extensions	0	0	0	0	0	0	0	0	0
Improved Recovery	0	0	0	0	0	0	0	0	0
Technical Revisions	0	0	0	(215)	(730)	(947)	0	0	0
Discoveries	0	0	0	3,621	513	4,135	10	2	12
Acquisitions	5	4	9	700	247	947	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0	0	0	0
Production	(2)	0	(2)	(845)	0	(845)	0	0	0
December 31, 2004	3	4	7	6,179	2,806	8,985	10	2	12

Future Net Revenue Reconciliation

The following table sets forth a reconciliation of Twoco's estimate of future net revenue discounted at 10%, attributable to net proved reserves as evaluated in the AJM Report using constant prices and costs.

Period and Factor	2004 (M\$)
Estimated Future Net Revenue at Beginning of Year	10,000
Sales and Transfers of Oil and Gas Produced during the Period Net of Production Costs and Royalties ⁽¹⁾	(4,077)
Net Change in Sales and Transfer Prices and in Production Costs and Royalties related to Future Production ⁽²⁾	-
Changes in Previously Estimated Future Development Costs Incurred During the Period ⁽³⁾	6,422
Changes in Estimated Future Development Costs ⁽⁴⁾	(217)
Net Change Resulting from Extensions and Improved Recovery ⁽⁵⁾	-
Net Change Resulting from Discoveries ⁽⁵⁾	10,219
Changes Resulting from Acquisitions of Reserves ⁽⁵⁾	2,017
Changes Resulting from Dispositions of Reserves ⁽⁵⁾	-
Net Change Resulting from Revisions in Quantity Estimates	(583)
Accretion of Discount ⁽⁶⁾	1,000
Net Change in Income Taxes ⁽⁷⁾	(8,986)
Other Significant Factors ⁽⁸⁾	1,592
December 31, 2004	17,387

Notes:

- (1) Corporation actual before income taxes, excluding G&A.
- (2) The impact of changes in prices and other economic factors on future net revenue.
- (3) Actual capital expenditures relating to the exploration, development and production of oil and gas reserves.
- (4) The change in forecast development costs
- (5) End of period net present value of the related reserves.
- (6) Estimated as 10% of the beginning of period net present value.
- (7) The difference between forecast income taxes at beginning of period and the actual taxes for the period plus forecast income taxes at the end of period.
- (8) Includes changes due to revised production profiles, development timing, operating costs, royalty rates, actual price received for the year ended December 31, 2004 versus forecast, etc.

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Undeveloped Reserves

The following discussion generally describes the basis on which Twoco attributes proved and probable undeveloped reserves and its plans for developing those undeveloped reserves.

Proved Undeveloped Reserves

Proved undeveloped reserves are generally those reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away from Twoco gathering systems. In addition, such reserves may relate to planned infill drilling locations. The majority of these reserves are planned to be on stream within a two year timeframe.

Probable Undeveloped Reserves

Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. The majority of these reserves are planned to be on stream within a two year timeframe.

Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, commodity prices and economic conditions. Twoco's reserves are evaluated by AJM, an independent petroleum engineering firm.

Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, commodity prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. Twoco's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material.

Future Development Costs

The following table outlines development costs deducted in the estimation of future net revenue attributable to proved reserves (using both constant prices and costs and forecast prices and costs) and proved plus probable reserves (using forecast prices and costs only) to those properties evaluated in the AJM Report.

	Constant Prices and Costs		Forecast Prices and Costs	
	Proved Reserves (M\$)	Proved Plus Probable Reserves (M\$)	Proved Reserves (M\$)	Proved Plus Probable Reserves (M\$)
2005	217.1	217.1	217.1	217.1
2006	0	0	0	0
2007	0	0	0	0
2008	0	0	0	0
2009	0	0	0	0
Remaining Years	0	60.6	0	60.6
Total Undiscounted	217.1	277.7	217.1	277.7
Total Discounted at 10% per year	216.4	224.6	216.4	224.6

Subsequent to the AJM Report, the Corporation has budgeted a \$13.5 million capital program to fund its exploration and development activities in its Andrew/Willingdon and Steele/Bolloque/Grassland area properties for the financial year ended December 31, 2005. The Corporation's capital program does

not include any acquisition opportunities, which would likely be financed through debt or equity financings.

Twoco estimates that its internally generated cash flow will be sufficient to fund the future development costs disclosed above. Twoco typically has available three sources of funding to finance its capital expenditure program: internally generated cash flow from operations, debt financing when appropriate and new equity issues, if available on favourable terms.

OTHER OIL AND GAS INFORMATION

Oil and Gas Properties and Wells

Twoco has two core areas; Andrew/Willingdon and Steele/Bolloque/Grassland, both situated Northeast of Edmonton, Alberta where the majority of the Corporation's activity has occurred.

Andrew/Willingdon, Alberta

Twoco has acquired approximately 22,400 gross acres (17,500 net) of mineral rights in this area and has developed several prospects which target Cretaceous and Devonian sweet natural gas.

The Corporation drilled 15 gross (11.3 net) wells in this area in 2004 which resulted in ten gross (6.9 net) wells being cased for potential gas production. Nine gross (6.3 net) wells are currently producing gas wells. One gross (1.0 net) well is awaiting stimulation treatment while five gross (4.0 net) wells were dry and abandoned. In total, this area currently produces approximately 4.3 mmcf/d net of natural gas to the Corporation.

Twoco successfully negotiated the purchase of a 92.857% interest in a gas compression facility and associated infrastructure from a large independent oil and gas company in December 2003. Twoco subsequently acquired the remaining 7.143% interest in July, 2004. This purchase allows the Corporation to custom process third party gas and provides the Corporation further opportunities for growth in this area.

Steele/Bolloque/Grassland, Alberta

Twoco has acquired approximately 14,700 gross acres (13,100 net) of mineral rights in this area. Several prospects have been developed which target shallow sweet natural gas in the Cretaceous and Devonian stratigraphic section.

The Corporation drilled two gross (1.2 net) wells in this area in 2004 which resulted in one gross (one net) well being cased for potential gas production. The one well cased for gas was completed and will be subsequently abandoned due to non-commercial production. One gross (0.2 net) well was dry and abandoned.

Wells

As at December 31, 2004, the Corporation had an interest in 14 gross (8.2 net) producing and ten gross (5.7 net) non-producing oil and natural gas wells as follows.

	PRODUCING				NON-PRODUCING			
	Oil		Natural Gas		Oil		Natural Gas	
	Gross(1)	Net(2)	Gross	Net	Gross	Net	Gross	Net
Wells Alberta	2	0.3	12	7.9	2	0.5	8	5.2
TOTAL	2	0.3	12	7.9	2	0.5	8	5.2

Notes:

- (1) "Gross" wells means the number of wells in which Twoco has a working interest or a royalty interest that may be convertible to a working interest.
- (2) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Twoco's percentage working interest therein.

Properties with No Attributed Reserves

The following table sets forth the gross and net acres of unproved properties held by the Corporation as at December 31, 2004 and the net area of unproved property for which the Corporation expects its rights to explore, develop and exploit to expire during the next year.

LOCATION	UNPROVED PROPERTIES (acres)		Net Area to Expire by December 31, 2005
	Gross(1)	Net(2)	
Alberta	38,868	23,323	240
TOTAL	38,868	23,323	240

Notes:

- (1) "Gross Acres" are the total acres in which Twoco has or had an interest.
- (2) "Net Acres" is the aggregate of the total acres in which Twoco has or had an interest multiplied by Twoco's working interest percentage held therein.

There are no costs or work commitments associated with Twoco's non-producing properties except for ongoing Crown and freehold lease commitments.

Forward Contracts

Twoco may use certain financial instruments to hedge its exposure to commodity price fluctuations on a portion of its crude oil and natural gas production. Twoco currently has no hedges in place.

Additional Information Concerning Abandonment and Reclamation Costs

Twoco estimates well abandonment and reclamation costs for surface leases, wells and facilities based on its previous experience, current regulations, costs, technology and industry standards area by area. Such costs are included in the AJM Report as deductions in arriving at future net revenue. The expected total abandonment costs for 13.9 net wells (including producing, non-producing and service wells) and for one gross (one net) facilities are summarized in the net of estimated salvage value calculated without discount and using a discount rate of 10% is as follows:

	Constant Pricing		Forecast Pricing			
	Proved NPV 0%	Proved NPV 10%	Proved NPV 0%	Proved NPV 10%	Proved plus Probable NPV 0%	Proved plus Probable NPV 10%
Wells with reserves assigned	734.2	295.2	734.2	295.2	795.3	248.3
Wells & Facilities with no reserves assigned	0	0	0	0	0	0
Total abandonment and reclamation cost provision	734.2	295.2	734.2	295.2	795.3	248.3
Portion forecast to be paid during the next three years	181.7	132.5	181.7	132.5	150.3	109.6

Income Tax Horizon

At the end of December 31, 2004, Twoco had estimated income tax deductions of approximately \$5,475,000 available to reduce future taxable income. Twoco does not expect to incur current income taxes in the year ended December 31, 2005.

Costs Incurred

The following table summarizes Twoco's property acquisition costs, exploration costs and development costs (before property dispositions and corporate asset additions) incurred during the financial year ended December 31, 2004.

Property Acquisitions and Capital Expenditures

Nature of cost	Amount (\$)
Land and property acquisition	\$1,786,571
Geological and geophysical	694,994
Drilling and completions	2,810,602
Facilities and equipment	936,549
Other	26,191
Total	\$6,254,907

Exploration and Development Activities

The following table summarizes the results of exploration and development activities during the financial year ended December 31, 2004.

	Gross	Net
Development Wells		
Gas	8	6.9
Oil	0	0
Service	0	0
Dry	0	0
Exploratory Wells		
Gas	2	0.5
Oil	0	0
Service	0	0
Dry	7	5.2
Total Wells	17	12.6

Twoco's current plans for the year ended December 31, 2005 include a \$13.5 million capital expenditure program, funded from existing working capital and cash flow from operations. Most of the expenditures are targeted for the Andrew/Willingdon and Steele/Bolloque/Grassland core areas where Twoco has an inventory of lower risk oil and natural gas locations to drill.

Production Estimates

The following discloses the estimated average daily sales of products of Twoco through fiscal 2005 by product type associated with the first year of the future net revenue estimates reported in the AJM Report, effective December 31, 2004.

Corporation	Light and Medium Crude Oil (bbl/d)	Natural Gas (mcf/d)	Natural Gas Liquids (bbl/d)	BOE (boe/d)
Proved				
Developed producing	1	3,539	4	595
Developed non- producing	0	1,038	5	178
Undeveloped	0	155	1	27
Total Proved	1	4,732	10	800
Probable	0	185	0	31
Total proved plus probable	1	4,916	11	831

	Light and Medium Crude Oil (bbl/d)	Natural Gas (mcf/d)	Natural Gas Liquids (bbl/d)	BOE (boe/d)
<u>Andrew</u>				
Proved				
Developed producing	0	1,264	0	211
Developed non-producing	0	0	0	0
Undeveloped	0	0	0	0
Total Proved	0	1,264	0	211
Probable	0	77	0	13
Total proved plus probable	0	1,341	0	224

Production History

The following table summarizes Twoco's average daily production before deduction of royalties, for the periods indicated.

	2004				
	Period from Dec 31, 2003 to Dec 31, 2004	Oct. - Dec.	July - Sept.	April - June	Dec 31/03 - March
Oil (bbl/d) ⁽¹⁾	1	2	2	0	0
Natural gas (mcf/d)	2,385	2,692	2,640	2,028	1,971
Total (boe/d)	390	450	442	338	329

Note:

(1) Includes NGLs.

Netback History

The following table sets forth information respecting average net product prices received, royalties paid, operating expenses and netbacks received by the Corporation in respect of the Corporation's production of crude oil and natural gas for the periods indicated.

	2004				
	Period from Dec 31, 2003 to Dec 31, 2004	Oct. - Dec.	July - Sept.	April - June	Dec 31/03 - March
Selling prices					
Oil (\$/bbl) ⁽¹⁾	48.96	52.94	47.33	n/a	n/a
Natural gas (\$/mcf)	6.59	6.67	6.20	7.11	6.48
Royalties					
Oil (\$/bbl) ⁽¹⁾	2.11	2.18	1.23	n/a	n/a
Natural gas (\$/mcf)	1.48	1.55	1.43	1.43	1.50
Operating expenses ⁽²⁾					
Oil (\$/bbl) ⁽¹⁾	3.99	4.49	3.71	n/a	n/a
Natural gas (\$/mcf)	0.67	0.75	0.62	0.87	0.87
Field netbacks					
Oil (\$/bbl) ⁽¹⁾	42.86	46.27	42.39	n/a	n/a
Natural gas (\$/mcf)	4.44	4.37	4.15	4.81	4.11

Notes:

(1) Includes a negligible amount of NGLs.

(2) Operating expenses include mineral and surface lease rentals, property taxes and expenses related to the operation and maintenance of wells, production facilities and gathering systems.

Production Volume by Field

The following table discloses for each significant field, and in total, Twoco's average wellhead production volumes for the period ended December 31, 2004 for each product type.

Field	Light and Medium Crude Oil (bbls/d)	Natural Gas (mcf/d)	Natural Gas Liquids (bbls/d)	BOE (boe/d)	%
Andrew, Alberta	0	1,569	0	262	63
Cucumber Creek, Alberta	0	327	0	55	13
Whitford, Alberta	0	183	0	31	7
Bolloque, Alberta	0	162	0	27	6
Bellis, Alberta	0	140	0	23	6
Wasel, Alberta	0	60	0	10	2
Royal, Alberta	0	42	0	7	2
Other	2	6	0	3	1
Total	2	2,489	0	418	100

RISK FACTORS

The business of exploring for, developing and producing oil and natural gas reserves is inherently risky. Oil and natural gas operations involve many risks which even a combination of experience and knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Twoco.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by Twoco will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Insurance

Twoco's involvement in the exploration for and development of oil and gas properties may result in Twoco becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Twoco will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Twoco may elect not to obtain insurance to deal with specific risks due to the high premiums associated

with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Twoco. The occurrence of a significant event that Twoco is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Twoco's financial position, results of operations or prospects.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of Twoco. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices will result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the future volume of Twoco's oil and gas production. Twoco might also elect not to produce from certain wells at lower prices. All these factors could result in a material decrease in Twoco's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to Twoco will be in part determined by the borrowing base of Twoco. A sustained material decline in prices from historical average prices could reduce Twoco's future borrowing base, therefore reducing the bank credit available to Twoco, and could require that a portion of any existing bank debt of Twoco be repaid.

In addition to establishing markets for its oil and natural gas, Twoco must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Twoco will be affected by numerous factors beyond its control. Twoco will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Twoco. The ability of Twoco to market natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Twoco will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and the management of other aspects of the oil and natural gas business. Twoco has limited direct experience in the marketing of oil and natural gas.

Substantial Capital Requirements; Liquidity

Twoco anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If Twoco's future revenues or reserves decline, Twoco may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Twoco. Moreover, future activities may require Twoco to alter its capitalization significantly. The inability of Twoco to access sufficient capital for its operations could have material adverse effect on Twoco's financial condition, results of operations or prospects.

Competition

Twoco will actively compete for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than Twoco. Twoco's competitors will include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

The oil and gas industry is highly competitive. Twoco's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities include companies that have greater financial and personnel resources available to them than Twoco.

Certain of Twoco's customers and potential customers may themselves explore for oil and natural gas, and the results of such exploration efforts could affect Twoco's ability to sell or supply oil or gas to these customers in the future. Twoco's ability to successfully bid on and acquire additional property rights, to discover reserves to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Title

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. In accordance with industry practice, Twoco will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. However, no absolute assurances can be given that title defects do not exist. If title defects do exist, it is possible that Twoco may lose all or a portion of its right title and interest in and to the properties to which the title defects relate.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require Twoco to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of Twoco will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Twoco's financial condition, results of operations or prospects.

Reserve Estimates

The reserve reports for its oil and gas properties contain estimates of Twoco's oil and natural gas reserves and the estimated future net revenues therefrom that rely upon various assumptions, including assumptions as to oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise. Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves may vary substantially from those estimated in the respective reserve reports. Any significant variance in these assumptions could materially affect the estimated quantities and present value of reserves set forth in the AJM Report. In addition, such reserves may be subject to downward or upward revisions based upon production history, results of future exploration and development, prevailing oil and gas prices and other factors, many of which are beyond the control of Twoco. Actual production, revenues, taxes, development expenditures and

operating expenses with respect to reserves will likely vary from the estimates used and such variances may be material.

The present value of future net reserves referred to in the AJM Report should not be construed as the current market value of the estimated oil and gas reserves attributable to Twoco's properties. The estimated discounted future net cash flows from proved reserves are generally based on prices and costs as of the date of the estimate, whereas actual future prices and costs may be materially higher or lower. Actual future net cash flows will be affected by increases or decreases in consumption by oil and gas purchasers and changes in governmental regulations or taxation. The timing of actual future net cash flows from proved reserves, and thus their actual present value, will be affected by the timing of both the production and the incurrence of expenses in connection with development and production of oil and gas properties.

Reserve Replacement

Twoco's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on Twoco successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Twoco may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Twoco's reserves will depend not only on Twoco's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Twoco's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Reliance on Operators and Key Employees

To the extent Twoco is not the operator of all of its oil and gas properties, Twoco will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. In addition, the success of Twoco will be largely dependent upon the performance of its management and key employees. Twoco does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on Twoco.

Corporate Matters

To date, Twoco has not paid any dividends on its outstanding common shares and does not anticipate the payment of any dividends on its common shares for the foreseeable future. Certain of the directors and officers of Twoco are also directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of Twoco and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the ABCA.

Permits and Licenses

The operations of Twoco may require licenses and permits from various governmental authorities. There can be no assurance that Twoco will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its properties.

Additional Funding Requirements

Twoco's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Twoco may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis

could cause Twoco to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Twoco's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Twoco's ability to expend the necessary capital to replace its reserves or to maintain its production. If Twoco's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favourable terms. Any equity financing may result in a change of control of Twoco or holders of its common shares suffering further dilution.

Issuance of Debt

Although Twoco has no debt as of December 31, 2004, from time to time Twoco may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Twoco's debt levels above industry standards. Neither Twoco's articles nor its bylaws limit the amount of indebtedness that Twoco may incur. The level of Twoco's indebtedness from time to time could impair Twoco's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Twoco's ability to meet its debt service obligations will depend on Twoco's future operations which are subject to prevailing industry conditions and other factors, many of which are beyond the control of Twoco. As certain of the indebtedness of Twoco would bear interest at rates which fluctuate with prevailing interest rates, increases in such rates would increase Twoco's interest payment obligations and could have a material adverse effect on Twoco's financial condition and results of operations. Further, Twoco's indebtedness would be secured by substantially all of Twoco's assets. In the event of a violation by Twoco of any of its loan covenants or any other default by Twoco on its obligations relating to its indebtedness, the lender could declare such indebtedness to be immediately due and payable and, in certain cases, foreclose on Twoco's assets. In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Twoco and may delay exploration and development activities.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". Twoco's exploration and production facilities and other operations and activities will emit a small amount of greenhouse gases which may subject Twoco to legislation regulating emissions of greenhouse gases. The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse gases emission reduction requirements for the various industrial activities, including oil and gas exploration and production. Future federal legislation, together with provincial emission reduction requirements, such as those proposed in Alberta's Bill 32: *Climate Change and Emissions Management*, may require the reduction of emissions or emissions intensity with Twoco's operations and facilities. The direct or indirect costs of these regulations may adversely affect the business of Twoco.

INDUSTRY CONDITIONS

Canadian Government Regulation

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the relevant legislation and regulations. It is not expected that any of such controls and regulations will affect the operations of the Corporation in a manner materially different than they will affect other oil and gas companies of similar size.

Pricing and Marketing – Oil

Producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Such price depends on oil quality, price of competing oils, distance to market and the value of refined products. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the “NEB”). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

Pricing and Marketing – Natural Gas

The price of natural gas sold in intra-provincial and inter-provincial trade is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the government of Canada. The price received by the Corporation depends, in part, on the prices of competing natural gas and other substitute fuels, access to downstream transportation, distance to markets, length of the contract term, weather conditions, the supply and demand balance and other contractual terms. Exporters are free to negotiate prices with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than 2 years or for a term of 2 to 20 years (in quantities of not more than 30,000 m³/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or for a larger quantity requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

The government of Alberta also regulates the volume of natural gas which may be removed from the province for consumption elsewhere.

The lack of firm pipeline capacity continues to limit the ability to produce and market natural gas production although pipeline expansions are ongoing. In addition, the prorationing of capacity on the interprovincial pipeline systems continues to limit oil exports.

The North American Free Trade Agreement

On January 1, 1994, the North American Free Trade Agreement (“NAFTA”) among the governments of Canada, the United States and Mexico became effective. NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the U.S or Mexico will be allowed provided that the restrictions are otherwise justified under certain provisions of the General Agreement on Tariffs and Trade and then only if any export restrictions do not: (i) reduce the proportion of the energy resource exported relative to the total supply of energy resource (based upon

the proportion prevailing in the most recent 36 months); (ii) impose an export price higher than the domestic price; or (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory boarder restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to avoid discriminatory actions and to minimize disruption of contractual arrangements.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on well productivity, geographical location, field discovery data and the type or quality of the petroleum product produced.

From time to time the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry.

Oil royalty rates vary from province to province. In Alberta, the royalty reserved to the Crown in respect of natural gas production, subject to various incentives, is between 15% and 30%, in the case of new gas, and between 15% and 35%, in the case of old gas, depending upon a prescribed or corporate average reference price. Natural gas produced from qualifying exploratory gas wells spudded or deepened after July 31, 1985 and before June 1, 1988 is eligible for a royalty exemption for a period of 12 months or up to a prescribed maximum amount, whichever occurs latest. Natural gas produced from qualifying intervals in eligible gas wells spudded or deepened to a depth below 2,500 metres is also subject to a royalty exemption, the amount of which depends on the depth of the well.

In Alberta, a producer of oil or natural gas is entitled to a credit against the royalties payable to the Crown by virtue of the ARTC program. The ARTC rate is based on the price-sensitive formula and varies between 75% for prices at or below the royalty tax credit reference price of \$100 per cubic metre decreasing to 25% for prices above the royalty tax credit reference price of \$210 per cubic metre. The ARTC rate will be applied to a maximum annual amount of \$2,000,000 of Alberta Crown royalties payable for each producer or associated group of producers. Crown royalties on production from producing properties acquired from a Corporation claiming maximum entitlements to ARTC will generally not be eligible for ARTC. The rate is established quarterly based on the average par price, as determined by the Alberta Department of Energy, for the previous quarterly period.

On December 22, 1997, the Alberta government announced that it would conduct a review of the ARTC program with the objective of setting out better targeted objectives for a smaller program and to deal with administrative difficulties. On August 30, 1999, the Alberta government announced that it would not be reducing the size of the program, but that it would introduce new rules to reduce the number of persons who qualify for the program. The new rules will preclude companies that pay less than \$10,000 in royalties per year and non-corporate entities from qualifying from the program.

On March 3, 2003, the Department of Finance (Canada) released a technical paper entitled "Improving the Income Taxation of the Resource Sector in Canada" (the "Technical Paper"). The new structure for

federal taxation of resource income proposed by the Technical Paper contains the following initiatives applicable to the oil and gas industry to be phased in over a five year period: (i) a reduction of the federal statutory corporate income tax rate on income earned from resource activities from 28 to 21%, beginning with a one percentage point reduction effective January 1, 2003, and (ii) a deduction for federal income tax purposes of actual provincial and other Crown royalties and mining taxes paid and the elimination of the 25% resource allowance. The Technical Paper also proposes that the percentage of ARTC that the Corporation will be required to include in federal taxable income will be 5% in 2003; 12.5% in 2004; 17.5% in 2005; 32.5% in 2006; 50% in 2007; 60% in 2008; 70% in 2009; 80% in 2010; 90% in 2011, and 100% in 2012 and beyond.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licenses and permits for varying terms from two years and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions and regulation on the storage and transportation of various substances produced or utilized in association with certain oil and gas industry operations and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. As well, applicable environmental laws may impose remediation obligations with respect to property designated as a contaminated site upon certain responsible persons, which include persons responsible for the substance causing the contamination, persons who caused the release of the substance and any past or present owner, tenant or other person in possession of the site. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders. Applicable environmental laws in Alberta are consolidated in the *Environmental Protection and Enhancement Act* (the "EPEA"). Under the EPEA, environmental standards and compliance for releases, clean-up and reporting are stricter and more onerous than the previous legislation. Also, the range of enforcement actions available and the severity of penalties have been significantly increased. These changes will have an incremental effect on the cost of conducting operations in Alberta.

Dividends

Since incorporation, Twoco has not paid any dividends on its common shares. Dividends on its common shares will be paid solely at the discretion of Twoco's board of directors after taking into account the financial condition of Twoco and the economic environment in which it is operating. No dividends are expected to be paid in the foreseeable future.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of Twoco consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series with such rights, privileges, restrictions and conditions as may be established by the board of directors of Twoco, of which, as at the date hereof 13,597,306 common shares and no preferred shares were issued and outstanding. The following is a summary of

the rights, privileges, restrictions and conditions attaching to the common shares and preferred shares of Twoco.

Common Shares

The common shares rank junior to the preferred shares. Holders of common shares are entitled to one vote per share at meetings of shareholders of Twoco, to receive dividends if, as and when declared by the board of directors of Twoco and to receive pro rata the remaining property and assets of Twoco upon its dissolution or winding-up, subject to the rights of shares having priority over the common shares.

Preferred Shares

The preferred shares are issuable in series and will have such rights, restrictions, conditions and limitations as the board of directors of Twoco may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of Twoco in the event of a dissolution, liquidation or winding up of Twoco. No preferred shares are presently issued and outstanding.

MARKET FOR SECURITIES

Price Range and Volume of Trading of Common Shares

The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the common shares of Twoco on the TSX Venture Exchange as reported by sources Twoco believes to be reliable for the periods indicated:

	Price Range (\$)		Trading Volume
	High	Low	
2004			
April 28-30	2.25	1.75	513,500
May	2.35	1.75	917,090
June	2.46	2.16	365,050
July	2.45	2.30	87,600
August	2.44	2.10	121,500
September	2.45	2.15	220,100
October	3.00	2.45	595,548
November	2.93	2.65	406,674
December	3.15	2.58	286,300
2005			
January	3.35	2.85	96,950
February	3.58	2.94	187,800
March	3.75	3.25	436,490
April 1 - 19	3.95	3.26	453,850

ESCROWED SECURITIES

To the knowledge of the Corporation, the following table sets forth the number of securities of each class of Corporation (including Convertible Debentures and stock options), in escrow, and the percentage that number represents of the outstanding securities of that class as at April 20, 2005:

Designation of Class	Number of Securities held in Escrow ⁽¹⁾⁽²⁾	Percentage of Class
Common Shares	1,784,878	13.1%
Convertible Debentures	\$292,250 ⁽³⁾	19.7%
Stock Options	265,000 ⁽⁴⁾	23.1%

Notes:

(1) CIBC Mellon Trust Company is the escrow agent.

- (2) One-half of the securities held in escrow are scheduled to be released on April 28, 2005 and the remaining securities held in escrow are to be released on October 28, 2005.
- (3) The debentures may be converted into common shares of the Corporation at a price of \$1.25 per share on or prior to September 30, 2005.
- (4) Each stock option is exercisable for one common share of the Corporation at the applicable price per share.

DIRECTORS AND OFFICERS

As of April 20, 2005, the name and municipalities of residence of the directors and officers, the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which each exercises control or direction, the offices held by each in the Corporation, the period served as director and the principal occupation of each during the last five years are as follows:

Name and Municipality of Residence	Number of Common Shares Beneficially Owned	Offices Held and Time as Director or Officer	Principal Occupation During the Last Five Years
Wayne A. Malinowski ⁽²⁾⁽⁶⁾ Alberta, Canada	2,880,488	President, Chief Executive Officer and Director since September 21, 2000	Mr. Malinowski is the President and Chief Executive Officer of Twoco since September 2000. He was the President of Prelude Oil & Gas Inc. from July 1999 to July 2003.
Timothy A. Bashforth ⁽⁴⁾⁽⁷⁾ Alberta, Canada	680,668	Vice President Exploration, Secretary, Treasurer and Director since September 21, 2000	Mr. Bashforth is the Vice President, Exploration, Secretary and Treasurer of Twoco since September 2000. He was the President of Predator Resources Ltd. from September 2000 to July 2003.
Larry C. Mah, C.A. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	166,600	Director since August 21, 2003	Mr. Mah is a chartered accountant and a senior partner with Collins Barrow Chartered Accountants & Consultants.
Richard A.N. Bonnycastle ⁽¹⁾⁽³⁾ Alberta, Canada	824,000	Director since August 21, 2003	Mr. Bonnycastle is the President of Cavendish Investing Ltd., an investment company involved in providing venture and development capital and investing for its own account.
James A.W. Williams, C.A. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	25,000	Director, since July 14, 2004	Mr. Williams is a chartered accountant and a lawyer and practices law in the Calgary offices of Borden Ladner Gervais LLP, a Canadian law firm he joined in 2004. Prior thereto, Mr. Williams practiced law with another law firm in Calgary.

Notes:

- (1) Audit Committee member which committee is required pursuant to the ABCA.
- (2) Corporate Governance, Environment & Safety Committee member.
- (3) Compensation Committee member.
- (4) Reserves Committee member.
- (5) Twoco does not have an Executive Committee.
- (6) Includes 272,500 common shares of Twoco owned by Mr. Malinowski's spouse.
- (7) Includes 299,604 common shares of Twoco owned by Mr. Bashforth's spouse.

The directors and officers of Twoco, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 4,576,756 common shares or approximately 33.7% of the common shares of Twoco outstanding.

The information as to shares beneficially owned, directly or indirectly or over which control or direction is exercised, is based upon information furnished to the Corporation by the respective individuals indicated.

PROMOTERS

Each of Messrs. Malinowski and Bashforth were instrumental in the founding of, or the organizing of the business of, the Corporation and therefore may be considered to be promoters of the Corporation. Mr. Malinowski is currently the President, Chief Executive Officer and a director of the Corporation and Mr. Bashforth is currently the Vice President Exploration, Secretary, Treasurer and a director of the Corporation. See "General Development of the Business - History of the Corporation." Further information regarding the compensation of these individuals can be found in the Corporation's management information circular relating to the annual meeting of shareholders of the Corporation to be held on June 7, 2005 and is incorporated herein by reference.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of the Corporation is not aware of any material interest, direct or indirect, or of any informed person of the Corporation, any proposed directors of the Corporation or any associate or affiliate of an informed person or proposed director, in any transaction since the commencement of the last fiscal year, or in any proposed transaction since the beginning of the Corporation's most recently completed financial year end being the year ended December 31, 2004 or in any proposed transaction which has materially affected or would materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of Twoco is CIBC Mellon Trust Company at its principal offices in Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Twoco in its most recently completed financial year, or before the most recently completed financial year and has been entered into since January 1, 2002, are:

1. the agency agreement dated April 2, 2004 between the Corporation and the agent involved in the IPO;
2. the transfer agency and registrar agreement dated April 2, 2004 between the Corporation and CIBC Mellon Trust Company;
3. the warrant indenture dated April 2, 2004 between the Corporation and CIBC Mellon Trust Company;
4. the escrow agreement dated April 2, 2004 between the Corporation, CIBC Mellon Trust Company as the escrow agent and the escrowed shareholders of the Corporation;
5. the Special Warrant indenture dated December 22, 2003; and
6. the agency agreement dated December 22, 2003 between the Corporation and the agent relating to the issuance of the Special Warrants.

INTERESTS OF EXPERTS

Certain information incorporated into this Annual Information Form has been taken from the AJM Report which report has been prepared by AJM. See "Statement of Reserves Data and Other Oil and Gas Information." No person or corporation whose profession or business gives authority to a statement made by such person or corporation and who is named in the Annual Information Form as having prepared or certified a part of this Annual Information Form, or a report or valuation described in this Annual Information Form, has received or shall receive a direct or indirect interest in the property of Twoco or of any associate or affiliate of Twoco. As at the date hereof, the principals of AJM do not beneficially own, directly or indirectly, any of the outstanding common shares of Twoco.

CONFLICTS

There are potential conflicts of interest to which the directors and officers of Twoco will be subject in connection with the operations of Twoco. In particular, certain of the directors and officers of Twoco are involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of Twoco or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Twoco. See "Directors and Officers". Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remunerations, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions is contained in the Corporation's management information circular relating to the annual meeting of shareholders of the Corporation to be held on June 7, 2005. Additional financial information is contained in the Corporation's comparative financial statements and management discussion and analysis for the year ended December 31, 2004. Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional copies of this Annual Information Form, the materials listed in the preceding paragraph, any interim financial statements which have been issued by the Corporation and any other document incorporated herein by reference will be available upon request by contacting the Secretary of the Corporation at its offices at Suite 1050, 1122 - 4th Street S.W., Calgary, Alberta T2R 1M1, Phone: (403) 233-0345 or Fax: (403) 237-6048.

**APPENDIX A
FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR**

Report on Reserves Data

To the board of directors of Twoco Petroleums Ltd. (the “**Company**”):

1. We have reviewed the Company’s reserves data as at December 31, 2004. The reserves data consist of the following:
 - (a) (i) proved and proved plus probable oil and gas reserves using forecast prices and costs; and
 - (ii) the related estimated future net revenue; and
 - (b) (i) proved oil and gas reserves using constant prices and costs; and
 - (ii) the related estimated future net revenue.

2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the “COGE Handbook”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2004, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company’s management / Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Twoco Petroleums Ltd. Corporate Reserve Estimation and Economic Evaluation	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (\$M, before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
AJM Petroleum Consultants	March 7, 2005	Canada	–	\$33,581	–	\$33,581

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after their preparation dates.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

AJM Petroleum Consultants
1400, 734 - 7th Avenue S.W.
Calgary, Alberta
T2P 3P8

Per: (signed) "Philip S. Kandel"
Philip S. Kandel, P.Eng., P.E.
Vice-President

Execution date March 7, 2005.

**APPENDIX B
FORM 51-101F3
REPORT OF
MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE**

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”). This form does not apply in British Columbia.

1. Terms to which a meaning is ascribed in NI 51-101 have the same meaning in this form.¹
2. The report referred to in item 3 of section 2.1 of NI 51-101 shall in all material respects be as follows:

**Report of Management and Directors
on Reserves Data and Other Information**

Management of Twoco Petroleum Ltd. (the “Company”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (a)
 - (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2004 using forecast prices and costs; and
 - (ii) the related estimated future net revenue; and
- (b)
 - (i) proved oil and gas reserves estimated as at December 31, 2004 using constant prices and costs; and
 - (ii) the related estimated future net revenue.

An independent qualified reserves evaluator has evaluated the Company’s reserves data. The reports of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has:

- (a) reviewed the Company’s procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

¹ For the convenience of readers, Appendix 1 to Companion Policy 51-101CP sets out the meanings of certain terms in sections 1 and 2 of this Form or in NI 51-101, Form 51-101F1, Form 51-101F2 or the Companion Policy.

The board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

- (a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- (b) the filing of the reports of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "Wayne A. Malinowski"
Wayne A. Malinowski
President and Chief Executive Officer

(signed) "Timothy A. Bashforth"
Timothy A. Bashforth
Vice President Exploration, Secretary and
Treasurer

(signed) "Larry C. Mah"
Larry C. Mah
Director

(signed) "James A.W. Williams"
James A.W. Williams
Director

April 20, 2005

APPENDIX C

DEFINITIONS USED FOR RESERVE CATEGORIES

The following reserves definitions are set out by the Canadian Securities Administrators in National Instrument 51-101 (NI 51-101; in Part 2 of Appendix 1 to Companion Policy 51-101CP) with reference to the COGE Handbook.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical, and engineering data;
- the use of established technology;
- specified economic conditions¹, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

Proved Reserves

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in Section 5.5 of the COGE Handbook.

Development and Production Status

Each of the reserves categories (proved, probable, and possible) may be divided into developed and undeveloped categories.

Developed Reserves

Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

Developed Producing Reserves

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently

¹ For the purposes of NI 51-101, the key economic assumptions will be the prices and costs used in the estimate, namely:
(a) constant prices and costs as at the last day of a reporting issuer's financial year; or
(b) forecast prices and costs.

producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed Non-Producing Reserves

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

Undeveloped Reserves

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves estimates are presented). Reported Reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves;
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with *reserves* estimates and the effect of aggregation is provided in Section 5.5.3 of the *COGE Handbook*.

Incorporation of these guidelines means that total corporate proved reserves reflect a conservative estimated and proved plus probable reserves reflect a current "best estimate" of the oil and gas quantities which will be recovered.