

TWOCO PETROLEUMS LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A) FORM 51-102F1

FOR THE YEAR ENDED DECEMBER 31, 2006

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2006 of Twoco Petroleum Ltd. ("**Twoco**" or the "**Company**") and Twoco's audited consolidated financial statements, notes thereto, and MD&A for the year ended December 31, 2005. Twoco changed the ending date of its financial year from December 30 to December 31, commencing with the twelve month period ending December 31, 2004. There was no impact on the financial results reported for 2004. The financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). Additional information with respect to Twoco, including Twoco's Annual Information Form, can be found on SEDAR at www.sedar.com. The reporting and measurement currency is the Canadian dollar.

BOE Presentation

Barrels of oil equivalent ("**boe**") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 thousand cubic feet ("**mcf**") : 1 barrel ("**bbl**") is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Advisory Regarding Forward Looking Statements

This MD&A contains forward-looking statements. Forward-looking statements are based on current expectations and assumptions that involve a number of risks and uncertainties, certain of which are beyond Twoco's control and could cause actual events or results to differ materially from those reflected in the MD&A. Forward-looking statements are based on the estimates and opinions of Twoco's management at the time the statements were made. Twoco assumes no obligation to update forward-looking statements should circumstances or management's estimates change except as required pursuant to applicable securities laws. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance.

Non-GAAP Financial Measurements

This document contains the terms "cash flow" and "operating netbacks", which do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. The term "cash flow", which is expressed before changes in non-cash working capital, and the term "operating netbacks" are used by the Company to analyze operating performance, leverage and liquidity. The reconciliation between net earnings and cash flow from operations can be found in the consolidated statements of cash flows in the audited consolidated financial statements. Operating netbacks are determined by deducting royalties, operating and transportation expenses and general and administrative expenses from petroleum and natural gas sales.

This MD&A is dated as of April 19, 2007 except where otherwise stated.

Selected Annual Information

	Year ended December 31, 2006 (\$)	Year ended December 31, 2005 (\$)	Period ended December 31, 2004 (\$)
Revenue	12,898,939	13,221,224	5,651,802
Cash Flow from Operations	7,915,494	9,196,813	3,441,330
Net Income (Loss)	772,128	3,025,064	841,815
Per share - Basic	0.05	0.23	0.08
Per share - Diluted	0.05	0.20	0.08
Total Assets	49,027,295	34,706,603	19,387,429
Total Long-Term Financial Liabilities	19,041,378	5,941,503	3,563,281
Dividends	Nil	Nil	Nil

Petroleum and Natural Gas Sales (Volumes)

	Year ended December 31, 2006	Year ended December 31, 2005	Period ended December 31, 2004
Natural Gas (mcf/d)	5,692	4,177	2,335
Oil and NGL's (bbls/d)	1	2	1
Total (boe/d)	950	698	390

The increase in natural gas sales volumes for the year ended December 31, 2006 is a result of production added by the Company through drilling and optimization activities. Eleven new gas wells, three of which were dual zone producers, were tied in and brought on production in the Andrew/Willingdon and Steele/Bolloque/Grassland areas of Alberta. Average daily sales for the year ended December 31, 2006 rose to 950 boe/d as compared to 698 boe/d in 2005, an increase of 36%, as a result of these activities.

Petroleum and Natural Gas Sales (Values)

	Year ended December 31, 2006	Year ended December 31, 2005	Period ended December 31, 2004
Natural Gas Sales (\$)	12,866,374	13,179,881	5,633,492
\$/mcf	6.19	8.64	6.59
Oil and NGL Sales (\$)	32,565	41,343	18,310
\$/bbl	66.46	57.58	48.96
Total Sales (\$)	12,898,939	13,221,224	5,651,802

Petroleum and natural gas ("P&NG") sales values decreased to \$12,898,939 for the year ended December 31, 2006 from \$13,221,224 for the year ended December 31, 2005. This represents a decrease of 2%. This decrease is a result of lower commodity prices in 2006 compared to 2005.

Royalties

	Year ended December 31, 2006		Year ended December 31, 2005		Period ended December 31, 2004	
	(\$)	Royalty Rate (%)	(\$)	Royalty Rate (%)	(\$)	Royalty Rate (%)
Crown Freehold & GORR	2,086,708	16.2	2,732,671	20.7	1,172,642	20.7
ARTC	292,855 (500,000)	2.3 (3.9)	183,902 (500,000)	1.4 (3.8)	93,517 (293,489)	1.7 (5.2)
Total royalties	1,879,563	14.6	2,416,573	18.3	972,670	17.2

Total royalties excluding Alberta Royalty Tax Credit (“**ARTC**”) were \$2,379,563 for the year ended December 31, 2006 versus \$2,916,573 for the year ended December 31, 2005. Royalties, excluding ARTC, as a percentage of gross sales were 18.5% in the year ended December 31, 2006 as compared to 22.1% in the year ended December 31, 2005. This decrease in royalty rate is a result of increased Gas Cost Allowance credits being applied against Crown royalties in the year ended December 31, 2006.

Operating Expense

	Year ended December 31, 2006		Year ended December 31, 2005		Period ended December 31, 2004	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross Production expense	1,481,404	4.27	731,222	2.87	430,734	3.02
Overhead recoveries	(185,894)	(0.54)	(87,276)	(0.34)	(51,623)	(0.36)
Net Production expense	1,295,510	3.73	643,946	2.53	379,111	2.66

Total operating expense increased to \$1,295,510 for the year ended December 31, 2006 as compared to \$643,946 in the year ended December 31, 2005. This increase can be attributed to increased production in the current year. Operating expense averaged \$3.73 per boe for the year ended December 31, 2006 and \$2.53 per boe for the year ended December 31, 2005. These unit operating costs are viewed by management as very favourable and are partially due to the fact that a significant portion of Twoco’s production is processed at Twoco operated facilities. It is anticipated that Twoco, in the future, will realize a moderate increase in unit operating costs mainly due to increased costs associated with additional gas compression requirements.

Transportation Expense

	Year ended December 31, 2006		Year ended December 31, 2005		Period ended December 31, 2004	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Transportation Expenses	466,799	1.35	407,176	1.60	223,228	1.56

Twoco’s transportation expense increased 15% to \$466,799 in the year ended December 31, 2006 as compared to \$407,176 in the year ended December 31, 2005. This increase is

predominantly due to the increase in natural gas sales volumes for the year ended December 31, 2006.

Operating Netback

	Year ended December 31, 2006	Year ended December 31, 2005	Period ended December 31, 2004
Sales price (\$/boe)	37.20	51.88	39.58
Royalties excluding ARTC (\$/boe)	(6.86)	(11.45)	(8.87)
Operating and transportation expenses (\$/boe)	(5.08)	(4.13)	(4.22)
Operating netback (\$/boe)	25.26	36.30	26.49

Twoco's operating netback decreased 30% to \$25.26 per boe in the year ended December 31, 2006 as compared to \$36.30 per boe realized in the year ended December 31, 2005. This decrease is predominantly due to lower commodity prices.

General and Administrative Expense

	Year ended December 31, 2006		Year ended December 31, 2005		Period ended December 31, 2004	
	(\$)	(\$/boe)	(\$/boe)	(\$/boe)	(\$)	(\$/boe)
Gross G&A expense	1,226,147	3.54	970,516	3.81	692,508	4.85
Overhead recoveries	(280,540)	(0.81)	(317,534)	(1.25)	(118,169)	(0.83)
Capitalized G&A	(278,462)	(0.80)	(256,906)	(1.01)	(157,456)	(1.10)
Net G&A expense	667,145	1.93	396,076	1.55	416,883	2.92

Twoco's net general and administrative ("G&A") expense increased to \$667,145 in the year ended December 31, 2006 from \$396,076 in the year ended December 31, 2005. G&A costs increased due to the combination of increased costs associated with preparation of the December 31, 2006 reserve report as well as legal fees associated with the issuance of convertible debentures which Twoco issued in March 2006 and which bear interest at the rate of 7.5% per annum and a private placement financing of 486,500 common shares issued on a "flow-through" basis at a price of \$9.25 per share.

Net Interest Expense

In the year ended December 31, 2006, net interest expense was \$638,971 as compared to \$185,138 in the year ended December 31, 2005 and \$193,580 in the period ended December 31, 2004. The increase in the net interest expense in 2006 is mainly attributable to the convertible debentures issued in March 2006. There were also increases in the amount of interest paid on capital leases and the Company's bank line of credit.

Depletion, amortization and accretion

	Year ended December 31, 2006		Year ended December 31, 2005		Period ended December 31, 2004	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Depletion expense	6,792,300	19.59	4,159,000	16.32	2,276,000	15.94
Amortization expense	19,762	0.06	20,525	0.08	17,023	0.12
Accretion expense	69,111	0.20	52,198	0.20	9,673	0.07
Total	6,881,173	19.85	4,231,723	16.60	2,302,696	16.13

In the year ended December 31, 2006 depletion, amortization and accretion (“**DA&A**”) expense increased to \$6,881,173 (\$19.85 per boe) from \$4,231,723 (\$16.60 per boe) in the year ended December 31, 2005. Higher production volumes combined with increased expenditures being applied against December 31, 2006 reserves increased the total amount of DA&A expense.

Income Taxes

The Company is cash taxable in the amount of \$35,457 for the year ended December 31, 2006. It is anticipated that the Company will not be cash taxable in 2007 due to significant capital expenditures and tax deductions offsetting increases in production revenue.

The Company had the following estimated income tax pools available at December 31, 2006.

	Annual Deduction Available (%)	Tax Pools (\$)
Canadian exploration expense (CEE)	100	1,379,548
Canadian development expense (CDE)	30	3,124,101
Canadian oil and gas property expense (COGPE)	10	10,020,181
Undepreciated capital costs (UCC)	25	8,898,785
Share issue and other financing costs	20	659,788
Total	-	24,082,403

Cash Flow from Operations

	Year ended December 31, 2006		Year ended December 31, 2005		Period ended December 31, 2004	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Petroleum and natural gas revenue	12,898,939	37.20	13,221,224	51.88	5,651,802	39.58
Royalties, net of ARTC	(1,879,563)	(5.42)	(2,416,573)	(9.48)	(972,670)	(6.81)
Net Interest (expense)	(638,971)	(1.84)	(185,138)	(0.73)	(193,580)	(1.36)
Operating and transportation	(1,762,309)	(5.08)	(1,051,122)	(4.13)	(602,339)	(4.22)
General and administrative	(667,145)	(1.93)	(396,076)	(1.55)	(416,883)	(2.92)
Current taxes	(35,457)	(0.10)	24,498	0.10	(125,000)	(0.88)
Cash flow from Operations	7,915,494	22.83	9,196,813	36.09	3,341,330	23.39

In the year ended December 31, 2006, the Company generated cash flow from operating activities of \$7,915,494. This represents a decrease of 14% versus 2005. This decrease resulted from lower commodity prices.

Net Income and Cash Flow from Operations

	Year ended December 31, 2006		Year ended December 31, 2005		Period ended December 31, 2004	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Cash flow from Operations	7,915,494	22.83	9,196,813	36.09	3,341,330	23.39
Less: Stock based compensation	(397,113)	(1.14)	(278,871)	(1.09)	(173,819)	(1.20)
DA&A expense	(6,881,173)	(19.85)	(4,231,723)	(16.61)	(2,302,696)	(16.13)
Future Income taxes	236,265	0.68	(1,661,155)	(6.52)	(23,000)	(0.16)
Convertible debentures accretion	(40,000)	(0.11)	-	-	-	-
Amortization of deferred charges	(61,345)	(0.18)	-	-	-	-
Net income (loss)	772,128	2.23	3,025,064	11.87	841,815	5.90

In the year ended December 31, 2006, the Company generated net income from operating activities of \$772,128. This represents a decrease of 74% versus 2005. This decrease resulted mainly from lower commodity prices.

Capital Expenditures

Twoco's total capital expenditures for 2006, 2005 and 2004 are summarized as follows:

	Year ended December 31, 2006 (\$)	Year ended December 31, 2005 (\$)	Period ended December 31, 2004 (\$)
Land and property acquisitions	4,808,596	4,891,722	1,786,571
Geological and geophysical	2,669,259	1,107,941	694,994
Drilling and completions	7,649,392	6,016,421	2,810,602
Facilities and equipment	4,600,386	6,898,102	936,549
Other	16,834	7,843	26,191
Total capital expenditures	19,744,467	18,922,029	6,254,907

Liquidity and Capital Resources

Twoco had a working capital surplus at December 31, 2006 of \$1,250,250 as compared to a working capital deficiency of \$3,359,874 at December 31, 2005. Also, Twoco has established a loan facility with HSBC Bank Canada. This facility includes a \$20,000,000 demand revolving credit facility at an interest rate of prime and a \$1,500,000 general lease line of credit. The Company had not drawn on the revolving credit facility as at December 31, 2006.

On an ongoing basis, Twoco will typically utilize three sources of funding to finance its capital expenditure program: internally generated cash flow from operations, debt where deemed appropriate and new equity issues if available on favourable terms. In addition, Twoco may adjust its capital expenditure program depending on the commodity price outlook and competitive nature of the Canadian oil and gas business.

As at December 31, 2006, Twoco did not have any capital expenditure commitments.

2007 Capital Budget

Twoco has a \$18.9 million 2007 capital budget which reflects the anticipated drilling of 27 net wells in 2007. The majority of these wells will be drilled in Twoco's core areas of Andrew/Willingdon and Steele/Bolloque/Grassland, both of which are located Northeast of Edmonton, in Alberta.

Quarterly Results

The following table summarizes certain quarterly financial information relating to the Company.

Quarter Ended	Petroleum and Natural Gas Sales			Net Income		
	(\$)	(\$/share)		(\$)	(\$/share)	
		Basic	Diluted		Basic	Diluted
December 31, 2006	3,435,589	0.23	0.22	210,735	0.01	0.01
September 30, 2006	2,735,008	0.18	0.17	(423,664)	(0.03)	(0.03)
June 30, 2006	2,935,502	0.20	0.19	413,566	0.03	0.03
March 31, 2006	3,792,840	0.26	0.24	571,491	0.04	0.04
December 31, 2005	5,360,827	0.37	0.33	1,314,671	0.09	0.09
September 30, 2005	3,331,552	0.25	0.22	779,352	0.06	0.05
June 30, 2005	2,395,315	0.19	0.16	511,891	0.04	0.04
March 31, 2005	2,133,530	0.18	0.16	419,150	0.04	0.03

Summary of Quarterly Information

	Quarter Ended				
	2006 Dec 31		2006 Sept 30	2006 Jun 30	2006 Mar 31
	(\$)	(\$/boe)	(\$)	(\$)	(\$)
Revenue	3,435,589	39.37	2,735,008	2,935,502	3,792,840
Royalties, net of ARTC	(492,581)	(5.64)	(371,389)	(261,168)	(754,425)
Operating and Transportation	(589,350)	(6.75)	(415,643)	(328,658)	(428,658)
G&A Expense	(238,716)	(2.74)	(38,636)	(256,620)	(133,173)
Net Interest (Income) Expense	(214,431)	(2.46)	(171,040)	(169,892)	(83,608)
Current Tax Recovery (Expense)	1,246	0.01	(19,944)	(16,759)	-
Cash Flow from Operations	1,901,757	21.79	1,718,356	1,902,405	2,392,976

	Quarter Ended				
	2005 Dec 31		2005 Sept 30	2005 Jun 30	2005 Mar 31
	(\$)	(\$/boe)	(\$)	(\$)	(\$)
Revenue	5,360,827	65.23	3,331,552	2,395,315	2,133,530
Royalties, net of ARTC	(1,175,272)	(14.30)	(505,938)	(380,785)	(354,578)
Operating and Transportation	(406,075)	(4.95)	(209,642)	(225,575)	(209,803)
G&A Expense	(185,288)	(2.25)	(10,782)	(29,276)	(170,730)
Net Interest (Income) Expense	(35,787)	(0.44)	(73,430)	(30,690)	(45,231)
Current Tax Recovery (Expense)	-	-	24,498	79,394	(79,394)
Cash Flow from Operations	3,558,405	43.29	2,556,258	1,808,383	1,273,767

Sales in the fourth quarter of 2006 averaged 949 boe/d, a 6% increase from the fourth quarter of 2005 which averaged 893 boe/d. This result was attained due to a successful 2006 drilling and optimization program.

Outstanding Share Data

The following table sets forth the capitalization of Twoco as at December 31, 2006:

	Authorized	Outstanding as at December 31, 2006	Common Shares underlying Convertible Securities
Share Capital			
Common Shares ⁽¹⁾	Unlimited	15,259,806	-
Stock Options ⁽²⁾	Not Applicable	1,442,000	1,442,000
Preferred Shares	Unlimited	Nil	-
Long term Debt ⁽³⁾	Not Applicable	\$12,000,000	1,600,000

Notes:

- (1) As at the date hereof, Twoco has 15,259,806 common shares outstanding.
- (2) Twoco currently has outstanding under its stock option plan, options to purchase 610,000 common shares at an exercise price of \$1.25 per share, 20,000 common shares at an exercise price of \$1.75 per share, 280,000 common shares at an exercise price of \$2.20 per share, 20,000 common shares at an exercise price of \$2.80 per share, 218,000 common shares at an exercise price of \$3.00 per share, 175,000 common shares at a price of \$3.75 per share and 119,000 common shares at a price of \$7.10 per share.
- (3) Twoco currently has \$12 million of redeemable, convertible, unsecured debentures (“**Convertible Debentures**”) outstanding. The Convertible Debentures bear interest at the rate of 7.5% per annum, payable commencing September 30, 2006 and quarterly thereafter and will mature on March 31, 2009 (the “**Maturity Date**”). The Convertible Debentures are convertible into common shares of the Corporation at the holder’s option at any time prior to the Maturity Date at a conversion price equal to \$7.50 per share until March 31, 2008 and thereafter at a price of \$8.25 per share until the Maturity Date. The Corporation has the ability to redeem the Convertible Debentures if the closing price of its common shares on the TSX Venture Exchange (or such other exchange on which the common shares trade) exceeds \$8.25 per share for 21 consecutive trading days or in certain circumstances where an offer is made to acquire common shares of the Corporation.

Critical Accounting Estimates

Twoco’s financial statements are prepared in accordance with GAAP. A comprehensive discussion of Twoco’s significant accounting policies is contained in Note 2 to the audited consolidated financial statements for the year ended December 31, 2006 and the year ended December 31, 2005. Twoco’s significant accounting policies are subject to estimates and key judgements about future events, many of which are beyond management’s control.

Changes in Accounting Policies and Practices

There were no changes in accounting policies for the year ended December 31, 2006.

Impact of New Accounting Policies

Effective January 1, 2007, Twoco adopted a series of new standards released by the Canadian Institute of Chartered Accountants, which establish guidance for the recognition and measurement of financial instruments. Section 1530 “Comprehensive Income”, Section 3855 “Financial Instruments - Recognition and Measurements”, and Section 3865 “Hedges” were

released in April 2005 and are effective for interim and annual financial statement years beginning on or after October 1, 2006. To accommodate these new sections, there have been a number of amendments to other existing accounting standards. These new standards require that all financial instruments within the scope of the new standards, including derivatives, be included on the balance sheet and measured either at their fair value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. These standards also specify when gains and losses as a result of changes in fair value are to be recognized in net income or other comprehensive income. Further reporting periods will be impacted by these standards and the resulting impacts will be assessed at that time.

Convergence of Canadian GAAP with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ("ACSB") issued a strategic plan that will result in Canadian GAAP, as it applies to publicly accountable entities, being converged with International Financial Reporting Standards over a transitional period. The ACSB is expected to develop and release a detailed implementation plan with a transition period initially indicated to be five years. Twoco will consider the effect that this implementation plan might have on its financial statements during the transition period.

Risks and Uncertainties

The business of exploring for, developing and producing oil and natural gas reserves is inherently risky. There is substantial risk that the manpower and capital employed will not result in the finding of new reserves in economic quantities. There is a risk that the sale of reserves may be delayed indefinitely due to processing constraints, lack of pipeline capacity or lack of markets. The price Twoco receives for its oil and natural gas production fluctuates continuously and, for the most part, is beyond the Company's control. Twoco is exposed to financial risks including fluctuation in interest rates and the Canadian/US dollar exchange rate. Twoco is also subject to the risks associated with owning oil and natural gas properties, including environmental risks associated with air, land and water. In all areas of our business, we compete against entities that may have greater technical and financial resources. Twoco's growth may be dependent upon external sources of financing which may not be available on acceptable terms. There are numerous uncertainties in estimating Twoco's reserve base due to the complexities in estimating the magnitude and timing of future production, revenue, expenses and capital.

Twoco mitigates these risks by hiring highly qualified personnel, either directly as employees or indirectly when contracting for services. Our philosophy of focusing on a limited number of geographical areas allows us to develop a high level of technical and managerial expertise in each area. To control the cost and pace of development, we acquire high working interests in each prospect and operate wherever possible. Twoco may enter into commodity price and interest rate hedging strategies to add a degree of certainty to cash flow. In the field, we adhere to sound operational standards, which meet or exceed recognized levels. Finally, Twoco maintains an insurance program consistent with industry practice to protect against destruction of assets, well blowouts, pollution and other business interruptions.

Off-Balance Sheet Arrangements

Twoco does not have any special purpose entities nor is it a party to any arrangement that would be excluded off the balance sheet.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed is gathered and reported to senior management. As at December 31, 2006, the Chief Executive Officer and the Treasurer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

Management completed an assessment of the design of internal controls over financial reporting. During the process of management's assessment, it was determined that certain weaknesses existed in external controls over financial reporting. The weaknesses are the result of the Company's size and limited number of staff and include: (i) the inability to achieve complete segregation of duties; and (ii) having insufficient financial staff with the required technical knowledge to deal with complex and non-routine accounting matters. The Company believes that these weaknesses are mitigated by: (i) the Chief Executive Officer and the Treasurer overseeing all material transactions; (ii) the audit committee, comprised of a majority of independent members of the Board of Directors, reviewing the quarterly interim and annual audited financial statements with management; (iii) the Board of Directors' approval of the financial statements based on the audit committee's recommendation after its review; and (iv) the Company consulting with its third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions.

Related Party Transactions

Accounting fees of \$73,102 (2005 - \$73,833) were incurred to a partnership of which a director of the Company is a partner. Legal fees of \$130,083 (2005 - \$47,673) were incurred to a law firm of which a director of the Company is an associate.

Included in accounts payable and accrued liabilities at December 31, 2006 is \$22,348 (2005 - \$17,260) owing to these related parties.

Included in interest on debentures payable is \$72,066 (2005 - \$68,942) paid to directors, debenture holders related to directors and to companies controlled by directors.

These transactions are measured at the exchange amount which is the amount agreed to by the related parties based on standard commercial terms.

Outlook

In view of our past success, it is Twoco's intention to continue with the same growth plan and exploration philosophy.

Twoco participated in the drilling of 26 gross (23.6 net) wells during 2006. In the first quarter of 2007, Twoco participated in the drilling of 9 gross (9.0 net) wells of which 7 gross (7.0 net) wells were cased for potential natural gas production. Twoco is projecting that initial production from these wells should be realized in the second and third quarters of 2007. It is anticipated that Twoco will participate in the drilling of approximately 18 additional net wells in the remainder of 2007.

Twoco's strong balance sheet and expected increased cash flows from prospects currently being developed, along with the proven expertise of our technical team bodes well for the future growth of the Company.

The combination of cash flows from Twoco's operations and the loan facilities that Twoco has with its bank will enable Twoco to actively participate in numerous exploration and exploitation opportunities as they are identified. Twoco will review all capital expenditure programs on a regular basis throughout 2007 and adjust spending accordingly having regard to factors such as changes in commodity prices.