

TWOCO PETROLEUMS LTD.

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

FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007 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, 2006. 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 17, 2008, except where otherwise stated.

Selected Annual Information

	Year ended December 31, 2007 (\$)	Year ended December 31, 2006 (\$)	Year ended December 31, 2005 (\$)
Revenue	15,595,361	12,898,939	13,221,224
Cash Flow from Operations	8,148,349	7,856,083	9,196,813
Net Income (Loss)	(856,367)	772,128	3,025,064
Per share - Basic	(0.06)	0.05	0.23
Per share - Diluted	(0.06)	0.05	0.20
Total Assets	52,734,054	49,027,295	34,706,603
Total Long-Term Financial Liabilities	19,778,681	19,041,378	5,941,503
Dividends	Nil	Nil	Nil

Petroleum and Natural Gas Sales (Volumes)

	Year ended December 31, 2007	Year ended December 31, 2006	Year ended December 31, 2005
Natural Gas (mcf/d)	7,205	5,692	4,177
Oil and NGL's (bbls/d)	1	1	2
Total (boe/d)	1,202	950	698

The increase in natural gas sales volumes for the year ended December 31, 2007 is a result of production added by the Company through drilling and optimization activities. Nine 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, 2007 rose to 1,202 boe/d as compared to 950 boe/d in 2006, an increase of 26%, as a result of these activities.

Petroleum and Natural Gas Sales (Values)

	Year ended December 31, 2007	Year ended December 31, 2006	Year ended December 31, 2005
Natural Gas Sales (\$)	15,558,896	12,866,374	13,179,881
\$/mcf	5.92	6.19	8.64
Oil and NGL Sales (\$)	36,465	32,565	41,343
\$/bbl	80.03	66.46	57.58
Total Sales (\$)	15,595,361	12,898,939	13,221,224

Petroleum and natural gas ("P&NG") sales values increased to \$15,595,361 for the year ended December 31, 2007 from \$12,898,939 for the year ended December 31, 2006. This represents an increase of 21%. This increase is a result of the increase in natural gas sales volumes for the year ended December 31, 2007 versus the year end December 31, 2006.

Royalties

	Year ended December 31, 2007		Year ended December 31, 2006		Year ended December 31, 2005	
	(\$)	Royalty Rate (%)	(\$)	Royalty Rate (%)	(\$)	Royalty Rate (%)
Crown	2,331,367	14.9	2,086,708	16.2	2,732,671	20.7
Freehold & GORR	523,004	3.4	292,855	2.3	183,902	1.4
ARTC	-	-	(500,000)	(3.9)	(500,000)	(3.8)
Total royalties	2,854,371	18.3	1,879,563	14.6	2,416,573	18.3

Total royalties excluding Alberta Royalty Tax Credit (“ARTC”) were \$2,854,371 for the year ended December 31, 2007 versus \$2,379,563 for the year ended December 31, 2006. The increase in royalties of 20% is consistent with the increase in natural gas sales volumes for the year ended December 31, 2007. Royalties, excluding ARTC, as a percentage of gross sales were 18.3% in the year ended December 31, 2007 as compared to 18.5% in the year ended December 31, 2006.

Operating Expense

	Year ended December 31, 2007		Year ended December 31, 2006		Year ended December 31, 2005	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross Production expense	2,300,673	5.24	1,481,404	4.27	731,222	2.87
Overhead recoveries	(259,681)	(0.59)	(185,894)	(0.54)	(87,276)	(0.34)
Net Production expense	2,040,992	4.65	1,295,510	3.73	643,946	2.53

Total operating expense increased to \$2,040,992 for the year ended December 31, 2007 as compared to \$1,295,510 in the year ended December 31, 2006. This increase can be attributed to the costs associated with increased production in the current year. Operating expense averaged \$4.65 per boe for the year ended December 31, 2007 as compared to \$3.73 per boe for the year ended December 31, 2006. These unit operating costs are viewed as very favourable and are partially due to the fact that a significant portion of Twoco’s production is processed at Twoco operated facilities. This increase is mainly due to increased costs associated with additional gas compression requirements as well as increased equipment maintenance costs.

Transportation Expense

	Year ended December 31, 2007		Year ended December 31, 2006		Year ended December 31, 2005	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Transportation Expenses	622,529	1.42	466,799	1.35	407,176	1.60

Twoco’s transportation expense increased 33% to \$622,529 in the year ended December 31, 2007 as compared to \$466,799 in the year ended December 31, 2006. This increase is predominantly due to the increase in natural gas sales volumes for the year ended December 31, 2007.

Operating Netback

	Year ended December 31, 2007		Year ended December 31, 2006		Year ended December 31, 2005	
Sales price (\$/boe)	35.55		37.20		51.88	
Royalties excluding ARTC (\$/boe)	(6.51)		(6.86)		(11.45)	
Operating and transportation expenses (\$/boe)	(6.07)		(5.08)		(4.13)	
Operating netback (\$/boe)	22.97		25.26		36.30	

Twoco's operating netback decreased 9% to \$22.97 per boe in the year ended December 31, 2007 as compared to \$25.26 per boe realized in the year ended December 31, 2006. This decrease is predominantly due to lower commodity prices.

General and Administrative Expense

	Year ended December 31, 2007		Year ended December 31, 2006		Year ended December 31, 2005	
	(\$)	(\$/boe)	(\$/boe)	(\$/boe)	(\$)	(\$/boe)
Gross G&A expense	1,125,805	2.57	1,226,147	3.54	970,516	3.81
Overhead recoveries	(226,913)	(0.52)	(280,540)	(0.81)	(317,534)	(1.25)
Capitalized G&A	(247,591)	(0.57)	(278,462)	(0.80)	(256,906)	(1.01)
Net G&A expense	651,301	1.48	667,145	1.93	396,076	1.55

Twoco's net general and administrative ("**G&A**") expense decreased to \$651,301 in the year ended December 31, 2007 from \$667,145 in the year ended December 31, 2006. G&A costs for the year ended December 31, 2007 are comparable to the year ended December 31, 2006.

Net Interest Expense

In the year ended December 31, 2007, net interest expense was \$1,200,362 as compared to \$638,971 in the year ended December 31, 2006 and \$185,138 in the period ended December 31, 2005. The increase in the net interest expense in 2007 is mainly attributable to interest payments associated with the Company's revolving line of credit.

Depletion, amortization and accretion

	Year ended December 31, 2007		Year ended December 31, 2006		Year ended December 31, 2005	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Depletion expense	9,196,100	20.96	6,792,300	19.59	4,159,000	16.32
Amortization expense	17,462	0.04	19,762	0.06	20,525	0.08
Accretion expense	139,480	0.32	69,111	0.20	52,198	0.20
Total	9,353,042	21.32	6,881,173	19.85	4,231,723	16.60

In the year ended December 31, 2007 depletion, amortization and accretion ("**DA&A**") expense increased to \$9,353,042 (\$21.32 per boe) from \$6,881,173 (\$19.85 per boe) in the year ended December 31, 2006. Higher production volumes increased the total amount of DA&A expense.

Income Taxes

The Company is cash taxable in the amount of \$4,890 for the year ended December 31, 2007. It is anticipated that the Company will not be cash taxable in 2008 due to capital expenditures and related deductions offsetting increases in production revenue.

The Company had the following estimated income tax pools available at December 31, 2007.

	Annual Deduction Available (%)	Tax Pools (\$)
Canadian exploration expense (CEE)	100	3,903,283
Canadian development expense (CDE)	30	3,166,549
Canadian oil and gas property expense (COGPE)	10	10,345,340
Undepreciated capital costs (UCC)	25	12,941,611
Share issue and other financing costs	20	377,479
Total	-	30,734,262

Cash Flow from Operations

	Year ended December 31, 2007		Year ended December 31, 2006		Year ended December 31, 2005	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Petroleum and natural gas revenue	15,595,361	35.55	12,898,939	37.20	13,221,224	51.88
Royalties, net of ARTC	(2,854,371)	(6.51)	(1,879,563)	(5.42)	(2,416,573)	(9.48)
Net Interest (expenses)	(1,200,362)	(2.74)	(638,971)	(1.84)	(185,138)	(0.73)
Operating and transportation	(2,663,521)	(6.07)	(1,762,309)	(5.08)	(1,051,122)	(4.13)
General and administrative	(651,301)	(1.48)	(667,145)	(1.93)	(396,076)	(1.55)
Current taxes	(4,890)	(0.01)	(35,457)	(0.10)	24,498	0.10
Settlement of asset retirement obligations	(72,567)	(0.17)	(59,411)	(0.17)	-	-
Cash flow from Operations	8,148,349	18.57	7,856,083	22.66	9,196,813	36.09

In the year ended December 31, 2007, the Company generated cash flow from operating activities of \$8,148,349. This represents an increase of 4% versus 2006. This increase resulted from the increase in natural gas sales volumes.

Net Income and Cash Flow from Operations

	Year ended December 31, 2007		Year ended December 31, 2006		Year ended December 31, 2005	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Cash flow from Operations	8,148,349	18.57	7,856,083	22.66	9,196,813	36.09
Less: Stock based compensation	(165,859)	(0.38)	(397,113)	(1.14)	(278,871)	(1.09)
DA&A expense	(9,353,042)	(21.32)	(6,881,173)	(19.85)	(4,231,723)	(16.61)
Future Income taxes	563,327	1.28	236,265	0.68	(1,661,155)	(6.52)
Convertible debentures accretion	(53,332)	(0.12)	(40,000)	(0.11)	-	-
Amortization of deferred charges	(68,377)	(0.16)	(61,345)	(0.18)	-	-
Settlement of asset retirement obligations	72,567	0.17	59,411	0.17	-	-
Net income (loss)	(856,367)	(1.96)	772,128	2.23	3,025,064	11.87

In the year ended December 31, 2007, the Company generated net loss from operating activities of \$856,367. This represents a decrease of 188% versus 2006. This decrease resulted mainly from lower commodity prices and higher DA&A expense.

Capital Expenditures

Twoco's total capital expenditures for 2007, 2006 and 2005 are summarized as follows:

	Year ended December 31, 2007 (\$)	Year ended December 31, 2006 (\$)	Year ended December 31, 2005 (\$)
Land and property acquisitions	1,547,071	4,808,596	4,891,722
Geological and geophysical	208,732	2,669,259	1,107,941
Drilling and completions	5,705,312	7,649,392	6,016,421
Facilities and equipment	7,158,329	4,600,386	6,898,102
Other	255,630	16,834	7,843
Total capital expenditures	14,875,074	19,744,467	18,922,029

Twoco reduced its total capital expenditures in 2007 as a result of lower natural gas prices.

Liquidity and Capital Resources

Twoco had a working capital deficiency at December 31, 2007 of \$6,109,401 as compared to a working capital surplus of \$1,250,250 at December 31, 2006. The working capital deficiency is largely the result of a drawdown of \$6,209,859, as at December 31, 2007, on the Company's \$20,000,000 demand revolving credit facility at an interest rate of prime. In addition, the Company has a \$1,500,000 general lease line of credit.

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, 2007, Twoco had capital expenditure commitments of approximately \$200,000 that relates to a farm-in commitment to drill one well on an industry participant's lands. Drilling of this well was completed in the first quarter of 2008.

2008 Capital Budget

Twoco has an \$11.2 million 2008 capital budget which reflects the anticipated drilling of 24 net wells in 2008. The majority of these wells will be drilled in Twoco's core areas of Andrew/Willington 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, 2007	4,454,764	0.29	0.28	(131,589)	(0.01)	(0.01)
September 30, 2007	3,495,911	0.23	0.22	(436,064)	(0.03)	(0.03)
June 30, 2007	3,791,470	0.25	0.24	(300,255)	(0.02)	(0.02)
March 31, 2007	3,853,216	0.25	0.24	11,541	0.00	0.00
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

Summary of Quarterly Information

	Quarter Ended				
	2007 Dec 31		2007 Sept 30	2007 Jun 30	2007 Mar 31
	(\$)	(\$/boe)	(\$)	(\$)	(\$)
Revenue	4,454,764	35.53	3,495,911	3,791,470	3,853,216
Royalties, net of ARTC	(814,512)	(6.50)	(700,739)	(597,571)	(741,549)
Operating and Transportation	(930,518)	(7.42)	(590,979)	(630,302)	(511,722)
G&A Expense	(284,860)	(2.27)	(78,678)	(180,457)	(107,306)
Net Interest Income (Expense)	(335,949)	(2.68)	(321,617)	(300,491)	(242,305)
Settlement of asset retirement obligations	(2,439)	(0.02)	(24,993)	(45,135)	-
Current Tax Recovery (Expense)	-	-	8,954	(13,844)	-
Cash Flow from Operations	2,086,486	16.64	1,787,859	2,023,670	2,250,334

	Quarter Ended				
	2006 Dec 31		2006 Sept 30	2006 Jun 30	2006 Mar 31
	(\$)	(\$/boe)	(\$)	(\$)	(\$)
Revenue	3,435,589	9.37	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)
Settlement of asset retirement obligations	(23,715)	(0.27)	(35,696)	-	-
Current Tax Recovery (Expense)	1,246	0.01	(19,944)	(16,759)	-
Cash Flow from Operations	1,878,042	21.52	1,682,660	1,902,405	2,392,976

Outstanding Share Data

The following table sets forth the capitalization of Twoco as at December 31, 2007:

	Authorized	Outstanding as at December 31, 2007	Common Shares underlying Convertible Securities
Share Capital			
Common Shares ⁽¹⁾	Unlimited	15,147,606	-
Stock Options ⁽²⁾	Not Applicable	1,432,000	1,432,000
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 15,583,206 common shares outstanding.
- (2) Twoco currently has outstanding under its stock option plan, options to purchase 110,000 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, 218,000 common shares at an exercise price of \$3.00 per share, 170,000 common shares at a price of \$3.75 per share, 15,000 common shares at a price of \$4.46 per share and 119,000 common shares at a price of \$7.10 per share for a total of 932,000 common shares that may be purchased upon proper exercise of outstanding stock options.
- (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 \$8.25 per share. 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 4 to the audited consolidated financial statements for the year ended December 31, 2007 and the year ended December 31, 2006. Twoco's significant accounting policies are subject to estimates and key judgements about future events, many of which are beyond management's control.

Impact of New Accounting Policies

As of January 1, 2008, the Company will be required to adopt two new Canadian Institute of Chartered Accountants (“**CICA**”) standards – Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”, which will replace Section 3861 “Financial Instruments – Disclosure and Presentation”. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the Company is assessing the impact on its financial statements.

As of January 1, 2008, the Company will be required to adopt CICA 1535 “Capital Disclosures”, which will require additional disclosures of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Company is assessing the impact on its financial statements.

In January 2006, the CICA Accounting Standards Board (“**AcSB**”) adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (“**IFRS**”) by the end of 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

Effective January 1, 2007, Twoco adopted a series of new standards released by the CICA, 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. These standards have been adopted prospectively. 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.

Also effective January 1, 2007, Twoco adopted the revised CICA Handbook Section 1506 – “*Accounting Changes*”. Accounting Changes provides expanded disclosure for changes in accounting policies, accounting estimates and correction of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or when the change results in more relevant and reliable information.

Convergence of Canadian GAAP with International Financial Reporting Standards

In 2006, 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 petroleum 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 petroleum 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 petroleum 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. As at December 31, 2007, Twoco has not entered into any derivative or hedging contracts. 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.

Related Party Transactions

Accounting fees of \$77,674 (2006 - \$73,102) were incurred to a partnership of which a director of the Company was a partner. Legal fees of \$53,357 (2006 - \$130,083) were incurred to a law firm of which a director of the Company was an associate.

Included in accounts payable and accrued liabilities at December 31, 2007 is \$551 (2006 - \$22,348) owing to these related parties.

Included in interest on debentures payable is \$114,750 (2006 - \$72,066) 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 has participated in an aggressive drilling program that has resulted in the drilling of a total of 19 gross (17.8 net) wells that have resulted in 14 gross (12.8 net) wells being cased for potential gas production and 5 gross (5.0 net) wells being D&A. Of the 14 gross (12.8 net) wells that were cased for potential gas production, 9 gross (8.8 net) wells are currently on production and 2 gross (2.0 net) well were completed but experienced non-commercial production rates. Initial production from the remaining 3 gross (3.0 net) wells is anticipated in the second quarter of 2008.

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 continue to review all capital expenditure programs on a regular basis and adjust spending accordingly having regard to factors such as changes in commodity prices.