

TWOCO PETROLEUMS LTD.

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

FOR THE QUARTER ENDED JUNE 30, 2010

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the unaudited interim financial statements for Twoco Petroleum Ltd. ("**Twoco**" or the "**Company**") and related notes for the quarter ended June 30, 2010 and Twoco's audited financial statements, notes thereto, and MD&A for the year ended December 31, 2009. The financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). Additional information with respect to Twoco can be found on SEDAR at www.sedar.com and the Company's web site at www.twoco.ca. 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 six thousand cubic feet ("**mcf**") : one 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.

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 unaudited interim 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 revenue.

This MD&A is dated as of August 30, 2010, except where otherwise stated.

Selected Annual Information

	Quarter ended June 30, 2010 (\$)	Quarter ended June 30, 2009 (\$)	Quarter ended June 30, 2008 (\$)
Revenue	1,366,288	2,232,086	5,417,081
Cash Flow from Operations	68,265	526,292	3,549,131
Net Income (Loss)	(1,622,865)	(2,206,410)	1,123,639
Per share - Basic	(0.11)	(0.15)	0.07
Per share - Diluted	(0.11)	(0.15)	0.07
Total Assets	46,929,978	57,317,219	53,301,829
Total Long-Term Financial Liabilities	4,224,948	15,434,123	8,379,187
Dividends	Nil	Nil	Nil

	Six Months ended June 30, 2010 (\$)	Six Months ended June 30, 2009 (\$)	Six Months ended June 30, 2008 (\$)
Revenue	3,222,484	5,916,199	10,348,426
Cash Flow from Operations	395,547	2,212,040	6,238,961
Net Income (Loss)	(3,044,628)	(3,334,593)	1,510,097
Per share - Basic	(0.20)	(0.22)	0.10
Per share - Diluted	(0.20)	(0.22)	0.09
Total Assets	46,929,978	57,317,219	53,301,829
Total Long-Term Financial Liabilities	4,224,948	15,434,123	8,379,187
Dividends	Nil	Nil	Nil

Petroleum and Natural Gas Production

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Quarter ended June 30, 2008
Natural Gas (mcf/d)	4,417	7,612	6,299
Oil and NGL's (bbls/d)	Nil	Nil	1
Total (boe/d)	736	1,269	1,051

	Six Months ended June 30, 2010	Six Months ended June 30, 2009	Six Months ended June 30, 2008
Natural Gas (mcf/d)	4,588	8,252	6,819
Oil and NGL's (bbls/d)	Nil	Nil	1
Total (boe/d)	765	1,375	1,138

Average daily production for the quarter ended June 30, 2010 decreased to 736 boe/d as compared to 1,269 boe/d in the quarter ended June 30, 2009, a decrease of 42%. The decrease in natural gas production for the quarter ended June 30, 2010 is a result of shut-in volumes due to low natural gas prices, a lack of drilling activity and natural declines.

Petroleum and Natural Gas Sales

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Quarter ended June 30, 2008
Natural Gas Sales (\$)	1,366,288	2,230,921	5,412,319
\$/mcf	3.40	3.22	9.44
Oil and NGL Sales (\$)	Nil	1,165	4,762
\$/bbl	Nil	47.50	98.06
Total Sales (\$)	1,366,288	2,232,086	5,417,081

	Six Months ended June 30, 2010	Six Months ended June 30, 2009	Six Months ended June 30, 2008
Natural Gas Sales (\$)	3,222,484	5,913,257	10,341,062
\$/mcf	3.88	3.96	8.33
Oil and NGL Sales (\$)	Nil	2,942	7,364
\$/bbl	Nil	37.90	53.21
Total Sales (\$)	3,222,484	5,916,199	10,348,426

Petroleum and natural gas (“P&NG”) sales values decreased to \$1,366,288 for the quarter ended June 30, 2010 from \$2,232,086 for the quarter ended June 30, 2009. This represents a decrease of 39%. This decrease is predominantly due to the decrease in natural gas production for the quarter ended June 30, 2010.

Royalties

	Quarter ended June 30, 2010		Quarter ended June 30, 2009		Quarter ended June 30, 2008	
	(\$)	Royalty Rate (%)	(\$)	Royalty Rate (%)	(\$)	Royalty Rate (%)
Crown	(243,625)	(17.8)	(24,932)	(1.1)	460,465	9
Freehold & GORR	22,847	1.7	31,243	1.4	153,782	3
Total royalties	(220,778)	(16.1)	6,311	0.3	614,247	12

	Six Months ended June 30, 2010		Six Months ended June 30, 2009		Six Months ended June 30, 2008	
	(\$)	Royalty Rate (%)	(\$)	Royalty Rate (%)	(\$)	Royalty Rate (%)
Crown	(287,408)	(8.9)	437,407	7.4	1,174,603	11
Freehold & GORR	57,193	1.8	85,020	1.4	294,805	3
Total royalties	(230,215)	(7.1)	522,427	8.8	1,469,408	14

Royalty refunds of \$220,778 were realized for the quarter ended June 30, 2010 versus royalties paid of \$6,311 for the quarter ended June 30, 2009. The refunds from royalties in the quarter ended June 30, 2010 were a result of royalty adjustments from previous months being credited in the quarter ended June 30, 2010.

Operating Expense

	Quarter ended June 30, 2010		Quarter ended June 30, 2009		Quarter ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross operating expense	555,948	8.30	754,913	6.54	678,586	7.10
Overhead recoveries	(56,399)	(0.84)	(67,632)	(0.59)	(71,551)	(0.75)
Net operating expense	499,549	7.46	687,281	5.95	607,035	6.35

	Six Months ended June 30, 2010		Six Months ended June 30, 2009		Six Months ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross operating expense	1,223,357	8.84	1,529,267	6.14	1,352,019	6.53
Overhead recoveries	(124,172)	(0.90)	(133,017)	(0.53)	(135,654)	(0.66)
Net operating expense	1,099,185	7.94	1,396,250	5.61	1,216,365	5.87

Total operating expense decreased to \$499,549 for the quarter ended June 30, 2010 as compared to \$687,281 in the quarter ended June 30, 2009. Operating expense averaged \$7.46 per boe for the quarter ended June 30, 2010 as compared to \$5.95 per boe for the quarter ended June 30, 2009. The increase in unit operating costs is due to fixed operating costs being allocated to lower production volumes.

Transportation Expense

	Quarter ended June 30, 2010		Quarter ended June 30, 2009		Quarter ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Transportation expense	98,370	1.47	158,044	1.37	159,409	1.67

	Six Months ended June 30, 2010		Six Months ended June 30, 2009		Six Months ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Transportation expense	211,718	1.53	353,359	1.42	346,616	1.67

Total transportation expense decreased by 38% to \$98,370 for the quarter ended June 30, 2010 as compared to \$158,044 for the quarter ended June 30, 2009. Transportation expense averaged \$1.47 per boe for the quarter ended June 30, 2010 as compared to \$1.37 per boe for the quarter ended June 30, 2009.

Operating Netback

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Quarter ended June 30, 2008
Sales price (\$/boe)	20.40	19.33	56.67
Royalties (\$/boe)	3.30	(0.05)	(6.43)
Operating and transportation expense (\$/boe)	(8.93)	(7.32)	(8.02)
Operating netback (\$/boe)	14.77	11.96	42.22

	Six Months ended June 30, 2010	Six Months ended June 30, 2009	Six Months ended June 30, 2008
Sales price (\$/boe)	23.28	23.77	50.00
Royalties (\$/boe)	1.66	(2.10)	(7.10)
Operating and transportation expense (\$/boe)	(9.47)	(7.03)	(7.55)
Operating netback (\$/boe)	15.47	14.64	35.35

Twoco's operating netback increased 23% to \$14.77 per boe in the quarter ended June 30, 2010 as compared to \$11.96 per boe realized in the quarter ended June 30, 2009. This increase is primarily due to the royalty refunds that were realized in the quarter ended June 30, 2010.

General and Administrative Expense

	Quarter ended June 30, 2010		Quarter ended June 30, 2009		Quarter ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross G&A expense	396,428	5.92	445,720	3.86	299,523	3.13
Overhead recoveries	(9,219)	(0.14)	(2,819)	(0.02)	(41,613)	(0.43)
Capitalized G&A	(50,264)	(0.75)	(67,523)	(0.59)	(58,083)	(0.61)
Net G&A expense	336,945	5.03	375,378	3.25	199,827	2.09

	Six Months ended June 30, 2010		Six Months ended June 30, 2009		Six Months ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross G&A expense	787,170	5.68	734,413	2.95	679,098	3.28
Overhead recoveries	(14,428)	(0.10)	(7,116)	(0.03)	(60,441)	(0.28)
Capitalized G&A	(101,563)	(0.73)	(136,403)	(0.55)	(140,411)	(0.69)
Net G&A expense	671,179	4.85	590,893	2.37	478,246	2.31

Twoco's net general and administrative ("G&A") expense decreased to \$336,945 in the quarter ended June 30, 2010 from \$375,378 in the quarter ended June 30, 2009 and increased to \$671,179 for the six months ended June 30, 2010 from \$590,893 for the six months ended June 30, 2009. G&A costs increased in the six months ended June 30, 2010 primarily due to new bank fees of \$213,750 that are associated with the negotiation of the continuance of the bank credit facilities.

Net Interest Expense

In the quarter ended June 30, 2010, net interest expense increased to \$610,923 from \$494,375 in the quarter ended June 30, 2009 and \$300,765 in the quarter ended June 30, 2008. The increase in net interest expense in 2010 is attributable to higher interest payments associated with the Company's revolving line of credit.

Depletion, Amortization and Accretion

	Quarter ended June 30, 2010		Quarter ended June 30, 2009		Quarter ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Depletion expense	2,125,645	31.73	2,841,094	24.61	1,901,166	19.89
Amortization expense	4,735	0.07	4,098	0.04	Nil	Nil
Accretion expense	53,264	0.80	48,800	0.42	43,905	0.46
Total	2,183,644	32.60	2,893,992	25.07	1,945,071	20.35

	Six Months ended June 30, 2010		Six Months ended June 30, 2009		Six Months ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Depletion expense	4,368,662	31.56	6,289,758	25.27	4,129,166	19.95
Amortization expense	9,013	0.07	7,872	0.03	13,839	0.07
Accretion expense	106,528	0.77	97,250	0.39	82,867	0.40
Total	4,484,203	32.40	6,394,880	25.69	4,225,872	20.42

In the quarter ended June 30, 2010, depletion, amortization and accretion (“**DA&A**”) expense decreased to \$2,183,644 (\$32.60 per boe) as compared to \$2,893,992 (\$25.07 per boe) for the quarter ended June 30, 2009.

Income Taxes

It is anticipated that the Company will not be cash taxable in 2010 due to existing tax pools and tax deductions offsetting production revenue.

Cash Flow from Operations

	Quarter ended June 30, 2010		Quarter ended June 30, 2009		Quarter ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Petroleum and natural gas revenue	1,366,288	20.40	2,232,086	19.33	5,417,081	56.67
Royalties	220,778	3.30	(6,311)	(0.05)	(614,247)	(6.43)
Net Interest expense	(608,329)	(9.08)	(494,375)	(4.28)	(287,432)	(3.00)
Operating and transportation	(597,919)	(8.93)	(845,325)	(7.32)	(766,444)	(8.02)
General and administrative, net of non-cash items	(312,553)	(4.67)	(375,378)	(3.25)	(199,827)	(2.09)
Settlement of asset retirement obligations	Nil	Nil	15,595	0.13	Nil	Nil
Cash flow from Operations	68,265	1.02	526,292	4.56	3,549,131	37.13

	Six Months ended June 30, 2010		Six Months ended June 30, 2009		Six Months ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Petroleum and natural gas revenue	3,222,484	23.28	5,916,199	23.77	10,348,426	50.00
Royalties	230,215	1.66	(522,427)	(2.10)	(1,469,408)	(7.10)
Net Interest expense	(1,123,854)	(8.12)	(856,825)	(3.44)	(598,830)	(2.90)
Operating and transportation	(1,310,903)	(9.47)	(1,749,609)	(7.03)	(1,562,981)	(7.55)
General and administrative, net of non-cash items	(622,395)	(4.50)	(590,893)	(2.37)	(478,246)	(2.31)
Settlement of asset retirement obligations	Nil	Nil	15,595	0.06	Nil	Nil
Cash flow from Operations	395,547	2.86	2,212,040	8.89	6,238,961	30.14

In the quarter ended June 30, 2010, the Company generated cash flow from operating activities of \$68,265. This represents a decrease of 87% versus the quarter ended June 30, 2009. This decrease resulted mainly from lower natural gas production, higher interest costs and new bank fees.

Net Income and Cash Flow from Operations

	Quarter ended June 30, 2010		Quarter ended June 30, 2009		Quarter ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Cash flow from Operations	68,265	1.02	526,292	4.56	3,549,131	37.13
Less: Stock based compensation	(500)	(0.01)	(1,875)	(0.02)	(4,556)	(0.05)
DA&A expense	(2,183,644)	(32.60)	(2,893,992)	(25.07)	(1,945,071)	(20.35)
Future Income taxes recovery (expense)	520,000	7.76	205,000	1.78	(444,000)	(4.64)
Convertible debentures accretion	(24,392)	(0.36)	(2,594)	(0.02)	(13,333)	(0.14)
Amortization of deferred charges	(2,594)	(0.04)	(23,646)	(0.20)	(18,532)	(0.19)
Settlement of asset retirement obligations	Nil	Nil	(15,595)	(0.14)	Nil	Nil
Net income (loss)	(1,622,865)	(24.23)	(2,206,410)	(19.10)	1,123,639	11.76

	Six Months ended June 30, 2010		Six Months ended June 30, 2009		Six Months ended June 30, 2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)	(\$)	(\$/boe)
Cash flow from Operations	395,547	2.86	2,212,040	8.89	6,238,961	30.14
Less: Stock based compensation	(1,000)	(0.01)	(6,056)	(0.03)	(7,612)	(0.04)
DA&A expense	(4,484,203)	(32.40)	(6,394,880)	(25.69)	(4,225,872)	(20.42)
Future Income taxes recovery (expense)	1,099,000	7.94	928,000	3.72	(431,000)	(2.08)
Convertible debentures accretion	(48,784)	(0.35)	(15,927)	(0.06)	(26,666)	(0.13)
Amortization of deferred charges	(5,188)	(0.04)	(42,175)	(0.17)	(37,064)	(0.17)
Settlement of asset retirement obligations	Nil	Nil	(15,595)	(0.06)	Nil	Nil
Net income (loss)	(3,044,628)	(22.00)	(3,334,593)	(13.40)	1,510,097	7.30

In the quarter ended June 30, 2010, the Company experienced a net loss from operating activities of \$1,622,865. In the quarter ended June 30, 2009, the Company experienced a net loss from operating activities of \$2,206,410. The net loss from operating activities experienced in the quarter ended June 30, 2010 resulted primarily from lower natural gas prices and lower natural gas production.

Capital Expenditures

Twoco's total capital expenditures for the quarters ended June 30, 2010, June 30, 2009 and June 30, 2008 are summarized as follows:

	Quarter ended June 30, 2010 (\$)	Quarter ended June 30, 2009 (\$)	Quarter ended June 30, 2008 (\$)
Land and property acquisitions	36,016	63,334	124,824
Geological and geophysical	Nil	Nil	197,250
Drilling and completions	110,401	130,251	1,058,856
Facilities and equipment	218,451	140,021	727,734
Other	2,743	18,190	61,125
Total capital expenditures	367,611	351,796	2,169,789

	Six Months ended June 30, 2010 (\$)	Six Months ended June 30, 2009 (\$)	Six Months ended June 30, 2008 (\$)
Land and property acquisitions	112,108	133,067	455,213
Geological and geophysical	NIL	1,671	202,383
Drilling and completions	258,301	248,062	1,857,200
Facilities and equipment	269,406	437,017	823,002
Other	4,078	24,103	149,240
Total capital expenditures	643,893	843,920	3,487,038

Liquidity and Capital Resources

In late 2008 and continuing through into 2010, the global credit market crisis, the volatility in the price of oil and natural gas, the recession in Canada and the slowdown of economic growth in the rest of the world has created a substantially more volatile business environment. Tighter credit and equity markets, especially for small companies has and will continue to limit certain of the Company's planned business development activities and it will continue to provide risk for the Company's future.

The December 31, 2009 audited annual financial statements were prepared by management on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its obligations in the normal course of business. Management believes the going concern assumption is appropriate for the December 31, 2009 and June 30, 2010 financial statements. Therefore, the financial statements do not reflect the adjustments that may be necessary if the going concern assumption were not applicable. If this assumption were not appropriate, adjustments to the carrying amounts of the assets and liabilities, revenue and expenses and the balance sheet classification used may be necessary.

Management is currently working on certain strategic alternatives including, but not limited to, recapitalizing the Company through financing arrangements or merging with other companies. All these alternatives will take time and management believes that it has the continued financial support of its lender and will be able to address and resolve the liquidity issues created by the current economic climate as described above. There is no assurance, however, that any or all of these alternatives will materialize or that additional funding will be available, if and when needed.

On July 29, 2010, the Company announced an equity financing of up to \$6,000,000 and that it will take steps to enter into agreements with the holders of its outstanding unsecured 17% debentures to exchange such debentures for common shares of the Company (the “**Debenture Exchange**”). In connection with the proposed equity financing and Debenture Exchange, the Company has also entered into an amending agreement (the “**Amending Agreement**”) to its credit facility with Alberta Treasury Branches (the “**Bank**”).

On August 10, 2010, the Company filed a final prospectus in connection with a short form prospectus offering in British Columbia, Alberta and Ontario (the “**Offering**”) of up to \$2,000,000 of units of the Company (“**Units**”) at a price of \$0.23 per Unit and up to \$4,000,000 of flow-through units of the Company (“**Flow-Through Units**”) at a price of \$0.25 per Flow-Through Unit to raise minimum gross proceeds of \$3,000,000 (the “**Minimum Offering**”) and maximum gross proceeds of \$6,000,000. Each Unit will be comprised of one common share of the Company (“**Common Share**”) and one Common Share purchase warrant (“**Warrant**”). Each Flow-Through Unit will be comprised of one Common Share to be issued as a “flow-through share” (“**Flow-Through Shares**”) within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”) and one-half of one Warrant. Each whole Warrant shall be exercisable into one Common Share at a price of \$0.30 per Common Share for a period of 24 months from the closing date (“**Closing Date**”) of the Offering. Pursuant to the terms of an agency agreement between Twoco and Macquarie Private Wealth Inc. (the “**Agent**”) dated effective July 13, 2010 (the “**Agency Agreement**”), the Offering will be conducted on a commercially reasonable efforts agency basis.

Due to continuing depressed prices for natural gas, the Company has determined to strategically diversify its commodity mix by targeting exploration towards oil prospects it has identified on its existing lands. Assuming completion of the Offering, the Company intends to increase its capital budget to drill up to 4 horizontal oil wells on four sections of land on the Company’s Sparky oil prospect in the Warspite area of Alberta and one horizontal oil well on the Company’s Viking prospect in the Bellshill Lake area of Alberta. The net proceeds of the Offering will also be used to drill up to 6 vertical natural gas wells in the Company’s Warspite, Colinton, Sunland and Plain operating areas of Alberta and a modest amount of the net proceeds of the Offering may be used for general corporate purposes. The gross proceeds from the issuance of Flow-Through Shares in an amount equal to the portion of the aggregate purchase price for Flow-Through Units which is allocated to the Flow-Through Shares, will be used to incur Canadian Exploration Expenses (as such term is defined in the Tax Act) prior to December 31, 2011 (the “**Flow-Through Commitment**”). The Company will renounce such Canadian Exploration Expenses to the subscribers of the Flow-Through Units effective on or before December 31, 2010.

All capital expenditures are discretionary. In the event that less than \$6,000,000 is raised pursuant to the Offering, there will be fewer dollars immediately available to the Company and therefore fewer wells will be drilled using proceeds from the Offering. Subject to satisfying the Flow-Through Commitment and in compliance with the terms of the Amending Agreement (as defined herein), Twoco will review all capital expenditures on a regular basis throughout 2010 and 2011 and adjust spending based on factors such as changes in commodity prices and drilling and production results.

In consideration for its services in connection with the Offering, the Agent will be paid a fee equal to 7% of the gross proceeds of the Offering, payable at the sole option of the Agent, by way of cash and/or Common Shares at a price of \$0.23 per Common Share (except with respect to proceeds from the sale of Units and Flow-Through Units issued pursuant to a

president's list for which the Agent will receive a fee of 3.5% of such proceeds). In addition, the Agent will receive options ("**Agent Options**") equal to 6% of the number of Units and Flow-Through Units sold under the Offering (except for sales of Units and Flow-Through Units issued pursuant to a president's list for which the Agent will receive Agent Options equal to 3.5% of the number of such Units and Flow-Through Units). Each Agent Option will entitle the Agent to purchase a Unit exercisable for twenty-four months at a price of \$0.23 per Unit.

Closing of the Offering is expected to occur no later than September 15, 2010 and is subject to customary conditions, the Agent's due diligence review and regulatory approvals, including the approval of the TSX Venture Exchange ("**TSXV**").

The closing of the Offering and the Debenture Exchange are expected to occur contemporaneously, each of which are subject to certain conditions including the approval of the TSXV and the receipt of necessary regulatory approvals. The Offering is subject to the completion of the Debenture Exchange and the Debenture Exchange is subject to the completion of the Offering.

On March 31, 2009, Twoco completed a private placement of \$8,300,000 of 17% unsecured debentures (the "**Debentures**") and warrants to purchase up to 4,150,000 Common Shares at a price of \$1.20 per Common Share which expire on March 31, 2011. The Debentures bear interest at a rate of 17% per annum, payable commencing June 30, 2009 and quarterly thereafter and will mature on March 31, 2011.

Pursuant to the terms of the Agency Agreement, at least 50% of the aggregate principal amount of the Debentures are required to be exchanged for Common Shares at a price equal to the offering price of the Units on or before the Closing Date. Therefore, a minimum of \$4,150,000 of the Debentures are required to be exchanged for Common Shares at a price of \$0.23 per Common Share for an aggregate of 18,043,478 Common Shares. However, the Company will take steps to enter into agreements with the holders of the Debentures to exchange all of the outstanding Debentures, including all interest accrued on the Debentures from July 1, 2010 (the most recent interest payment date) to the Closing Date, for Common Shares at a price of \$0.23 per Common Share. If the full \$8,300,000 of Debentures plus accrued interest thereon up to Closing Date are exchanged for Common Shares, approximately 37,061,798 Common Shares may be issued pursuant to such exchange of the Debentures. Up to \$1,770,000 principal amount of Debentures plus all interest accrued thereon up to the Closing Date held by certain insiders of Twoco are also intended to be exchanged for an aggregate of 7,903,540 Common Shares on the same terms as described above.

As of May 7, 2010, Twoco had a loan facility with the Bank that included a \$18,000,000 revolving credit facility and a \$500,000 non-revolving loan facility. On May 7, 2010, the Bank and the Company agreed to changes to the credit facility that includes an increase to the interest rate on its \$18,000,000 credit facility to prime plus 3.75% effective as of April 15, 2010.

On July 29, 2010, the Company and the Bank entered into an amending agreement (the "**Amending Agreement**") further amending the terms of the Company's \$18,000,000 revolving credit facility. In particular, among other things, the repayments of the revolving credit facility are to be made from net proceeds of any additional borrowings, proceeds on sale of property, proceeds from insurance and proceeds from equity issuances other than the Offering. In addition, the Company is required to complete an equity issuance for a minimum of \$3,000,000 in gross proceeds on or before September 15, 2010, which includes the Offering. The next review date of the credit facilities was also extended in connection with the Amending

Agreement, to March 31, 2011 but may be changed at any time at the sole discretion of the Bank. The Company had drawn \$17,650,000 on the revolving credit facility as at June 30, 2010.

In connection with the Amending Agreement, the Company paid the Bank \$50,000 at the date thereof and is required to pay an additional \$450,000 to the Bank no later than September 1, 2010. The Bank requires that a minimum of \$300,000 of the \$450,000 fee payable be paid in the form of Common Share purchase warrants (the "**Loan Warrants**") at a deemed price of \$0.30 per Loan Warrant, each Loan Warrant being exercisable into one Common Share for a period of twenty-four months at a price of \$0.30 per Loan Warrant. The Company has the option to pay the remainder of the \$450,000 fee in the form of Loan Warrants. Therefore, a minimum of 1,000,000 Loan Warrants and a maximum of 1,500,000 Loan Warrants may be issued pursuant to the Amending Agreement.

The Offering is also subject to the Company meeting all of the terms of the Amending Agreement.

As at June 30, 2010, Twoco had a working capital deficiency of \$26,567,836 as compared to a working capital deficiency of \$19,332,301 at June 30, 2009.

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of our underlying assets. The Company considers its capital structure to include shareholders' equity, debt and working capital. To maintain or adjust the capital structure, the Company may from time to time, issue shares, raise debt and/or adjust its capital spending to manage its current and projected debt levels.

The Company monitors capital based on the current and projected ratios of debt to cash flow and debt to capital employed. The Company's objective is to maintain a debt to cash flow from operations ratio of less than two times. The ratio may increase at certain times as a result of acquisitions. To facilitate the management of this ratio, the Company prepares annual budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. The annual budget is approved by the board of directors of the Company.

Due to the major acquisition of certain properties in late 2008 with debt financing, coupled with the subsequent decline in the natural gas market and pricing as well as the collapse of the credit and equity markets in late 2008 and into 2009 and 2010, the Company has not been able to maintain its debt to cash flow from operations ratio of less than two times. For the quarter ended June 30, 2010 the ratio was 49:1.

The Company's share capital is not subject to external restrictions.

There were no changes in the Company's approach to capital management from the previous year.

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.

2010 Capital Budget

Due to continuing depressed prices for natural gas, the Company has determined to strategically diversify its commodity mix by targeting exploration towards oil prospects it has identified on its existing lands. Assuming completion of the Offering, the Company intends to increase its capital budget to \$5.38 million which will include drilling up to 4 horizontal oil wells on four sections of land on the Company's Sparky oil prospect in the Warspite area of Alberta and one horizontal oil well on the Company's Viking prospect in the Bellshill Lake area of Alberta. The net proceeds of the Offering will also be used to drill up to 6 vertical natural gas wells in the Company's Warspite, Colinton, Sunland and Plain operating areas of Alberta and a modest amount of the net proceeds of the Offering may be used for general corporate purposes.

All capital expenditures are discretionary. In the event that less than \$6,000,000 is raised pursuant to the Offering, there will be fewer dollars immediately available to the Company and therefore fewer wells will be drilled using proceeds from the Offering. Subject to satisfying the Flow-Through Commitment and in compliance with the terms of the Amending Agreement, Twoco will review all capital expenditures on a regular basis throughout 2010 and 2011 and adjust spending based on factors such as changes in commodity prices and drilling and production results.

Quarterly Results

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

Quarter Ended	Petroleum and Natural Gas Sales			Net Income (Loss)		
	(\$)	(\$/share)		(\$)	(\$/share)	
		Basic	Diluted		Basic	Diluted
June 30, 2010	1,366,288	0.09	0.09	(1,622,865)	(0.11)	(0.11)
March 31, 2010	1,856,196	0.12	0.12	(1,421,763)	(0.10)	(0.10)
December 31, 2009	1,821,963	0.01	0.01	(1,103,932)	(0.01)	(0.01)
September 30, 2009	1,506,834	0.10	0.10	(2,313,946)	(0.15)	(0.15)
June 30, 2009	2,232,086	0.15	0.15	(2,206,410)	(0.15)	(0.15)
March 31, 2009	3,684,113	0.25	0.25	(1,128,183)	(0.08)	(0.08)
December 31, 2008	5,497,981	0.36	0.35	(875,231)	(0.06)	(0.06)
September 30, 2008	4,263,059	0.27	0.26	98,857	0.01	0.01

Summary of Quarterly Information

	Quarter Ended				
	2010 Jun. 30		2010 Mar. 31	2009 Dec. 31	2009 Sept. 30
	(\$)	(\$/boe)	(\$)	(\$)	(\$)
Revenue	1,366,288	20.40	1,856,196	1,821,963	1,506,834
Royalties	220,778	3.30	9,437	(75,739)	(41,349)
Operating and Transportation	(597,919)	(8.93)	(712,984)	(1,292,599)	(831,055)
G&A Expense, net of non-cash items	(312,553)	(4.67)	(309,842)	(234,520)	(153,920)
Net interest Income (Expense)	(608,329)	(9.08)	(515,525)	(461,375)	(515,551)
Settlement of asset retirement obligations	Nil	Nil	Nil	Nil	Nil
Cash Flow (deficiency) from Operations	68,265	1.02	327,282	(242,270)	(35,041)

	Quarter Ended				
	2009 Jun. 30		2009 Mar. 31	2008 Dec. 30	2008 Sept. 30
	(\$)	(\$/boe)	(\$)	(\$)	(\$)
Revenue	2,232,086	19.33	3,684,113	5,497,981	4,263,059
Royalties	(6,311)	(0.05)	(516,116)	(1,037,606)	(779,028)
Operating and Transportation	(845,325)	(7.32)	(904,284)	(296,712)	(803,828)
G&A Expense, net of non-cash items	(375,378)	(3.25)	(215,515)	(322,503)	(110,600)
Net interest Income (Expense)	(494,375)	(4.28)	(362,447)	(327,091)	(309,035)
Settlement of asset retirement obligations	15,595	0.13	Nil	Nil	Nil
Cash Flow from Operations	526,292	4.56	1,685,751	3,514,070	2,260,569

Outstanding Share Data

The following table sets forth the capitalization of Twoco as at June 30, 2010:

	Authorized	Outstanding as at June 30, 2010	Common Shares underlying Convertible Securities
Share Capital			
Common Shares ⁽¹⁾	Unlimited	14,941,406	-
Stock Options ⁽²⁾	Not Applicable	136,000	136,000
Preferred Shares	Unlimited	Nil	-
Long term Debt ⁽³⁾	Not Applicable	\$8,300,000	-

Notes:

- (1) As at the date hereof, Twoco has 14,941,406 common shares outstanding.
- (2) Twoco currently has outstanding under its stock option plan, options to purchase 10,000 common shares at an exercise price of \$3.50 per share, 15,000 common shares at a price of \$4.46 per share and 111,000 common shares at a price of \$7.10 per share, for a total of 136,000 common shares that may be purchased upon proper exercise of outstanding stock options.
- (3) Twoco currently has outstanding \$8.3 million of 17% unsecured debentures ("**Debentures**") and warrants to purchase up to 4,150,000 common shares of the Company at a price of \$1.20 per share which expire on March 31, 2011. The Debentures bear interest at the rate of 17% per annum, payable quarterly and will mature on March 31, 2011.

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 financial statements for the year ended December 31, 2009 and the year ended December 31, 2008. Twoco's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

Convergence of Canadian GAAP with International Financial Reporting Standards

In January 2006, the CICA Accounting Standard Board (the "ACSB") adopted a strategic plan that will result in Canadian GAAP, as it applies to publicly accountable entities, being converged with International Financial Reporting Standards ("IFRS") over a transitional period whereby effective January 1, 2011, the interim and annual financial statements of Canadian publicly-traded corporations for fiscal years beginning on or after January 1, 2011 will be required to be prepared in accordance with IFRS. As a publicly-traded corporation, Twoco's financial statements for the year ended December 31, 2010 will have to be reported in accordance with Canadian GAAP and financial statements for subsequent periods, including as at and for the three months ended March 31, 2011, and comparative amounts will have to be prepared in accordance with IFRS.

Although the Company has not yet completed the development of the IFRS change over plan, it continues with a high level review of the major differences between Canadian GAAP and IFRS. At this time, the Company has identified the following key differences:

(a) Exploration & Evaluation Expenditures

Upon transition to IFRS the Company will be required to reclassify certain assets that are currently included in property, plant and equipment on the balance sheet to Exploration & Evaluation ("E&E") expenditures. E&E expenditures consist of the book value of undeveloped land and seismic that relate to exploration properties. E&E expenditures have the option to be depleted and must be assessed for impairment when indications suggest the possibility of impairment exists. The Company has not yet determined what policy choices surrounding E&E expenditures it will adopt.

(b) Depletion Expenses

The Company has the option to base its depletion calculation on either proved reserves or proved plus probable reserves. The Company has not yet determined which reserve base it will utilize to calculate its depletion expenses.

(c) Impairment

Impairment tests of property, plant and equipment must be performed for each cash generating unit of the Company. Impairment may be recovered in future periods if it is determined that the impairment has decreased or no longer exists.

(d) Asset Retirement Obligation

The Company's Asset Retirement Obligation ("ARO") is likely to increase under IFRS as a result of the change to a risk free interest rate from that of a credit adjusted risk free

interest rate used to discount cash flows. In addition, any change in the discount rate will affect the entire ARO and not just the current addition to the ARO as it now does.

Throughout the remainder of 2010, the Company will continue with a detailed assessment of the policy choices that are available to it and the resulting effects of those policy choices on its financial statements. Once the policy choices have been made, the appropriate changes will be implemented. Twoco expects to be IFRS compliant by January 1, 2011.

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 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, Twoco competes 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. For a further discussion of potential risks, see "Risk Factors" contained in our Annual Information Form which can be found on SEDAR at www.sedar.com and the Company's web site at www.twoco.ca.

Current Economic Environment

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009 and 2010, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments to address the global financial crisis, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively

impacted corporate valuations and will impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, the actions of the Organization of Petroleum Exporting Countries (OPEC) and the ongoing global credit and liquidity concerns.

As a result of the weakened global economic situation, Twoco, along with all other oil and gas entities, may have restricted access to capital, bank debt and equity, and is likely to face increased borrowing costs. Although Twoco's business and asset base have not changed, the lending capacity of all financial institutions has diminished and risk premiums have increased. As future capital expenditures will be financed out of funds generated from operations, borrowings and possible future equity sales, Twoco's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and Twoco's securities in particular.

To the extent that external sources of capital become limited or unavailable or only available on onerous terms, Twoco's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Financial Instruments and Risk Management

(a) Fair Values

The Company's financial instruments consist of accounts receivable, accounts payable and accrued liabilities, unsecured debentures payable, bank indebtedness and credit facility. The fair value of these instruments approximate their carrying amounts due to their short terms to maturity or because they bear interest at market rates for similar instruments.

(b) Credit Risk

Virtually all of the Company's accounts receivable are due from joint venture partners in the oil and gas industry and from purchasers of the Company's petroleum and natural gas production and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

Receivables from petroleum and natural gas marketers are normally collected on the twenty-fifth day of the month following production. Receivables related to the sale of the Company's petroleum and natural gas production are from major marketing companies with investment grade credit ratings. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers.

Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures

prior to expenditure and issuing cash calls on large capital projects from its partners on capital projects before they commence. The Company reviews the financial status of joint venture partners before partner approval is obtained.

(c) Liquidity Risk

Liquidity risk relates to the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities, unsecured debentures payable and bank indebtedness. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand or borrowing capacity to meet operational and financial obligations.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. These risks are generally outside the control of the Company. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

(e) Interest Rate Risk

The Company is exposed to interest rate cash flow risk on its outstanding bank indebtedness, which has a floating interest rate and would impact the Company's future cash flows. The Company had no interest rate swaps or hedges at June 30, 2010.

In regards to interest rate risk, an increase or decrease of one percent to the effective interest rate for the Company would have impacted net earnings by \$92,555 for the period.

(f) Foreign Currency Risk

The Company is exposed to foreign currency fluctuations as crude oil and natural gas prices are referenced to U.S. dollar denominated prices. As at June 30, 2010, the Company had no forward foreign exchange contracts in place, nor any significant working capital items denominated in foreign currencies.

(g) Commodity Price Risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. 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. As at June 30, 2010 Twoco has entered into the following physical delivery contracts:

<u>Commodity</u>	<u>Contract Type</u>	<u>Contract Period</u>	<u>Notional Contract Amounts</u>	<u>Price Range</u>
Natural Gas	Collar	Apr. 1 – Oct. 31, 2010	500 GJ/d	\$3.40 – \$4.15 (\$Cdn/GJ) at AECO
Natural Gas	Collar	Apr. 1 – Oct. 31, 2010	500 GJ/d	\$3.35 – \$4.25 (\$Cdn/GJ) at AECO

In regards to commodity prices, a \$0.25 change to the price per thousand cubic feet of natural gas would have positively impacted net earnings by \$222,431 for the period in the event of a price increase and negatively impacted net earnings by \$222,431 in the event of a price decrease.

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

During the quarter ended June 30, 2010, consulting fees of \$33,800 (2009 - \$34,440) were incurred to a corporation of which a director of the Company is the president and shareholder. Legal fees of \$11,525 (2009 - \$22,222) were incurred to a law firm of which a director of the Company is an associate.

Included in accounts payable and accrued liabilities at June 30, 2010 is \$52,586 (2009 - \$16,424) owing to these related parties.

Included in interest on debentures payable is \$78,198 (2009 - \$78,198) 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 the second quarter of 2010, Twoco participated in the drilling of 0 gross (0 net) wells compared to the drilling of 0 gross (0 net) well in the second quarter of 2009. Due to continuing depressed prices for natural gas, the Company has determined to strategically diversify its commodity mix by targeting exploration towards oil prospects it has identified on its existing lands. Assuming completion of the Offering, the Company intends to increase its capital budget to \$5.38 million which will include drilling up to 4 horizontal oil wells on four sections of land on the Company's Sparky oil prospect in the Warspite area of Alberta and one horizontal oil well on the Company's Viking prospect in the Bellshill Lake area of Alberta. The net proceeds of the Offering will also be used to drill up to 6 vertical natural gas wells in the in the Company's Warspite, Colinton, Sunland and Plain operating areas of Alberta and a modest amount of the net proceeds of the Offering may be used for general corporate purposes.

All capital expenditures are discretionary. In the event that less than \$6,000,000 is raised pursuant to the Offering, there will be fewer dollars immediately available to the Company and therefore fewer wells will be drilled using proceeds from the Offering. Subject to satisfying the Flow-Through Commitment and in compliance with the terms of the Amending Agreement, Twoco will review all capital expenditures on a regular basis throughout 2010 and 2011 and adjust spending based on factors such as changes in commodity prices and drilling and production results.

Advisory Regarding Forward-Looking Statements

Certain statements contained in this MD&A and in certain documents incorporated by reference into this MD&A, constitute forward-looking statements and information (“**forward-looking statements**”). These statements relate to future events or the Company’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 Company 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 MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A, as the case may be. The Company does not intend, and does not assume any obligation, to update or revise these forward-looking statements except as required pursuant to applicable securities laws.

Forward-looking information and statements are included throughout this MD&A (and the documents incorporated by reference herein) and include, but are not limited to, statements pertaining to the following:

- the closing of the Offering;
- the use of the net proceeds from the Offering;
- the going concern assumption in the Company’s financial statements;
- strategic alternatives for the Company;
- repayment options for the Debentures (as defined herein), including exchange of the Debentures;
- participation of insiders in the Offering and the exchange of the Debentures;
- proposed update to the Company’s capital budget including potential drilling program;
- changes to the Company’s revolving credit facility, including the issuance of Warrants (as defined herein) in connection therewith;
- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for facilities construction and completion and the timing and method of funding thereof;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- drilling, completion and facilities costs;
- results of various projects of Twoco;
- effect of production increases on operating costs per boe;
- ability to lower cost structure in certain projects of Twoco;
- growth expectations within Twoco;
- timing of development of undeveloped reserves;
- the tax horizon and taxability of Twoco;
- supply and demand for oil, natural gas liquids and natural gas;
- the performance and characteristics of Twoco's oil and natural gas properties;

- Twoco's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of Canadian federal and provincial governmental regulation on Twoco relative to other oil and gas issuers of similar size;
- realization of the anticipated benefits of acquisitions and dispositions;
- weighting of production between different commodities;
- the quantity and quality of the oil and natural gas reserves;
- projections of commodity prices and costs;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- capital expenditure programs and the timing and method of financing thereof; and
- treatment under government regulation and taxation regimes.

The Company'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 MD&A:

- the Company's ability to continue as a going concern;
- the ability of the Company to achieve drilling success consistent with management's expectations;
- the Company's ability to retain access to bank and other financing;
- the Company's ability to access capital;
- general economic conditions in Canada, the United States and globally;
- industry conditions, including fluctuations in the price of oil and natural gas;
- governmental regulation of the oil and gas industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- liabilities inherent in oil and natural gas operations;
- geological, technical, drilling and processing problems;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- failure to realize the anticipated benefits of acquisitions;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisitions of reserves, undeveloped land and skilled personnel;
- competition for and inability to retain drilling rigs and other services;
- rights to surface access;
- the need to obtain required approvals from regulatory authorities; and
- the other factors considered under "Risks and Uncertainties", "Current Economic Environment" and "Financial Instruments and Risk Management" in this MD&A and other risk factors identified in other documents incorporated herein by reference.

Statements relating to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. With respect to forward-looking statements contained or incorporated by reference in this MD&A, Twoco has

made assumptions regarding: future exchange rates; energy markets and the price of oil and natural gas; the impact of increasing competition; condition in general economic and financial markets; availability of drilling and related equipment; availability of skilled labour; availability of prospective drilling rights; current technology; cash flow; commodity prices; production rates; effects of regulation and tax laws by governmental agencies; future operating costs and the Company's ability to obtain financing on acceptable terms. The risks, uncertainties, material assumptions and other factors that could affect results are discussed in more detail in our Annual Information Form and other documents which can be found on SEDAR at www.sedar.com. In addition, forward-looking statements in documents incorporated by reference herein may be based on additional assumptions as disclosed in such documents. Readers are cautioned that the foregoing list of factors is not exhaustive.

The above summary of assumptions and risks related to forward-looking information has been provided in this MD&A and the documents incorporated by reference herein in order to provide readers with a more complete perspective on Twoco's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement.