TWOCO PETROLEUMS LTD.
Management's Discussion and Analysis
For the quarter ended September 30, 2011

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the unaudited condensed interim financial statements and related notes for Twoco Petroleums Ltd. ("**Twoco**" or the "**Company**") for the three and nine months ended September 30, 2011 and related notes therein as prepared in accordance with International Financial Reporting Standards ("**IFRS**"), the December 31, 2010 audited financial statements and related notes therein as prepared in accordance with Canadian Generally Accepted Accounting Principles ("**GAAP**") and the MD&A for the year ended December 31, 2010. 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.

This MD&A is dated as of November 24, 2011, except where otherwise stated.

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.

MD&A Financial Measurements

This document contains the terms "cash flow" and "operating netbacks", which do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. The term "cash flow from (used by) operations", 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 (used by) operations can be found in the statements of cash flows in the financial statements. Operating netbacks are determined by deducting royalties, operating and transportation expenses from petroleum and natural gas sales revenue.

Outlook

In the third quarter of 2011, the Company commenced production from its 2 gross (1.93 net) tri-leg horizontal oil wells that were drilled on the Company's Sparky heavy oil property in the Warspite area of Alberta. In November 2011, Twoco completed drilling 1 gross (0.97 net) quad-leg horizontal oil well on the Company's Sparky heavy oil property. It is anticipated that this well will commence production prior to year end.

The Company previously announced the results of its independent reserve evaluation for the Company's Sparky heavy oil property in the Warspite area of Alberta as of September 30, 2011 as prepared by Sproule Associates Limited ("**Sproule**") in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* (the "**Evaluation**"). The Evaluation was limited to Twoco's Sparky heavy oil property and does not take into account any of the Company's natural gas or other properties.

Highlights of the Evaluation include:

- Total Proved Heavy Oil Reserves of 1,029,800 boe (941,900 barrels heavy oil; 527 mmcf solution gas) - this represents a 496% increase from the December 31, 2010 corporate reserve evaluation of the Company's Sparky heavy oil property in the Warspite area of Alberta;

- Total Proved Plus Probable Heavy Oil Reserves of 3,252,800 boe (2,975,200 barrels heavy oil; 1,666 mmcf solution gas) - this represents a 677% increase from the December 31, 2010 corporate reserve evaluation of the Company's Sparky heavy oil property in the Warspite area of Alberta; and

- Heavy Oil Reserve Values, using Sproule's October 31, 2011 forecast pricing and calculated using a 10% discount rate, of $21.25 million on a Total Proved basis and $56.96 million on a Total Proved Plus Probable basis.

The large increase in heavy oil reserves is primarily attributable to the results associated with the Company's previously announced 2 gross (1.93 net) tri-leg horizontal oil wells that were recently drilled and placed on production in the Company's Sparky heavy oil property in the Warspite area of Alberta.

The Company has determined to strategically diversify its commodity mix by targeting development of its Sparky heavy oil property in the Warspite area of Alberta. Due to continuing depressed prices for natural gas and limited availability of capital, the Company will spend an estimated $5.8 million of its previously announced $11.8 million 2011 capital budget. The $11.8 million capital budget included the drilling of 10 gross (9.72 net) horizontal oil wells on the Company's Sparky heavy oil property in the Warspite area and, subject to favourable natural gas prices, up to 6 gross (5.79 net) additional vertical natural gas wells in the Company's Warspite, Colinton, Sunland and Plain operating areas of Alberta. After its 2011 capital budget was adopted, it was determined to allocate all available capital towards the development of the Company's Sparky heavy oil property in the Warspite area of Alberta using multi-leg horizontal oil wells. To date in 2011, the Company has drilled 2 gross (1.93 net) tri-leg horizontal oil wells and 1 gross (0.97 net) quad-leg horizontal oil well on this property.

All capital expenditures are discretionary. Subject to satisfying its flow-through share commitments and in compliance with the terms of the 2011 Amending Agreement (as defined herein), Twoco will review all capital expenditures on a regular basis throughout 2011 and adjust spending based on factors such as changes in commodity prices and drilling and production results.

Selected Information

	For the three months ended September 30	
	2011 ($)	**2010 ($)**
Revenue	1,434,310	1,155,924
Cash Flow from (used by) Operations	248,796	(23,961)
Net Loss	(626,290)	(1,835,774)
Per share – Basic	(0.01)	(0.07)
Per share – Diluted	(0.01)	(0.07)
Dividends	Nil	Nil

	For the nine months ended September 30	
	2011 ($)	**2010 ($)**
Revenue	4,177,433	4,378,408
Cash Flow from Operations	416,010	342,898
Net Loss	(2,493,184)	(5,010,175)
Per share – Basic	(0.04)	(0.26)
Per share – Diluted	(0.04)	(0.26)
Dividends	Nil	Nil

	As at September 30, 2011 ($)	**As at December 31, 2010 ($)**
Total Assets	28,700,528	27,884,292
Total Long-Term Liabilities	7,973,336	4,412,261

Petroleum and Natural Gas Production

	For the three months ended September 30	
	2011	**2010**
Natural Gas (mcf/d)	3,047	4,054
Oil and NGL's (bbls/d)	105	Nil
Total (boe/d)	613	676

	For the nine months ended September 30	
	2011	**2010**
Natural Gas (mcf/d)	3,151	4,408
Oil and NGL's (bbls/d)	78	Nil
Total (boe/d)	603	735

Average daily production for the three and nine months ended September 30, 2011 decreased from the comparative periods by 9% and 18%, respectively. The decrease in natural gas production for the quarter ended September 30, 2011 is a result of shut-in volumes due to low natural gas prices and a lack of drilling activity and natural declines. All of the oil and natural gas liquids production is attributable to the 4 wells drilled on the Company's Sparky heavy oil property in the Warspite area of Alberta, of which 2 of the 4 wells came on production in late August 2011 and have therefore contributed only a minor portion of production in the third quarter.

Petroleum and Natural Gas Sales

	For the three months ended September 30	
	2011 ($)	**2010 ($)**
Natural Gas Sales	884,616	1,155,924
$/mcf	3.16	3.10
Oil and NGL Sales	549,694	Nil
$/bbl	72.25	Nil
Total Sales	1,434,310	1,155,924

	For the nine months ended September 30	
	2011 ($)	**2010 ($)**
Natural Gas Sales	2,759,768	4,378,408
$/mcf	3.21	3.64
Oil and NGL Sales	1,417,665	Nil
$/bbl	75.50	Nil
Total Sales	4,177,433	4,378,408

Petroleum and natural gas ("**P&NG**") sales for the three months ended September 30, 2011 increased by 24% due to the 4 wells drilled on the Company's Sparky heavy oil property in the Warspite area of Alberta. P&NG sales for the nine months ended September 30, 2011 decreased from the comparative periods by 5%, predominantly due to the decrease in natural gas production and the year-to-date average price of natural gas.

Royalties

	For the three months ended September 30			
	2011		**2010**	
	($)	**(%)**	**($)**	**(%)**
Crown	34,611	2	1,061	-
Freehold & GORR	18,824	1	19,663	2
Total royalties	53,435	4	20,724	2

	For the nine months ended September 30			
	2011		**2010**	
	($)	**(%)**	**($)**	**(%)**
Crown	59,531	1	(286,347)	(7)
Freehold & GORR	59,063	1	76,856	2
Total royalties	118,594	3	(209,491)	(5)

Royalties are in a net credit position for the nine months ended September 30, 2010 as a result of royalty adjustments from previous months received and recorded in the period.

Production and Operating Expense

	For the three months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Gross operating expense	632,710	11.22	497,798	8.01
Overhead recoveries	(52,252)	(0.93)	(58,373)	(0.94)
Net operating expense	580,458	10.29	439,425	7.07
Transportation expense	111,991	1.99	92,381	1.49
Production and operating expense	692,449	12.28	531,806	8.56

	For the nine months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Gross operating expense	1,876,521	11.39	1,721,155	8.58
Overhead recoveries	(156,454)	(0.95)	(182,545)	(0.91)
Net operating expense	1,720,067	10.44	1,538,610	7.67
Transportation expense	293,560	1.78	304,099	1.52
Production and operating expense	2,013,627	12.22	1,842,709	9.19

Net operating costs per boe are higher in the 2011 periods due to fixed operating costs being allocated to lower production volumes. In addition, the 2011 production and operating costs include higher costs associated with oil production which commenced in December 2010.

Operating Netback

	For the three months ended September 30	
	2011	2010
Sales price ($/boe)	25.44	18.60
Royalties ($/boe)	(0.95)	(0.33)
Production and operating expense ($/boe)	(12.28)	(8.56)
Operating netback ($/boe)	12.21	9.71

	For the nine months ended September 30	
	2011	2010
Sales price ($/boe)	25.36	21.83
Royalties ($/boe)	(0.72)	1.04
Production and operating expense ($/boe)	(12.22)	(9.19)
Operating netback ($/boe)	12.42	13.68

Twoco's operating netback for the three months ended September 30, 2011 increased by 26% and decreased for the nine months ended September 30, 2011 by 9%. The increase in the 2011 three-month period is due to the results of oil production which had not yet commenced in the comparative 2010 period. The decrease for the 2011 nine month period is due to a lower natural gas price earned in 2011 coupled with fixed operating costs allocated over lower production volumes.

General and Administrative Expense

	For the three months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Gross G&A expense	194,468	3.45	343,806	5.53
Overhead recoveries	(22,782)	(0.40)	(1,225)	(0.02)
Capitalized G&A	(36,242)	(0.64)	(36,029)	(0.58)
Net G&A expense	135,444	2.41	306,552	4.93

	For the nine months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Gross G&A expense	754,164	4.58	917,226	4.57
Overhead recoveries	(59,920)	(0.36)	(15,653)	(0.08)
Capitalized G&A	(110,387)	(0.67)	(108,904)	(0.54)
Net G&A expense	583,857	3.55	792,669	3.95

Twoco's net general and administrative ("**G&A**") expense is lower in the 2011 periods due to a decrease in corporate spending coupled with an increase in overhead recoveries related to the Company's capital program.

Depletion and Depreciation

	For the three months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Depletion and depreciation	590,186	10.47	979,967	15.76
Undeveloped land expiries	56,229	1.00	359,083	5.78
Total depletion and depreciation expense	646,415	11.47	1,339,050	21.54

	For the nine months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Depletion and depreciation	2,036,691	12.37	3,142,076	15.67
Undeveloped land expiries	205,046	1.24	1,622,569	8.09
Total depletion and depreciation expense	2,241,737	13.61	4,764,645	23.76

Depletion and depreciation per boe is lower in the 2011 periods due primarily to a decrease in the depletable base as a result of the impairment loss recognized at the end of 2010 and third quarter 2011 reserve additions achieved in the Warspite area.

Net Finance Expense

Net finance expense for the three and nine months ended September 30, 2011 is $434,108 and $1,714,422, respectively, as compared to $614,566 and $2,018,051 for the three and nine months ended September 30, 2010.

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Finance income:				
Interest income on bank deposit accounts	$ 4,723	$ 10,455	$ 14,135	$ 10,544
Finance expenses:				
Interest on bank debt	308,909	304,652	1,317,769	942,643
Interest on debentures	68,559	287,071	251,421	986,773
Accretion of debentures	33,592	2,593	69,413	7,781
Income Tax Act Part XII.6 interest	–	–	7,278	–
Accretion of decommissioning liability	27,771	30,705	82,676	91,398
	438,831	625,021	1,728,557	2,028,595
Net finance expense	$ (434,108)	$ (614,566)	$ (1,714,422)	$ (2,018,051)

Interest on bank debt for the nine months ended September 30, 2011 includes a $400,000 bank fee paid in April 2011 in conjunction with the $18,000,000 revolving credit facility amending agreement (the "**2011 Amending Agreement**"). As at September 30, 2011, the maximum availability of the revolving facility was $18,000,000 (September 30, 2010 – $18,000,000) at an interest rate of prime plus 3.75% per annum. The Company had drawn $18,000,000 on its credit facility as at September 30, 2011.

Interest on debentures for the nine months ended September 30, 2011 includes three months of interest on $2.8 million of 17% unsecured debentures issued in 2009 and six months of interest on $3.4 million of 8% unsecured debentures issued on March 31, 2011. Interest on debentures for the 2010 comparative period is at 17% on $8.3 million principal amount of unsecured debentures.

Income Taxes

The Company is not cash taxable for the quarter ended September 30, 2011. It is anticipated that the Company will not be cash taxable in 2011 due to the availability of existing tax pools and deductions.

Cash Flow From Operations

Cash flow from operations is reconciled to the Company's statement of cash flows as follows:

	For the three months ended September 30	
	2011 ($)	2010 ($)
Cash flow from operating activities	67,945	38,623
Change in non-cash working capital	180,851	(62,584)
Cash flow from (used by) operations	248,796	(23,961)

	For the nine months ended September 30	
	2011 ($)	2010 ($)
Cash flow from operating activities	25,169	733,603
Change in non-cash working capital	390,841	(390,705)
Cash flow from operations	416,010	342,898

Cash flow from operations is comprised of the following components:

	For the three months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Petroleum and natural gas revenue	1,434,310	25.44	1,155,924	18.60
Royalties	(53,435)	(0.95)	(20,724)	(0.33)
Cash portion of net finance expense	(304,186)	(5.40)	(320,803)	(5.16)
Production and operating expense	(692,449)	(12.28)	(531,806)	(8.56)
General and administrative, net of non-cash items	(135,444)	(2.40)	(306,552)	(4.93)
Cash flow from (used by) operations	248,796	4.41	(23,961)	(0.38)

Cash flow from operations is higher in the three months ended September 30, 2011 due mainly to a decrease in the cash portion of net finance expense, a decrease in general and administrative expenses and better pricing associated with oil production offset by the recovery of royalties recognized in the 2010 period.

	For the nine months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Petroleum and natural gas revenue	4,177,433	25.36	4,378,408	21.83
Royalties	(118,594)	(0.72)	209,491	1.04
Cash portion of net finance expense	(1,045,345)	(6.35)	(1,609,623)	(8.03)
Production and operating expense	(2,013,627)	(12.22)	(1,842,709)	(9.19)
General and administrative, net of non-cash items	(583,857)	(3.55)	(792,669)	(3.95)
Cash flow from operations	416,010	2.52	342,898	1.70

Cash flow from operations is higher in the nine months ended September 30, 2011 due mainly to reductions in net finance expense and general and administrative costs in 2011 and better pricing associated with oil production offset by the recovery of royalties recognized in the 2010 period.

Net Loss from Operations

	For the three months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Cash flow from (used by) operations	248,796	4.41	(23,961)	(0.39)
Add (deduct):				
Depreciation and depletion	(646,415)	(11.47)	(1,339,050)	(21.54)
Stock-based compensation	(98,749)	(1.75)	(500)	(0.01)
Non-cash portion of net finance expense	(129,922)	(2.30)	(293,763)	(4.73)
Deferred income tax provision	–	–	(178,500)	(2.87)
Net loss	(626,290)	(11.11)	(1,835,774)	(29.54)

	For the nine months ended September 30			
	2011		2010	
	($)	($/boe)	($)	($/boe)
Cash flow from operations	416,010	2.53	342,898	1.71
Add (deduct):				
Depreciation and depletion	(2,241,737)	(13.61)	(4,764,645)	(23.76)
Stock-based compensation	(293,027)	(1.78)	(1,500)	(0.01)
Non-cash portion of net finance expense	(669,077)	(4.06)	(408,429)	(2.04)
Deferred income tax recovery	294,647	1.79	(178,500)	(0.89)
Net loss	(2,493,184)	(15.13)	(5,010,175)	(24.99)

Net loss is lower in the 2011 periods due to reductions in general and administrative expenses, depletion and depreciation expense and net finance expense and a deferred tax recovery offset by an increase in stock-based compensation.

Capital Expenditures

Twoco's total capital expenditures for the quarters ended September 30, 2011 and 2010 are summarized as follows:

	For the three months ended September 30	
	2011 ($)	2010 ($)
Property, plant and equipment:		
Land and property acquisitions [(1)]	(18,665)	33,436
Drilling and completions	777,536	85,498
Facilities and equipment	884,084	7,127
Other	2,381	1,460
	1,645,336	127,521
Exploration and evaluation assets:	33,647	15,521
Total capital expenditures	1,678,983	143,042

	For the nine months ended September 30	
	2011 ($)	2010 ($)
Property, plant and equipment:		
Land and property acquisitions	73,833	66,405
Drilling and completions	1,290,326	312,923
Facilities and equipment	1,192,948	276,533
Other	8,702	5,538
	2,565,809	661,399
Exploration and evaluation assets (2):	1,724,322	94,660
Total capital expenditures	4,290,131	756,059

(1) During the three months ended September 30, 2011, $29,395 of land acquisitions were reclassified to exploration and evaluation assets.

(2) During the second quarter of 2011, the Company incurred $1.6 million of expenditures on two horizontal oil wells in the Warspite area. Upon establishment of technical feasibility and reserves in the third quarter, the expenditures were transferred to development and production assets.

Liquidity and Capital Resources

In late 2008 and continuing through into 2011, 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 Company's financial statements have been prepared by management on a going concern basis of presentation which 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 and therefore, the financial statements do not reflect the adjustments that may be necessary if the going concern assumption were not applicable. If this assumption was not appropriate, adjustments to the carrying amounts of the assets and liabilities, revenue and expenses and the statement of financial position classification used may be necessary.

Capital Resources

As at September 30, 2011, Twoco had a working capital deficiency of $17,893,188 as compared to a working capital deficiency of $20,399,729 at December 31, 2010.

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 followed by the collapse of the credit and equity markets in late 2008 and into 2009 and the subsequent decline in the natural gas market and pricing which continued into 2011, the Company has not been able to maintain its debt to cash flow from operations ratio of less than two times.

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.

2011 Capital Budget

The Company has determined to strategically diversify its commodity mix by targeting development towards its Sparky heavy oil property in the Warspite area of Alberta. Due to continuing depressed prices for natural gas and limited availability of capital, the Company will spend an estimated $5.8 million of its previously announced $11.8 million 2011 capital budget. The $11.8 million capital budget included the drilling of 10 gross (9.72 net) horizontal oil wells on the Company's Sparky heavy oil property in the Warspite area and, subject to favourable natural gas prices, up to 6 gross (5.79 net) additional vertical natural gas wells in the Company's Warspite, Colinton, Sunland and Plain operating areas of Alberta. After its 2011 capital budget was adopted, it was determined to allocate all available capital towards the development of the Company's Sparky heavy oil property in the Warspite area of Alberta using multi-leg horizontal oil wells. To date in 2011, the Company has drilled 2 gross (1.93 net) tri-leg horizontal oil wells and 1 gross (0.97 net) quad-leg horizontal oil well on this property. The 2011 capital budget will be funded from existing cash remaining from the equity financing completed in April 2011, cash flow from operations and other potential financings. All capital expenditures are discretionary. Subject to satisfying its flow-through share commitments and in compliance with the terms of the 2011 Amending Agreement, Twoco will review all capital expenditures on a regular basis throughout 2011 and adjust spending based on factors such as changes in commodity prices and drilling and production results.

Commitments

The Company has until December 31, 2011 to incur $3,923,750 of qualifying Canadian Exploration Expense ("**CEE**") related to the private placement of flow-through common shares issued in September 2010. As at September 30, 2011, all $3,923,750 of qualifying CEE expenditures had been incurred.

The Company also has until December 31, 2011 to incur $308,295 of qualifying Canadian Development Expense ("**CDE**") related to the private placement of flow-through common shares issued in April 2011. As at September 30, 2011, none of the qualifying CDE expenditures had been incurred in respect of the April 2011 flow-through share issuance. The costs associated with the quad-leg horizontal well drilled in November, 2011 on the Company's heavy oil property in the Warspite area of Alberta will fulfill this commitment prior to year-end.

The Company is committed under a lease on its office premises with future minimum payments (excluding expected occupancy costs) as follows:

2011	$	11,136
2012		44,544
2013		40,832
	$	96,512

Quarterly Results

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

Quarter Ended	Petroleum and Natural Gas Sales			Net Loss		
	($)	($/share)		($)	($/share)	
		Basic	Diluted		Basic [(1)]	Diluted [(1)]
September 30, 2011	1,434,310	0.02	0.02	(626,290)	(0.01)	(0.01)
June 30, 2011	1,338,413	0.02	0.02	(1,254,660)	(0.02)	(0.02)
March 31, 2011	1,404,710	0.02	0.02	(612,234)	(0.01)	(0.01)
December 31, 2010	1,181,570	0.02	0.02	(14,870,702)	(0.25)	(0.25)
September 30, 2010	1,155,924	0.04	0.04	(1,835,774)	(0.07)	(0.07)
June 30, 2010	1,366,288	0.09	0.09	(1,140,203)	(0.08)	(0.08)
March 31, 2010	1,856,196	0.12	0.12	(2,034,198)	(0.14)	(0.14)
December 31, 2009 [(2)]	1,821,963	0.01	0.01	(1,103,932)	(0.01)	(0.01)

(1) Sum of quarters may not add to year-to-date due to rounding
(2) Prepared in accordance with GAAP

	Quarter Ended				
	2011 Sept. 30		2011 Jun. 30	2011 Mar. 31	2010 Dec. 31
	($)	($/boe)	($)	($)	($)
Revenue	1,434,310	25.44	1,338,413	1,404,710	1,181,570
Royalties	(53,435)	(0.95)	(51,123)	(14,036)	(27,311)
Production and operating expenses	(692,449)	(12.28)	(621,287)	(699,891)	(1,248,777)
G&A expense, net of non-cash items	(135,444)	(2.40)	(194,704)	(253,709)	(373,090)
Net finance expense	(304,186)	(5.40)	(352,320)	(388,839)	(271,166)
Cash flow from (used by) operations	248,796	4.41	118,979	48,235	(738,774)

	Quarter Ended				
	2010 Sept. 30		2010 Jun. 30	2010 Mar. 31	2009 Dec. 31 [1]
	($)	($/boe)	($)	($)	($)
Revenue	1,155,924	18.60	1,366,288	1,856,196	1,821,963
Royalties	(20,724)	(0.33)	220,778	9,437	(75,739)
Production and operating expenses	(531,806)	(8.56)	(597,919)	(712,984)	(1,292,599)
G&A expense, net of non-cash items	(306,552)	(4.93)	(287,569)	(348,548)	(234,520)
Net finance expense	(320,803)	(5.16)	(647,687)	(491,133)	(461,375)
Cash flow from (used by) operations	(23,961)	(0.38)	53,891	312,968	(242,270)

[1] Prepared in accordance with GAAP

Outstanding Share Data

The following table sets forth the capitalization of Twoco as at September 30, 2011:

	Authorized	Outstanding as at September 30, 2011	Common Shares underlying Convertible Securities
Share Capital			
Common Shares [1]	Unlimited	71,728,095	–
Stock Options [2]	Up to 10% of issued Common Shares	3,025,000	3,025,000
Preferred Shares	Unlimited	–	–
Warrants [3]	Unlimited	12,602,500	12,602,500
Unit options [4]	Unlimited	1,137,000	2,274,000
Agent's options [5]	Unlimited	780,662	780,662
Long term Debt [6]	Not Applicable	$3,400,000	10,493,827

Notes:

(1) As at the date hereof, Twoco has 71,728,095 common shares outstanding.

(2) As at the date hereof, Twoco has 6,525,000 stock options outstanding comprised of stock 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, 3,000,000 common shares at a price of $0.35 per share and 3,500,000 common shares at a price of $0.20 per share for a total of 6,525,000 common shares that may be purchased upon proper exercise of outstanding stock options.

(3) As at the date hereof, Twoco has 12,602,500 warrants outstanding exercisable at $0.30 per share of which 1,500,000 warrants expire on September 1, 2012 and 11,102,500 warrants expire on September 3, 2012.

(4) Twoco currently has 1,137,000 Unit options outstanding which are exercisable until September 3, 2012 at $0.23 per Unit. Each Unit is comprised of one common share and one common share purchase warrant exercisable at $0.30 per share until September 3, 2012.

(5) As at the date hereof, Twoco has 780,662 Agent's options outstanding which are exercisable at $0.27 per Agent's option into 780,662 common shares until October 29, 2012.

(6) As at the date hereof, Twoco has $3.4 million of 8% 2011 Convertible Debentures outstanding which are convertible into common shares at a conversion price equal to $0.324 per share for a maximum of 10,493,827 common shares. The 2011 Convertible Debentures mature on December 31, 2012.

Critical Accounting Estimates

Twoco's unaudited condensed interim financial statements have been prepared in accordance with IFRS. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the Company's financial statements is contained in Note 2 to the September 30, 2011 unaudited condensed interim financial statements. Twoco's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

Conversion from GAAP to IFRS

The accounting policies followed in the September 30, 2011 unaudited condensed interim financial statements are the same as those applied in the Company's unaudited condensed interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these polices had always been in effect.

On transition to IFRS on January 1, 2010, the Company used the IFRS mandatory exception for the retrospective application of certain IFRS whereby hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Company under GAAP are consistent with their application under IFRS.

The Company applied the following exemptions to full retrospective application of IFRS in accordance with IFRS 1:

- Deemed cost of property, plant and equipment

  The Company has elected to apply the exemption under IFRS 1 allowing the measurement of oil and gas assets at the date of transition to IFRS to be determined based on the amounts disclosed under the full cost method of accounting in accordance with GAAP.

- Decommissioning liability

  The exemption provided in IFRS 1 from the full retrospective application of IFRS 1 has been applied and the difference between the net book values of the Company's decommissioning liability as measured under IFRS and their net book values under GAAP as of January 1, 2010 has been recognized directly in opening deficit.

- Share-based payments

  The Company has elected not to apply IFRS 2, Share-based Payments to equity instruments granted after November 7, 2002 that had not vested by the transition date.

- Borrowing costs

  The Company has applied the borrowing cost exemption in IFRS 1. It has applied the requirement of IAS 23 Borrowing Costs to borrowing costs relating to qualifying assets on a prospective basis from the date of transition to IFRS.

The remaining IFRS 1 exemptions were not applicable or material to the preparation of the Company's Statement of Financial Position at the date of transition on January 1, 2010.

Detailed reconciliations of the Company's financial statements from GAAP to IFRS are provided in note 22 to the September 30, 2011 unaudited condensed interim financial statements.

The primary reconciling items are summarized below:

(a) Exploration and evaluation ("**E&E**") assets:

The Company reclassified the cost of undeveloped land from the full cost pool to E&E assets at the amount that was recorded under GAAP (January 1, 2010 – $6,127,494;

September 30, 2010 – $4,599,585; December 31, 2010 – $3,128,241).

The cost of undeveloped land that expired during 2010 was charged as additional depletion and depreciation expense (nine months ended September 30, 2010 – $1,622,569; year ended December 31, 2010 – $3,113,212).

(b) Property, plant and equipment ("**PP&E**"):

The remaining full cost pool after the reclassification of E&E assets was allocated to development and production asset components on a pro rata basis using reserve values.

(i) Capitalized general and administrative costs ("**G&A**"):

Under IFRS, only costs directly attributable to the exploration and evaluation of assets may be capitalized. During 2010, the Company reclassified certain general and administrative expenses from the full cost pool to the statement of comprehensive loss (nine months ended September 30, 2010 – $43,061; year ended December 31, 2010 – $57,435).

(ii) Impairment:

In accordance with IFRS, impairment tests of PP&E must be performed at the cash-generating unit ("**CGU**") level as opposed to the full cost ceiling test of the entire PP&E balance as required under the GAAP. An impairment loss is recognized if the carrying value exceeds the recoverable amount for a CGU. For the Company, the recoverable amount is determined using fair value less cost to sell based on discounted future cash flows of proved plus probable reserves using forecast prices and costs. At the transition date, the Company recognized a total impairment loss of $9,095,153 on certain of its CGUs with a corresponding charge to opening deficit.

For the year ended December 31, 2010, as a result of continued decreases in natural gas prices and the impact on forecasted natural gas prices used in evaluating the Company's reserves, the Company recognized $570,587 of additional impairment losses on certain CGUs.

Impairment losses are recognized as additional depletion and depreciation expense and can be reversed in the future if the recoverable amount increases.

(iii) Depletion policy:

Upon transition to IFRS, the Company adopted a policy of depleting oil and natural gas interests on a unit of production basis over proved plus probable reserves. The depletion policy under the previous GAAP was based on units of production over proved reserves. In addition, depletion was done on the Canadian cost center under the previous GAAP. IFRS requires depletion and depreciation to be calculated based on individual components such as fields or combinations thereof. As a result of the change in the depletion policy and the effects of other adjustments to PP&E, depletion expense under IFRS was reduced (nine months ended September 30, 2010 – $3,237,467; year ended December 31, 2010 – $4,243,702).

(c) Decommissioning liabilities:

Under GAAP, increases in the estimated cash flows were discounted using the current credit-adjusted risk-free rate while downward revisions in the estimated cash flows were discounted using the credit-adjusted risk-free rate that existed when the original liability was recognized. Under IFRS, estimated cash flows are discounted using the risk-free rate that exists at the date of the statement of financial position.

At the IFRS transition date, the Company recorded a $1,121,389 increase to decommissioning liability and opening deficit. Adjustments arising as a result of changes in the risk-free rate in 2010 have been recorded to property plant, and equipment (September 30, 2010 – not significant; December 31, 2010 – $189,607). The impact of these changes on accretion has been reflected as a change in financing costs (nine months ended September 30, 2010 – $68,394; year ended December 31, 2010 – $90,711).

(d) Flow-through shares:

Under GAAP, the accounting treatment for flow-through shares is to record the full amount of the proceeds in share capital. When expenditures are incurred, the related tax effect is recorded to share capital and the future tax liability. Under IFRS, the amount initially recorded in share capital is limited to the amount of common shares that would have been issued on that date and the difference between the actual proceeds and the amount recorded in share capital is set up as a flow-through share premium liability. The flow-through premium is recorded as a liability until the tax benefits are renounced to the investor, at which time a deferred income tax recovery for the tax effect of flow-through shares is recognized in the statement of loss. Additional deferred income tax recovery is recognized for the difference between the deferred tax liability and the liability recognized on issuance.

At the IFRS transition date, the Company recorded a $1,077,607 increase to share capital and opening deficit for the reversal of $2,452,297 for the cumulative tax effect of flow-through shares issued prior to 2009, net of $1,374,690 in flow-through share premiums. In 2010, the Company reduced share capital by $313,900 and recognized a flow-through share premium liability related to flow-through shares issued in September 2010.

(e) Deferred income taxes

Adjustments to deferred income taxes have also been made in regards to other above-noted adjustments that resulted in changes to the temporary difference between tax and accounting values.

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, 2010 and 2011, 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), the ongoing global credit and liquidity concerns as well as recent geo-political uncertainty in North Africa and the Middle East.

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.

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 three and nine months ended September 30, 2011, the Company was charged nil (2010 – $35,124 and $46,649, respectively) for legal services by a law firm of which Mr. James A. W. Williams, a director of the Company, is an associate counsel.

During the three and nine months ended September 30, 2011, the Company was charged nil (2010 - $15,400 and $49,200, respectively) for consulting services by a corporation of which a former director of the Company is the president and shareholder.

Included in debenture interest for the three and nine months ended September 30, 2011 is $60,493 and $120,329 (2010 – nil and $155,536) respectively, paid to directors, debenture-holders related to directors and to companies controlled by directors. In 2011, a company controlled by a director of the Company received 577,382 common shares as payment of debenture interest.

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

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 going concern assumption in the Company's financial statements;
- diversification of the Company's commodity mix;
- proposed update to the Company's capital budget including potential drilling program;
- drilling inventory, drilling plans and timing of drilling 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.