

Twoco Petroleums Ltd.

**Notice of Annual and Special Meeting of Shareholders
To be held on June 7, 2005**

and

**Management Information Circular
Dated May 6, 2005**

TWOCO PETROLEUMS LTD.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE THAT an Annual and Special Meeting (the “**Meeting**”) of the shareholders (“**Shareholders**”) of Twoco Petroleums Ltd. (the “**Corporation**”) will be held in the Cardium Room of the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta, T2P 0L5 on Tuesday, June 7, 2005 at 9:00 a.m. (Calgary time) for the following purposes:

1. receiving and considering the financial statements of the Corporation for the year ended December 31, 2004 and the report of the auditors thereon;
2. electing directors of the Corporation for the ensuing year;
3. appointing Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year, at a remuneration to be fixed by the board of directors;
4. considering, and if thought advisable, passing a resolution confirming the Corporation’s stock option plan; and
5. transacting such other business as may properly come before the Meeting or any adjournment(s) or postponement thereof.

The details of all matters proposed to be put before the Shareholders at the Meeting are set forth in the Management Information Circular accompanying this Notice of Annual Meeting of Shareholders.

A Shareholder may attend the Meeting in person or may be represented thereat by proxy. A form of proxy for use at the Meeting or any adjournment or postponement thereof is enclosed with this notice. Shareholders who are unable to attend the Meeting are requested to date, sign and return the enclosed form of proxy to the Corporation’s transfer agent (the “Transfer Agent”), CIBC Mellon Trust Company, 600, 333 - 7th Avenue S.W., Calgary, Alberta T2P 2Z1 Attention: Proxy Department, in the enclosed self-addressed envelope. In order to be valid, proxies must be received by the Transfer Agent at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any adjournment or postponement thereof.

Only Shareholders of record as of May 2, 2005, the record date, are entitled to receive notice of the Meeting.

DATED at Calgary, Alberta, this 6th day of May, 2005.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “*Wayne A. Malinowski*”

President and Chief Executive Officer

TWOCO PETROLEUMS LTD.
MANAGEMENT INFORMATION CIRCULAR
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 7, 2005
SOLICITATION OF PROXIES

This Management Information Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of Twoco Petroleum Ltd. ("**Twoco**" or the "**Corporation**") for use at the Annual and Special Meeting of the holders ("**Shareholders**") of common shares ("**Common Shares**") of the Corporation (the "**Meeting**"). The Meeting will be held in the Cardium Room of the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta, T2P 0L5 on Tuesday, June 7, 2005 at 9:00 a.m. (Calgary time) for the purposes set forth in the Notice of Annual and Special Meeting accompanying this Management Information Circular (the "**Notice**"). It is expected that such solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Corporation at nominal cost. The information contained in this Management Information Circular is given as of May 6, 2005, except where otherwise indicated.

APPOINTMENT OF PROXY

Those Shareholders who wish to be represented at the Meeting by proxy must complete and deliver a proper form of proxy to the Corporation's transfer agent (the "**Transfer Agent**"), CIBC Mellon Trust Company, 600, 333 - 7th Avenue S.W., Calgary, Alberta T2P 2Z1, Attention: Proxy Department, in the enclosed self-addressed envelope. In order to be valid, proxies must be received by the Transfer Agent at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the Meeting or any adjournment thereof.

The persons named as proxyholders in the enclosed form of proxy are directors or officers of the Corporation (the "Management Designees"). A Shareholder desiring to appoint some other person as his or her representative at the Meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Transfer Agent, at the place and within the time specified above for the deposit of proxies.

REVOCABILITY OF PROXY

A Shareholder who has given a proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing signed by the Shareholder or by his or her attorney authorized in writing and either delivered to the Transfer Agent at the place specified above, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof or deposited with the chairman of the Meeting on the day of the Meeting prior to the commencement of the Meeting.

ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold shares in their own name. Shareholders who do not hold their shares in their own name (referred to in this Management Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). In the United States, the majority of such shares are registered in the name of CEDE & Co., which company acts as a nominee for many U.S. brokerage firms. Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the broker's clients. The directors and officers of the Corporation do not know for whose benefit the shares registered in the name of CDS & Co. or CEDE & Co. or of other brokers/agents are held. Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a beneficial Shareholder by its broker (or the agent of the broker) is similar to the form of proxy provided to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Independent Investor Communications Corporations (“**IICC**”). IICC typically asks Beneficial Shareholders to return the proxy forms to IICC. IICC then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving an IICC proxy cannot use that proxy to vote Common Shares directly at the Meeting. Beneficial Shareholders who receive their meeting materials via IICC or ADP Proxy Services (“ADP”) must return the proxy forms, once voted, to IICC or ADP well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or their broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

All references to Shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice are to Shareholders of record, unless specifically stated otherwise.

EXERCISE OF DISCRETION WITH RESPECT TO PROXIES

The Common Shares represented by the enclosed proxy will be voted or withheld from voting on any motion, by ballot or otherwise, in accordance with any indicated instructions. In the absence of such direction, such shares will be voted FOR the resolutions referred to in items 1, 2 and 3 of the proxy.

If any amendment or variation to matters identified in the Notice is proposed at the Meeting or any adjournment or postponement thereof, or if any other matters properly come before the Meeting or any adjournment or postponement thereof, the enclosed proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the appointed proxyholder. Unless otherwise stated, the Common Shares represented by this proxy will be voted in favour of the election of nominees set forth in this Management Information Circular except where a vacancy among such nominees occurs prior to the Meeting, in which case, such Common Shares may be voted in favour of another nominee in the proxyholder's discretion. As at the date of this Management Information Circular, the management of the Corporation is not aware of any amendments or variations or other matters to come before the Meeting.

Signature on Proxies

The form of proxy must be executed by the Shareholder or his or her duly appointed attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer whose title must be indicated. A form of proxy signed by a person acting as attorney or in some other representative capacity should indicate that person's capacity (following that person's signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

Solicitation of Proxies

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of both the form of proxy and this Management Information Circular will be borne by the Corporation. In addition to the use of mails, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated therefor.

In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or

affiliate of any one of them, has or has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting except as described in this Management Information Circular under the heading "Election of Directors".

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at the date of this Management Information Circular, Twoco had 13,597,306 issued and outstanding Common Shares. Shareholders of record as of May 2, 2005 (the "**Record Date**") are entitled to receive notice of and attend and vote at the Meeting.

On a show of hands, every Shareholder present in person or represented by proxy (and entitled to vote) has one vote. On a poll or ballot, every Shareholder present in person or by proxy has one vote for each Common Share held. All votes on special resolutions (if any) will be conducted by a poll and no demand for a poll is required.

Holders of all Common Shares acquired subsequent to the Record Date and prior to the date of the Meeting are also entitled to attend and vote at the Meeting. However, if a Shareholder has transferred the ownership of any of his, her or its Common Shares after the Record Date and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he, she or it owns the shares and demands, not later than ten days before the Meeting, that his, her or its name be included in the list before the Meeting, the transferee shall be entitled to vote such shares at the Meeting.

To the best of the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the voting rights attached to all of the issued and outstanding Common Shares as at the date of this Management Information Circular, other than as set forth below:

Name and Municipality of Residence	Type of Ownership	Number of Common Shares	Percentage of Outstanding Common Shares
Wayne A. Malinowski	Beneficial and of Record	2,880,000	21.2%

EXECUTIVE COMPENSATION

Compensation of Executive Officers

The following table sets forth information concerning the total compensation during the Corporation's three most recently completed financial years for the President and Chief Executive Officer, and the Vice President Exploration and Secretary-Treasurer (collectively, the "**Named Executive Officers**"), who, as at December 31, 2004, were the only executive officers of the Corporation. The aggregate cash remuneration paid to the Named Executive Officers for services rendered during the year ended December 31, 2004 was \$182,112.

Name and Principal Position	ANNUAL COMPENSATION				LONG-TERM COMPENSATION			All Other Compensation (\$)
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	AWARDS		PAYOUTS	
					Securities Under Options/SARs Granted #	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Wayne A. Malinowski President and Chief Executive Officer	2004	91,056	nil	nil	100,000	nil	nil	nil
	2003	60,832	nil	nil	250,000 ⁽²⁾	nil	nil	nil
	2002	12,500	nil	nil	nil	nil	nil	nil
Timothy A. Bashforth Vice President, Exploration and Secretary -Treasurer	2004	91,056	nil	nil	100,000	nil	nil	nil
	2003	83,938	nil	nil	250,000 ⁽²⁾	nil	nil	nil
	2002	79,605	nil	nil	nil	nil	nil	nil

Notes:

- (1) The aggregate amount of all perquisites and other personal benefits provided to each Named Executive Officer was less than \$50,000 and 10% of the total of the annual salary and bonus of each Named Executive Officer for the period indicated.
- (2) After giving effect to a 2-for-1 share split on December 18, 2003.

Option/SAR Grants During the Most Recently Completed Financial Year

The following table sets forth the options to acquire Common Shares granted to the Named Executive Officers of the Corporation during the year ended December 31, 2004.

Name	Securities Under Options/SARs Granted (#) ⁽¹⁾	Percent of Total Options/SARs Granted to Employees in Financial Year ⁽²⁾	Exercise Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Wayne A. Malinowski	100,000	34%	2.20	2.20	August 12, 2009
Timothy A. Bashforth	100,000	34%	2.20	2.20	August 12, 2009

Notes:

- (1) Each stock option is granted for a term of five years and each vests as to one-half thereof over each of the first two years of the term.
- (2) A total of 320,000 stock options were issued under the Stock Option Plan (as hereinafter defined) during the year ended December 31, 2004, 290,000 of which were issued to employees, including the Named Executive Officers of the Corporation.

Aggregated Option/SAR Exercises During the Financial Year Ended December 31, 2004 and Option/SAR Values at December 31, 2004

The following table provides details of stock options exercised during the year ended December 31, 2004 by the Named Executive Officers and the December 31, 2004 value of unexercised, in-the-money options. The actual value of the unexercised in-the-money options will be determined by the market price of the Common Shares on the date such options may be exercised. There is no assurance that the value of such in-the-money options shown in this table will be realized.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2004 (# Exercisable/Unexercisable)	Value of Unexercised in-the-Money Options/SARs at December 31, 2004 (\$ Exercisable/Unexercisable)
Wayne A. Malinowski	nil	nil	250,000/100,000	475,000/95,000
Timothy A. Bashforth	nil	nil	250,000/100,000	475,000/95,000

Note:

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Common Shares on the TSX Venture Exchange on December 31, 2004 of \$3.15 per share.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Corporation has entered into employment contracts dated July 30, 2003 with each of the Named Executive Officers for terms of five years, renewable annually thereafter. The terms and conditions of the employment contracts for each of the Named Executive Officers are identical. In the event of a termination of employment without cause, or a change of control situation whereby the Named Executive Officer is either terminated or determines within 6 months of such change of control to terminate his employment, the Named Executive Officer is entitled to receive an amount equal to 1.5 times his annual base salary, plus 1.5 times the amount of his average annual past bonus payments, plus 18 times the Corporation's latest monthly premium contributions relating to the Corporation's benefits program. The Corporation has also entered into confidentiality agreements with each of the Named Executive Officers, as well as certain other employees and consultants, the provisions of which survive terminations of employment.

Compensation of Directors

The directors of the Corporation do not receive any compensation as directors of the Corporation, however, they are reimbursed for all reasonable expenses incurred in order to attend meetings of the board of directors (the "**Board**") or any committee of the Board. The directors of the Corporation are eligible to receive options to acquire Common Shares pursuant to the Plan (as defined below). No directors of the Corporation have received any other non-cash compensation for services in their capacity as directors or participation in Board meetings or on committees.

Larry C. Mah, C.A., a director of the Corporation, is a senior partner with Collins Barrow, Chartered Accountants & Consultants, an accounting firm that has received compensation in the approximate amount of \$81,437 from the Corporation for accounting services provided during the year ended December 31, 2004. Such firm continues to provide accounting services to the Corporation from time to time.

James A.W. Williams, C.A., a director of the Corporation, is a lawyer with the law firm of Borden Ladner Gervais LLP which firm has received fees in the approximate amount of \$8,000 from the Corporation for legal services provided to the Corporation for the year ended December 31, 2004. Such firm continues to provide legal services to the Corporation from time to time.

Stock Option Plan

Twoco established a stock option plan for its directors, officers, employees, and consultants effective July 30, 2003 (the "**Plan**"), the material terms of which were included in the

prospectus of the Corporation pursuant to its initial public offering, and a copy of the Plan is attached hereto as Schedule "A." The number of authorized but unissued Common Shares that may be subject to options granted to optionees under the Plan shall not exceed 10% of the Common Shares issued and outstanding at the date of grant. Rolling 10% stock option plans such as the Plan require annual shareholder approval.

The purpose of the Plan is to provide directors, officers, employees and consultants of Twoco with an opportunity to purchase Common Shares and benefit from the appreciation thereof. This proprietary interest in Twoco provides an incentive to contribute to the future success and prosperity of Twoco, thus enhancing the value of the Common Shares for the benefit of all Shareholders and increasing the ability of Twoco to attract and retain persons of experience. The Plan is administered by Twoco's board of directors (the "**Board**") and all decisions and interpretations of the Board respecting the Plan or stock options granted thereunder shall be conclusive and binding on the Corporation and on the optionees. The Board may, at any time and from time to time, grant options under the Plan on terms and conditions to be determined by the Board from time to time, subject to the conditions contained in the Plan and subject to the policies of the TSX Venture Exchange (the "**Exchange**").

The exercise price of the stock options shall be fixed by the Board at the date of grant, provided that such price shall not be less than that permitted by any stock exchange upon which the Common Shares are then listed and posted for trading. The maximum for which stock options may be exercisable is five years, but such term may be shortened by the Board in any stock option agreement, and all stock options will be subject to early termination in accordance with the provisions of the Plan relating to the cessation of the optionee as a director, officer, employee or consultant, either due to termination of employment or due to death or permanent disability. The aggregate number of common shares reserved for issuance pursuant to stock options granted to any one individual in any 12 month period may not exceed five percent of the issued and outstanding Common Shares at the date of grant. The aggregate number of Common Shares reserved for issuance pursuant to stock options granted to any one consultant or granted to employees conducting investor relations activities in any 12 month period may not exceed two percent of the issued and outstanding Common Shares at the date of grant. In addition, the issuance to any one insider and such insider's associates pursuant to the Plan and other share compensation arrangements within a 12 month period may not exceed five percent of the outstanding Common Shares at the date of grant. For more information, refer to Schedule "A" where the Plan is set out in full.

Equity Compensation Plan Information

The following table provides details as at the end of the year ended December 31, 2004 with respect to all compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein)
Equity compensation plans approved by securityholders ⁽¹⁾	930,000	\$1.58	224,636 ⁽²⁾
Equity compensation plans not approved by securityholders	nil	nil	nil
Total	930,000	\$1.58	224,636

Notes:

- (1) See description of the Plan above.
- (2) As at the date hereof, the Plan is a rolling 10% stock option plan, so this number will increase as the number of shares available for issuance is determined at the date of the option grant based on the number of issued and outstanding shares at that date. As at the date hereof, there are options to acquire 1,323,000 Common Shares outstanding with a weighted average exercise price of \$2.10.

STATEMENT OF CORPORATE GOVERNANCE

In February 1995, the TSX Committee on Corporate Governance in Canada issued a report setting out a series of guidelines for effective corporate governance which, in 1999, were incorporated into the TSX's Corporation Manual as formal disclosure policies (the "**TSX Guidelines**"). The TSX Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. As a Tier 1 issuer on the TSX Venture Exchange, the Corporation is required to disclose on an annual basis its approach to corporate governance with reference to the TSX Guidelines. The Board has reviewed the TSX Guidelines and is aware of its responsibility for corporate governance matters. Attached to this Proxy Statement and Information Circular as Schedule "B" is a summary of the Corporation's corporate governance practices compared to the TSX Guidelines for the financial year ended December 31, 2004.

AUDIT COMMITTEE

Under the TSX Guidelines an "unrelated" director is one who is independent of management and is free from any interest and any business or other relationship (other than interests and relationships arising from shareholding) which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Corporation. Under Multilateral Instrument 51-110 *Audit Committee*, the Corporation is required to include in its information circular the disclosure required under Form 52-110F2 with respect to its audit committee, including the composition of the audit committee, the text of its audit committee charter and the fees paid to the external auditor which is attached hereto as Schedule "C".

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of them is or was indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The management of the Corporation is not aware of any material interest, direct or indirect, of any informed person of the Corporation, any proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Corporation's most recently completed financial year, or in any proposed transaction which has materially affected or would materially affect the Corporation, except as disclosed in this Management Information Circular.

MATTERS TO BE ACTED UPON AT MEETING

1. Receipt of the Financial Statements and Auditors' Report

At the Meeting, Shareholders will receive and consider the financial statements of the Corporation for the period ended December 31, 2004 and the auditors' report thereon, but no vote by the Shareholders with respect thereto is required or proposed to be taken.

2. Election of Directors

The persons named in the enclosed form of proxy intend to have nominated and to vote for the election of, as a director, each of the persons whose name is set forth below all of whom are currently members of the Board. Each director elected will hold office until the next annual meeting of the Corporation or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table sets forth the name and province and country of residence of each of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which each nominee exercises control or direction, the period served as director and the principal occupation of each nominee as of May 6, 2005. The information contained herein is based upon information furnished by the respective nominees.

Name and Municipality of Residence	Number of Common Shares Beneficially Owned	Offices Held and Time as Director or Officer	Principal Occupation During the Last Five Years
Wayne A. Malinowski ⁽³⁾ Alberta, Canada	2,880,488 ⁽⁷⁾	President, Chief Executive Officer and Director since September 21, 2000	Mr. Malinowski is the President and Chief Executive Officer of Twoco since September 2000. He was the President of Prelude Oil & Gas Inc. from July 1999 to July 2003.
Timothy A. Bashforth ⁽⁵⁾ Alberta, Canada	680,668 ⁽⁸⁾	Vice President Exploration, Secretary, Treasurer and Director since September 21, 2000	Mr. Bashforth is the Vice President, Exploration, Secretary and Treasurer since September 2001. He was the President of Predator Resources Ltd. from September 2000 to July 2003.
Larry C. Mah, C.A. ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	166,600	Director since August 21, 2003	Mr. Mah is a chartered accountant and a senior partner with Collins Barrow Chartered Accountants & Consultants.
Richard A.N. Bonnycastle ⁽²⁾⁽⁴⁾ Alberta, Canada	824,000	Director since August 21, 2003	Mr. Bonnycastle is the President of Cavendish Investing Ltd., an investment company involved in providing venture and development capital and investing for its own account.
James A.W. Williams, C.A. ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	33,000	Director, since July 14, 2004	Mr. Williams is a chartered accountant and a lawyer and practices law in the Calgary offices of Borden Ladner Gervais LLP, a Canadian law firm he joined in June 2004. Prior thereto, Mr. Williams practiced law with another law firm in Calgary.

Notes:

- (1) In addition to the Common Shares beneficially owned or controlled, the nominees for director hold an aggregate of 1,148,000 stock options as of May 6, 2005.
- (2) Member of the Audit Committee which is required pursuant to the *Business Corporations Act* (Alberta).
- (3) Member of the Corporate Governance, Environment and Safety Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Reserves Committee.
- (6) Twoco does not have an Executive Committee.
- (7) Includes 272,500 Common Shares owned by Mr. Malinowski's spouse.
- (8) Includes 299,604 Common Shares owned by Mr. Bashforth's spouse.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE ELECTION OF SAID PERSONS TO THE BOARD UNLESS OTHERWISE DIRECTED.

3. Appointment of Auditors

The persons named in the enclosed form of proxy intend to have nominated and to vote for the reappointment of, as auditors of the Corporation, Deloitte & Touche LLP, Chartered Accountants, of Calgary, Alberta at a remuneration to be fixed by the Board and to hold such office until the next annual meeting of the Corporation. Deloitte & Touche LLP was first appointed auditors of the Corporation on February 27, 2004.

ALL PROXIES NAMING THE MANAGEMENT DESIGNEES WILL BE VOTED IN FAVOUR OF THE ELECTION OF DELOITTE & TOUCHE LLP, CHARTERED ACCOUNTANTS, AS THE AUDITOR FOR THE ENSUING YEAR UNLESS THE PROXIES ARE DIRECTED TO BE WITHHELD FROM VOTING.

4. Confirmation of Stock Option Plan

To remain in compliance with the policies of the TSX Venture Exchange, which require annual shareholder approval of 10% rolling stock option plans, the Corporation will be presenting to the Shareholders for approval the Plan of the Corporation in the form attached as Schedule "A", which was approved by Shareholders on July 14, 2004.

The Corporation's Plan reserves a maximum of 10% (on a non-diluted basis) of the issued and outstanding Common Shares of the Corporation (determined at the time of the stock option grant) for issuance upon the exercise of stock options granted pursuant to the Plan. Currently, there are 13,597,306 Common Shares issued and outstanding, and therefore as at the date hereof, 1,359,731 Common Shares are available for issuance under the Plan, with such number increasing in accordance with the number of issued and outstanding Common Shares. Of these options to purchase, 1,323,000 Common Shares have already been granted to employees, consultants, directors and officers, at exercise prices ranging from \$1.25 to \$3.75 per share.

The Shareholders will be asked to consider, and if thought fit, to pass the following resolution (the "**Stock Option Resolution**"):

"BE IT RESOLVED THAT the rolling stock option plan of the Corporation dated effective July 30, 2003, in the form attached as Schedule "A" to the Management Information Circular of the Corporation dated May 6, 2005, which provides that a maximum of 10% of the issued and outstanding shares of the Corporation as at the date of any stock option grant (on a non-diluted basis) shall be reserved for issuance upon the exercise of stock options be and is hereby confirmed."

The Stock Option Resolution must be passed by a majority of the votes cast by the Shareholders who vote at the Meeting either in person or by proxy. **IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE CONFIRMATION OF THE STOCK OPTION PLAN OF THE CORPORATION UNLESS OTHERWISE DIRECTED.**

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available under the Corporation's profile on the SEDAR website at www.sedar.com. Financial information relating to Twoco is provided in the Corporation's financial statements and management discussion and analysis ("**MD&A**") for the period ended December 31, 2004. Shareholders may contact the Corporation to request copies of the financial statements and MD&A by (i) mail to 1050, 1122 - 4th Street S.W., Calgary, Alberta, Canada T2R 1M1; or (ii) fax to (403) 237-6048.

SCHEDULE "A"

TWOCO PETROLEUMS LTD.

STOCK OPTION PLAN

1. Purpose

The purpose of the Stock Option Plan (the "Plan") of Twoco Petroleum Ltd., a corporation incorporated under the *Business Corporations Act* (Alberta) (the "Corporation") is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, to acquire shares in the Corporation, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

2. Administration

The Plan shall be administered by the Board of Directors of the Corporation or by a committee of the directors appointed from time to time by the Board of Directors of the Corporation pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation is hereinafter referred to as the "Board"). A majority of the Board, or of the committee if so appointed, shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the Board.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

3. Shares Subject to Plan

Subject to adjustments as provided in Section 14 hereof, the shares to be offered under the Plan shall consist of shares of the Corporation's authorized but unissued common shares. The aggregate number of shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the outstanding shares of the Corporation at the time of granting of options (on a non-diluted basis). If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the un-purchased shares subject thereto shall again be available for the purpose of this Plan.

4. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of shares as will be sufficient to satisfy the requirements of the Plan.

5. Eligibility and Participation

Directors, officers, consultants, and employees of the Corporation or any of its subsidiaries and affiliates, and employees of a person or company which provides management services or investor relations services to the Corporation or any of its subsidiaries and affiliates ("Management Company Employees") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "Participants").

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of shares to be subject to each option and exercise price therefor. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or any of its subsidiaries or affiliates.

An individual who has been granted an option may, if he is otherwise eligible, be granted an additional option or options if the Board shall so determine.

6. Exercise Price

- (a) The exercise price of the shares subject to each option shall be determined by the Board, subject to any applicable approvals required by any exchange upon which the shares are then listed and posted for trading or any other regulatory body having jurisdiction as may be selected for such purpose by the Board (the "Exchange").
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange, if applicable, and the option has been granted, the exercise price of an option may only be reduced, in the case of options held by insiders of the Corporation (as defined in the *Business Corporations Act* (Alberta)), if disinterested shareholder approval is obtained at a meeting of the shareholders of the Corporation.

7. Number of Optioned Shares

The number of shares subject to an option granted to any one Participant shall be determined by the Board, but any grant of options under the Plan shall be subject to the following restrictions:

- (a) the aggregate number of shares reserved for issuance pursuant to options granted to any one individual in any 12 month period may not exceed 5% of the issued and outstanding shares (on a non-diluted basis) at the date of grant;
- (b) the aggregate number of shares reserved for issuance pursuant to options granted to any one consultant in any 12 month period may not exceed 2% of the issued and outstanding shares (on a non-diluted basis) at the date of grant;
- (c) the aggregate number of shares reserved for issuance pursuant to options granted to employees conducting investor relations activities in any 12 month period may not exceed 2% of the issued and outstanding shares (on a non-diluted basis) at the date of grant; and
- (d) the issuance of shares to any one insider and such insider's associates' pursuant to the Plan and other share compensation arrangements in any 12 month period may not exceed 5% of the issued and outstanding shares (on a non-diluted basis) at the date of grant.

8. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement, but shall be subject to earlier termination as provided in Sections 10 and 11 of the Plan.

9. Option Period, Consideration and Payment

- (a) The option period shall be a period of time fixed by the Board not to exceed five years from the date of grant, but may be reduced in accordance with Sections 10 and 11 with respect to any options held by a director, officer, consultant, employee or Management Company Employee of the Corporation or any of its subsidiaries and affiliates who has ceased to act as such, whether by reason of resignation, termination or death.

- (b) Subject to the policies of the Exchange, if applicable, and to any exceptions provided herein, an option shall vest and may be exercised (in each case to the nearest full share) during the option period:
 - (i) in the circumstance where the number of shares reserved for issuance by the Board pursuant to the exercise of options granted is less than or equal to 10% of the number of issued and outstanding shares of the Corporation, in such manner as the Board may determine; and
 - (ii) in the circumstance where the Corporation is a Tier 2 Issuer, as defined in the policies of the TSX Venture Exchange Inc., and the number of shares reserved for issuance by the Board pursuant to the exercise of options granted is greater than 10% of the issued and outstanding shares of the Corporation, in accordance with a vesting schedule which shall be established by the Board and set out in each stock option agreement. The vesting schedule will be reasonably structured and equitable, and in no case will permit vesting over a period of less than 18 months.
- (c) Subject to the policies of the Exchange, any options granted to consultants performing investor relations activities must vest over a 12 month period with no more than 25% of the options vesting every 3 months.
- (d) Options which have vested may be exercised in whole or in part at any time and from time to time during the option period. No options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.
- (e) Except as set forth in Sections 10 and 11, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries and affiliates, or a Management Company Employee of the Corporation or any of its subsidiaries and affiliates.
- (f) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of common shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such common shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any shares subject to an option under this Plan, unless and until the certificates for such shares are issued to him or them under the terms of the Plan.

10. Ceasing To Be a Director, Officer, Consultant or Employee

If a Participant ceases to be a director, officer, consultant, or employee of the Corporation or any of its subsidiaries and affiliates or a Management Company Employee of the Corporation or any of its subsidiaries and affiliates for any reason (other than death), any option granted under this Plan, to the extent that it has not been exercised, shall expire on the earlier of the date set out in the option agreement and 5:00 p.m. (Calgary time) on the ninetieth (90th) day following the date notice of termination is given by the Corporation or the Participant, whether such termination is with or without reasonable notice, unless such Participant was engaged in investor relations activities, in which case any option shall expire at such time on the thirtieth (30th) day after notice of such termination is given. Notwithstanding the foregoing, in the event of termination of employment for cause, such option shall cease and terminate immediately upon the date notice of termination of employment for cause is given by the Corporation and shall be of no further force or effect whatsoever as to such of the optioned shares in respect of which such option has not previously been exercised.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

11. Death of Participant

In the event of the death of a Participant, any option previously granted to him shall be exercisable only within the earlier of the expiry date of any option previously granted and one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that he was entitled to exercise the option at the date of his death.

12. Rights of Optionee

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any shares issuable upon exercise of such option until certificates representing such shares shall have been issued and delivered.

13. Proceeds from Sale of Shares

The proceeds from the sale of shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

14. Adjustments

If the outstanding shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares of securities of the Corporation through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board in its discretion in the number or kind of shares optioned and the exercise price per share, as regards previously granted and unexercised options or portions thereof, and as regards options which may be granted subsequent to any such change in the Corporation's capital.

Upon the liquidation or dissolution of the Corporation or upon a re-organization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, or upon the sale of substantially all of the property or more than eighty (80%) percent of the then outstanding shares of the Corporation to another corporation, the Plan shall terminate, and any options theretofore granted hereunder shall terminate unless provision is made in writing in connection with such transaction for the continuance of the Plan and for the assumption of options theretofore granted, or the substitution for such options of new options covering the shares of a successor employer corporation, or a parent or subsidiary thereof, with appropriate adjustments as to number and kind of shares and exercise prices, in which event the Plan and options theretofore granted shall continue in the manner and upon the terms so provided. If the Plan and unexercised options shall terminate pursuant to the foregoing sentence, the shares subject to all options granted shall immediately vest and all Participants then entitled to exercise an unexercised portion of options then outstanding shall have the right at such time immediately prior to consummation of the event which results in the termination of the Plan as the Corporation shall designate, to exercise their options to the full extent not theretofore exercised.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional share shall be required to be issued under the Plan on any such adjustment.

15. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or to the extent, if any, permitted by the Exchange, if applicable. During the lifetime of a Participant, any benefits, rights and options may only be exercised by the Participant.

16. Amendment and Termination of Plan

The Board may, at any time, suspend or terminate the Plan. The Board may also at any time amend or revise the terms of the Plan, provided that no such amendment or revision shall alter the terms of any options theretofore granted under the Plan.

17. Necessary Approvals

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

18. Effective Date of Plan

The Plan has been adopted by the Board of the Corporation subject to the approval of the shareholders of the Corporation and, if so approved, the Plan shall become effective upon such approval being obtained. Any option granted prior to such approval shall be conditional upon such approval, and no option may be exercised unless such approval is given.

19. Interpretation

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.

20. Compliance with Applicable Law

If any provision of the Plan or any option contravenes any law or any order, policy, by-law or regulation of any Exchange, if applicable, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith, without the requirement for any additional approval of such amendment by the shareholders of the Corporation.

MADE by the Board of Directors of the Corporation as evidenced by the signatures of the following directors duly authorized in that behalf effective July 30, 2003.

TWOCO PETROLEUMS LTD.

"Timothy A. Bashforth"

"Wayne A. Malinowski"

SCHEDULE “B”

Corporate Guideline of the TSX Exchange	Compliant?	Comments
1. The Board should explicitly assume responsibility for stewardship of the Corporation, and specifically for:	Yes	<p>The Board of Directors (the “Board”) has the duty of managing the business and affairs of the Corporation in accordance with the provisions of the <i>Business Corporations Act</i> (Alberta) and other requirements of law including those applicable to the directors of a public company. In order to fulfil its mandate, the Board has adopted a position description for the Board (the “Board Position Description”) detailing the purpose, procedures an organization, and the duties and responsibilities with regard to legal requirements, independence strategies, risk management, appointment, training and monitoring of senior management and nomination of directors, compliance, reporting and communication matters.</p> <p>The Board holds scheduled meetings at least once per fiscal quarter and additionally as required to consider specific issues. The directors are stewards of the Corporation and it is the responsibility of the Board and management to establish the general strategic direction of the Corporation and to oversee management’s conduct of the business and affairs of the Corporation. The Board approves the operating objectives of the Corporation through assessing the general strategic direction of the Corporation and by establishing annual capital and operating budgets. Management is responsible for the day-to day operations of the Corporation.</p>
a) Adoption of a strategic planning process;	Yes	<p>One of the duties of the Board as per the Board Position Description, is the responsibility to oversee the strategic planning of the Corporation. The Board receives, reviews and authorizes the strategic plan of the Corporation on at least an annual basis.</p>
b) Identification of principal risks, and implementing risk management systems;	Yes	<p>One of the duties of the Board as per the Board Position Description, is the responsibility to oversee the identification of the principal risks, and to oversee the implementation of risk-management systems.</p> <p>The Board considers all of the principal risks facing the Corporation’s operations and business at its regulatory scheduled Board meetings and through its various committees. Each of these committees has adopted a charter governing the particular committee.</p>

c)	Succession planning and monitoring senior management	Yes	One of the duties of the Board, as per the Board Position Description, is responsibility to oversee and monitor senior management and to ensure that management is aware of the Board's expectations. It is the responsibility of the Board to ensure that a formal succession plan is in place.
d)	Communications policy	Yes	<p>The Board has adopted a Disclosure and Confidentiality Policy detailing various procedures and practices pertaining to disclosure of "material information", trading restrictions, blackout periods, confidentiality, news releases, contacts with analysts, investors and the media, and other communications related matters.</p> <p>The Board authorizes all quarterly press releases and is responsible for authorizing all continuous disclosure documents and extraordinary disclosure documents such as prospectuses or take-over bid circulars. Management is responsible for normal course press releases, regulatory reporting and compliance and shareholder and market communications.</p>
e)	Integrity of the Corporation's internal control and management information systems	Yes	The Board evaluates the integrity of the Corporation's internal control and management information through its various committees. The Board has adopted audit, corporate governance (including health, safety and environmental responsibilities), reserve and compensation committees. Each of these committees have charters governing them.
2.	Majority of the Board should be "unrelated", (free from conflicting interests)	See comments	The Board currently consists of five directors, two inside directors who are part of management and three outside directors. Wayne A. Malinowski and Timothy A. Bashforth are considered related directors and Larry C. Mah, Richard A.N. Bonnycastle and James A.W. Williams are considered unrelated directors. The Board intends to add additional members to its Board and committees as suitable.

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| 3. | Disclose for each director whether he or she is related, and how that conclusion was reached | Yes | Wayne A. Malinowski and Timothy A. Bashforth are considered related directors due to the fact they are also officers of the Corporation. The Board has determined Mr. Larry C. Mah to be an unrelated director, even though he is a senior partner in an accounting firm that is compensated by the Corporation for providing accounting services. The Board has determined Mr. James A.W. Williams to be an unrelated director, even though he is a lawyer in a law firm that is compensated for providing legal services to the Corporation. Mr. Richard A.N. Bonnycastle is unrelated to the Corporation as that term is used in the TSX Guidelines as he is independent of management, has no material interest, business or other relationship (other than interests and relationships arising from shareholdings) that could, or could reasonably be perceived to, materially interfere with his ability to act in the best interests of the Corporation, and has not received any material compensation from the Corporation. Each director is eligible to participate in the Corporation's stock option plan. |
| 4. | Appoint a committee responsible for the appointment/assessment of directors. | See Comments | The Corporation has established a corporate governance, environment and safety committee formally responsible for the assessment of directors. Board members are selected for the contribution they can make given their diversity of experience. The entire Board addresses proposals for new nominees on an ongoing basis. |
| 5. | Implement a process for assessing effectiveness of the Board, its committees and individual directors | Yes | The corporate governance, environment and safety committee is formally responsible for assessing the effectiveness of the Board, its committees and the individual directors. |
| 6. | Provide orientation and education programs for new directors | See Comments | The Corporation has established a corporate governance committee formally responsible for the orientation and education programs for new directors. Orientation is limited to an overview of the business and a review of practices of the Corporation, however, management and the Board will provide additional information as requested. Every new director will be provided with a copy of the corporate governance manual which includes position descriptions, charters and policies. The Corporation has not yet established a formal orientation program. |
| 7. | The Board should, on an ongoing basis, examine its size to ensure that it is an effective decision making unit. | Yes | The Corporation believes the Board must have enough directors to carry out its duties efficiently while presenting a diversity of views and experiences. The Board as constituted is sufficient to effectively and efficiently fulfill its duties. |

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| 8. | Review the compensation of the Board in light of their risks and responsibilities | Yes | <p>The compensation committee is responsible for making recommendations to the Board with respect to compensation related matters. It is difficult to compensate directors fully for the risk and responsibilities they assume. The compensation of directors is assessed annually with comparison to industry standards. At the present time, the Corporation does not remunerate its directors for acting in such capacity. All directors have been allocated stock options.</p> |
| 9. | Committees should generally be composed of outside directors, a majority of whom are unrelated. | See Comments | <p>The Corporation seeks to appoint those persons to committees that, by virtue of their background and experience, can offer the greatest assistance in discharging the mandate of such committee.</p> <p>The Corporation has established an audit committee of the Board. The members of the audit committee are Richard A.N. Bonnycastle, Larry C. Mah, and James A.W. Williams, all of whom are considered unrelated directors.</p> <p>The Corporation has established a corporate governance, environment and safety committee. The members of the corporate governance, environment and safety committee are Wayne A. Malinowski, Larry C. Mah and James A.W. Williams, the majority of whom are considered unrelated directors.</p> <p>The Corporation has established a reserves committee, the members of which are Timothy A. Bashforth, Larry C. Mah and James A. W. Williams. The majority of the directors who comprise this committee are considered unrelated directors.</p> <p>The Corporation has established a compensation committee, the members of which are Richard A.N. Bonnycastle, Larry C. Mah and James A.W. Williams, all of whom are considered unrelated directors.</p> |
| 10. | The Board would expressly assume, or assign to a committee the responsibility for developing the Corporation's approach to corporate governance issues | Yes | <p>The entire board has expressly assumed responsibility for developing, implementing and overseeing the Corporation's corporate governance practices. The Corporation has established a corporate governance, environment and safety committee (see above). This committee has adopted a charter detailing the purpose, organization, duties, responsibilities and mandate of the corporate governance, environment and safety committee.</p> |

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| 11. | The Board should develop position descriptions for the Board and for the Chief Executive Officer and the Board should approve or develop corporate objectives the Chief Executive Officer is responsible in meeting. | Yes | The Board Position Description details its responsibilities given the broad mandate and responsibilities of the Board in law and in determining the strategic direction of the Corporation. There are also position descriptions for the Chief Executive Officer, the Chief Financial Officer and Chief Operating Officer. The Board expects the Chief Executive Officer to implement its initiatives as set out in the position description. Management's objectives are reflected in the operating and capital budgets prepared and presented to the Board. |
| 12. | Establish procedures to enable the Board to function independently of management. | See Comments | The Board has established the various committees described above, which committees are comprised of a majority of directors whom are considered unrelated directors. The Board meets independently of management when and if necessary. To date, the Board has not had reason to meet without management. |
| 13. | Establish an Audit Committee with a specifically defined mandate. All members should be non-management members. | See Comments | <p>The Corporation has established an audit committee of the Board. As discussed in 9 above, the audit committee is comprised of three directors, all of whom are considered unrelated directors. The audit committee has adopted a charter detailing the purpose, organization, duties, responsibilities and mandate of the audit committee.</p> <p>The audit committee has direct access to the Corporation's external auditor. The external auditors provide a report to the Board commenting on the internal control environment within the Corporation on an annual basis.</p> <p>The Corporation's audit committee is generally mandated to: monitor audit functions and the preparation of financial statements; review all prospectuses, material change reports and any annual information form; and meet with the outside auditors independently of management.</p> |
| 14. | Implement a system to enable individual directors to engage outside advisors at the Corporation's expense. | Yes | Individual directors may engage outside advisors as required or as appropriate and each committee charter specifically permit the committees to engage outside advisors at the Corporation's expense. |

SCHEDULE "C"

I. THE AUDIT COMMITTEE'S CHARTER

A. PURPOSE

The overall purpose of the Audit Committee (the "**Committee**") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts. In particular, the Committee must ensure compliance with Multilateral Instrument 52-110 Audit Committees ("**MI 52-110**").

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board of Directors (the "**Board**"), two of whom shall be "unrelated directors", as that term is defined in the Corporate Governance Guidelines of the Toronto Stock Exchange. (Venture Issuers are exempt from the requirements of Part 3 of MI 52-110.)
2. All members of the Committee shall be "financially literate" (ie. able to read and understand a balance sheet, an income statement and a cash flow statement).
3. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.
5. The secretary of the Committee shall be selected by the Committee, and shall be "financially literate" unless otherwise determined by the Committee.
6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
7. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's internal and external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
8. The Committee shall be entitled to engage independent counsel and other advisors as it considers necessary to carry out its duties and to set and pay the compensation for any such advisors.
9. Meetings of the Committee shall be conducted as follows:
 - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;

- (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;
 - (c) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:
 - (i) Chief Financial Officer;
 - (d) other management representatives shall be invited to attend as necessary.
10. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

C. DUTIES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall be as follows:
- (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements;
 - (b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;
 - (c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and
 - (d) to report regularly to the Board on the fulfilment of its duties and responsibilities.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- (a) to recommend to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an auditors report or performing other audit, review or attest services for the Corporation, and to verify the independence of such external auditors;
 - (b) to review and recommend to the Board the scope and timing of the audit and other related services rendered by the external auditors and the compensation therefor;
 - (c) review the audit plan of the external auditors prior to the commencement of the audit;
 - (d) to directly oversee the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;
 - (e) to review with the external auditors, upon completion of their audit:

- (i) contents of their report;
 - (ii) scope and quality of the audit work performed;
 - (iii) adequacy of the Corporation's financial and auditing personnel;
 - (iv) co-operation received from the Corporation's personnel during the audit;
 - (v) internal resources used;
 - (vi) significant transactions outside of the normal business of the Corporation;
 - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
 - (viii) the non-audit services provided by the external auditors;
- (f) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles;
 - (g) to pre-approve all non-audit services to be provided to the Corporation by the external auditors unless otherwise provided for in MI 52-110;
 - (h) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management;
 - (i) to review the Corporation's financial statements, MD&A and annual and interim earnings press releases before the issuer publicly discloses the information;
 - (j) to ensure that procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection (i) above, and periodically assess the adequacy of the procedures;
 - (k) to implement procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
 - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
 - (l) to review and approve the Corporation's hiring policies regarding partners, employees or former partners and employees of the present and former external auditors of the Corporation.
3. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:
- (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information

services and systems and financial controls, management reporting and risk management;

- (b) review compliance under the Corporation's Business Conduct Policy and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate;
- (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and
- (d) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

4. The Committee is also charged with the responsibility to:

- (a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
- (b) review and approve the financial sections of:
 - (i) the annual report to shareholders;
 - (ii) the annual information form;
 - (iii) prospectuses; and
 - (iv) other public reports requiring approval by the Board,and report to the Board with respect thereto;
- (c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
- (d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
- (e) review and report on the integrity of the Corporation's consolidated financial statements;
- (f) review the minutes of any audit committee meeting of subsidiary companies;
- (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
- (h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and

- (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board following each annual general meeting of shareholders.

2. Composition of the Audit Committee

As at May 6, 2005, the Audit Committee of the Corporation was composed of the following individuals:

Richard A.N. Bonnycastle	Independent ⁽¹⁾	Financially literate ⁽²⁾
Larry C. Mah, C.A.	Not Independent ⁽¹⁾	Financially literate ⁽²⁾
James A.W. Williams, C.A.	Not Independent ⁽¹⁾	Financially literate ⁽²⁾

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. Messrs. Mah and Williams are not considered to be independent under MI 52-110 by virtue of the fact that each of them is associated with a professional firm that has received compensation from the Corporation for accounting and legal services, respectively. As a "venture issuer" (as defined in MI 52-110), the Corporation is exempt from having an Audit Committee comprised entirely of "independent" members.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Corporation's board of directors.

4. Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on any exemption from Section 2.4 of MI 52-110 (De Minimis Non-audit Services), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

5. Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

6. External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years are as follows:

Financial Period Ending December 31	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees
2004	\$22,500	\$106,378	Nil	Nil
2003	N/A ⁽²⁾	N/A ⁽²⁾	Nil	Nil

Notes:

- (1) The aggregate audit fees quoted for 2004.
- (2) Such fees were related to the initial public offering of the Corporation and the audit of the Corporation's 2003 financial statements included in the initial public offering prospectus of the Corporation.

- (3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

7. Exemption

The Corporation is relying upon the exemption in section 6.1 of MI 52-110.