

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, except pursuant to exemptions from the registration requirements of the 1933 Act and applicable state securities laws, these securities may not be offered or sold within the United States. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Twoco Petroleum Ltd. at Suite 1050, 1122 – 4th Street S.W., Calgary, Alberta T2R 1M1, telephone: (403) 233-0345, and are also available electronically at www.sedar.com.

New Issue

July 29, 2010

PRELIMINARY SHORT FORM PROSPECTUS

TWOCO PETROLEUMS LTD.

\$3,000,000 (Minimum Offering)

\$6,000,000 (Maximum Offering)

up to \$2,000,000
up to 8,695,650 Units

up to \$4,000,000
up to 16,000,000 Flow-Through Units

Price:
\$0.23 per Unit
\$0.25 per Flow-Through Unit

This short form prospectus qualifies the distribution of: (i) up to 8,695,650 units ("**Units**") of Twoco Petroleum Ltd. ("**Twoco**" or the "**Corporation**") at a price of \$0.23 per Unit; and (ii) up to 16,000,000 flow-through units ("**Flow-Through Units**") of the Corporation at a price of \$0.25 per Flow-Through Unit (collectively, the "**Offering**"). Each Unit will be comprised of one common share of the Corporation (a "**Unit Share**") and one common share purchase warrant (a "**Warrant**"). Each Flow-Through Unit will be comprised of one common share of the Corporation to be issued as a "flow-through share" (a "**Flow-Through Share**") within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**") and one-half of one Warrant. Each whole Warrant will entitle the holder to acquire one additional common share of the Corporation (a "**Warrant Share**") exercisable for two years at a price of \$0.30 per Warrant Share. The Offering is subject to a minimum aggregate offering of \$3,000,000 (the "**Minimum Offering**") and a maximum aggregate offering of \$6,000,000 (the "**Maximum Offering**"). The Units and Flow-Through Units, collectively referred to herein as the "**Offered Securities**", are offered separately from each other. Certain insiders of Twoco may purchase Units and/or Flow-Through Units. See "*Plan of Distribution*".

The Corporation will incur in the period following closing of the Offering until December 31, 2011 (the "**Expenditure Period**") and renounce to each subscriber of Flow-Through Units, effective on or before December 31, 2010, Canadian Exploration Expense as such term is defined in the Tax Act ("**Canadian Exploration Expense**" or "**CEE**") in an amount equal to the portion of the aggregate purchase price for Flow-Through Units paid

by such subscriber which is allocated to the Flow-Through Shares. The Corporation intends to allocate \$0.229 to each Unit Share and \$0.001 to each Warrant underlying each Unit and \$0.2495 to each Flow-Through Share and \$0.0005 to each one-half of one Warrant underlying each Flow-Through Unit. While the Corporation considers these allocations reasonable, they are not binding on the CRA (as herein defined) or the subscriber. See “*Description of Securities Being Distributed*” and “*Certain Canadian Federal Income Tax Considerations*”.

The issued and outstanding common shares in the capital of the Corporation (the “**Common Shares**”) are listed on the TSX Venture Exchange (the “**TSXV**”) under the trading symbol “**TWO**”. On July 23, 2010, the last trading day prior to the public announcement of the Offering and the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.20. The Corporation has applied to list the Unit Shares, the Flow-Through Shares and the Agent Shares (as defined herein), if applicable, distributed under this short form prospectus and the Warrant Shares when issued, on the TSXV. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. There is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. The Corporation does not intend to apply to list the Warrants on the TSXV. See “*Risk Factors*”. The terms of the Offering, including the prices of the Offered Securities, were determined by negotiation between the Corporation and Macquarie Private Wealth Inc. (the “**Agent**”). See “*Plan of Distribution*”.

The Warrants will be created and issued pursuant to the terms of the Warrant Indenture (as hereinafter defined) entered into between the Corporation and the Warrant Agent (as hereinafter defined), as warrant agent. Each Warrant will entitle the holder thereof to purchase one Warrant Share at a price of \$0.30 per Warrant Share at any time before 5:00 p.m. (Calgary time) on the date that is twenty-four months following the Closing Date (as hereinafter defined). The Warrant Indenture will contain provisions intended to protect the holders of the Warrants against dilution upon the happening of certain events. No fractional Warrant Shares will be issued upon the exercise of any Warrants. See “*Description of Securities Being Distributed - Warrants*”.

	Price to the Public	Agent’s Fee ⁽¹⁾	Net Proceeds to the Corporation ⁽²⁾
Per Unit	\$0.23	\$0.0161	\$0.2139
Total.....	\$2,000,000	\$140,000	\$1,860,000
Per Flow-Through Unit	\$0.25	\$0.0175	\$0.2325
Total.....	\$4,000,000	\$280,000	\$3,720,000
Minimum Offering.....	\$3,000,000	\$210,000	\$2,790,000
Maximum Offering.....	\$6,000,000	\$420,000	\$5,580,000

Notes:

- (1) The Corporation has agreed to pay the Agent a fee (the “**Agent’s Fee**”) equal to 7% of the gross proceeds of the Offering payable, at the sole option of the Agent, by way of cash or Common Shares at a price of \$0.23 per Common Share (the “**Agent Shares**”) (except with respect to proceeds from the sale of Offered Securities to certain purchasers introduced by the Corporation directly (the “**President’s List**”) for which the Agent will be entitled to a fee equal to 3.5% of such proceeds) and a corporate finance fee in the amount of \$30,000 plus GST, of which \$15,750 is non-refundable and has been paid as of the date of this short form prospectus. The Agent and its designated sub-agents, if any, will also receive non-transferrable options (the “**Agent Options**”) equal to 6% of the number of Offered Securities sold under the Offering (except for sales of Offered Securities issued pursuant to the President’s List for which the Agent will receive Agent Options equal to 3.5% of the number of such Offered Securities). Each Agent Option will entitle the Agent or its designated sub-agent, if any, as applicable, to purchase one Unit (an “**Agent Option Unit**”) exercisable for twenty-four months at a price of \$0.23 per Agent Option Unit. This short form prospectus also qualifies the grant of the Agent Shares, if applicable, and the grant of the Agent Options to the Agent and its sub-agents, if any. See “*Description of Securities Being Distributed – Agent Options*”. The Corporation will reimburse the Agent for reasonable out-of-pocket expenses incurred by the Agent in connection with the Offering, including the Agent’s legal fees of which \$15,000 has been paid as a retainer as of the date of this short form prospectus. See “*Plan of Distribution*”.
- (2) Before deducting expenses of the Offering, estimated to be \$200,000, which will be paid from general funds of the Corporation.

<u>Agent's Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Agent Shares ⁽¹⁾	Up to 1,826,086 Agent Shares	N/A	N/A
Agent Options ⁽²⁾	Up to 1,481,739 Agent Options	Exercisable for twenty-four months after the closing of the Offering	\$0.23 per Agent Option Unit

Notes:

- (1) Assuming the Maximum Offering is met, issuable in the event the Agent opts to receive the Agent's Fee in the form of Agent Shares.
- (2) Assuming the Maximum Offering is met. Each Agent Option is exercisable into 1,481,739 Units. Up to 2,963,478 Common Shares may be issued pursuant to the issuance of the Units upon exercise of the Agent Options and the exercise of the Warrants underlying such Units.

The Agent conditionally offers the Offered Securities, subject to prior sale, if, as and when issued by the Corporation, on a commercially reasonable efforts basis, in accordance with the conditions contained in the Agency Agreement referred to under "*Plan of Distribution*" and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by Borden Ladner Gervais LLP and on behalf of the Agent by Davis LLP.

Subscriptions for Offered Securities offered under this short form prospectus will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Provided the Minimum Offering is met, it is expected that closing will occur on or about August 27, 2010 or such other date as the Corporation and the Agent may agree, but in any event no later than September 15, 2010 (the "**Closing Date**"). The closing of the Offering is conditional on certain matters, including the Minimum Debenture Exchange (as defined herein), meeting all of the requirements of the Amending Agreement (as defined herein) and the Corporation closing on an amount no less than the Minimum Offering. This short form prospectus also qualifies the issuance of the Common Shares issuable upon the exchange of the Debentures (as defined herein) and the issuance of the Loan Warrants (as defined herein).

Except in certain limited circumstances, Unit Shares, Flow-Through Shares and Warrants may be represented by a global certificate issued in registered form to the Canadian Depository for Securities Limited ("**CDS**") or its nominee under the book-based system administered by CDS, in which case, (i) no certificates evidencing Unit Shares, the Flow-Through Shares or Warrants will be issued to subscribers for Units or the Flow-Through Units; and (ii) subscribers for Units or Flow-Through Units will receive only a customer confirmation from the Agent or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Units or the Flow-Through Units is purchased. See "*Plan of Distribution*".

An investment in the securities offered under this short form prospectus is speculative and involves a number of risks. The risk factors identified under the heading "*Risk Factors*" and "*Advisories - Forward-Looking Statements*" in this short form prospectus and in the AIF (as herein defined) should be carefully reviewed and evaluated by prospective subscribers before purchasing the securities being offered under this short form prospectus.

The principal and head offices of the Corporation are located at Suite 1050, 1122 - 4th Street S.W., Calgary, Alberta T2R 1M1 and the registered office of the Corporation is located at 2000, 645 - 7th Avenue S.W., Calgary, Alberta T2P 4G8.

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the securities in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus.

All dollar amounts in this short form prospectus are in Canadian dollars unless otherwise stated.

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ADVISORIES

Forward-Looking Statements

This short form prospectus and the documents incorporated by reference herein contain forward-looking statements and forward-looking information (collectively, “**forward-looking statements**”). These forward-looking statements relate to future events or the Corporation’s future performance. All forward-looking statements contained herein that are not clearly historical in nature constitute forward-looking statements, and the words “may”, “will”, “should”, “could”, “expect”, “plan”, “intend”, “anticipate”, “believe”, “estimate”, “propose”, “predict”, “potential”, “continue”, or the negative of these terms or other comparable terminology are generally intended to identify forward-looking statements. Such statements represent the Corporation’s internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital expenditures, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements. In addition, this short form prospectus and the documents incorporated by reference herein may contain forward-looking statements attributed to third party industry sources. The Corporation believes that the expectations reflected in these forward-looking statements are reasonable, however, undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

Forward-looking statements in this short form prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

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

Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this short form prospectus and in certain documents incorporated by reference herein include, but are not limited to:

- the Corporation's ability to continue as a going concern;
- the ability of the Corporation to achieve drilling success consistent with management's expectations;
- the Corporation's ability to retain access to bank and other financing;
- the Corporation'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 natural 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 "*Risk Factors*" in this short form prospectus and in the AIF (as defined herein), which is incorporated by reference herein, and other filings by the Corporation with Canadian securities authorities.

In addition, this short form prospectus contains forward-looking statements concerning the anticipated Closing Date of the Offering and anticipated use of the net proceeds of the Offering. The closing of the Offering could be delayed if the Corporation is not able to obtain the necessary stock exchange approval or any other approvals required for completion of the time lines it has planned. The Offering will not be completed at all if these approvals are not obtained or, unless waived, some other condition to the closing is not satisfied. Accordingly there is a risk that the Offering will not be completed within the anticipated time or at all. The Corporation intends to use the net proceeds of the Offering to fund the Corporation's ongoing capital expenditure program including, in the case of proceeds from the issuance of the Flow-Through Units, the incurring of CEE, and for general corporate purposes. See "*Use of Proceeds*". There may be circumstances that are not known to the Corporation at this time where reallocations of net proceeds from this Offering may be advisable for business reasons that management believes are in the Corporation's best interests. Forward-looking statements contained in certain documents incorporated by reference into this short form prospectus are based on the key assumptions described in such documents. The reader is cautioned that such information, although considered reasonable by the Corporation may prove to be incorrect. Actual results achieved during the forecast period will vary from the forward-looking statements provided in this short form prospectus and in the documents incorporated by reference herein as a result of numerous known and unknown risks and uncertainties and other factors which are discussed in the documents incorporated herein by reference.

With respect to forward-looking statements contained or incorporated by reference in this short form prospectus, the Corporation has made assumptions regarding: future exchange rates; energy markets and the price of oil and natural

gas; the impact of increasing competition; conditions 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 Corporation's ability to obtain financing on acceptable terms. Management of the Corporation has included the above summary of assumptions and risks related to forward-looking statements included in this short form prospectus and the documents incorporated by reference herein in order to provide potential purchasers of the Offered Securities with a more complete perspective on the Corporation's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this short form prospectus, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement. In addition, please note that information relating to reserves are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be economically produced in the future.

The forward-looking statements are made as of the date of this short form prospectus, or in the case of documents incorporated by reference herein, as of the dates of such documents, and the Corporation disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable Canadian securities laws.

In this short form prospectus the calculation of barrels of oil equivalent (“**boe**”) is calculated at a conversion rate of six thousand cubic feet (“**mcf**”) of natural gas for one barrel (“**bbl**”) of oil based on an energy equivalency conversion method. Boes may be misleading particularly if used in isolation. A boe conversion ratio of 6 mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable to the burner tip and does not represent a value equivalency at the wellhead.

Non-GAAP Measures

Certain documents incorporated herein by reference include references to certain financial measures, as described below, which do not have standardized meanings prescribed by Canadian generally accepted accounting principles (“**GAAP**”). Investors are cautioned that these non-GAAP measures should not be construed as an alternative to the measures calculated in accordance with GAAP as, given their non-standardized meanings, they are unlikely to be comparable to similar measures presented by other issuers. Certain documents incorporated herein by reference contains the terms “cash flow” and “operating netbacks”, which do not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures by other companies. The term “cash flow”, which is expressed before changes in non-cash working capital, and the term “operating netbacks” are used by the Corporation to analyze operating performance, leverage and liquidity. The reconciliation between net earnings and cash flow from operations can be found in the statements of cash flows in the Corporation's audited financial statements incorporated herein by reference. Operating netbacks are determined by deducting royalties, operating and transportation expenses and general and administrative expenses from petroleum and natural gas sales revenue.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at Suite 1050, 1122 – 4th Street S.W., Calgary, Alberta T2R 1M1, telephone: (403) 233-0345. In addition, copies of the documents incorporated herein by reference may be obtained by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

The following documents of the Corporation filed with the various securities commissions or similar authorities in the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of the Corporation dated April 27, 2010 for the year ended December 31, 2009 (the “AIF”);
- (b) the audited financial statements of the Corporation and the notes thereto as at and for the years ended December 31, 2009 and 2008, and the auditors’ report thereon;
- (c) the management’s discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2009;
- (d) the unaudited interim financial statements of the Corporation and the notes thereto as at March 31, 2010 and for the three month periods ended March 31, 2010 and 2009;
- (e) the management’s discussion and analysis of the financial condition and results of operations of the Corporation for the three month period ended March 31, 2010 (the “Q1 2010 MD&A”); and
- (f) the Corporation’s management information circular dated May 8, 2009 in connection with the annual and special meeting of shareholders of the Corporation held on June 4, 2009.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditor’s report thereon, management’s discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in Canada subsequent to the date of this short form prospectus and before the termination of the Offering, are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

TWOCO PETROLEUMS LTD.

The Corporation was incorporated pursuant to the *Business Corporations Act* (Alberta) (“**ABCA**”) on September 21, 2000. On September 19, 2001, Twoco filed Articles of Amendment to split the then outstanding common shares on a 1,000-for-1 basis. On August 27, 2003, Twoco filed Articles of Amendment to remove “private company provisions” from its Articles. On December 18, 2003, Twoco filed Articles of Amendment to split the then outstanding common shares on a 2-for-1 basis.

The principal and head office of the Corporation is located at Suite 1050, 1122 - 4th Street S.W., Calgary, Alberta T2R 1M1 and its registered office of the Corporation is located at 2000, 645 - 7th Avenue S.W., Calgary, Alberta T2P 4G8.

BUSINESS OF THE CORPORATION

The Corporation is engaged in the exploration for, and the acquisition, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin.

The business plan of the Corporation is to create sustainable and profitable per share growth in the oil and natural gas industry in western Canada. To accomplish this, Twoco will continue to pursue an integrated growth strategy including development and exploration drilling, acquisitions and the creation of joint ventures.

To date, the Corporation has achieved a majority of its revenue and production growth via drilling success on exploration plays generated in-house. Generally, it is management’s philosophy to not attempt to acquire mineral rights in any prospect that Twoco is not prepared to drill itself.

It is Twoco’s intention to achieve the majority of future growth utilizing a strategy similar to that adopted in the past, that is, successful drilling of internally generated and acquired prospects within the Province of Alberta. Nevertheless, the Corporation, when it deems it advantageous to do so, may pursue asset or corporate acquisitions of crude oil and natural gas properties. It is the intention to finance such acquisitions through a combination of cash flow from operations, debt and future equity issues.

Further details concerning the Corporation, including information with respect to the Corporation’s assets, operations and development history, are provided in the AIF and the other documents incorporated by reference into this short form prospectus. The contents of the AIF are incorporated by reference into this short form prospectus. Readers are encouraged to thoroughly review these documents as they contain important information concerning the Corporation.

RECENT DEVELOPMENTS

Unsecured Debentures

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

Pursuant to the terms of the Agency Agreement (as herein defined), at least 50% of the aggregate principal amount of the Debentures are required to be exchanged for Common Shares at a price equal to the offering price of the Units on or before the Closing Date. Therefore, a minimum of \$4,150,000 of the Debentures are required to be exchanged for Common Shares at a price of \$0.23 per Common Share for an aggregate of 18,043,478 Common Shares (the “**Minimum Debenture Exchange**”). However, the Corporation will take steps to enter into agreements with the holders of the Debentures to exchange all of the outstanding Debentures, including all interest accrued on the Debentures from July 1, 2010 (the most recent interest payment date) to the Closing Date, for Common Shares. If the full \$8,300,000 of Debentures plus accrued interest thereon up to Closing Date are exchanged, up to 37,061,798 Common Shares may be issued pursuant to such exchange of the Debentures (the “**Maximum Debenture**”).

Exchange”). Debentures held by certain insiders of Twoco are also intended to be exchanged for Common Shares on the same terms as described above.

This short form prospectus also qualifies the issuance of the Common Shares issuable upon the exchange of the Debentures.

Credit Facilities

As of May 8, 2009, the Corporation had a loan facility with its bank (the “**Bank**”) that included a \$19 million credit facility (the “**Revolving Credit Facility**”) and a \$500,000 non-revolving loan facility (the “**Non-Revolving Credit Facility**”). As a result of the previously announced asset sale and farm-in arrangement with Poplar Creek Resources Inc. that resulted in an arm’s length disposition of 3.5% of the Corporation’s petroleum and natural gas assets for cash consideration of \$1,925,000, subject to adjustment, the Revolving Credit Facility was reduced to its current level of \$18 million.

On May 7, 2010, the Bank and the Corporation agreed to changes to the Revolving Credit Facility that included an increase to the interest rate to prime plus 3.75% effective as of April 15, 2010. The repayments of the Revolving Credit Facility are to be made from net proceeds of any additional borrowings, proceeds on sale of property and proceeds from equity issuances.

On July 29, 2010, the Corporation and the Bank entered into an amending agreement (the “**Amending Agreement**”) further amending the terms of the Revolving Credit Facility. In particular, among other things, the repayments of the Revolving Credit Facility are to be made from net proceeds of any additional borrowings, proceeds on sale of property, proceeds from insurance and proceeds from equity issuances other than the Offering. In addition, the Corporation is required to complete an equity issuance for a minimum of \$3,000,000 in gross proceeds on or before September 15, 2010, which includes the Offering. The next review date of the credit facilities was also extended in connection with the Amending Agreement, to March 31, 2011 but may be changed at any time at the sole discretion of the Bank.

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

The Offering is subject to the Corporation meeting all of the terms of the Amending Agreement. This short form prospectus also qualifies the issuance of the Loan Warrants.

Corporate Update

Due to continuing depressed prices for natural gas, the Corporation has determined to strategically diversify its commodity mix by targeting exploration towards oil prospects it has identified on its existing lands. Assuming completion of the Offering, the Corporation intends to increase its capital budget to drill up to 4 horizontal oil wells on four sections of land on the Corporation’s Sparky oil prospect in the Warspite area of Alberta and one horizontal oil well on the Corporation’s Viking prospect in the Bellshill Lake area of Alberta. The net proceeds of the Offering will also be used to drill up to 6 vertical natural gas wells in the in the Corporation’s Warspite, Colinton, Sunland and Plain operating areas of Alberta. See “*Use of Proceeds*”.

The Corporation’s Sparky heavy oil prospect in the Warspite area of Alberta is similar to other heavy oil prospects being developed utilizing horizontal drilling technology throughout various regions of eastern Alberta and western Saskatchewan. If successful, the typical initial horizontal pool development for this type of prospect would allow for up to 16 horizontal wells to be drilled per section. The Corporation controls four sections of prospective lands

on its Sparky oil prospect. These lands are situated within the Corporation's core natural gas producing region and the Corporation has existing natural gas wells and infrastructure servicing these lands.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the Corporation's consolidated capitalization as at March 31, 2010, before and after giving effect to the completion of the Offering:

Designation	Authorized	As at March 31, 2010, before giving effect to the Offering	As at March 31, 2010, after giving effect to the Minimum Offering, the Minimum Debenture Exchange and the issuance of the Minimum Loan Warrants⁽¹⁾⁽²⁾	As at March 31, 2010 after giving effect to the Maximum Offering, the Maximum Debenture Exchange and the issuance of the Maximum Loan Warrants⁽³⁾⁽⁴⁾
Debt				
Revolving Credit Facility ⁽⁵⁾	\$18,000,000	\$17,300,000	\$17,300,000	\$17,300,000
Non-Revolving Credit Facility ⁽⁶⁾	\$500,000	\$385,417	\$385,417	\$385,417
Debentures	\$8,300,000	\$8,300,000	\$4,150,000	nil
Share Capital				
Common Shares ⁽⁷⁾⁽⁸⁾	Unlimited	\$20,181,041 (14,941,406 Common Shares)	\$27,024,800 (45,820,131 Common Shares)	\$34,068,559 (76,698,854 Common Shares)
Warrants	N/A	\$20,750 (4,150,000 Warrants)	\$329,098 ⁽⁹⁾ (13,497,826 Warrants)	\$487,446 ⁽⁹⁾ (22,345,650 Warrants)

Notes:

- (1) Assuming the Minimum Offering is met by way of the issuance of \$1,000,000 in Units and \$2,000,000 in Flow-Through Units. Therefore, based on the issuance of 4,347,826 Units and 8,000,000 Flow-Through Units pursuant to the Minimum Offering for gross proceeds of \$3,000,000, less the Agent's Fee of \$210,000 (assuming no Offered Securities are issued pursuant to the President's List and no Agent Shares are issued) and other expenses of the Offering estimated to be \$200,000.
- (2) Based on the issuance of 18,530,899 Common Shares pursuant to the Minimum Debenture Exchange including Common Shares issued in respect of accrued interest thereon up to Closing Date and the issuance of 1,000,000 Minimum Loan Warrants.
- (3) Based on the issuance of 8,695,650 Units and 16,000,000 Flow-Through Units pursuant to the Maximum Offering for gross proceeds of \$6,000,000, less the Agent's Fee of \$420,000 (assuming no Offered Securities are issued pursuant to the President's List and no Agent Shares are issued) and other expenses of the Offering estimated to be \$200,000.
- (4) Based on the issuance of 37,061,798 Common Shares pursuant to the Maximum Debenture Exchange including Common Shares issued in respect of accrued interest thereon up to Closing Date and the issuance of 1,500,000 Maximum Loan Warrants.
- (5) The Revolving Credit Facility is an operating demand loan facility with a maximum principal amount of \$18,000,000, which bears an interest rate of prime plus 3.75% as of April 15, 2010.
- (6) The Non-Revolving Credit Facility is a non-revolving reducing demand loan facility by way of one draw of \$500,000, repayable in 48 monthly payments of \$10,417 plus interest. Interest is charged at a rate of prime plus 2.0% per annum.
- (7) See "Description of Securities Being Distributed".
- (8) As at March 31, 2010, the Corporation had options to purchase an aggregate of 309,000 Common Shares at a weighted average exercise price of \$5.07 per share. As at July 29, 2010, the Corporation had options outstanding to purchase an aggregate of 136,000 Common Shares at a weighted average exercise price of \$6.96 per share.
- (9) The numbers used to calculate the value of the Warrants have been derived from the allocation ascribed thereto by the Corporation of \$0.001 per Warrant, see "Certain Canadian Federal Income Tax Considerations". These values are non-GAAP measures and should not be construed as an alternative to the measures calculated in accordance with GAAP as, given their non-standardized meanings, they are unlikely to be comparable to similar measures presented by other issuers

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. The Common Shares rank junior to the preferred shares, of which none are currently issued and outstanding. Holders of Common Shares are entitled to one vote per share at meetings of shareholders of Twoco, to receive dividends if, as and when declared by the board of directors of Twoco and to receive pro rata the remaining property and assets of Twoco upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares.

Warrants

The Warrants will be created and issued pursuant to the terms of a warrant indenture to be dated the Closing Date (the “**Warrant Indenture**”) between the Corporation and CIBC Mellon Trust Company (the “**Warrant Agent**”). Each Warrant will entitle the beneficial holder thereof (a “**Warrantholder**”) to purchase one Warrant Share at a price of \$0.30 at any time up to 5:00 p.m. (Calgary time) on the date which is twenty-four months from the Closing Date (the “**Expiry Date**”). Neither the Warrants nor Warrant Shares issuable upon exercise of the Warrants have been or will be registered under the 1933 Act or any state securities laws. The Warrants may not be exercised in the United States or by, or on behalf of, a U.S. person unless an exemption from the registration requirements of the 1933 Act and applicable state securities laws is available to the holder and the holder has furnished an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation to such effect.

The Corporation will appoint the principal transfer offices of the Warrant Agent in Calgary, Alberta as the location at which the Warrants may be surrendered for exercise, transfer or exchange. Warrants may be exercised upon surrender of the certificate representing the Warrants on or before the Expiry Date to the Warrant Agent, with the notice of exercise on the certificate representing the Warrants completed and executed as indicated and accompanied by payment of the exercise price for the number of Warrant Shares for which the Warrants are being exercised.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution (other than a “dividend paid in the ordinary course”, as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of Warrants, pursuant to the exercise of directors’, officers’ or employee stock options granted under the Corporation’s stock option plan or pursuant to other outstanding exchangeable or convertible securities of the Corporation);
- (b) the subdivision, re-division or change of the Common Shares into a greater number of shares;
- (c) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;
- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than forty-five days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price” for the Common Shares on such record date; or
- (e) the issuance or distribution to all or substantially all of the holders of the Common Shares of securities of the Corporation including rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares or property or assets and including evidences of indebtedness, or any property or other assets (other than a “dividend paid in the ordinary course”).

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

- (a) reclassification, re-designation or other change of the Common Shares;
- (b) consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or
- (c) the transfer, sale or conveyance of the undertaking or assets of the Corporation in their entirety or substantially in their entirety to another corporation or other entity in which the holders of Common Shares are entitled to receive shares, other securities or other property.

No adjustment in the exercise price or the number of Warrant Shares issuable upon exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Common Shares purchasable upon exercise by at least one-one hundredth of a Common Share, as the case may be.

The Corporation will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to Warrantheholders of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 business days prior to the record date or effective date, as the case may be, of such event.

No fractional Warrant Shares will be issuable to any holder of Warrants upon the exercise thereof, and no cash or other consideration will be paid in lieu of fractional shares. With respect to any Warrants held, Warrantheholders will not have any voting or pre-emptive rights or any other rights which a holder of Warrant Shares would have.

Under the Warrant Indenture, the Corporation will be entitled to purchase in the market, by private contract or otherwise, all or any of the Warrants then outstanding, and any Warrants so purchased will be cancelled. Under the Warrant Indenture, the Corporation will have the ability to issue further Warrants under the Warrant Indenture (in addition to those issued pursuant to the Offering) without the consent of the Warrantheholders.

The Warrant Indenture will provide that, from time to time, the Corporation and the Warrant Agent, without the consent of the Warrantheholders, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not prejudice the rights of any Warrantheholder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the Warrantheholders may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the Warrantheholders at which there are Warrantheholders present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to a lack of quorum, at which adjourned meeting the Warrantheholders present in person or by proxy shall form a quorum) and passed by the affirmative vote of Warrantheholders representing not less than 66 $\frac{2}{3}$ % of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the Warrantheholders representing not less than 66 $\frac{2}{3}$ % of the aggregate number of all the then outstanding Warrants.

There is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. The Corporation does not intend to apply to list the Warrants on the TSXV. See "Risk Factors".

The foregoing is a summary of the material provision of the Warrant Indenture, but is not, and does not purport to be, a complete summary and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

Flow-Through Shares

The Flow-Through Shares will be Common Shares issued as “flow-through shares” under the Tax Act. The Corporation will incur on or before December 31, 2011, and renounce to each subscriber of Flow-Through Units effective on or before December 31, 2010, CEE in an amount equal to the portion of the aggregate purchase price for Flow-Through Units paid by such subscriber which is allocated to the Flow-Through Shares. See “*Certain Canadian Federal Income Tax Considerations*”.

Subscriptions for Flow-Through Units will be made pursuant to one or more subscription and renunciation agreements (the “**Subscription Agreements**”) to be made between the Corporation and the Agent or one or more sub-agents of the Agent, as agent for, on behalf of and in the name of all subscribers of Flow-Through Units. **Subscribers who place an order to purchase Flow-Through Units with the Agent, or any sub-agent of the Agent, will be deemed to have authorized the Agent, or such sub-agents, to execute and deliver, on their behalf, the Subscription Agreements.**

Pursuant to the Subscription Agreements, the Corporation will covenant and agree: (i) to incur on or before December 31, 2011 and renounce to the subscriber effective on or before December 31, 2010, CEE in an amount equal to the portion of the aggregate purchase price for Flow-Through Units paid by such subscriber which is allocated to the Flow-Through Shares, and (ii) that if the Corporation does not renounce to such subscriber, effective on or before December 31, 2010, CEE equal to such amount, or if there is a reduction in such amount renounced pursuant to the provisions of the Tax Act, the Corporation shall indemnify the subscriber for an amount equal to the amount of any tax payable or that may become payable under the Tax Act (and under any corresponding provincial legislation) by the subscriber as a consequence of such failure or reduction. The Subscription Agreements will contain additional representations, warranties, covenants and agreements by the Corporation in favour of the subscriber of Flow-Through Units which are consistent with and supplement the Corporation’s obligations as described in this short form prospectus.

The Subscription Agreements will also provide representations, warranties and agreements of the subscriber, and by its purchase of Flow-Through Units each subscriber of Flow-Through Units offered under this short form prospectus will be deemed to have represented, warranted and agreed, for the benefit of the Corporation and the Agent or its sub-agents, if any, that is signatory thereto that:

- (a) the Subscription Agreement is subject to acceptance by the Corporation and is effective only upon such acceptance;
- (b) the Subscriber has reviewed and received a copy of this short form prospectus;
- (c) neither the subscriber nor any beneficial purchaser for whom it is acting is a non-resident of Canada for the purposes of the Tax Act;
- (d) neither the subscriber nor any beneficial purchaser for whom it is acting has entered into and will not knowingly enter into any agreement or arrangement which will cause the Flow-Through Shares to become “prescribed shares” for the purposes of the Tax Act;
- (e) if the subscriber or any beneficial purchaser for whom it is acting is a trust, corporation or partnership, it does not and will not knowingly have, in respect of a renunciation of CEE hereunder, a “prohibited relationship” with the Corporation, within the meaning of subsection 66(12.671) of the Tax Act.
- (f) the subscriber, if an individual, is of the full age of majority and is otherwise legally competent to authorize the Agent or any sub-agent to enter into the Subscription Agreement;
- (g) the subscriber, and any beneficial purchaser for whom it is acting deals, and until January 1, 2012 will continue to deal, at arm’s length with the Corporation for the purposes of the Tax Act;

- (h) the liability of the Corporation to renounce CEE is limited to the extent specifically stated herein and in the Subscription Agreement;
- (i) if a corporation, the subscriber is a valid and subsisting corporation, it has the necessary corporate capacity and authority to authorize the Agent or any sub-agent to enter into the Subscription Agreement and to observe and perform its covenants and obligations thereunder and it has taken all necessary corporate action in respect thereof, or, if it is a partnership, syndicate or other form of unincorporated organization, it has the necessary legal capacity and authority to authorize the Agent or any sub-agent to enter into the Subscription Agreement and to observe and perform its covenants and obligations thereunder and, in either case, it has obtained all necessary approvals in respect thereof;
- (j) the subscriber has such knowledge, or has received advice, in financial and business affairs as to be capable of evaluating the merits and risks of the investment and the subscriber is able to bear the economic risk of loss of its entire investment;
- (k) if required by applicable securities legislation, policy or order of a securities commission or other regulatory authority, the subscriber will execute, deliver, file and otherwise assist the Corporation in filing such reports, undertakings and other documents with respect to the issue of the Flow-Through Shares;
- (l) the entering into of the Subscription Agreement and the transactions contemplated thereby will not result in a violation of any of the terms and provisions of any law applicable to the subscriber, or, if the subscriber is not a natural person, any of its constating documents, or of any agreement to which the subscriber is a party or by which it is bound;
- (m) the subscriber waives any right that the subscriber may have to any potential incentive grants, credits and similar or like payments or benefits which accrue as a result of the operations relating to expenses which are CEE at the date they are incurred to the extent permitted to be renounced to the subscriber under the Subscription Agreement (qualifying expenditures) and acknowledges that all such grants, credits, payments or benefits accrue to the benefit of the Corporation;
- (n) the subscriber is aware that the Flow-Through Units have not been and will not be registered under the 1933 Act or the securities laws of any state and that these securities may not be offered or sold in the United States without registration under the 1933 Act or compliance with requirements of an exemption from registration, and the applicable laws of all applicable states or an exemption from such registration requirements is available and acknowledges that the Corporation has no present intention of filing a registration statement under the 1933 Act in respect of the Flow-Through Units or the Flow-Through Shares;
- (o) the Flow-Through Units have not been offered to the subscriber in the United States, and the individuals making the order to purchase the Flow-Through Units and executing and delivering the Subscription Agreement on behalf of the subscriber were not in the United States when the order was placed and the Subscription Agreement was executed and delivered;
- (p) the subscriber is not a "U.S. Person" (as that term is defined by Regulation S under the 1933 Act) and is not acquiring the Flow-Through Units on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States;
- (q) the subscriber undertakes and agrees that the subscriber will not offer or sell the Flow-Through Units in the United States unless such securities are registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that the subscriber will not resell the Flow-Through Units except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules;

- (r) no person has made to the subscriber any written or oral representations:
 - (i) that any person will resell or repurchase the Flow-Through Units;
 - (ii) that any person will refund the purchase price of the Flow-Through Units; or
 - (iii) as to the future price or value of the Flow-Through Units;
- (s) the covenants, representations and warranties of the subscriber stated or referred to in the Subscription Agreement shall be true and correct both as of the execution of the Subscription Agreement and as of the Closing Date of the Offering as if repeated at such time, and will survive the completion of the issuance of the Flow-Through Units and the completion of the transactions contemplated under the Subscription Agreement and the Agency Agreement; and
- (t) the subscriber acknowledges that it has been encouraged to obtain independent legal, income tax and investment advice with respect to its subscription for the Flow-Through Units and accordingly, has had the opportunity to acquire an understanding of the meanings of all terms contained in the Subscription Agreement relevant to the subscriber for the purposes of giving representations, warranties and covenants hereunder.

Notwithstanding the foregoing, the Corporation may enter into one or more subscription and renunciation agreements for Flow-Through Units on such other terms as may be agreed to by the Corporation and the applicable subscriber.

Agent Options

For their services in connection with the Offering, the Agent will receive Agent Options entitling the Agent to subscribe for that number of Units equal to 6% of the aggregate number of Offered Securities sold pursuant to the Offering (except for sales of Offered Securities issued pursuant to the President's List for which the Agent will receive Agent Options equal to 3.5% of the number of such Offered Securities). Each Agent Option is exercisable to acquire one Unit at a price of \$0.23 per Unit for a period of twenty-four months following the Closing Date.

PRIOR SALES

No Common Shares or securities convertible into Common Shares were issued by the Corporation in the 12-month period prior to the date of this short form prospectus.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares are listed and trade on the TSXV under the symbol "TWO". The following table sets forth the price range and trading volumes for the Common Shares on the TSXV as reported by the TSXV for the periods indicated:

Date	Price Range		Trading Volume
	High (\$)	Low (\$)	
2009			
June	1.15	0.81	43,500
July	0.90	0.65	42,680
August	0.90	0.70	234,500
September	0.84	0.67	158,348
October	0.79	0.69	155,622
November	0.70	0.44	400,100
December	0.75	0.32	259,440

Date	Price Range		Trading Volume
	High (\$)	Low (\$)	
2010			
January	0.81	0.43	67,551
February	0.50	0.35	135,050
March	0.35	0.27	381,342
April	0.45	0.285	246,100
May	0.35	0.32	39,600
June	0.32	0.24	89,400
July 1 – 28	0.24	0.20	34,300

On July 23, 2010, the last trading day prior to the public announcement of the Offering and the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.20.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Units and the Flow-Through Units under this short form prospectus are estimated to be \$2,590,000 assuming subscription for the Minimum Offering, after deducting the Agent's Fee of \$210,000 and estimated expenses of the Offering of \$200,000 and \$5,380,000 assuming subscription for the Maximum Offering, after deducting the Agent's Fee of \$420,000 and the estimated expenses of the Offering of \$200,000. See "*Plan of Distribution*".

The Corporation intends to use the net proceeds of the Offering as follows:

Use of Proceeds	Estimated Portion of Net Proceeds of the Offering, Assuming Completion of the Minimum Offering	Estimated Portion of Net Proceeds of the Offering, Assuming Completion of the Maximum Offering
Drilling and completion of up to 4 horizontal oil wells at a measured depth of 1,300 metres (600 metres lateral) on the Corporation's Sparky oil prospect in the Warspite area of Alberta at an estimated cost of \$700,000 per well.	\$2,100,000	\$2,800,000
Drilling and completion of up to 6 vertical natural gas wells at a measured depth of 750 metres in the Corporation's Warspite, Colinton, Sunland and Plain operating areas of Alberta at an estimated cost of \$310,000 per well.	\$310,000	\$1,860,000
Drilling and completion of one horizontal oil well at a measured depth of 1,400 metres (600 metres lateral) on the Corporation's Viking prospect in the Bellshill Lake area of Alberta	nil	\$700,000
General corporate purposes	\$180,000	\$20,000
Total	\$2,590,000	\$5,380,000

The gross proceeds from the issuance of Flow-Through Shares in an amount equal to the portion of the aggregate purchase price for Flow-Through Units which is allocated to the Flow-Through Shares, will be used to incur CEE (as defined herein) prior to December 31, 2011.

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

The Corporation expects the net proceeds from the Offering will allow it to pursue its drilling program outlined herein. The anticipated use of net proceeds of the Offering is consistent with the Corporation's stated business objectives. The business objective of the Corporation is to create sustainable and profitable per share growth in the oil and natural gas industry in western Canada. For this objective to be accomplished, the Corporation will have to achieve a reasonable level of success in executing its drilling and completion activities. To accomplish this, Twoco will continue to pursue an integrated growth strategy including development and exploration drilling, acquisitions and the creation of joint ventures. There is no particular significant event or milestone that must occur for Twoco's business objectives to be accomplished. While Twoco believes that it will have the skills and resources necessary to accomplish its stated business objectives, participation in the exploration for and development of oil and natural gas has a number of inherent risks. See "*Risk Factors*".

Although the Corporation intends to expend the proceeds from the Offering as described above, the actual allocation of net proceeds may vary from that set out above, depending on future operations on the Corporation's properties or unforeseen events.

PLAN OF DISTRIBUTION

Pursuant to the agency agreement dated effective July 13, 2010 between the Corporation and the Agent (the "**Agency Agreement**"), the Agent has agreed to act as exclusive agent and to offer the Offered Securities for sale to the public in the provinces of British Columbia, Alberta and Ontario on a commercially reasonable efforts agency basis for aggregate gross proceeds of a minimum of \$3,000,000 and a maximum of \$6,000,000. Delivery of: (i) the Unit Shares and the Warrants comprising the Units; and (ii) the Flow-Through Shares and the Warrants comprising the Flow-Through Units, is conditional upon payment on the Closing Date in cash of \$0.23 per Unit and \$0.25 per Flow-Through Unit, respectively. In consideration for its services in connection with this Offering, the Agent will be paid the Agent's Fee equal to 7% of the gross proceeds of the Offering, being \$0.0161 per Unit and \$0.0175 per Flow-Through Unit, payable, at the sole option of the Agent, by way of cash or Agent Shares (except with respect to proceeds from the sale of Offered Securities issued pursuant to the President's List for which the Agent will receive a fee of 3.5% of such proceeds) and a corporate finance fee of \$30,000 plus GST, of which \$15,750 has been paid as a non-refundable deposit. In addition, the Agent and its designated sub-agents, if any, will receive Agent Options equal to 6% of the number of Offered Securities sold under the Offering (except for sales of Offered Securities issued pursuant to the President's List for which the Agent will receive Agent Options equal to 3.5% of the number of such Offered Securities). Each Agent Option will entitle the Agent to purchase an Agent Option Unit exercisable for twenty-four months at a price of \$0.23 per Agent Option Unit. The terms of the Offering, including the offering prices of the Offered Securities, were determined by negotiation between the Corporation and the Agent based upon several factors, including the policies of the TSXV, and may bear no relationship to the price that will prevail in the public marketplace. Certain insiders of Twoco may purchase Units and/or Flow-Through Units.

The Agency Agreement also provides that the Corporation will indemnify the Agent and its affiliates, directors, officers, partners, agents, shareholders and employees against certain liabilities and expenses. While the Agent has agreed to use its commercially reasonable efforts to sell the Offered Securities, the Agent is not obligated to purchase the Units and the Flow-Through Units which are not sold. The Agent also reserves the right to allow selling group participation, in the normal course of brokerage business, to selling groups of other licensed broker-dealers, brokers or investment dealers, who may or may not be offered part of the Agent's Fee.

The obligations of the Agent under the Agency Agreement may be terminated at the discretion of the Agent and the Agent may withdraw subscriptions for the Offered Securities on behalf of subscribers on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events, including, without limitation, any material adverse change in the business or financial condition of the Corporation. The closing of the Offering is conditional on certain matters, including the Minimum Debenture Exchange, meeting all of the requirements of the Amending Agreement and the Corporation closing on an amount no less than the Minimum Offering.

The Corporation has applied to list the Unit Shares, the Flow-Through Shares and the Agent Shares, if applicable, distributed under this short form prospectus and the Warrant Shares, when issued, on the TSXV. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

Subscriptions for Units and Flow-Through Units offered under this short form prospectus will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Provided the Minimum Offering is met, it is expected that closing will occur on or about August 27, 2010 or such other date as the Corporation and the Agent may agree, but in any event no later than September 15, 2010.

Except in certain limited circumstances, Unit Shares, Flow-Through Shares and Warrants may be represented by a global certificate issued in registered form to CDS or its nominee under the book-based system administered by CDS, in which case, (i) no certificates evidencing Unit Shares, the Flow-Through Shares or Warrants will be issued to subscribers for Units or the Flow-Through Units; and (ii) subscribers for Units or Flow-Through Units will receive only a customer confirmation from the Agent or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Units or the Flow-Through Units is purchased.

The Corporation has agreed for a period of one year from the Closing Date to grant to the Agent the right of first refusal to lead any offering of securities of the Corporation to be issued and sold to the public in Canada by way of private placement or public offering or to provide professional, sponsorship or advisory services performed (or normally preformed) by a broker or investment dealer.

The Units, Unit Shares, Warrants, Warrant Shares, Flow-Through Units and Flow-Through Shares have not been and will not be registered under the 1933 Act or any state securities laws, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Davis LLP, counsel to the Agent, the following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable to a subscriber who is an individual or corporation that acquires, as beneficial owner, Unit Shares, Flow-Through Shares, Warrants and Warrant Shares (collectively, the “**Securities**”, each of which is a “**Security**”) pursuant to this Offering and who, at all relevant times, for purposes of the application of the Tax Act: (1) is, or is deemed to be, resident in Canada; (2) deals at arm’s length with the Corporation; (3) is not affiliated with the Corporation; and (4) holds the Securities acquired hereunder as capital property (a “**Holder**”). Generally, the Securities will be capital property to a Holder provided the Holder does not acquire or hold those Securities in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders, whose Unit Shares or Warrant Shares might not otherwise be capital property, may, in certain circumstances, be entitled to have the Unit Shares or Warrant Shares and all other “Canadian securities”, as defined in the Tax Act, owned by such Holder in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such an election is not available with respect to Flow-Through Shares and Warrants. Subscribers considering making an election should consult with their own advisors.

This summary does not apply to a subscriber: (i) that is a “principal-business corporation” within the meaning of the Tax Act; (ii) whose business includes trading or dealing in rights, licenses or privileges to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons; (iii) that is a “financial institution”, “specified financial institution” or an interest in which constitutes a “tax shelter investment”, all within the meaning of the Tax Act; (iv) to whom the “functional currency” reporting rules apply within the meaning of the Tax Act; (v) that is a partnership or trust; or (vi) that is exempt from tax under Part I of the Tax Act. Such subscribers should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the “**Regulations**”), and counsel’s understanding of the current published administrative and assessing practices and policies of the Canada Revenue Agency (the “**CRA**”). This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that all Proposed Amendments will be enacted in the form proposed. No assurances can be given, however, that the Proposed Amendments will be enacted as proposed, or at all. This summary does not take into account or anticipate any changes in law or administrative or assessing practice whether by legislative, regulatory, administrative or judicial action nor does it take into account the tax legislation or

assessing practices and policies of any province, territory or foreign jurisdiction, which may be materially different from those discussed herein.

This summary assumes that the Corporation will make all necessary tax filings in respect of the issuance of the Flow-Through Shares and the renunciation of Canadian Exploration Expense in the manner and within the time required by the Tax Act and the Regulations, that the Corporation will incur sufficient Canadian Exploration Expense to enable it to renounce to subscribers all of the Canadian Exploration Expense the Corporation agrees to renounce to subscribers pursuant to the Subscription Agreements effective on the dates set out therein and that all expenses which comprise Canadian Exploration Expense will be reasonable in amount. This summary assumes that the Corporation will be a “principal-business corporation” at all material times and that the Flow-Through Shares, when issued, will be “flow-through shares” for the purposes of the Tax Act and will not be “prescribed shares” or “prescribed rights” for the purpose of the definition of “flow-through share” in subsection 66(15) of the Tax Act or Regulation 6202.1 of the Regulations.

The income tax consequences to a particular subscriber of an investment in Flow-Through Units will vary according to a number of factors including the legal status of the subscriber as an individual (including a trust), a trust, a corporation or a partnership, the province or provinces in which the subscriber resides, carries on business or has a permanent establishment, the sources of the subscriber’s income, the value and amount of deductions claimed by the subscriber and the amount that would be the subscriber’s taxable income but for the investment in the Flow-Through Units.

This summary is of a general nature only and is not, and is not intended to be, legal, business or tax advice to any particular subscriber. This summary is not exhaustive of all Canadian federal income tax considerations applicable to subscribers. Accordingly, prospective subscribers of the Units and Flow-Through Units should consult their own tax advisors having regard to their own particular circumstances.

Allocation of Cost

Pursuant to the Tax Act, the Corporation and subscribers for Units will be required to allocate the purchase price for the Units between the Unit Shares and the Warrants on a reasonable basis and the amounts so allocated will constitute the purchase price of each such security. Similarly, pursuant to the Tax Act, the Corporation and subscribers for Flow-Through Units will be required to allocate the purchase price of the Flow-Through Units between the Flow-Through Shares and the Warrants on a reasonable basis and the amounts so allocated will constitute the purchase price for each such security. In respect of the Warrants, such allocation amount will constitute their acquisition cost for purposes of determining the adjusted cost base (“ACB”) of each Warrant to the subscriber. The Corporation intends to allocate \$0.229 to each Unit Share and \$0.001 to each Warrant forming part of each Unit and \$0.2495 to each Flow-Through Share and \$0.0005 to each one-half of one Warrant forming part of each Flow-Through Unit. The amount allocated to such Warrants will not entitle the subscriber to any deductions with respect to CEE. While the Corporation considers this allocation reasonable, it is not binding on the CRA or the subscriber.

Adjusted Cost Base

The ACB to a Holder of Unit Shares and Warrants will be equal to the initial acquisition cost thereof (i.e. the subscription price) as adjusted in accordance with the provisions of the Tax Act. The ACB to a Holder of Flow-Through Shares is deemed to be nil (regardless of the subscription price). The ACB of each Common Share owned by a Holder at any particular time will generally be the average of the ACB of all Common Shares (including Unit Shares and Flow-Through Shares) of the Corporation then held. The ACB of all Warrants at any particular time will also be averaged.

Canadian Exploration Expense

Subject to certain restrictions outlined below, the Corporation will be entitled to renounce CEE incurred during the Expenditure Period as permitted by and in accordance with the Tax Act. Such CEE that is properly renounced to a

subscriber will be deemed to be CEE incurred by the subscriber on the effective date of the renunciation and a corresponding amount will be added to the subscribers cumulative Canadian exploration account (“CCEE”).

The Tax Act contains a one year “look back” rule which permits certain CEE incurred pursuant to a flow-through share agreement by the end of 2011 to be treated as if incurred on December 31, 2010, provided that the subscription price allocated for the relevant Flow-Through Shares has been paid for in money during 2010, the subscriber deals at arm’s length with the Corporation throughout 2011, the renunciation has been duly made prior to April, 2011 in January, February or March of 2011 and is effective December 31, 2010 and the subscription agreement is entered into in 2010. In the event the Corporation does not fully expend the amounts renounced by the end of 2011, the Corporation will be required to reduce the amount previously renounced and the subscribers’ income tax returns for the years in which the renounced expenditures were claimed will be reassessed accordingly. No amount in respect of the purchase price paid for a Warrant underlying the Flow-Through Units will be renounced to a Subscriber. Subscribers will generally not be subject to any penalties for any such reassessment and will not be subject to any interest charges for any additional taxes payable if such taxes are paid by the subscriber on or before April 30, 2012.

A subscriber for Flow-Through Shares to whom the Corporation renounces CEE will add such CEE to the subscriber’s CCEE. A subscriber may deduct in computing the subscriber’s income from all sources for a taxation year an amount not exceeding 100% of the balance of the subscriber’s CCEE at the end of that taxation year. Deductions claimed by a subscriber reduce the subscriber’s CCEE by the amount claimed. To the extent that a subscriber does not deduct the full CCEE balance at the end of the taxation year, the balance will be carried forward and the subscriber will be entitled to claim deductions in respect thereof in subsequent taxation years in accordance with, and subject to the restrictions under, the provisions of the Tax Act. Certain restrictions apply in respect of the deduction of CEE following an acquisition of control (and certain reorganizations) of a corporate subscriber. Corporate subscribers should consult their own tax advisors with respect to the application of these rules.

If a subscriber purchases Flow-Through Units through a Plan (defined below under the heading “*Eligibility for Investment*”), the CEE renounced will not be available for deduction against the income of the annuitant or beneficiary of such Plan and the associated tax benefits will be lost.

The acquisition of Units hereunder will not entitle the subscriber to any deductions with respect to CEE. No amount in respect of the purchase price paid for a Warrant underlying the Flow-Through Units will be renounced to a Subscriber

Exercise of Warrants

Generally, no gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder’s cost of the Warrant Share acquired thereby will be aggregate of the Holder’s ACB of such Warrant and the exercise price paid for the Warrant Share. The Holder’s ACB of the Warrant Shares so acquired will be determined by averaging such cost with the ACB to the Holder of all Common Shares owned by the Holder immediately prior to such acquisition, including the Unit Shares and the Flow-Through Shares.

Disposition and Expiry of Warrants

A disposition or deemed disposition by a Holder of a Warrant (other than upon exercise thereof) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net any reasonable costs of disposition, are greater (or less) than such Holder’s ACB of the Warrants. In the event of expiry of an unexercised Warrant, the Holder will generally realize a capital loss equal to the Holder’s ACB of such Warrant. The tax treatment of capital gains and losses is discussed in greater detail below under the subheading “*Disposition of Units and Flow-Through Units*”.

Disposition of Unit Shares and Flow-Through Shares

Generally, a disposition or deemed disposition (other than to the Corporation) of a Security (other than to the Corporation) will result in the Holder thereof realizing a capital gain (or a capital loss) in the taxation year of the

disposition equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the Holder's ACB of such Securities and reasonable costs of the disposition.

Generally, one-half of any such capital gain (a "**taxable capital gain**") must be included in computing the income of the Holder in the year of disposition, and one-half of any such capital loss (an "**allowable capital loss**") are required to be deducted against taxable capital gains realized by the Holder in the year of disposition. Allowable capital losses in excess of taxable capital gains for the year of disposition generally may be deducted by the Holder against net taxable capital gains realized in any of the three preceding years or in any subsequent year, subject to various detailed provisions of the Tax Act.

A subscriber who disposes of Flow-Through Shares will retain the entitlement to be renounced CEE by the Corporation as described above, as well as the ability to deduct any CEE previously deemed to have been incurred by the subscriber, and a subsequent purchaser of such Flow-Through Shares will not be entitled to any renunciation of CEE in respect thereof.

A subscriber that is a "Canadian-controlled private corporation" (as defined in the Tax Act) will be liable to pay an additional 6 2/3% refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year, which is defined to include an amount in respect of taxable capital gains.

Paid-Up Capital Adjustment

The paid-up capital of the Corporation will be increased upon the issuance of the Flow-Through Shares. For purposes of the Tax Act the Corporation must reduce the paid-up capital of all its issued Common Shares by an amount equal to 50% of the CEE renounced in respect of the Flow-Through Shares issued. As paid-up capital represents an amount that the Corporation may potentially return to its shareholders without being characterized as a dividend, the reduction in paid-up capital could result in increased tax payable if there was ever to be a return of capital to shareholders.

Cumulative Net Investment Loss

One-half of the CEE renounced to and deducted by a subscriber will increase the subscriber's cumulative net investment loss ("**CNIL**") (as defined in the Tax Act). A subscriber's CNIL will impair the subscriber's ability to claim some or all of the lifetime capital gains deduction available on the disposition of certain qualified small business corporation shares, qualified farm property and qualified fishing property.

Alternative Minimum Tax

Pursuant to the alternative minimum tax rules in the Tax Act, the tax otherwise payable under Part I of the Tax Act by an individual (other than certain trusts) will not be less than the minimum amount computed by reference to the individual's "adjusted taxable income" for the year. For these purposes, the minimum amount generally means the "appropriate percentage" (currently 15%) of adjusted taxable income in excess of \$40,000. In calculating adjusted taxable income for this purpose, certain deductions and credits otherwise available are disallowed and certain amounts otherwise not taxable are included in income. These disallowed items include deductions for CEE to the extent the deductions exceed the individual's resource income before deduction of those amounts, and deductions for carrying charges which relate to an investment in flow-through shares to the extent that such deductions exceed the individual's resource income after deductions for resource expenses, including CEE. Also included in adjusted taxable income are 80% of capital gains. Whether and to what extent a particular individual will be subject to minimum tax will depend upon the amount of the individual's income, the sources from which it is derived and the nature and amount of any deductions that are claimed. Any additional tax payable for a year resulting from the application of the minimum tax provisions is recoverable to the extent the tax otherwise determined exceeds the minimum amount for any of the following seven taxation years.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Davis LLP, counsel to the Agent, based on the provisions of the Tax Act and the Regulations, and the Proposed Amendments, the Unit Share, the Flow-Through Shares and the Warrant Shares if issued on the date hereof, would be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts (“TFSA”) (collectively, “Plans”), provided that the Unit Shares, the Flow-Through Shares and the Warrant Shares are listed on a designated stock exchange (which currently includes the TSXV) at such time. Provided that the Warrant Shares are listed on a designated stock-exchange, the Warrants would, if issued on the date hereof, be qualified investments under the Tax Act for a Plan provided the Corporation deals at arm’s length with each person who is an annuitant, beneficiary, an employer or subscriber under such Plan. **Subscribers considering holding Unit Shares, Flow-Through Shares, Warrant Shares or Warrants in any exempt plan should consult with their own tax advisors.**

Notwithstanding that the Unit Shares, the Flow-Through Shares and the Warrant Shares may be a qualified investment for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Unit Shares, the Flow-Through Shares and the Warrant Shares held in the TFSA if such Unit Shares, Flow-Through Shares and/or Warrant Shares are a “prohibited investment” for the purposes of the Tax Act. The Unit Shares, the Flow-Through Shares and the Warrant Shares will generally be a “prohibited investment” if the holder of the TFSA does not deal at arm’s length with the Corporation for the purposes of the Tax Act or the holder of the TFSA has a “significant interest” (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust with to the Corporation does not deal at arm’s length for the purposes of the Tax Act.

Generally, a holder of a TFSA should not hold a significant interest in a corporation (including the Corporation) provided that neither the holder nor any one or more persons with whom the holder does not deal at arm’s length, alone or in any combination, directly or indirectly holds 10% or more of the issued shares of any class of shares in the capital stock of the corporation. For these purposes, specific rules may deem a holder to own shares of a corporation that are held by a partnership in which the holder is a member or by a trust of which the holder is a beneficiary. A holder of a TFSA will not generally hold a significant interest in a partnership or trust if neither the holder, nor any one or more persons with whom the holder does not deal at arm’s length, holds interests representing 10% or more of the fair market value of all the interests in the partnership or trust. **Holders should consult with their tax advisors as to whether the Unit Shares, Flow-Through Shares or Warrant Shares are “prohibited investments”.**

If a Plan subscribes for Flow-Through Shares, the tax benefits of the CEE as described under the heading “Certain Canadian Federal Income Tax Considerations” will not be available for deduction against the income of the holder, annuitant or beneficiary of such Plan.

RISK FACTORS

An investment in the Offered Securities is speculative and subject to certain risks. An investor should consider carefully the risk factors described under “Risk Factors” in the AIF and the Q1 2010 MD&A which are incorporated into and form part of this short form prospectus. In addition, investors should carefully review and consider all other information contained in this short form prospectus together with all other information included or incorporated by reference in this short form prospectus, before making an investment decision and consult their own experts where necessary.

Oil and Gas Exploration, Development and Production

Oil and natural gas exploration involves a high degree of risk. There is no assurance that the planned strategic diversification towards exploration of the Corporation’s oil prospects will result in new discoveries and production of oil in commercial quantities. Should the Corporation be unsuccessful in increasing revenue and cash flow as a result of its proposed capital program, it may have a material adverse effect on the Corporation’s financial condition and may limit the ability of the Corporation to repay its debt or to access additional capital or debt to grow oil and gas reserves and production in accordance with the Corporation's business plan.

Failure to Complete Minimum Debenture Exchange or Meet the Requirements of the Amending Agreement

The closing of the Offering is conditional upon the completion of the Minimum Debenture Exchange and meeting the requirements of the Amending Agreement, and there is no guarantee that the Minimum Debenture Exchange will be completed or the terms of the Amending Agreement will have been met at the time of the closing of the Offering or at all. If the Minimum Debenture Exchange or the requirements of the Amending Agreement have not been met, the Offering may not be completed.

The Minimum Debenture Exchange and the issuance of the Loan Warrants pursuant to the Amending Agreement are also subject to final acceptance of the TSXV. There can be no assurance that all of the necessary regulatory approvals will be obtained. If the Minimum Debenture Exchange and the Amending Agreement are not completed for these reasons or for any other reasons, Twoco will have incurred significant costs associated with the failed implementation of exchange of the Debentures, the Amending Agreement and the Offering.

Credit Facility

As noted earlier under the heading “*Recent Developments – Credit Facilities*”, the Corporation entered into the Amending Agreement with respect to its Revolving Credit Facility. The change to Revolving Credit Facility was made based on the Bank’s current assessment and interpretation of the Corporation’s reserves and future commodity prices. These kinds of interpretation can vary from lender to lender and are subject to the lender’s lending policies from time to time and the fluctuating and uncertain gas markets. The next review date for the Corporation’s current credit facilities is expected to occur on March 31, 2011 but may be changed at any time at the sole discretion of the Bank. As the available credit limits of lending on the credit facilities are based on the Bank’s interpretations of reserves and future commodity prices, there can be no assurance that the amount of credit facilities will not change at the next scheduled review.

Canadian Tax Treatment of Flow-Through Shares

The tax treatment of oil and gas activities and Flow-Through Shares constitutes a major consideration of an investment in the Flow-Through Units. There is no guarantee that the current tax laws and administrative practices of both the federal and provincial tax authorities will not be amended or construed in such a way that the tax considerations for a subscriber holding Flow-Through Units will not be altered in a materially unfavourable way and there is no guarantee that there will be no material differences of opinion between the federal and provincial tax authorities with respect to the tax treatment of the Flow-Through Shares, the status of such Flow-Through Shares and the activities contemplated by the Corporation’s exploration and development programs. There is no guarantee that the CEE incurred by the Corporation, or the expected tax deductions claimed by investors will be accepted by the CRA, See “*Certain Canadian Federal Income Tax Considerations*”.

Notwithstanding its agreement to do so (see “*Description of Securities Being Distributed – Flow-Through Shares*”) there is no guarantee that the Corporation will expend an amount equal to the portion of the aggregate purchase price for Flow-Through Units which is allocated to the Flow-Through Shares on or prior to December 31, 2011 to incur qualifying CEE. If the Corporation does not expend an amount equal to the portion of the aggregate purchase price for Flow-Through Units which is allocated to the Flow-Through Shares to incur qualifying CEE prior to December 31, 2011, it will be required to reduce the amount of CEE that it has renounced in favour of the subscribers and the subscribers will be reassessed accordingly. Subscribers will not be subject to penalties for any such reassessment but interest will be payable on such additional tax if such tax is not paid by April 30, 2012. The Corporation has agreed to indemnify the subscribers for any such tax remittances they are required to make; however there can be no certainty that the Corporation will have the necessary financial resources to fulfil its obligations under such indemnity.

Lack of Trading Market for the Warrants

There is no market for the Warrants and no such market is expected to develop. There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. The Corporation does not intend to apply to list the Warrants on the TSXV or any other securities exchange. This may affect the pricing of the Warrants in the secondary market, the transparency and

availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. There can be no assurance that an active trading market will develop for the Warrants after the Closing Date, or, if developed, that such a market will be sustained at the price level of the Offering. If the Warrants are traded after their initial issue, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the financial condition of the Corporation.

Significant Fluctuations in Market Price of Common Shares

The trading price of the Common Shares has been and may continue to be subject to significant fluctuations, which may be based on factors unrelated to its financial performance or prospects. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The trading price of the Common Shares may also be significantly affected by changes in commodity prices, currency exchange fluctuation or in the Corporation's financial condition or results of operations.

Use of Proceeds

The Corporation currently intends to allocate the net proceeds received from the Offering as described under "*Use of Proceeds*" in this short form prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "*Use of Proceeds*" if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

Future Sales of Common Shares by the Corporation

The Corporation may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Corporation have the discretion to determine the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by the Corporation pursuant to the exchange of the Debentures, on the exercise of stock options under the Corporation's stock option plan and on exercise of previously issued common share purchase warrants, including the Warrants and the Loan Warrants.

Additional information on risks, assumptions and uncertainties are found in this short form prospectus under the heading "*Advisories - Forward-Looking Statements*".

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Deloitte & Touche LLP, Chartered Accountants, 3000 – 700, 2nd Street S.W., Calgary, Alberta T2P 0S7. Deloitte & Touche LLP are independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company, at its principal offices in Calgary, Alberta.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Borden Ladner Gervais LLP, Calgary, Alberta on behalf of the Corporation, and by Davis LLP on behalf of the Agent. As at the date hereof, the partners and associates of each of Borden Ladner Gervais LLP and Davis LLP, as a respective group, each owned, directly or indirectly, less than 1% of the outstanding Common Shares.

Certain reserve estimates contained and incorporated by reference in this short form prospectus pursuant to the incorporation by reference of the AIF, are based upon reports prepared by AJM Petroleum Consultants ("**AJM**"). As of the date hereof, none of the "designated professionals" (as defined in National Instrument 51-102F2) of AJM

have any registered or beneficial interest, direct or indirect, in any of Twoco's securities or other property or of Twoco's associates or affiliates either at the time they prepared a report, evaluation, statement or opinion prepared by it, at any time thereafter or to be received by them.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the short form prospectus of Twoco Petroleum Ltd. (the "**Corporation**") dated ●, 2010 qualifying the distribution of up to 8,695,650 units and up to 16,000,000 flow-through units of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the balance sheets of the Corporation as at December 31, 2009 and 2008 and the statements of income (loss), comprehensive income (loss) and retained earnings (deficit) and cash flows for the years then ended. Our report is dated April 27, 2010.

Calgary, Alberta
●, 2010

Chartered Accountants

CERTIFICATE OF THE CORPORATION

Dated: July 29, 2010

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta and Ontario.

(signed) "*Wayne A. Malinowski*"
President and Chief Executive Officer

(signed) "*Timothy A. Bashforth*"
Vice President, Exploration,
Secretary and Treasurer

On behalf of the Board of Directors:

(signed) "*Larry C. Mah*"
Director

(signed) "*James A.W. Williams*"
Director

CERTIFICATE OF THE AGENT

Dated: July 29, 2010

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta and Ontario.

Macquarie Private Wealth Inc.

By: (signed) "*Jeff German, CA, CBV*"
Jeff German, CA, CBV
Vice President, PVC Corporate Finance