

Twoco Petroleums Ltd.
Annual Information Form
For the Year Ended December 31, 2011

April 30, 2012

TABLE OF CONTENTS

ABBREVIATIONS	1
CURRENCY	1
FORWARD-LOOKING STATEMENTS	1
THE CORPORATION	5
GENERAL DEVELOPMENT OF THE BUSINESS	5
Business of the Corporation	5
Corporate Strategy	5
History of the Corporation	5
Significant Acquisitions	9
Recent Developments	9
Employees	10
Competitive Conditions	10
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION	10
Petroleum and Natural Gas Reserves	10
SPROULE PRICING ASSUMPTIONS	13
Forecast Prices and Costs Employed by Sproule - December 31, 2011	13
RECONCILIATION OF CHANGES IN RESERVES AND FUTURE NET REVENUE	14
Reserves Reconciliation	14
ADDITIONAL INFORMATION RELATING TO RESERVES DATA	14
Undeveloped Reserves	14
Undeveloped Reserves - Probable Undeveloped Reserves	15
Significant Factors or Uncertainties Affecting Reserves Data	15
Future Development Costs	16
OTHER OIL AND GAS INFORMATION	16
Oil and Gas Properties and Wells	16
Properties with No Attributed Reserves	18
Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves	18
Forward Contracts	19
Additional Information Concerning Abandonment and Reclamation Costs	19
Income Tax Horizon	19
Exploration and Development Activities	20
Production History	21
Netback History	22
Production Volume by Field	22
RISK FACTORS	23
Going Concern	23
Exploration, Development and Production Risks	24
Prices, Markets and Marketing of Crude Oil and Natural Gas	24
Global Economic Conditions	25
Capital Markets	25
Royalty Regime	26
Regulatory	26
Insurance	26
Project Risks	26

Substantial Capital Requirements; Liquidity	27
Competition	27
Title	27
Environmental Risks	27
Reserve Estimates	28
Reserve Replacement.....	29
Operational Dependence	29
Key Employees	29
Dividends	29
Management of Growth.....	29
Expiration of Licences and Leases	30
Permits and Licences.....	30
Additional Funding Requirements	30
Variations in Foreign Exchange Rates.....	30
Issuance of Debt	30
Hedging.....	31
Availability of Drilling Equipment and Access Restrictions.....	31
Aboriginal Claims	31
Conflicts of Interest	31
Dilution	31
Seasonality.....	32
Third Party Credit Risk	32
Alternatives to and Changing Demand for Petroleum Products.....	32
Emission Regulation	32
INDUSTRY CONDITIONS	33
Canadian Government Regulation.....	33
Pricing and Marketing – Oil	33
Pricing and Marketing – Natural Gas	33
The North American Free Trade Agreement.....	33
Provincial Royalties and Incentives.....	34
Land Tenure.....	35
Environmental Regulation	36
DIVIDENDS OR DISTRIBUTIONS	37
DESCRIPTION OF SHARE CAPITAL	37
Common Shares	37
Preferred Shares.....	37
MARKET FOR SECURITIES	38
Price Range and Volume of Trading of Common Shares	38
PRIOR SALES.....	38
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER.....	38
DIRECTORS AND OFFICERS	39
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	40
TRANSFER AGENT AND REGISTRAR.....	40
MATERIAL CONTRACTS.....	41
INTERESTS OF EXPERTS	41
CONFLICTS	41

ADDITIONAL INFORMATION	41
APPENDIX A FORM 51-101F2 REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR.....	A-1
APPENDIX B FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE	B-1
APPENDIX C DEFINITIONS USED FOR RESERVE CATEGORIES	C-1

ABBREVIATIONS

Oil and Natural Gas Liquids

bbl	barrels
mbbls	thousand barrels
mmbbl	million barrels
bbl/d	barrels of oil per day
API	American Petroleum Institute
NGLs	natural gas liquids
stb	standard stock tank barrel
mstb	thousand standard stock tank barrels

Natural Gas

mcf	thousand cubic feet
mmcf	million cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
mmbtu	million British thermal units
GJ	gigajoule
GJ/d	gigajoules per day

Other

boe	barrel of oil equivalent converting six mcf of natural gas to one barrel of oil (6:1)
boe/d	barrels of oil equivalent per day
mboe	thousand of barrels of oil equivalent
M\$	thousands of dollars
MM\$	millions of dollars
NPV	net present value
OPEC	Organization of the Petroleum Exporting Countries

In this Annual Information Form the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of six thousand cubic feet (6 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.

CURRENCY

In this Annual Information Form, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form and in certain documents incorporated by reference into this Annual Information Form, constitute forward-looking statements and information (“**forward-looking statements**”). These statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into

this Annual Information Form, as the case may be. The Corporation does not intend, and does not assume any obligation, to update or revise these forward-looking statements except as required pursuant to applicable securities laws.

Forward-looking information and statements are included throughout this Annual Information Form (and the documents incorporated by reference herein) including under the headings "GENERAL DEVELOPMENT OF THE BUSINESS", "STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION", "ADDITIONAL INFORMATION RELATING TO RESERVES DATA", "OTHER OIL AND GAS INFORMATION", "RISK FACTORS" and "INDUSTRY CONDITIONS" and include, but are not limited to, statements pertaining to the following:

- the timing of the next review of Twoco's credit facilities;
- the capital budget of the Corporation for 2012;
- the going concern assumption in the Corporation's financial statements;
- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for facilities construction and completion and the timing and method of funding thereof;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- drilling, completion and facilities costs;
- results of various projects of Twoco;
- timing of receipt of regulatory approvals;
- effect of production increases on operating costs per boe;
- ability to lower cost structure in certain projects of Twoco;
- growth expectations within Twoco;
- timing of development of undeveloped reserves;
- the tax horizon and taxability of Twoco;
- supply and demand for oil, natural gas liquids and natural gas;
- the performance and characteristics of Twoco's oil and natural gas properties;
- Twoco's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of Canadian federal and provincial governmental regulation on Twoco relative to other oil and gas issuers of similar size;
- realization of the anticipated benefits of acquisitions and dispositions;
- weighting of production between different commodities;
- the quantity and quality of the oil and natural gas reserves;
- projections of commodity prices and costs;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- capital expenditure programs and the timing and method of financing thereof; and
- treatment under government regulation and taxation regimes.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- the Corporation's ability to continue as a going concern;
- 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 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 Annual Information Form and other risk factors identified in other documents incorporated herein by reference.

These factors should not be considered exhaustive. Statements relating to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. With respect to forward-looking statements contained or incorporated by reference in this Annual Information Form, Twoco has made assumptions regarding: future exchange rates; energy markets and the price of oil and natural gas; the impact of increasing competition; condition in general economic and financial markets; availability of drilling and related equipment; availability of skilled labour; availability of prospective drilling rights; current technology; cash flow; commodity prices; production rates; effects of regulation and tax laws by governmental agencies; future operating costs and the Corporation's ability to obtain financing on acceptable terms. In addition, forward-looking statements in documents incorporated by reference herein may be based on additional assumptions as disclosed in such documents. Readers are cautioned that the foregoing list of factors is not exhaustive.

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

The forward-looking statements contained in this Annual Information Form and the documents incorporated by reference herein are expressly qualified by this cautionary statement.

THE CORPORATION

Twoco Petroleum Ltd. ("**Twoco**" or the "**Corporation**") was incorporated pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**") on September 21, 2000. On September 19, 2002, 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 head office of the Corporation is located at 1050, 1122 - 4th Street S.W., Calgary, Alberta T2R 1M1 and its registered office is located at 2000 Encor Place, 645 - 7th Avenue S.W., Calgary, Alberta T2P 4G8.

GENERAL DEVELOPMENT OF THE BUSINESS

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.

Corporate Strategy

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.

History of the Corporation

Twoco was formed to operate in Canada as an oil and natural gas exploration, development and production company. Twoco expects to continue to develop new reserves and production in its core project areas in the Western Canadian Sedimentary Basin and is active in developing drilling projects and analyzing strategic property (or corporate) acquisitions where the Corporation views further exploitation, development and exploration opportunities exist.

Twoco was initially formed by Mr. Wayne Malinowski and Mr. Timothy Bashforth, with interests of 80% and 20%, respectively, and was the operating entity in a joint venture involving Twoco as to a 10% interest, Prelude Oil & Gas Inc. ("**Prelude**") as to a 72% interest, a company owned by Mr. Malinowski and his spouse and Predator Resources Ltd. ("**Predator**") as to an 18% interest, a company owned by Mr. Bashforth and his spouse. Twoco's share of expenses to acquire Crown land was funded by shareholder loans from Messrs. Malinowski and Bashforth, and Twoco was granted a farm-in to earn 50% of each of the interests of Prelude and

Predator in such land. Twoco completed a private placement, comprised of 2,752,000 flow-through and 825,600 non flow-through common shares, in the fall of 2002 to raise sufficient funds for working capital and to drill the properties, thereby increasing its positions in the properties to 55%.

Effective July 30, 2003, Twoco acquired all of the shares of Prelude in exchange for 2,197,936 shares of Twoco (after giving effect to the share split on December 18, 2003) at a deemed value of \$1.706 per share (also post share split). Also effective July 30, 2003, Twoco acquired all of the shares of Predator in exchange for 526,008 shares of Twoco (after giving effect to the share split on December 18, 2003) at a deemed value of \$1.706 per share (also post share split.) Concurrent with the acquisition of Prelude and Predator, Messrs. Malinowski and Bashforth converted a portion of their shareholder loans to Twoco, \$200,000 and \$50,000, respectively, into shares of Twoco also at a deemed value of \$1.706 per share (after giving effect to the share split on December 18, 2003). Prior to the 2003 year end, each of Prelude and Predator were wound up into Twoco.

On October 14, 2003, Twoco completed a private placement of \$1,500,000 of 15% convertible, redeemable, debentures dated effective September 30, 2003 and maturing September 30, 2005 (the “**2003 Debentures**”). Interest on the 2003 Debentures was payable quarterly commencing 6 months after issuance. The principal amount of each debenture was convertible at the option of a holder at any time prior to maturity at a conversion price of \$1.25 per common share (conversion price is after the share split effected on December 18, 2003), and, within certain time limitations, the 2003 Debentures were redeemable by the Corporation, unless earlier converted in the event of an offer to purchase being made to the holders of common shares whereby the offeror would, together with persons acting jointly or in concert, if successful, control directly or indirectly more than 50% of the outstanding common shares of the Corporation. The 2003 Debentures contained anti-dilution as well as other adjustment provisions on the occurrence of certain events. Proceeds of the 2003 Debentures were used for the acquisition of a compressor/dehydration facility and gathering system to tie-in natural gas production in the Andrew/Willingdon area of Alberta, one of Twoco’s core areas.

A total of \$1,485,000 of 2003 Debentures were converted into common shares prior to their maturity on September 30, 2005 resulting in the issuance of 1,188,000 common shares of the Corporation and the payment of a principal amount of \$15,000 in respect of the 2003 Debentures which were not converted into common shares.

On December 22, 2003, Twoco completed a private placement of 1,176,500 special warrants (“**Special Warrants**”) issued on a “flow-through” basis for gross proceeds of \$2,000,050 which resulted in the issuance of 1,176,500 common shares of Twoco in connection with its initial public offering (the “**IPO**”).

On April 16, 2004, Twoco completed its IPO of 3,530,000 units at a price of \$1.70 per unit for gross proceeds of approximately \$6,001,000. Each unit was comprised of one common share and one-half of one non-transferable common share purchase warrant, each whole warrant entitled the holder to acquire one common share of Twoco at a price of \$1.95 per share until April 16, 2005. A total of 1,760,000 common shares were issued upon the exercise of 1,760,000 warrants for aggregate gross proceeds of \$3,356,438. All of the outstanding agent’s options issued in connection with the private placement of Special Warrants and the IPO which allowed the holders thereof to acquire an aggregate of 470,650 common shares of Twoco at a price of \$1.70 per share have been exercised. No warrants or agent’s options to acquire common shares of Twoco are currently outstanding.

On April 28, 2004, Twoco commenced trading on the TSX Venture Exchange.

On March 31, 2006, Twoco completed a private placement of \$12,000,000 of 7.5% convertible, redeemable, unsecured debentures (the “**2006 Debentures**”). Interest on the 2006 Debentures was paid at the rate of 7.5% per annum, commencing September 30, 2006 and quarterly thereafter and matured on March 31, 2009. The 2006 Debentures were convertible into common shares of the Corporation at the holder’s option at any time prior to the maturity at a conversion price of \$8.25 per share. The Corporation had the ability to redeem the 2006 Debentures if the closing price of its common shares on the TSX Venture Exchange (or such other exchange on which the common shares trade) exceeded \$8.25 for 21 consecutive trading days or in certain circumstances if an offer was made to acquire common shares of the Corporation. None of the 2006 Debentures were converted into common shares of the Corporation or redeemed by the Corporation.

On May 9, 2006, Twoco completed a private placement financing of 486,500 common shares of the Corporation issued on a “flow-through” basis at a price of \$9.25 per share for gross proceeds of \$4,500,125.

In September 2008, Twoco completed the acquisition of certain natural gas assets (the “**Tofield Property**”) located in the Tofield area of Alberta for total cash consideration of \$11.5 million after interim closing adjustments and related costs. At the time of the acquisition, the Tofield Property comprised approximately 5,128 gross (4,445 net) acres of developed and 5,760 gross (5,760 net) acres of undeveloped lands which were producing approximately 500 boe per day.

On March 31, 2009, Twoco completed a private placement of \$8,300,000 of 17% unsecured debentures (the “**2009 Debentures**”) and warrants to purchase up to 4,150,000 common shares of the Corporation at a price of \$1.20 per share which expired on March 31, 2011. The 2009 Debentures bore interest at a rate of 17% per annum, payable commencing June 30, 2009 and quarterly thereafter and matured on March 31, 2011.

Effective July 1, 2009, Twoco closed an arm’s length disposition of 3.5% of its petroleum and natural gas assets for cash consideration of \$1,925,000, subject to adjustment, to Poplar Creek Resources Inc. (“**Poplar Creek**”).

On July 29, 2010, the Corporation and its lender entered into an amending agreement (the “**Amending Agreement**”) further amending the terms of the Corporation’s \$18 million revolving credit facility (the “**Revolving Credit Facility**”). In connection with the Amending Agreement, the Corporation paid the lender \$50,000 at the date thereof and on September 21, 2010 issued warrants to purchase 1,500,000 common shares of the Corporation at price of \$0.30 per share for a period of 24 months from the date of issue.

On September 3, 2010, Twoco completed an equity financing in the amount of approximately \$4.67 million (the “**2010 Offering**”) by the issuance of 3,255,000 units of the Corporation (“**Units**”) at a price of \$0.23 per Unit and 15,695,000 “flow-through” units of the Corporation (“**Flow-Through Units**”) at a price of \$0.25 per Flow-Through unit pursuant to the terms of an agency agreement between Twoco and Macquarie Private Wealth Inc. (the “**Agent**”) dated effective July 13, 2010. Each Unit was comprised of one common share of the Corporation and one common share purchase warrant (“**Warrant**”). Each Flow-Through Unit was comprised of one common share of the Corporation issued as a “flow-through share” (“**Flow-Through Share**”) within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”) and one-half of one Warrant. Each whole Warrant is exercisable into one common share of the Corporation at a price of \$0.30 per common share for a period of 24 months from the closing date of the 2010 Offering.

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 allocated to the Flow-Through

Shares were used to incur Canadian Exploration Expenses (as such term is defined in the Tax Act) prior to December 31, 2011. The Corporation renounced such Canadian Exploration Expenses to the subscribers of the Flow-Through Units effective on December 31, 2010. In consideration for its services in connection with the Offering, the Agent and its designated sub-agents were paid a commission equal to \$326,263 and 3,500 common shares of the Corporation. In addition, the Agent received options to purchase 1,137,000 Units exercisable for twenty-four months at a price of \$0.23 per Unit.

On September 3, 2010, \$5,370,000 of the 2009 Debentures plus all interest accrued on such 2009 Debentures from July 1, 2010 to September 3, 2010 were exchanged for common shares of the Corporation at a price of \$0.23 per common share for an aggregate of 24,054,641 common shares. On September 15, 2010, an additional \$150,000 of the 2009 Debentures plus all interest accrued on such 2009 Debentures were exchanged for an aggregate of 675,561 common shares of the Corporation at a price of \$0.23 per share.

On December 29, 2010, the Corporation announced that it placed on production 2 gross (1.97 net) horizontal oil wells on the Corporation's heavy oil property in the Warspite area of Alberta.

The Corporation and its lender entered into a commitment letter dated March 31, 2011 (the "**Commitment Letter**") further amending the terms of the Corporation's \$18,000,000 Revolving Credit Facility. In connection with the entering into of the Commitment Letter with the lender, the Corporation paid the lender \$50,000 and an additional \$350,000 by way of issuance of 1,296,297 common shares of the Corporation at a deemed price of \$0.27 per share.

On March 31, 2011, the Corporation closed a private placement financing (the "**2011 Debenture Financing**") of \$3,400,000 of principal amount of redeemable, convertible, unsecured 8% debentures of the Corporation ("**2011 Convertible Debentures**"). The 2011 Convertible Debentures bear interest at the rate of 8% per annum, payable commencing June 30, 2011 and quarterly thereafter and will mature on December 31, 2012. The Corporation has the option to pay interest accrued on the 2011 Convertible Debentures in common shares of the Corporation at a deemed price per common share based on the market price of the common shares of the Corporation at the time of payment of such interest. The 2011 Convertible Debentures will be convertible into common shares at the holder's option at any time prior to the maturity date at a conversion price equal to \$0.324 per share. The Corporation has the ability to redeem the 2011 Convertible Debentures in certain circumstances where an offer or business combination is made to acquire common shares of the Corporation.

In connection with the private placement of the 2011 Convertible Debentures, \$400,000 of principal amount of outstanding 2009 Debentures were exchanged for 2011 Convertible Debentures. The proceeds from the 2011 Debenture Financing were used to repay the outstanding \$2,780,000 (prior to the \$400,000 exchange referenced above) principal amount of the 2009 Debentures and all accrued and unpaid interest thereon and for general corporate purposes.

On April 29, 2011, the Corporation closed an equity financing with the Agent pursuant to the issuance of 10,157,824 common shares of the Corporation and 994,500 Flow-Through Shares on a private placement basis at a price of \$0.27 per common share and \$0.31 per Flow-Through Share for gross proceeds of \$3,050,907 (the "**2011 Equity Financing**").

The Corporation used the proceeds of the 2011 Equity Financing to develop the Corporation's Sparky heavy oil property in the Warspite area of Alberta and for general corporate purposes. The gross proceeds from the issuance of Flow-Through Shares were used to incur Canadian Development Expenses (as such term is defined in the Tax Act) prior to December 31, 2011. The Corporation renounced such Canadian Development Expenses to the subscribers of the Flow-Through Shares effective on or before December 31, 2011.

In consideration for its services in connection with the 2011 Equity Financing, the Agent was paid a fee equal to 7% of the gross proceeds of the 2011 Equity Financing, being \$1,674,500.52. In addition, the Agent received options to purchase 780,662 common shares of the Corporation exercisable for eighteen months at a price of \$0.27 per common share.

On June 30, 2011, the Corporation issued 278,495 common shares at a deemed price of \$0.2435 per share pursuant to the Corporation's option to pay interest accrued on the 2011 Convertible Debentures in common shares. The common shares were issued in respect of interest accrued on the 2011 Convertible Debentures for the three month period ended June 30, 2011.

On September 8, 2011, the Corporation announced that it had placed on production its previously announced 2 gross (1.93 net) tri-leg horizontal oil wells on the Corporation's Sparky heavy oil property in the Warspite area of Alberta.

On September 30, 2011, the Corporation issued 375,871 common shares at a deemed price of \$0.1824 per share pursuant to the Corporation's option to pay interest accrued on the 2011 Convertible Debentures in common shares. The common shares were issued in respect of interest accrued on the 2011 Convertible Debentures for the three month period ended September 30, 2011.

On December 31, 2011, the Corporation issued 439,199 common shares at a deemed price of \$0.1561 per share pursuant to the Corporation's option to pay interest accrued on the 2011 Convertible Debentures in common shares. The common shares were issued in respect of interest accrued on the 2011 Convertible Debentures for the three month period ended December 31, 2011.

Significant Acquisitions

Twoco has not completed any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102.

Recent Developments

On January 4, 2012, the Corporation announced that it had placed on production its previously announced 1 gross (0.97 net) quad-leg horizontal oil well on the Corporation's Sparky heavy oil property in the Warspite area of Alberta.

On March 31, 2012, the Corporation issued 323,846 common shares at a deemed price of \$0.2071 per share pursuant to the Corporation's option to pay interest accrued on the 2011 Convertible Debentures in common shares. The common shares were issued in respect of interest accrued on the 2011 Convertible Debentures for the three month period ended March 31, 2012.

On April 9, 2012, the Corporation and the Bank entered into a formal commitment letter extending the next review date of the Company's credit facilities to April 30, 2012. In connection with signing of the Commitment Letter, the Corporation paid the Bank a \$30,000 fee.

On April 30, 2012, the Corporation and the Bank entered into an indicative term sheet extending the next review date of the Company's credit facilities to July 31, 2012.

Environmental Matters

The oil and gas industry is subject to environmental regulations pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on release or emission of various substances produced in association with certain oil and gas industry operations, and

requires that well and facility sites be abandoned and reclaimed to the satisfaction of environmental authorities. As at December 31, 2011, Twoco recorded an obligation on its balance sheet of \$5,214,193 for asset retirement. The Corporation maintains an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. The Corporation also has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. No assurance can be given that the application of environmental laws to the business and operations of Twoco will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Twoco's financial condition, results of operations or prospects. See "*INDUSTRY CONDITIONS - Environmental Regulation*".

Employees

At December 31, 2011, Twoco's head office work force consisted of three employees and two part-time consultants. Field operations are provided by contract personnel.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. Twoco competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Twoco's competitors include resource companies which have greater financial resources, staff and facilities than those of Twoco. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Twoco believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See "*RISK FACTORS - Competition*".

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Petroleum and Natural Gas Reserves

Sproule Associates Limited ("**Sproule**"), independent petroleum engineers of Calgary, Alberta prepared a report entitled "Evaluation of the P&NG Reserves of Twoco Petroleum Ltd. (As of December 31, 2011)" dated March 12, 2012 of Twoco's oil and natural gas reserves (the "**Sproule Report**") which evaluation is effective December 31, 2011. The Sproule Report is in respect of Twoco's core oil and natural gas properties. In preparing its report, Sproule obtained basic information from Twoco, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the Sproule Report is based, was obtained from public records, other operators and from Sproule's non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by Sproule as represented.

The following tables set forth certain information relating to the oil and natural gas reserves of the Corporation's properties and the present value of the estimated future net cash flow associated with such reserves as at December 31, 2011, which numbers may vary slightly from those presented in the Sproule Report due to rounding. Also due to rounding, certain columns may not add exactly. The information set forth below is derived from the Sproule Report which report has been prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("**NI 51-101**"). **All evaluations and reviews of future net cash flow**

are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimated future net cash flow shown below is representative of the fair market value of the Corporation's properties. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, NGLs and natural gas reserves may be greater than or less than the estimates provided herein.

In accordance with the requirements of NI 51-101, attached hereto are the following appendices:

Appendix A: Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2

Appendix B: Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3

Definitions used for reserve categories in the Sproule Report are attached as Appendix C hereto.
SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2011

FORECAST PRICES AND COSTS

RESERVES CATEGORY	RESERVES					
	OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (mbbl)	Net (mbbl)	Gross (mmcf)	Net (mmcf)	Gross (mstb)	Net (mstb)
Proved						
Developed Producing	264.6	247.6	1,828	1,715	0	0
Developed Non-Producing	0	0	402	382	0	0
Undeveloped	966.3	909.3	1,151	1,094	0	0
Total Proved	1,230.9	1,156.9	3,381	3,191	0	0
Probable	2,211.8	2,031.3	4,655	4,397	0	0
Total Proved Plus Probable	3,442.7	3,188.3	8,036	7,588	0	0

SUMMARY NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2011
FORECAST PRICES AND COSTS

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/YEAR)					AFTER INCOME TAXES DISCOUNTED AT (%/YEAR)				
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
Proved Developed Producing	17,139	14,643	12,890	11,605	10,622	17,139	14,643	12,890	11,605	10,622
Developed Non-Producing	433	377	331	292	260	433	377	331	292	260
Undeveloped	39,743	30,768	24,675	20,308	17,033	36,398	28,157	22,541	18,504	15,472
Total Proved Probable	57,315	45,788	37,896	32,204	27,916	53,970	43,177	35,763	30,401	26,354
Total Proved Plus Probable	111,780	78,663	59,138	46,486	37,676	84,034	58,395	43,255	33,451	26,637
	169,095	124,451	97,035	78,690	65,591	138,004	101,572	79,018	63,852	52,991

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2011
FORECAST PRICES AND COSTS

Reserves Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Abandonment Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Proved Reserves	118,792	6,408	34,750	18,894	1,427	57,315	3,345	53,970
Proved Plus Probable Reserves	339,433	22,862	96,552	47,642	3,282	169,095	31,091	138,004

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2011

FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M\$)	UNIT VALUE BEFORE INCOME TAXES (discounted at 10%/year) (\$/BOE)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	0	0
	Heavy oil (including solution gas and other by-products)	35,836	25.84
	Natural Gas (including by-products but excluding solution gas from oil wells)	2,061	6.82
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	0	0
	Heavy oil (including solution gas and other by-products)	93,195	23.49
	Natural Gas (including by-products but excluding solution gas from oil wells)	3,839	7.92

SPOULE PRICING ASSUMPTIONS

Forecast Prices and Costs Employed by Sproule - December 31, 2011

Sproule employed the following pricing, exchange rate and inflation rate assumptions in estimating Twoco's reserves data using forecast prices and costs as of December 31, 2011.

FORECAST PRICES USED IN PREPARING RESERVES DATA							
Sproule Associates Limited							
Price Forecast							
Effective December 31, 2011							
Year	Light Oil		Heavy & Medium Oil		Natural Gas Liquids		
	WTI Cushing Oklahoma (\$US/Bbl)	Edmonton Par Price 40° API (\$Cdn/Bbl)	Hardisty Lloyd Blend 20.5° API (\$Cdn/Bbl)	Hardisty Bow River 24.9° API (\$Cdn/Bbl)	Edmonton Propane (\$Cdn/Bbl)	Edmonton Butanes (\$Cdn/Bbl)	Edmonton Pentanes Plus (\$Cdn/Bbl)
Historical							
2006	66.09	73.30	50.30	51.54	44.09	59.32	75.03
2007	72.27	77.06	51.93	53.16	49.53	63.71	77.33
2008	99.59	102.85	82.58	83.85	58.80	75.09	104.70
2009	61.63	66.20	58.49	59.71	38.25	47.07	68.13
2010	79.43	77.81	67.16	68.26	44.35	57.04	84.21
2011	95.00	95.16	77.09	78.30	50.17	70.93	104.12
Forecast							
2012	98.07	96.87	82.34	82.34	53.51	72.20	103.57
2013	94.90	93.75	79.69	79.69	52.29	69.87	100.23
2014	92.00	90.89	77.25	77.25	50.99	67.74	97.17
2015	97.42	96.23	81.80	81.80	54.77	71.73	102.89
2016	99.37	98.16	83.44	83.44	55.79	73.16	104.94
2017	101.35	100.12	85.10	85.10	56.83	74.63	107.04
2018	103.38	102.12	86.81	86.81	57.89	76.12	109.18
2019	105.45	104.17	88.54	88.54	58.97	77.64	111.37
2020	107.56	106.25	90.31	90.31	60.08	79.19	113.59
2021	109.71	108.38	92.12	92.12	61.20	80.78	115.87
Thereafter	Escalation rate of 2.0% thereafter						

Year	Natural Gas					Operating Cost Inflation Rate (%/Yr)	Exchange Rate (\$US/\$Cdn)
	Alberta Gas Reference Price Plantgate (\$Cdn/MMbtu)	Alberta AECO-C Spot (\$Cdn/MMbtu)	Aggregator Intra-Alta (\$Cdn/MMbtu)	Alliance Pipeline (\$Cdn/MMbtu)	Henry Hub Price (\$US/MMbtu)		
Historical							
2006	6.56	7.16	6.57	6.56	7.23	1.5	0.882
2007	6.20	6.65	6.34	6.04	6.86	2.0	0.935
2008	7.88	8.15	8.03	7.91	9.04	1.0	0.943
2009	3.75	4.19	3.69	3.35	4.01	2.0	0.880
2010	3.88	4.16	3.14	3.37	4.39	1.0	0.971
2011	3.40	3.72	2.57	2.88	4.04	1.5	1.012
Forecast							
2012	2.85	3.16	2.15	2.11	3.55	2.0	1.012
2013	3.49	3.78	2.83	2.83	4.18	2.0	1.012
2014	3.86	4.13	3.23	3.23	4.54	2.0	1.012
2015	5.26	5.53	4.63	4.63	5.95	2.0	1.012
2016	5.42	5.65	4.96	4.75	6.07	2.0	1.012
2017	5.54	5.77	5.08	4.87	6.19	2.0	1.012
2018	5.66	5.89	5.20	4.99	6.32	2.0	1.012
2019	5.79	6.01	5.33	5.12	6.44	2.0	1.012
2020	6.91	6.14	5.45	5.24	6.57	2.0	1.012
2021	6.04	6.27	5.58	5.37	6.70	2.0	1.012
Thereafter	Escalation rate of 2.0% thereafter						

Twoco's weighted average realized sales prices for the year ended December 31, 2011 were \$71.46/bbl for crude oil and NGLs and \$3.15/mcf for natural gas.

RECONCILIATION OF CHANGES IN RESERVES AND FUTURE NET REVENUE

Reserves Reconciliation

The following table sets forth a reconciliation of Twoco's total gross proved, probable and proved plus probable reserves as at December 31, 2011 against such reserves as at December 31, 2010 based on forecast price and cost assumptions.

Factors	LIGHT AND MEDIUM OIL			HEAVY CRUDE OIL			ASSOCIATED AND NON-ASSOCIATED GAS			NATURAL GAS SOLUTION			NATURAL GAS LIQUIDS		
	Gross Proved (mbbl)	Gross Probable (mbbl)	Gross Proved Plus Probable (mbbl)	Gross Proved (mbbl)	Gross Probable (mbbl)	Gross Proved Plus Probable (mbbl)	Gross Proved (mmcf)	Gross Probable (mmcf)	Gross Proved Plus Probable (mmcf)	Gross Proved (mmcf)	Gross Probable (mmcf)	Gross Proved Plus Probable (mmcf)	Gross Proved (mbbl)	Gross Probable (mbbl)	Gross Proved Plus Probable (mbbl)
December 31, 2010	0	0	0	174.8	246.0	420.8	6,860	4,637	11,497	0	0	0	4.8	1.1	5.9
Extensions and Improved Recovery	0	0	0	848.1	1645.1	2493.2	0	0	0	1151	3366	4517	0	0	0
Technical Revisions	0	0	0	241.0	320.7	561.7	(3521)	(3140)	(6660)	321	115	436	(4.8)	(1.1)	(5.9)
Discoveries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	(29)	(13)	(42)	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0	(460)	(310)	(770)	0	0	0	0	0	0
Production	0	0	0	(33.0)	0	(33.0)	(920)	0	(920)	(21)	0	(21)	0	0	0
December 31, 2011	0	0	0	1230.9	2211.8	3442.7	1930	1174	3104	1451	3481	4932	0	0	0

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

The following discussion generally describes the basis on which Twoco attributes proved and probable undeveloped reserves and its plans for developing those undeveloped reserves.

Undeveloped Reserves

The following table sets forth the volumes of proved undeveloped reserves that were first attributed in each of Twoco's three most recent financial years and, before that time, in the aggregate.

Year	LIGHT AND MEDIUM OIL ⁽¹⁾ (mbbl)	HEAVY OIL ⁽¹⁾ (mbbl)	NATURAL GAS LIQUIDS (mbbl)	NATURAL GAS ⁽²⁾ (mmcf)
Aggregate prior to 2009	3.6	5.6	1.2	9,079.5
2009	0.0	1.9	0.0	1,757.4
2010	0.0	88.2	0.0	1,732.4
2011	0.0	848.1	0.0	1,151.0

Notes:

- (1) Including solution gas and other by-products.
- (2) Including by-products but excluding solution gas from oil wells.

Proved undeveloped reserves are generally those reserves related to wells that have been tested and not yet tied in, wells drilled near the end of the fiscal year, wells further away from Twoco gathering systems or infill drilling locations. Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production.

In general, once proved and/or probable undeveloped reserves are identified they are scheduled into Twoco's development plans. Normally, the Corporation plans to develop its proved and/or probable undeveloped reserves within two years.

A number of factors could result in delayed or cancelled development plans. Such factors may include changing economic conditions due to oil and natural gas prices, operating and capital expenditure fluctuations. Changing technical conditions resulting in production anomalies such as premature water break through or higher than anticipated production declines may result in a delay or cancellation of development plans. In wells that have encountered multiple zones, a prospective zone completion may be delayed until the initial completion is no longer economic.

Larger development programs may need to be spread out over several years to optimize capital allocation and facility utilization. Surface access issues associated with landowners, weather conditions or regulatory approvals could also influence development plans.

The Sproule Report indicates that Twoco has 0 mmcf of its natural gas reserves defined as “proved undeveloped”.

The Sproule Report also indicates that Twoco has 966,300 barrels of its heavy oil reserves defined as “proved undeveloped”. Of this amount, 966,300 barrels exist in the Warspite property in the Andrew/Willingdon/Tofield core area. The proved undeveloped reserves assigned to the Corporation are those reserves associated with the drilling of additional horizontal oil wells offsetting existing proved producing wells. The Sproule Report includes 15 well locations as proved undeveloped. Due to potential capital constraints, the development of the Warspite property may take several years until drilling is fully completed.

Undeveloped Reserves - Probable Undeveloped Reserves

With respect to Twoco’s natural gas reserves, in most instances, the probable undeveloped reserves assigned to the Corporation are those reserves associated with the proven undeveloped reserves using a more optimistic decline analysis. Additional production information will, in all probability, result in the reclassification of these reserves into proven developed producing reserves. In addition to the well locations classified as proved undeveloped, the Sproule Report includes an additional 23 well locations classified as probable undeveloped. Due to potential capital constraints, the development of the Warspite property may take several years until drilling is fully completed. With respect to Twoco’s heavy oil reserves, the probable undeveloped reserves assigned to the Corporation are those reserves associated with the drilling of additional horizontal oil wells offsetting existing proved producing and proved undeveloped wells.

Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, commodity prices and economic conditions. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, commodity prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. Twoco’s actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material.

Future Development Costs

The following table outlines the capital costs deducted in the estimation of future net revenue attributable to proved reserves (using forecast prices and costs) and proved plus probable reserves (using forecast prices and costs) to those properties evaluated in the Sproule Report.

	Forecast Prices and Costs	
	Proved Reserves (M\$)	Proved Plus Probable Reserves (M\$)
2012	13,689	29,728
2013	5,100	17,665
2014	0	31
2015	104	183
2016	0	0
Subtotal	18,894	47,607
Remaining Years	0	35
Total Undiscounted	18,894	47,642

Twoco typically has available three sources of funding to finance its capital expenditure program: internally generated cash flow from operations, debt financing when appropriate and new equity issues, if available on favourable terms. Any acquisition opportunities would likely be financed through debt or equity financings.

OTHER OIL AND GAS INFORMATION

Oil and Gas Properties and Wells

Twoco has two core areas; Andrew/Willingdon/Tofield and Steele/Bolloque/Grassland, both situated near Edmonton, Alberta where the majority of the Corporation's activity has occurred. 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.

The Corporation has completed the drilling of 5 gross (4.86 net) horizontal oil wells on the Corporation's Sparky heavy oil property in the Warspite area of Alberta. The first horizontal oil wells drilled by the Corporation commenced production on December 19, 2010. The Corporation will focus primarily on development of the Corporation's Sparky heavy oil property in the Warspite area of Alberta. The development program will be monitored to live within cash flow and may be adjusted according to drilling results. Should the Corporation decide to accelerate its capital expenditure program, other sources of funding would need to be considered such as proceeds from: (i) asset dispositions; (ii) farm-outs of existing lands; (iii) strategic alliances; (iv) debt financing; and (v) new equity issues.

Andrew/Willingdon/Tofield, Alberta

Twoco has acquired approximately 84,945 gross acres (62,164 net) of mineral rights in this area and has developed several prospects which target Cretaceous sweet oil as well as Cretaceous and Devonian sweet natural gas.

In 2011, the Corporation drilled 4 gross (3.86 net) wells in this area which resulted in 2 gross (1.93 net) tri-leg horizontal oil wells, 1 gross (0.97 net) quad-leg horizontal oil well and 1 gross (0.97 net) vertical well targeting natural gas that was dry and abandoned. The Corporation's tri-leg horizontal oil wells commenced production in August, 2011 and the Corporations quad-leg horizontal oil well commenced production in December, 2011.

In 2010, the Corporation drilled 3 gross (2.03 net) wells in this area which resulted in 1 gross (0.06 net) well being cased for natural gas production and 2 gross (1.97 net) single leg horizontal wells being cased for oil production. The 1 gross (0.06 net) well is currently producing natural gas. In total, this area currently produces approximately 2.0 mmcf/d net of natural gas to the Corporation. The Corporation's 2 gross (1.97 net) single leg horizontal oil wells were drilled on the Corporation's Sparky heavy oil property in the Warspite area of Alberta. The wells commenced production on December 19, 2010.

Effective July 1, 2008, Twoco acquired natural gas assets in the Tofield area of Alberta for \$11.5 million after closing adjustments and related costs. The property was comprised of approximately 5,128 gross (4,445 net) acres of developed and 5,760 gross (5,760 net) acres of undeveloped lands and was producing approximately 500 boe/d at the time of the acquisition. The acquisition included 100% ownership in a compressor station and associated facilities which will provide further growth opportunities in this area.

Twoco commissioned and commenced startup in May 2007 of a fourth 100% owned compressor station and associated facilities in this area which will provide further growth opportunities.

In September 2006, Twoco successfully negotiated the purchase of a 100% interest in a third gas compression facility and associated infrastructure from a junior oil and gas company. This purchase allows the Corporation to expand its activities and provides further growth opportunities in this area.

Twoco commissioned and commenced startup in August 2005 of a second 100% owned compressor station and associated facilities in this area which will provide further growth opportunities.

Twoco successfully negotiated the purchase of a 92.857% interest in a gas compression facility and associated infrastructure from a large independent oil and gas company in December 2003. Twoco subsequently acquired the remaining 7.143% interest in July 2004. This purchase allows the Corporation to custom process third party gas and provides the Corporation further opportunities for growth in this area.

Steele/Bolloque/Grassland, Alberta

Twoco has acquired approximately 14,720 gross acres (13,948 net) of mineral rights in this area. Several prospects have been developed which target shallow sweet natural gas in the Cretaceous and Devonian stratigraphic section.

The Corporation drilled 0 gross (0 net) wells in this area in 2011. In total, this area currently produces approximately 0.25 mmcf/d net of natural gas to the Corporation.

Twoco, by way of a capital contribution to re-commission and re-activate a third party owned compressor station, earned a 31.75% working interest in the compressor station and associated facilities in this area in September 2008.

Twoco has identified several prospects in this area and continues to acquire lands on these prospects.

Effective July 1, 2009, Twoco closed an arm's length disposition of 3.5% of all of its petroleum and natural gas assets for cash consideration of \$1,925,000, subject to adjustment, to Poplar Creek.

Wells

As at December 31, 2011, the Corporation had an interest in 45 gross (30.75 net) producing and 80 gross (52.20 net) non-producing oil and natural gas wells as follows.

	PRODUCING				NON-PRODUCING			
	Oil		Natural Gas		Oil		Natural Gas	
	Gross(1)	Net(2)	Gross	Net	Gross	Net	Gross	Net
Wells								
Alberta	5	4.86	40	25.89	2	0.30	78	51.90
TOTAL	5	4.86	40	25.89	2	0.30	78	51.90

Notes:

- (1) "Gross" wells means the number of wells in which Twoco has a working interest or a royalty interest that may be convertible to a working interest.
- (2) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Twoco's percentage working interest therein.

Properties with No Attributed Reserves

The following table sets forth the gross and net acres of unproved properties held by the Corporation as at December 31, 2011 and the net area of unproved property for which the Corporation expects its rights to explore, develop and exploit to expire during the next year.

LOCATION	UNPROVED PROPERTIES (acres)		
	Gross ⁽¹⁾	Net ⁽²⁾	Net Area to Expire by December 31, 2012
Alberta	46,042	42,909	8,468
TOTAL	46,042	42,909	8,468

Notes:

- (1) "Gross Acres" are the total acres in which Twoco has or had an interest.
- (2) "Net Acres" is the aggregate of the total acres in which Twoco has or had an interest multiplied by Twoco's working interest percentage held therein.

There are no costs or work commitments associated with Twoco's non-producing properties except for ongoing Crown and freehold lease commitments.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

There are several economic factors and significant uncertainties that may affect the anticipated development of Twoco's properties with no attributed reserves. Twoco will be required to make substantial capital expenditures in order to prove, exploit, develop and produce oil and natural gas from these properties in the future. Development of these properties to commercial status may require additional debt or equity financing. Failure to obtain such financing on a timely basis or on terms acceptable to Twoco may cause Twoco to forfeit its interest in certain properties, miss certain opportunities and reduce or terminate its operations. The inability of Twoco to access sufficient capital for its exploration and development purposes could have a material adverse effect on Twoco's ability to execute its business strategy to develop these prospects. For further information, see "Risk Factors".

Forward Contracts

Twoco may use certain financial instruments to hedge its exposure to commodity price fluctuations on a portion of its crude oil and natural gas production. As at December 31, 2011 Twoco had no outstanding derivative or hedging contracts. Prior to December 31, 2011 Twoco had entered into the following financial instrument contracts:

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

Additional Information Concerning Abandonment and Reclamation Costs

Twoco estimates well abandonment and reclamation costs for surface leases, wells and facilities based on its previous experience, current regulations, costs, technology and industry standards area by area. Such costs are included in the Sproule Report as deductions in arriving at future net revenue. The expected total abandonment costs for 125 gross wells (including producing, non-producing and service wells) and for 6 gross (5.1 net) facilities are summarized in the net of estimated salvage value calculated without discount and using a discount rate of 10% is as follows:

	Forecast (M\$) Pricing			
	Proved NPV 0%	Proved NPV 10%	Proved plus Probable NPV 0%	Proved plus Probable NPV 10%
Wells with reserves assigned	1,427	283	3,282	312
Wells & Facilities with no reserves assigned	0	0	0	0
Total abandonment and reclamation cost provision	1,427	283	3,282	312
Portion forecast to be paid during the next three years	95	80	17	14

Income Tax Horizon

As at December 31, 2011, Twoco had estimated income tax deductions of approximately \$44.89 million available to reduce future taxable income. Twoco does not expect to incur current income taxes in the year ending December 31, 2012.

Costs Incurred

The following table summarizes Twoco's property acquisition costs, exploration costs and development costs incurred during the financial year ended December 31, 2011.

Property Acquisitions and Capital Expenditures

Nature of cost	Amount (\$)
Land and property acquisition	98,235
Drilling and completions	2,568,736
Facilities and equipment	1,626,883
Other	11,735
	4,305,589
Exploration and Evaluation Assets	1,754,623
Total	
	6,060,212

Exploration and Development Activities

The following table summarizes the results of exploration and development activities during the financial year ended December 31, 2011.

	Gross	Net
Development Wells		
Gas	0.0	0.00
Oil	1.0	0.97
Service	0.0	0.00
Dry	0.0	0.00
Exploratory Wells		
Gas	0.0	0.00
Oil	2.0	1.93
Service	0.0	0.00
Dry	1.0	0.97
Total Wells	4.0	3.86

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. The Corporation has completed the drilling of 5 gross (4.86 net) horizontal oil wells on the Corporation's Sparky heavy oil property in the Warspite area of Alberta. The first horizontal oil wells commenced production on December 19, 2010. The Corporation will focus primarily on development of the Corporation's Sparky heavy oil property in the Warspite area of Alberta. The development program will be monitored to live within cash flow and may be adjusted according to drilling results. Should the Corporation decide to accelerate its capital expenditure program, other sources of funding would need to be considered such as proceeds from: (i) asset dispositions; (ii) farm-outs of existing lands; (iii) strategic alliances; (iv) debt financing; and (v) new equity issues.

Production Estimates

The following discloses the estimated average daily sales of products of Twoco through fiscal 2012 by product type associated with the first year of the gross proved reserves and gross probable reserves estimates reported in the Sproule Report, effective December 31, 2011.

	Light and Medium Crude Oil (bbls/d)	Heavy Crude Oil (bbls/d)	Natural Gas (mcf/d)	Natural Gas Liquids (bbls/d)	Combined BOE (boe/d)
<u>Corporation</u>					
Proved					
Developed producing	0	190	1,588	0	454
Developed non-producing	0	0	115	0	19
Undeveloped	0	452	432	0	525
Total Proved	0	642	2,135	0	998
Probable	0	188	287	0	235
Total proved plus probable	0	830	2,422	0	1,233

Warspite Oil

Proved					
Developed producing	0	190	190	0	221
Developed non-producing	0	0	0	0	0
Undeveloped	0	452	433	0	525
Total Proved	0	642	623	0	746
Probable	0	188	204	0	221
Total proved plus probable	0	830	827	0	968

Warspite

Proved					
Developed producing	0	0	430	0	72
Developed non-producing	0	0	94	0	15
Undeveloped	0	0	0	0	0
Total Proved	0	0	524	0	87
Probable	0	0	16	0	3
Total proved plus probable	0	0	540	0	90

Andrew

Proved					
Developed producing	0	0	429	0	72
Developed non-producing	0	0	20	0	3
Undeveloped	0	0	0	0	0
Total Proved	0	0	449	0	75
Probable	0	0	16	0	2
Total proved plus probable	0	0	465	0	77

Colinton

Proved					
Developed producing	0	0	180	0	30
Developed non-producing	0	0	0	0	0
Undeveloped	0	0	0	0	0
Total Proved	0	0	180	0	30
Probable	0	0	8	0	1
Total proved plus probable	0	0	188	0	31

Production History

The following table summarizes Twoco's average daily production before deduction of royalties, for the periods indicated.

	2011				
	Year Ended to Dec 31, 2011	Oct. - Dec.	July - Sept.	April - June	Jan. - March
Oil (bbl/d) ⁽¹⁾	99	162	105	51	78
Natural gas (mcf/d)	3,024	2,647	3,047	3,094	3,315
Total (boe/d)	603	603	613	567	630

Note:

(1) Includes NGLs.

Netback History

The following table sets forth information respecting average net product prices received, royalties paid, operating expenses and netbacks received by the Corporation in respect of the Corporation's production of crude oil and natural gas for the periods indicated.

	Year Ended to Dec 31, 2011	2011			
		Oct. - Dec.	July - Sept.	April - June	Jan. - March
Selling prices					
Oil (\$/bbl) ⁽¹⁾	71.46	78.61	56.96	84.64	67.41
Natural gas (\$/mcf)	3.15	2.93	3.18	3.35	3.13
Royalties					
Oil (\$/bbl) ⁽¹⁾	3.26	4.02	3.51	2.67	1.70
Natural gas (\$/mcf)	0.07	0.05	0.07	0.13	0.01
Operating expenses ⁽²⁾					
Oil (\$/bbl) ⁽¹⁾	15.76	15.53	13.97	19.13	16.49
Natural gas (\$/mcf)	3.20	4.75	2.76	2.72	2.81
Field netbacks					
Oil (\$/bbl) ⁽¹⁾	52.44	59.06	39.49	62.84	49.22
Natural gas (\$/mcf)	(0.12)	(1.88)	0.35	0.49	0.31

Notes:

- (1) Includes a negligible amount of NGLs.
- (2) Operating expenses include mineral and surface lease rentals, property taxes and expenses related to the operation of wells, production facilities and gathering systems and transportation expenses.

Production Volume by Field

The following table discloses for each significant field, and in total, Twoco's average wellhead production volumes for the period ended December 31, 2011 for each product type.

Field	Light and Medium Crude Oil (bbls/d)	Heavy Crude Oil (bbls/d)	Natural Gas (mcf/d)	Natural Gas Liquids (bbls/d)	BOE (boe/d)	%
Warspite, Alberta	-	99	1,144	-	290	48
Andrew, Alberta	-	-	625	-	104	17
Colinton, Alberta	-	-	268	-	45	8
Sunland, Alberta	-	-	267	-	44	7
Tofield, Alberta	-	-	194	-	32	5
Bellis, Alberta	-	-	156	-	26	4
Wasel, Alberta	-	-	89	-	15	3
Hairy Hill, Alberta	-	-	83	-	14	2
Sprucefield, Alberta	-	-	54	-	9	2
Plain, Alberta	-	-	48	-	8	1
Whitford, Alberta	-	-	33	-	6	1
Other	-	-	63	-	10	2
Total	-	99	3,024	-	603	100

RISK FACTORS

The business of exploring for, developing and producing oil and natural gas reserves is inherently risky. Oil and natural gas operations involve many risks which even a combination of experience and knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Twoco.

Going Concern

In late 2008 and continuing through into 2012, the global credit market crisis, the volatility in the price of oil and natural gas, the recession in Canada and the slowdown of economic growth in the rest of the world has created a substantially more volatile business environment. Tighter credit and equity markets, especially for small companies where the access to credit and additional equity funding is limited, has and will continue to limit certain of the Corporation's planned business development activities and it will continue to provide risk for the Corporation's future.

The audited annual financial statements have been prepared by management on a going concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its obligations in the normal course of business. Management believes the going concern assumption is appropriate for these financial statements. Therefore, the financial statements do not reflect the adjustments that may be necessary if the going concern assumption were not applicable. If this assumption were not appropriate, adjustments to the carrying amounts of the assets and liabilities, revenue and expenses and the balance sheet classification used may be necessary.

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

As of May 8, 2009, Twoco had a loan facility with Alberta Treasury Branches that included a \$19,000,000 credit facility and a \$500,000 non-revolving loan facility. As a result of an arm's length disposition of 3.5% of Twoco's petroleum and natural gas assets to Poplar Creek for cash consideration of \$1,925,000, subject to adjustment, the \$19,000,000 credit facility was reduced to its current level of \$18,000,000. The Corporation had drawn \$18,000,000 on the revolving credit facility as at December 31, 2011.

The interest rate on its \$18,000,000 Revolving Credit Facility is prime plus 3.75% effective as of April 15, 2011. The repayments of this credit facility are to be made from net proceeds of any additional borrowing, proceeds on sale of property and proceeds from equity issuance, subject to any agreement with the lender to allocate financing proceeds for another purpose such as is the case with the proceeds of the 2010 Offering and the 2011 Equity Financing. The change to this credit facility was made based on the lender'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 oil and natural gas markets. The next review date for the Corporation's current credit facilities is July 31, 2012. As the available lending limits on the

credit facilities are based on the lender'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.

Twoco had a working capital deficiency at December 31, 2011 of \$22,906,460 as compared to a working capital deficiency of \$20,085,829 at December 31, 2010. The 2011 Convertible Debentures bear interest at a rate of 8% per annum, payable commencing June 30, 2011 and quarterly thereafter and will mature on December 31, 2012. The Corporation retired the 2009 Debentures when they became due by utilizing the proceeds from the 2011 Convertible Debenture financing.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by Twoco will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, including geo-political events, all of which are beyond the control of Twoco. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices will result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the future volume of Twoco's oil and gas production. Twoco might also elect not to produce from certain wells at lower prices. All these factors could result in a material decrease in Twoco's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to Twoco will be in part determined by the borrowing base of Twoco. A sustained material decline in prices from historical average prices could reduce Twoco's future borrowing base, therefore reducing the bank credit available to Twoco, and could require that a portion of any existing bank debt of Twoco be repaid.

In addition to establishing markets for its oil and natural gas, Twoco must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Twoco will be affected by numerous factors beyond its control. Twoco will be affected by the differential between the price paid by refiners

for light quality oil and the grades of oil produced by Twoco. The ability of Twoco to market natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Twoco will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and the management of other aspects of the oil and natural gas business. Twoco has limited direct experience in the marketing of oil and natural gas.

Global Economic Conditions

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions began in 2008 and continued through into 2012, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments to address the global financial crisis, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have and may continue to negatively impact corporate valuations and will impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns, as well, due to recent geo-political uncertainty in North Africa and the Middle East.

Capital Markets

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

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

Based on current funds available and expected funds generated from operations and the 2011 Equity Financing, Twoco believes it has sufficient funds available to fund its projected capital expenditures. However, if funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, or if Twoco incurs major unanticipated expenses related to development or maintenance of its existing properties, it may be required to seek additional capital to maintain its capital expenditures at planned levels. Failure to obtain any financing necessary for Twoco's capital expenditure plans may result in a delay in development or production on Twoco's properties.

Royalty Regime

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on well productivity, geographical location, field discovery data and the type or quality of the petroleum product produced.

The royalty regime in Alberta and any other jurisdictions in which the Corporation's oil and natural gas assets are located may be subject to further review and changes which could adversely impact Twoco's financial condition and operations.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. See "*INDUSTRY CONDITIONS*".

Insurance

Twoco's involvement in the exploration for and development of oil and gas properties may result in Twoco becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Twoco maintains insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Twoco may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Twoco. The occurrence of a significant event that Twoco is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Twoco's financial position, results of operations or prospects.

Project Risks

Twoco will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic.

Twoco's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond Twoco's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;

- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Twoco could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Substantial Capital Requirements; Liquidity

Twoco anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If Twoco's future revenues or reserves decline, Twoco may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Twoco. Moreover, future activities may require Twoco to alter its capitalization significantly. The inability of Twoco to access sufficient capital for its operations could have material adverse effect on Twoco's financial condition, results of operations or prospects.

Competition

Twoco will actively compete for acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than Twoco. Twoco's competitors will include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

The oil and gas industry is highly competitive. Twoco's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities include companies that have greater financial and personnel resources available to them than Twoco.

Twoco's ability to successfully bid on and acquire additional property rights, to discover reserves to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Title

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. In accordance with industry practice, Twoco will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. However, no absolute assurances can be given that title defects do not exist. If title defects do exist, it is possible that Twoco may lose all or a portion of its right, title and interest in and to the properties to which the title defects relate.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for,

among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. See “*ADDITIONAL INFORMATION CONCERNING ABANDONMENT AND RECLAMATION COSTS*” in this Annual Information Form regarding amounts Twoco estimates it will cost for the abandonment and reclamation of surface leases, wells and facilities, based on its previous experience, current regulations, costs, technology and industry standards by area. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require Twoco to incur costs to remedy such discharge. In recent months, the industry has been subject to greater focus of the environmental impact of drilling and completion techniques relating to exploration and development activities. Changes to the requirements for drilling and completion techniques could have a material impact on the ability of Twoco to drill and complete wells. The implementation of strategies with respect to climate change and reducing greenhouse gases to meet the limits required by federal or provincial governments could have a material impact on the nature of oil and natural gas operations, including those of Twoco. See “*INDUSTRY CONDITIONS – ENVIRONMENTAL REGULATION*”. No assurance can be given that the application of environmental laws to the business and operations of Twoco will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Twoco’s financial condition, results of operations or prospects. Twoco has a Corporate Governance, Environment & Safety Committee which monitors the Corporation’s environmental and health and safety affairs.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities in oil, natural gas and natural gas liquids reserves and cash flows to be derived therefrom, including many factors beyond the Corporation’s control. The reserve and associated cash flow information set forth herein represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Corporation’s actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon

production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, Sproule, the independent reserves evaluator, has used forecast price and cost estimates in calculating reserve quantities included herein. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates contained in the Sproule Report, and such variations could be material. The Sproule Report is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the Sproule Report will be reduced to the extent that such activities do not achieve the level of success assumed in the Sproule Report. The Sproule Report is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Corporation's reserves since that date.

Reserve Replacement

Twoco's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on Twoco successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Twoco may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Twoco's reserves will depend not only on Twoco's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Twoco's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Operational Dependence

Other companies operate some of the assets in which Twoco has an interest. As a result, Twoco will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Twoco's financial performance. Twoco's return on assets operated by others will therefore depend upon a number of factors that may be outside of Twoco's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Key Employees

The success of Twoco will be largely dependent upon the performance of its management and key employees. Twoco does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on Twoco.

Dividends

To date, Twoco has not paid any dividends on its outstanding common shares and does not anticipate the payment of any dividends on its common shares for the foreseeable future.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth

effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's results of operations and business.

Permits and Licences

The operations of Twoco may require licences and permits from various governmental authorities. There can be no assurance that Twoco will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its properties.

Additional Funding Requirements

Twoco's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Twoco may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Twoco to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Twoco's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Twoco's ability to expend the necessary capital to replace its reserves or to maintain its production. If Twoco's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favourable terms. Any equity financing may result in a change of control of Twoco or holders of its common shares suffering further dilution.

Variations in Foreign Exchange Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar. Such material increases in the value of the Canadian dollar have in the past negatively impacted Twoco's production revenues. Future increases in the Canadian/United States exchange rates could accordingly impact the future value of Twoco's reserves as determined by independent evaluators.

Issuance of Debt

From time to time Twoco may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Twoco's debt levels above industry standards. Neither Twoco's articles nor its bylaws limit the amount of indebtedness that Twoco may incur. The level of Twoco's indebtedness from time to time could impair Twoco's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Twoco's ability to meet

its debt service obligations will depend on Twoco's future operations which are subject to prevailing industry conditions and other factors, many of which are beyond the control of Twoco. As certain of the indebtedness of Twoco would bear interest at rates which fluctuate with prevailing interest rates, increases in such rates would increase Twoco's interest payment obligations and could have a material adverse effect on Twoco's financial condition and results of operations. Further, Twoco's indebtedness would be secured by substantially all of Twoco's assets. In the event of a violation by Twoco of any of its loan covenants or any other default by Twoco on its obligations relating to its indebtedness, the lender could declare such indebtedness to be immediately due and payable and, in certain cases, foreclose on Twoco's assets. In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Hedging

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from its fluctuating exchange rate.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability of such equipment to Twoco and may delay exploration and development activities.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of its property and assets; however, if a claim arose and was successful this could have an adverse effect on the Corporation and its operations.

Conflicts of Interest

Directors and officers of Twoco may also be directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of Twoco and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the ABCA.

Dilution

Twoco may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Twoco which may be dilutive.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. There can be no assurance that these seasonal factors will not adversely affect the timing and scope of the Corporation's exploration and development activities, which could in turn have a material adverse impact on the Corporation's business, operations and prospects.

Third Party Credit Risk

The Corporation is, or may be, exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Emission Regulation

Canada recently announced its intention to withdraw from the Kyoto Protocol, established under the United Nations Framework Convention on Climate Change which set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases" and which is scheduled to expire in 2012. Under the Copenhagen Accord, the intended successor to the Kyoto Protocol, which represents a broad political consensus rather than a binding international treaty like the Kyoto Protocol, Canada has committed to reducing its greenhouse gases emissions by 17% from 2005 levels by 2020. The Government of Canada is in the process of developing future regulatory requirements that are expected to set greenhouse gas emission reduction requirements for various industrial activities, including oil and gas exploration and production. Twoco's exploration and production facilities and other operations and activities emit a small amount of greenhouse gases which will likely subject Twoco to federal law regulating emissions of greenhouse gases if and when such requirements come into force. Future federal legislation, together with provincial emission reduction requirements, such as those contained in Alberta's *Climate Change and Emissions Management Act* may require the reduction of emissions or emissions intensity with Twoco's operations and facilities. The direct or indirect costs of these regulations may adversely affect the business of Twoco.

INDUSTRY CONDITIONS

Canadian Government Regulation

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the relevant legislation and regulations. It is not expected that any of such controls and regulations will affect the operations of the Corporation in a manner materially different than they will affect other oil and gas companies of similar size.

Pricing and Marketing – Oil

Producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Such price depends on oil quality, price of competing oils, distance to market and the value of refined products. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the “NEB”). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

Pricing and Marketing – Natural Gas

The price of natural gas sold in intra-provincial and inter-provincial trade is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the government of Canada. The price received by the Corporation depends, in part, on the prices of competing natural gas and other substitute fuels, access to downstream transportation, distance to markets, length of the contract term, weather conditions, the supply and demand balance and other contractual terms. Exporters are free to negotiate prices with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than 2 years or for a term of 2 to 20 years (in quantities of not more than 30,000 m³/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or for a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The government of Alberta also regulates the volume of natural gas which may be removed from the province for consumption elsewhere.

The lack of firm pipeline capacity continues to limit the ability to produce and market natural gas production although pipeline expansions are ongoing. In addition, the pro-rationing of capacity on the interprovincial pipeline systems continues to limit natural gas exports.

The North American Free Trade Agreement

On January 1, 1994, the North American Free Trade Agreement (“NAFTA”) among the governments of Canada, the United States and Mexico became effective. NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the U.S or Mexico will be allowed provided that the restrictions are otherwise justified under certain provisions of the General Agreement on Tariffs and Trade and then only if any export restrictions do not: (i) reduce the proportion of the energy resource exported relative

to the total supply of energy resource (based upon the proportion prevailing in the most recent 36 months); (ii) impose an export price higher than the domestic price; or (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory boarder restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to avoid discriminatory actions and to minimize disruption of contractual arrangements.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on well productivity, geographical location, field discovery data and the type or quality of the petroleum product produced.

From time to time the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. Oil and natural gas royalty rates vary from province to province.

On October 25, 2007, the Government of Alberta released a report entitled "The New Royalty Framework" (the "NRF") containing the government's proposals for Alberta's new royalty regime which became effective on January 1, 2009 and is applicable to all conventional oil and natural gas wells in Alberta.

On November 19, 2008 and November 24, 2008 the Government of Alberta announced details of an optional five-year transitional royalty program that applies to conventional oil and natural gas wells drilled to measured depths between 1,000 and 3,500 meters between November 19, 2008 and January 1, 2014. For each such well, the Corporation can make a one time election to produce the well under the transitional royalty program or the NRF. As of January 1, 2014, all production subject to the transitional program will revert to the NRF.

Subsequent to the October 2007 and November 2008 announcements, the Government of Alberta launched a study of the competitiveness of the conventional oil and gas business in Alberta. The Government of Alberta has indicated that such study is to be completed in September 2009.

On March 3, 2009, the Government of Alberta announced new incentive programs to encourage additional activity in the province's conventional oil and gas sectors. These new incentives included a royalty credit of \$200 per meter drilled on new conventional oil and natural gas wells and a royalty reduction that provided a maximum five percent royalty rate for all new wells that begin producing conventional oil and natural gas between April 1, 2009 and March 31, 2010, for up to 12 months production or the first 50,000 barrels of oil or 500,000 mcf of natural gas produced from a new well.

On March 11, 2010, the Government of Alberta announced that the following will become permanent features of the royalty structure, effective with the January 2011 production month:

- Permanent 5% front-end royalty
 - The current incentive program rate of 5% on new natural gas and conventional oil wells will become a permanent feature of the royalty system, with the current time and volume limits.
- Lower Maximum Rates
 - The maximum royalty rate for conventional oil will be reduced at higher price levels from 50% to 40% to provide better risk-reward balance to investors.
 - Recognizing the fundamental changes to the North American supply/demand balance and increased competition from other jurisdictions, the maximum royalty rate for conventional and unconventional natural gas will be reduced at higher price levels from 50% to 36%.
- Implementation/Transition
 - All royalty curves will be finalized and announced by May 31, 2010 and be effective for all production January 1, 2011.
 - The transitional royalty framework for oil and gas introduced in November 2008 will continue until its original announced expiration on December 31, 2013. Effective January 1, 2011, no new wells will be allowed to select the transitional royalty rates. Wells that have already selected the transitional royalty rates will have the option to stay with those rates or switch to the new rates effective January 1, 2011.
 - The drilling royalty credit will continue until expiry on March 31, 2011 and all other programs will continue as designed.

On May 27, 2010, the Government of Alberta announced the royalty curve revisions including initiatives to stimulate new energy investments and new technology. As part of this initiative, a front end royalty of 5% for each of new shale gas, coalbed methane, horizontal gas and horizontal oil well was put in place and is subject to certain time and volume limits for each type of well. The shale gas and coalbed methane royalty rates apply to well events that start producing gas exclusively from shale or coal zones, as applicable, on or after May 2010. The horizontal gas and horizontal oil well royalty rates apply to wells drilled or spud on or after May 2010.

The new well royalty rate (applicable to wells classified as an “oil”, “gas”, or “crude bitumen” well when it commences or recommences production on or after April 2009) became a permanent feature of the royalty system effective May 2010. The maximum and minimum royalty rates in Alberta for conventional oil are 40% and 0% respectively. The conventional oil quantity component was kept the same as the existing royalty framework and the price component for natural gas was changed to moderate the increase in the rate at oil prices higher than \$535/m3. The maximum and minimum royalty rates in Alberta for natural gas are 36% and 5% respectively with the royalty rate being the sum of a price component and the quantity component. The natural gas quantity component was kept the same as the existing royalty framework and the price component for natural gas was changed to moderate the increase in the rate at prices higher than \$5.25 per GJ.

Land Tenure

Crude oil and natural gas located in the western provinces are owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying terms from two

years and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and gas industry currently is subject to environmental regulation pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release of emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability for pollution damage and the imposition for material fines and penalties.

Environmental legislation in Alberta has been consolidated into the *Environmental Protection and Enhancement Act* (Alberta) (the “**EPEA**”), which came into force on September 1, 1993, and the *Oil and Gas Conservation Act* (Alberta) (the “**OGCA**”). The EPEA and OGCA impose stricter environmental standards, require more stringent compliance, reporting and monitoring obligations, and significantly increased penalties. In 2006, the Alberta Government enacted regulations pursuant to the EPEA to specifically target sulphur oxide and nitrous oxide emissions from industrial operations including the oil and gas industry. In addition, the reduction emission guidelines outlined in the *Climate Change and Emissions Management Amendment Act* came into effect on July 1, 2007 (“**CCEMAA**”). Under this legislation, Alberta facilities emitting more than 100,000 tonnes of greenhouse gases a year must reduce their emissions intensity by 12%. Industries have three options to choose from in order to meet the reduction requirements outlined in this legislation, namely, (i) making improvement to operations that result in reductions; (ii) purchasing emission credits from other sectors or facilities that have emissions below the 100,000 tonne threshold and are voluntarily reducing their emissions; or (iii) contributing to the Climate Change and Emissions Management Fund (the “**Fund**”). Industries can either choose one of these options or a combination thereof. Pursuant to CCEMAA and the *Specified Gas Emitters Regulation*, companies were obliged to reduce their emission intensity by 12% by March 31, 2008. It is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

On January 24, 2008, the Alberta Government announced a new climate change action plan that will cut Alberta’s projected 400 million tonnes of emissions in half by 2050. This plan is based on three areas: (i) carbon capture and storage, which will be mandatory for *in situ* oil sand facilities that use heavy fuels for steam generation; (ii) energy conservation and efficiency; and (iii) greening production through increased investment in clean energy technology, including supporting research on new oil sands extraction processes, as well as the funding of projects that reduce the cost of separating carbon dioxide from other emissions supporting carbon capture and storage. In addition to this action plan, the Provincial Energy Strategy unveiled on December 11, 2008 is expected to, among other things, support the upgrading, refining and petrochemical clusters existing in the Province of Alberta, market Alberta’s energy internationally, review the emission targets and carbon charges applied to large facilities, and promote the innovation of energy technology by encouraging investment in research and development.

Federal environmental laws such as the *Canadian Environmental Protection Act*, 1999 and the *Fisheries Act* also apply in a variety of circumstances.

Climate change is an issue that is increasingly subject to government regulation. Although Canada has ratified the Kyoto Protocol, it expires in 2012 and Canada has otherwise announced its intention to withdraw from the protocol. Alberta and the federal Government have each introduced climate change action plans that include various means of achieving emissions or emissions intensity reductions, which may include direct reductions, emissions trading, carbon capture and storage, technology fund contributions, taxes on greenhouse gas emissions and credit for early action. Coordination between these plans has not yet been developed and remains a source of uncertainty. Given the evolving regulatory schemes related to climate change and the control of greenhouse gases and resulting requirements, it is not currently possible to predict the final form these requirements will take or the impact on Twoco and its operations and financial condition at this time.

DIVIDENDS OR DISTRIBUTIONS

Twoco has not paid any dividends or made any distributions on its common shares since incorporation. Dividends or distributions on its common shares will be paid solely at the discretion of Twoco's board of directors after taking into account the financial condition of Twoco and the economic environment in which it is operating. No dividends or distributions are expected to be paid in the foreseeable future.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of Twoco consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series with such rights, privileges, restrictions and conditions as may be established by the board of directors of Twoco, of which, as at the date hereof, 72,491,140 common shares and no preferred shares were issued and outstanding. In addition, as of the date hereof, Twoco has issued and outstanding options to acquire up to 6,525,000 common shares. The following is a summary of the rights, privileges, restrictions and conditions attaching to the common shares and preferred shares of Twoco.

Common Shares

The common shares rank junior to the preferred shares. 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.

Preferred Shares

The preferred shares are issuable in series and will have such rights, restrictions, conditions and limitations as the board of directors of Twoco may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of Twoco in the event of a dissolution, liquidation or winding up of Twoco. No preferred shares are presently issued and outstanding.

MARKET FOR SECURITIES

Price Range and Volume of Trading of Common Shares

The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the common shares of Twoco on the TSX Venture Exchange as reported by sources Twoco believes to be reliable for the periods indicated:

	Price Range (\$)		Trading Volume
	High	Low	
2011			
January	0.375	0.280	7,825,877
February	0.315	0.250	1,094,841
March	0.280	0.235	465,572
April	0.295	0.245	502,160
May	0.295	0.225	804,986
June	0.295	0.200	707,000
July	0.245	0.190	1,654,472
August	0.215	0.155	441,250
September	0.195	0.160	2,386,921
October	0.220	0.130	2,396,695
November	0.200	0.150	1,143,042
December	0.180	0.135	378,840
2012			
January	0.190	0.145	677,300
February	0.260	0.190	165,000
March	0.215	0.190	1,049,800
April	0.245	0.165	180,175

PRIOR SALES

The following table sets forth, for each class of securities of the Corporation that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2011 and the number of securities of the class issued at that price and the date on which the securities were issued.

Class of Securities	Issue or Exercise Price (\$/share)	Number of Securities Issued	Date of Issue
Options	0.20	3,500,000	October 13, 2011
Agent Options (Shares) ⁽¹⁾	0.27	780,662	April 29, 2011
Convertible Debentures ⁽²⁾	0.324	N/A	March 31, 2011

Note:

- (1) Issued in connection with the 2011 Equity Financing in April, 2011. See “*The Corporation – History of the Corporation*”.
- (2) Issued pursuant to the 2011 Debenture Financing. See “*The Corporation – History of the Corporation*”.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at the date hereof, the Corporation does not have any securities in escrow or that are subject to contractual restriction on transfer.

DIRECTORS AND OFFICERS

The following table sets forth the name, province and country of residence of the directors and officers, the offices held by each in the Corporation, the period served as director and the principal occupation of each during the past five years. The term of office of each director will expire at the end of the next annual meeting of shareholders of the Corporation.

Name and Province and Country of Residence	Offices Held and Time as Director or Officer	Principal Occupation During the Last Five Years
Wayne A. Malinowski ⁽¹⁾⁽²⁾ Alberta, Canada	President, Chief Executive Officer and Director since September 21, 2000	Mr. Malinowski is the President and Chief Executive Officer of Twoco since September 2000. He was the President of Prelude Oil & Gas Inc. from July 1999 to July 2003.
Timothy A. Bashforth ⁽³⁾⁽⁴⁾ Alberta, Canada	Vice President Exploration, Secretary, Treasurer and Director since September 21, 2000	Mr. Bashforth is the Vice President Exploration, Secretary and Treasurer of Twoco since September 2000. He was the President of Predator Resources Ltd. from September 2000 to July 2003.
Duncan Moodie, C.A. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director since April 30, 2012	Financial advisor to Trotter and Morton Limited, a Calgary-based construction company, since 2010 and prior thereto, Chief Financial Officer of Petroflow Energy Ltd. until December 10, 2009.
Michael T. Ryan, C.A. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director since June 2, 2011	President of Trotter and Morton Limited, a Calgary-based construction company.
James A.W. Williams, C.A., LL.B. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director since July 14, 2004	Mr. Williams is a chartered accountant and a lawyer and practices law in the offices of Stones Carbert Waite LLP, a Calgary law firm he joined in 2007. Prior thereto, Mr. Williams practiced law with another law firm in Calgary.

Notes:

- (1) Audit Committee member which committee is required pursuant to the ABCA.
- (2) Corporate Governance, Environment & Safety Committee member.
- (3) Compensation Committee member.
- (4) Reserve Committee member.
- (5) Twoco does not have an Executive Committee.

As of the date hereof, the directors and officers of Twoco, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 17,403,270 common shares or approximately 23.7% of the outstanding common shares of Twoco.

The information as to shares beneficially owned, directly or indirectly or over which control or direction is exercised, is based upon information furnished to the Corporation by the respective individuals indicated.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of management of the Corporation, none of the directors or executive officers of the Corporation (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Corporation), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”) that was issued while

the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer or was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as set forth herein, to the knowledge of management of the Corporation, none of the directors or executive officers of the Corporation (nor any personal holding company of any of such persons), or securityholder holding a sufficient number of our securities to affect materially the control of the Corporation is, as of the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Moodie was the Chief Financial Officer of Petroflow Energy Ltd. (“**Petroflow**”) until his resignation from Petroflow effective December 10, 2009. On August 20, 2010, Petroflow filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

To the knowledge of management of the Corporation, no director or executive officer of the Corporation (nor any personal holding company of any such persons), or shareholder holding a sufficient number of securities to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of the securities of the Corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of the Corporation is not aware of any material interests, direct or indirect, of any directors or executive officers of the Corporation, any person or company which beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding common shares of the Corporation, or any known associate or affiliate of such persons, in any transaction within the last three financial years of the Corporation, or during the current financial year which has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of Twoco is CIBC Mellon Trust Company at its principal offices in Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, there are no material contracts entered into by Twoco since January 1, 2002 and still in effect as at the date hereof that can be reasonably regarded as presently material except as follows:

1. Agency agreement dated effective July 13, 2010 between Twoco and Macquarie Private Wealth Inc.;
2. Warrant indenture dated September 1, 2010 between Twoco and CIBC Mellon Trust Company; and
3. Agency agreement dated effective March 29, 2011 between Twoco and Macquarie Private Wealth Inc.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report, valuation or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by Twoco during, or related to, the year ended December 31, 2011 other than Sproule, Twoco's independent qualified reserves evaluator, and Deloitte & Touche LLP, Twoco's auditor. To Twoco's knowledge, none of the principals of Sproule had any registered or beneficial interests, direct or indirect, in any securities or other property of Twoco or of Twoco's associates or affiliates either at the time they prepared the statement, report, valuation or opinion prepared by it, at any time thereafter or to be received by them. Deloitte & Touche LLP, Twoco's auditor, is independent in accordance with the auditor's rules of professional conduct in Canada.

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 Twoco or any associate or affiliate of Twoco.

CONFLICTS

There are potential conflicts of interest to which the directors and officers of Twoco will be subject in connection with the operations of Twoco. In particular, certain of the directors and officers of Twoco may be involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of Twoco or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Twoco. See "Directors and Officers". Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remunerations, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions is contained in the Corporation's management information circular relating to its most recent annual meeting of shareholders of the Corporation. Additional financial information is contained in the Corporation's comparative financial statements and management's

discussion and analysis for the year ended December 31, 2011. Additional information relating to the Corporation may be found on SEDAR at www.sedar.com and the Corporation's web site at www.twoco.ca.

Additional copies of this Annual Information Form, the materials listed in the preceding paragraph, any interim financial statements which have been issued by the Corporation and any other document incorporated herein by reference will be available upon request by contacting the Secretary of the Corporation at its offices at Suite 1050, 1122 - 4th Street S.W., Calgary, Alberta T2R 1M1, Phone: (403) 233-0345 or Fax: (403) 237-6048.

**APPENDIX A
FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR**

Report on Reserves Data

To the board of directors of Twoco Petroleum Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2011. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us as of December 31, 2011 and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue (\$M, Before Income Taxes, 10% Discount Rate)			
			Audited	Evaluated	Reviewed	Total
Sproule Associates Limited	Evaluation of the P&NG Reserves of Twoco Petroleum Ltd., As of December 31, 2011 prepared January to March 2012	Canada	Nil	\$97,035	Nil	\$97,035

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are presented in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update the report referred to in paragraph 4 for events and circumstances occurring after its preparation date.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule Associates Limited
Calgary, Alberta
Execution date: March 12, 2012.

Per: Signed by: "Matthew J. O'Brien"
Matthew J. O'Brien, P.Eng.
Senior Petroleum Engineer and Partner

Per: Signed by: "Brent A. Hawkwood"
Brent A. Hawkwood, C.E.T.
Senior Petroleum Technologist and
Partner

Per: Signed by: "Maren L. Blair"
Maren L. Blair, P.Geol.
Petroleum Geologist and Associate

Per: Signed by: "Cameron P. Six"
Cameron P. Six, P.Eng.
Vice-President, Engineering and Partner

**APPENDIX B
FORM 51-101F3
REPORT OF
MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE**

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”).

1. Terms to which a meaning is ascribed in NI 51-101 have the same meaning in this form.¹
2. The report referred to in item 3 of section 2.1 of NI 51-101, must in all material respects be as follows:

**Report of Management and Directors
on Reserves Data and Other Information**

Management of Twoco Petroleums Ltd. (the “Company”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company’s reserves data. The reports of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has:

- (a) reviewed the Company’s procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

¹ For the convenience of readers, Appendix 1 to Companion Policy 51-101CP sets out the meanings of certain terms in sections 1 and 2 of this Form or in NI 51-101, Form 51-101F1, Form 51-101F2 or the Companion Policy.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

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

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

(signed) "Duncan Moodie"
Duncan Moodie
Director

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

April 30, 2012

APPENDIX C

DEFINITIONS USED FOR RESERVE CATEGORIES

The following definitions form the basis of the classification of reserves and values presented in the report. They have been prepared by the Standing Committee on Reserves Definitions of the Petroleum Society of the CIM ("CIM"), incorporated in the Society of Petroleum Evaluation Engineers ("SPEE") Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and specified by National Instrument 51-101 ("NI 51-101").

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical, and engineering data;
- the use of established technology;
- specified economic conditions¹, which are generally accepted as being reasonable and shall be disclosed; and
- a remaining reserve life of 50 years.

Reserves are classified according to the degree of certainty associated with the estimates.

Proved Reserves

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in Section 5.5 of the COGE Handbook.

Development and Production Status

Each of the reserves categories (proved, probable, and possible) may be divided into developed and undeveloped categories.

Developed Reserves

Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the

¹ For the purposes of NI 51-101, the key economic assumptions will be the prices and costs used in the estimate, namely:

(a) forecast prices and costs.

reserves on production. The developed category may be subdivided into producing and non-producing.

Developed Producing Reserves

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing, or if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed Non-Producing Reserves

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

Undeveloped Reserves

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels contained in the definitions above are applicable to individual reserves entities, which refers to the lowest level at which reserves calculations are made, and to reported reserves, which refers to the highest level sum of individual entity estimates for which reserves estimates are made. Reported total reserves estimated by deterministic or probabilistic methods, whether comprised of a single reserves entity or an aggregate estimate for multiple entities, should target the following levels of certainty under a specific set of economic conditions:

- there is a 90 percent probability that at least the estimated proved reserves will be recovered;
- there is a 50 percent probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered; and
- there is a 10 percent probability that at least the sum of the estimated proved reserves plus probable reserves plus possible reserves will be recovered.

A quantitative measure of the probability associated with a reserves estimate is generated only when a probabilistic estimate is conducted. The majority of reserves estimates will be performed using deterministic methods that do not provide a quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with *reserves* estimates and the effect of aggregation is provided in Section 5.5.3 of the *COGE Handbook*. Whether

deterministic or probabilistic methods are used, evaluators are expressing their professional judgement as to what are reasonable estimates.

Incorporation of these guidelines means that total corporate proved reserves reflect a conservative estimate and proved plus probable reserves reflect a current "best estimate" of the oil and gas quantities which will be recovered.