Twin Butte Energy Ltd.

Q1 2008

FOR THE THREE MONTH PERIOD ENDED MARCH31, 2008

REPORT TO SHAREHOLDERS

Twin Butte Energy Ltd. ("Twin Butte" or the "Company") (TSX: TBE) is pleased to announce its financial and operational results for the three months ended March 31, 2008. Twin Butte's results for the first quarter of 2008 includes only 53 days of operating results from the acquisition of E4 Energy Inc. ("E4" or "E4 Energy") which closed February 7, 2008.

During the first quarter of 2008, Twin Butte executed another successful program of drilling and operations. In addition to closing the previously announced acquisition of E4 Energy, two material resource play farm-in agreements were signed positioning the Company for reserve and value growth. It is also important to note that production for the quarter represented only 53 days of combined production from the E4 Energy acquisition which closed on February 7, 2008.

During the quarter the Company continued to execute its strategic growth and development plan with highlights as follows:

- Increased average Q1 production by 91 percent to 2,500 boe/d, up from 1,309 boe/d in Q1 of 2007 with current production > 3,100 boe/d;
- Increased production per share by 6 percent over Q1 2007;
- Increased cash flow by 120 percent over Q1 2007 to $5.8 million;
- Increased cash flow per share by 23 percent to $0.16 per share over Q1 2007;
- Increased net asset value per share to $3.73 using current McDaniels price deck and $ 4.41 per share using strip pricing;
- Forecast 2008 cash flow of $37.8 million utilizing strip pricing of $9.59/GJ (AECO) and $US 117.75/bbl (WTI) for the balance of the year;
- Drilled and cased 5 gross (5.0 net) wells with a 100 percent success rate;
- Closed the previously announced strategic acquisition of E4 Energy taking advantage of a low commodity price environment and establishing a new core area in North East British Columbia not affected by recently announced Alberta royalty changes;
- Drilled and cased two horizontal wells and completed battery and disposal facilities at the Provost Dina oil pool which commenced production subsequent to quarter end at a combined rate of approximately 120 boe/d setting up a potential 10 well program;
- Commenced drilling of the first multi frac horizontal well in Jayar light oil pool with rig release and commencement of completion and testing operations subsequent to quarter end and a follow up well planned for Q3;
- Established a significant North East British Columbia Montney resource play through a 4 section farm-in representing material upside from an estimated 256 BCF OGIP; and
- Subsequent to quarter end signed a second farm-in agreement in North East British Columbia to earn an additional 10 sections prospective for the Montney resource play and the prolific Doig formation directly offsetting an 8 mmcf/d Doig producer.

OPERATIONAL REVIEW

During the quarter Twin Butte continued to execute our acquire, exploit and explore business model closing the gas weighted acquisition of E4 Energy, increasing the depth of our technical team and adding to our undeveloped land base while at the same time increasing cash flow and maintaining financial flexibility. The dramatic turnaround in commodity prices during the quarter has injected new life into the E&P sector and Twin Butte shareholders are positioned to benefit from the countercyclical acquisitions completed over the last year.

The acquisition of E4 Energy Inc. which closed on February 7, 2008 was another key building block in the growth of the Company providing critical mass in our Plains core area and a new focus area in Fort St. John, British Columbia, unaffected by recently announced Alberta royalty changes. The Company has already expanded its presence in North East British Columbia with the execution of two farm-in agreements targeting the prolific Doig formation and the exciting new Montney resource play.

The Company has grown its land base to approximately 147,000 net undeveloped acres not including the recent farm-in lands and has significantly increased the depth of the Geological and Geophysical ("G&G") technical group. These strategic moves have positioned the Company to fully exploit our existing land base and to take advantage of increasing farm-in, exploration and acquisition opportunities in the current market.

Production and Drilling

The Company's first quarter production averaged 2,500 boe/d comprised of 74 percent natural gas and 26 percent light oil and natural gas liquids, representing an increase of 91 percent from the first quarter 2007 average of 1,309 boe/d. It is important to note that production for the first quarter represented only 53 days of combined production from the E4 Energy acquisition which closed on February 7, 2008. The current field estimated production is greater than 3,100 boe/d.

The Company completed a net capital program of $8.5 million in Q1, including the drilling of 2 gross (2.0 net) horizontal wells in the Provost area, 1 gross (1.0 net) well in Thunder and 2 gross (2.0 net) wells in Bulwark. The Jayar horizontal well was spud but not rig released at the end of the quarter.

British Columbia

In North East British Columbia, the Company has been actively preparing for a multi well drilling program scheduled for the third quarter and has simultaneously been pursuing farm-in opportunities with a focus on resource play projects. To that end the Company has signed 2 farm-in agreements in the Brassey and Kelly areas of North East British Columbia totaling 14 gross sections of land, highly prospective for both the Montney and Doig formations.

The first agreement is a 4 section land block in the Brassey area where Twin Butte will drill a single well in early Q3 that will earn and continue the petroleum and natural gas rights in the entire 4 section block for a 5 year term. Earning will be from the surface to the base of the Montney formation and Twin Butte will pay 100 percent of the drilling and completion on this initial well to earn a 60 percent working interest. Twin Butte is the operator and all costs after completion of the initial well will be shared 60:40. The Brassey lands directly offset a recent land sale where a bonus price of $3.9 million was paid for each section. This places an equivalent net value of $9.4 million on the farm-in lands alone. Montney pay from area offset wells average 76 meters in thickness with a potential original gas in place (OGIP) reserve estimate of greater than 64 BCF per section. The lands are located approximately 3.0 miles from a tie in point which combined with the large gas resource and favorable farm-in terms gives the potential for a material impact on the Company.

The second farm-in is on a 10 section block in the Kelly area that is prospective for both Montney and Doig production and offsets an 8 mmcf/d Doig producer. The Company will drill and complete one test well in late Q3 at 100 percent working interest to earn a 60 percent working interest in the entire 10 section block. Again, Twin Butte is the operator and all costs after completion of the initial well will be shared 60:40.

Jayar Area

At Jayar, the Company initiated drilling of the first multifrac horizontal well targeting the Dunvegan light oil pool which was rig released subsequent to the quarter end. This first horizontal well was drilled to a 1,000m horizontal length and the horizontal section was fracture treated utilizing the "Packers Plus" multi frac technology. The well is currently being flowed on cleanup and is still recovering fracture treatment fluid. Based on initial test results the Company has commenced planning for a second horizontal well to be drilled in late Q3.

The Jayar Dunvegan pool is an 85.5 percent working interest, low permeability reservoir that had been previously developed utilizing vertical drilling and completion technology. Testing results to date are encouraging and under current commodity pricing the project economics remain robust presenting significant upside potential from this 37.5 mmbbl OOIP light oil reservoir. Additionally, the Company also believes there is potential for significant capital efficiencies on future operations and is currently evaluating the viability of horizontal re-entry work and different fracture treatment fluids to further improve project economics.

Thunder Area

Twin Butte drilled and cased one well in Thunder in Q1 as a potential gas well which is currently awaiting completion. The Company has developed multiple exploration leads in the area and is currently shooting a 3D seismic program. There is a 2 well drilling program planned for late Q2 targeting both oil and gas prospects.

Plains Area

At Bulwark, the Company continued its area development in the first quarter with a 2 well multi zone program targeting the Viking light oil pool with secondary exploration targets. The program yielded excellent results with one well cased as a development well, and the second well cased as a new pool discovery. Both wells came on production in late March and are currently producing at a combined rate of approximately 173 boe/d.

The Company also completed construction of the Provost battery facility and drilled and cased the first 2 horizontal wells in a potential multi-well development drilling program targeting the Dina RR oil pool. This pool contains an estimated 10 million bbls of Original Oil in Place ("OOIP") with only 120,000 bbls recovered to date from vertical production wells. The new battery and disposal facility will reduce trucking costs and allow well production to be optimized. The two horizontal wells came on production in early April and are producing at a combined rate of approximately 120 boe/d. Both wells have high fluid levels and will be optimized at controlled rates. These excellent initial results combined with strong commodity prices support continued development with the potential for up to 10 additional wells on this property.

OUTLOOK AND 2008 GUIDANCE – LOW RISK DEVELOPMENT AND HIGH IMPACT RESOURCE PLAYS

The Company has remained bullish on the long term outlook for natural gas and our countercyclical acquisitions are showing results with a dramatic turnaround in commodity pricing during the quarter. Management will continue to execute on strategic acquisitions and farm-in opportunities building on its core area strategy and assembling a solid foundation for future growth. The Company's key characteristics are illustrated as follows:

- Stable production base > 3,100 boe/d;
- Net asset value of $ 4.41 per share utilizing strip pricing;
- Reserves of 9.1 MMboe (P+P);
- A reserve life index of 8.0 years (P+P);
- Tax pools of approximately $193 million;
- Net undeveloped land totaling approximately 147,000 acres;
- Solid balance sheet with current net debt of approximately $46 million, and total credit facilities of $62.5 million;
- Year end debt range of 1.0 to 1.4 times cash flow;
- Significant oil potential at Jayar and Provost;
- Exciting exploration and resource potential in British Columbia; and
- Significant drilling inventory of > 80 locations.

In the first quarter we continued to add to our land base and our inventory of opportunities and the management team and Board of Directors remained focused on cost effective per share growth in reserves, production and cash flow following management's "acquire, exploit and explore" business strategy.

The Company executed its capital program as planned in Q1 and has an excellent inventory of low risk development, high impact exploration and high impact resource prospects in the upcoming quarters. Twin Butte remains on track to achieve its previous guidance for average 2008 production of 3,150 boe/d with exit production greater than 3,350 boe/d representing an increase in average daily production of approximately 85 percent over 2007.

The capital program is underpinned by the drilling of high impact earning wells on the large OGIP Montney resource lands in North East British Columbia, the Jayar light oil pool development and the Provost Dina oil pool development that all present significant upside potential for the Company. The management and Board of Directors will continue to monitor the improving commodity price environment, the Company's continued success and its growing inventory of opportunities in relation to the cash flow capital budget.

Twin Butte's management continues to position the Company both operationally and financially with excellent growth potential for 2008 and beyond. The Company has a solid reserve and production base, a strong balance sheet and a significant tax pool advantage. This combination will enable Twin Butte to effectively pursue management's growth strategy and we remain very excited about the Company's future prospects.

On behalf of the Board of Directors,

Ron Cawston
President and C.E.O.
May 13, 2008

HIGHLIGHTS

	Three months ended March 31		
	2008	2007	% Change
FINANCIAL ($ thousands, except per share amounts)			
Petroleum and natural gas sales	**13,800**	5,981	131%
Cash flow (1)	**5,780**	2,626	120%
Per share basic & diluted	**0.16**	0.13	23%
Net loss	**(2,751)**	(3,915)	(29)%
Per share basic & diluted	**(0.07)**	(0.19)	(63%)
Capital expenditures (net of dispositions)	**8,514**	8,391	1%
Corporate acquisitions (2)	**57,252**	–	–
Net debt (3)	**(46,297)**	(9,001)	414%
OPERATING			
Average daily production			
Crude oil (bbl per day)	**540**	305	77%
Natural gas (Mcf per day)	**11,096**	5,720	94%
Natural gas liquids (bbl per day)	**110**	51	116%
Barrels of oil equivalent (boe per day, 6:1)	**2,500**	1,309	91%
Average sales price			
Crude oil ($ per bbl)	**92.17**	63.86	44%
Natural gas ($ per Mcf)	**8.37**	7.74	8%
Natural gas liquids ($ per bbl)	**81.69**	53.25	53%
Barrels of oil equivalent ($ per boe, 6:1)	**60.67**	50.76	20%
Operating netback ($ per boe)			
Petroleum and natural gas sales	**60.67**	50.76	20%
Realized loss on financial instruments	**(2.71)**	–	
Royalties	**(10.64)**	(9.55)	11%
Operating Expenses	**(11.17)**	(11.73)	(5)%
Transportation Expenses	**(2.83)**	(2.69)	5%
Operating netback	**33.32**	26.79	24%
Wells drilled			
Gross	**5.0**	4.0	
Net	**5.0**	3.1	
Success (%)	**100%**	100%	
COMMON SHARES			
Shares outstanding, end of period	**43,415,425**	22,202,401	96%
Weighted average shares outstanding – basic & diluted	**36,702,699**	20,348,635	80%

(1) Cash flow means earnings before future taxes, depletion, depreciation and accretion, stock based compensation, and unrealized loss (gain) on financial derivative contracts. See Management's Discussion & Analysis Non-GAAP Measures.

(2) Corporate acquisitions represent total consideration for the transactions including net working capital deficiency assumed.

(3) Net debt at March 31, 2008 excludes financial derivative contracts asset and liability in the net amount of $4.7 million (December 31, 2007 - $0.5 million). The net liability relates to an unrealized loss on financial derivative contracts recognized at the period end.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated as of May 13, 2008

The following discussion and analysis as provided by the management of Twin Butte Energy Ltd. ("Twin Butte" or the "Company") should be read in conjunction with the audited financial statements and management's discussion and analysis for the year ended December 31, 2007 and the unaudited financial statements for the three quarters ended March 31, 2007, June 30, 2007 and September 30, 2007.

Basis of Presentation – The reporting and measurement currency is the Canadian dollar.

Non-GAAP Measures – The Management's Discussion and Analysis ("MD&A") contains the term cash flow from operations or cash flow which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. All references to cash flow from operations or cash flow throughout this report are based on cash flow from operating actives before changes in non-cash working capital. The Company also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. These measures may not be comparable to other companies.

boe Presentation – Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion rate of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived by converting gas to oil at the ratio of six thousand cubic feet of gas to one barrel of oil.

Forward-Looking Information – Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving Twin Butte Energy Ltd. Particularly, statements regarding our future operating results and economic performance, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts.

These statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

Forward looking-information is also subject to certain factors, including risks and uncertainties, that could cause actual results to differ materially from what we currently expect. These factors include risk associated with oil and gas exploration, production, marketing, and transportation such as loss of market, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risk, competition from other producers and ability to access sufficient capital from internal and external resources.

Other than as required under securities laws, we do not undertake to update this information at any particular time.

PETROLEUM AND NATURAL GAS SALES

Twin Butte realized the following production volumes, commodity prices and revenues:

	Three months ended March 31	
	2008	2007
Average Twin Butte Realized Commodity Prices (1)		
Crude oil ($ per bbl)	**92.17**	63.86
Natural gas ($ per Mcf)	**8.37**	7.74
Natural gas liquids ($ per bbl)	**81.69**	53.25
Barrels of oil equivalent ($ per boe, 6:1)	**60.67**	50.76

(1) The average selling prices reported are before realized financial instrument gains/losses and transportation charges.

Benchmark Pricing		
WTI crude oil (US$ per bbl)	**97.87**	57.87
WTI crude oil (Cdn$ per bbl)	**98.16**	67.74
AECO natural gas (Cdn$ per Mcf) (2)	**7.86**	7.37
Exchange rate – US$/Cdn$	**1.00**	0.85

(2) The AECO natural gas price reported is the average daily spot price.

Revenue		
$'s		
Crude oil	**4,532,090**	1,750,451
Natural gas	**8,450,309**	3,983,919
Natural gas liquids	**817,755**	246,302
Total petroleum and natural gas sales	**13,800,154**	5,980,672
Average Daily Production		
Crude oil & natural gas liquids (bbl/day)	**640**	356
Natural gas (Mcf/day)	**11,096**	5,720
Total (boe/d)	**2,500**	1,309

Revenues for the three months ended March 31, 2008 were $13.8 million, as compared to $6.0 million for the three months ended March 31, 2007 representing an increase of $7.8 million or 131%. This increase in revenue is attributed primarily to year over year first quarter production average increasing by 91% to 2,500 boe/d in 2007 from 1,309 boe/d in 2007. The increase in revenue is also partially attributed to a 20% increase in the average realized commodity price from $50.76 per boe in 2007 to $60.67 in 2008. Volumes in the first quarter of 2008 were positively impacted by the acquisition of E4 Energy Inc. on Feb 8, 2008.

The Company's weighting to natural gas for the first quarter of 2008 was 74%, compared to a weighting of 75% for the fourth quarter of 2007 and 73% for the prior year comparative quarter.

ROYALTIES

Royalties for the three months ended March 31, 2008 were $2.4 million, as compared to $1.1 million for the three months ended March 31, 2007. As a percentage of revenues, the average royalty rate for the first quarter of 2008 was 18% compared to 19% for the comparative period of 2007. The Company was able to take advantage of B.C. royalty credits in the first quarter and expects royalties to be in the 19% to 20% range for the balance of the year.

OPERATING EXPENSES

Operating expenses were $2.5 million or $11.17 per boe for the quarter ended March 31, 2008 as compared to $1.4 million or $11.73 per boe for the three months ended March 31, 2007. The Company continues to evaluate options which will reduce operating costs on a per unit basis such as purchasing rental equipment in the field.

TRANSPORTATION EXPENSES

Transportation expenses for the three months ended March 31, 2008 were $0.6 million or $2.83 per boe compared to $0.3 million or $2.69 per boe in the prior year comparative quarter. Increases in total transportation expenses are the result of increased production volumes but transportation expenses on a per unit basis remain consistent.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

	Three months ended March 31	
	2008	2007
G&A expenses	**1,433,732**	792,983
Recoveries	**(118,604)**	(139,714)
Capitalized G&A expenses	**(248,727)**	(178,799)
Total net G&A expenses	**1,066,401**	474,470

General and administrative expenses, net of recoveries and capitalized G&A, were $1.1 million, or $4.69 per boe for the current quarter as compared to $0.5 million or $4.03 per boe in the prior year comparative quarter. The Company incurred some short term and non-recurring expenses in the first quarter related to the acquisition of E4. Office move and transitional consulting costs along with costs of additional office space will be significantly reduced in future quarters.

STOCK BASED COMPENSATION EXPENSE

During the three month period ended March 31, 2008, the Company recognized stock based compensation expense in the amount of $0.8 million, as compared to stock based compensation expense of $0.2 million in three month period ended March 31, 2007. The significant increase in stock based compensation expense for the quarter is the result of stock based compensation expense recorded on the remaining unrecognized fair value of outstanding stock options that were cancelled in the quarter. This expense recognition is in accordance with accounting rules.

INTEREST EXPENSE

For the three months ended March 31, 2008, interest expense was $0.7 million, an increase of $0.6 million from $0.1 million for the prior year comparative quarter. Higher interest costs in the first quarter of 2008 are due to higher average debt levels. Bank indebtedness levels during the quarter have increased primarily as a result of net debt acquired as part of the acquisition of E4 Energy Inc.

UNREALIZED LOSS ON FINANCIAL DERIVATIVE CONTRACTS AND REALIZED LOSS ON FINANCIAL DERIVATIVES

During 2007 and 2008, the Company has entered into fixed price swap and costless collar contracts for natural gas and crude oil. As part of our financial management strategy, Twin Butte has adopted a disciplined commodity price risk management program. The purpose of the program is to reduce volatility in the financial results and to stabilize and hedge future cash flow against the unpredictable commodity price environment.

The Company has recognized a realized loss on financial derivatives in the amount of $0.6 million for the three month period ended March 31, 2008 as compared to no gain or loss amount for the prior year comparative period.

The Company has recognized an unrealized loss on financial derivative contracts in the amount of $4.1 million for the three month period ended March 31, 2008 compared to an unrealized loss of $0.7 million for the three month period ended March 31, 2007.

The following is a summary of all natural gas and crude oil sales price derivative contracts in effect as at March 31, 2008 and their related fair market values (unrealized loss positions):

Natural Gas Sales Price Derivative Contracts

Daily quantity per giga-joule ("GJ")	Remaining term of contract	Fixed price per GJ (AECO)	Fair market value
2,000	April 1 to December 31, 2008	$6.500	(1,350,855)
2,500	April 1 to October 31, 2008	$6.450	(1,269,849)
1,000	April 1 to December 31, 2008	$6.640	(653,320)
1,000	April 1 to October 31, 2008	$7.075	(400,286)
Natural gas fair value position			$ (3,674,310)

Crude Oil Sales Price Derivative Contracts

Daily quantity per barrel ("bbl")	Remaining term of contract	Fixed price per bbl (WTI)	Costless Collar per bbl (WTI)	Fair market value
100	April 1 to December 31, 2008	US $70.65		(806,265)
60	April 1 to December 31, 2008	US $87.25		(205,998)
100	April 1 to December 31, 2008		US $90.00 – US $120.00	35,539
Crude oil fair value position				$ (976,724)

DEPLETION, DEPRECIATION AND ACCRETION EXPENSE

For the three month period ended March 31, 2008, depletion and depreciation of capital assets and the accretion of the asset retirement obligations was $6.2 million or $26.67 per boe compared to $3.8 million or $31.92 per boe for the three month period ended March 31, 2007.

The increase in depletion, depreciation and accretion expense for the three months ended March 31, 2008 as compared to the same period in 2007 is due to higher production volumes, but reflects a decrease in costs on a per unit basis. Per unit costs have decreased in 2008 compared to 2007 due to proven reserve additions acquired from the first quarter of 2007 through to the first quarter of 2008 at a lower cost than historic first quarter 2007 depletion, depreciation and accretion expense per boe.

INCOME TAXES

Future income tax recovery amounted to $2.5 million for the three month period ended March 31, 2008 compared to future income tax expense in the amount of $1.9 million for the three month period ended March 31, 2007. The Company has existing tax losses and pools of approximately $193.1 million of which $62.8 million are non-capital losses. Based on current cash flow forecasts the Company will be able to realize the benefit of the majority of the non-capital losses.

CASH FLOW FROM OPERATIONS, AND NET LOSS AND COMPREHENSIVE LOSS

Cash flow from operations for the three month period ended March 31, 2008 was $5.8 million, an increase of 120% from first quarter 2007 cash flow of $2.6 million. Cash flow per share basic and diluted amounted to $0.16 for the first quarter of 2008, an increase of 23% from $0.13 in the first quarter of 2007. The increase in cash flow per share is mainly a result of higher revenues and reduced operating costs on a per unit basis.

The Company posted net loss and comprehensive loss of $2.8 million for the three month period ended March 31, 2008, equating to a basic and diluted net loss per share of $0.07, compared to a net loss and comprehensive loss of $3.9 million for the three month period ended March 31, 2007, equating to a basic and diluted net loss per share of $0.19.

The net loss and comprehensive loss of $2.8 million for the three month period ended March 31, 2008 includes non cash items including depletion, depreciation and accretion expense of $6.2 million, future income tax recovery of $2.5 million, unrealized loss on financial derivative contracts of $4.1 million, and stock based compensation expense $0.8 million.

The following table summarizes netbacks for the past seven quarters on a barrel of oil equivalent basis:

($ per boe)	**Q1 2008**	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Petroleum and natural gas sales	**60.67**	49.55	42.91	51.38	50.76	48.48	47.45
Royalties	**(10.64)**	(9.99)	(9.08)	(10.52)	(9.55)	(7.21)	(7.91)
Realized gain (loss) on financial instruments	**(2.71)**	(0.84)	3.07	0.93	–	–	–
Operating expenses	**(11.17)**	(12.89)	(11.86)	(10.96)	(11.73)	(11.38)	(11.76)
Transportation expenses	**(2.83)**	(2.54)	(2.47)	(2.31)	(2.69)	(2.77)	(2.40)
Operating netback	**33.32**	23.29	22.57	28.52	26.79	27.12	25.38
General and administrative expenses	**(4.69)**	(3.70)	(3.19)	(4.25)	(4.03)	(5.19)	(4.30)
Interest expense	**(3.21)**	(1.96)	(2.07)	(0.77)	(0.47)	(1.42)	(1.76)
Cash flow from operations	**25.42**	17.63	17.31	23.51	22.29	20.51	19.32

The Company's first fully operational quarter of activity was the three month period ended September 30, 2006.

QUARTERLY FINANCIAL SUMMARY

The following table highlights Twin Butte's performance for the past seven quarters:

($ thousands, except per share amounts)	**March 31, 2008**	Dec. 31, 2007	Sep. 30, 2007	June 30, 2007	March 31, 2007	Dec. 31, 2006	Sep. 30, 2006
Average production (boe/d)	**2,500**	2,006	2,042	1,445	1,309	1,089	1,047
Petroleum and natural gas sales	**13,800**	9,146	8,060	6,755	5,981	4,855	4,569
Operating netback (per boe)	**33.32**	23.29	22.57	28.52	26.79	27.12	25.38
Cash flow from operations	**5,780**	3,255	3,254	3,091	2,626	2,054	1,861
Per share basic & diluted	**0.16**	0.12	0.12	0.14	0.13	0.11	0.10
Net income (loss)	**(2,751)**	4,272	(4,818)	3,483	(3,915)	(881)	(2,267)
Per share basic & diluted	**(0.07)**	0.15	(0.18)	0.16	(0.19)	(0.07)	(0.13)
Corporate acquisitions	**57,252**	–	–	–	–	–	–
Capital expenditures (net of dispositions)	**8,487**	3,671	3,615	31,981	8,391	9,581	4,666
Total assets	**186,685**	120,151	112,804	116,389	81,899	78,697	67,060
Net debt excluding financial derivative contracts liability	**46,297**	23,242	22,823	38,042	9,001	14,558	7,517

CORPORATE ACQUISITIONS

On February 7, 2008, the Company closed the acquisition of E4 Energy Inc., a publicly traded company with properties in North East British Columbia and in Alberta, for total consideration of approximately $57.3 million including net debt assumed. The purchase was funded through the issuance of 15.7 million common shares of Twin Butte and was accounted for as a business combination using the purchase method of accounting.

CAPITAL EXPENDITURES

The Company's capital expenditures for the first quarter of 2008 were $8.5 million, compared to $8.4 million for the comparable period in 2007. In the first quarter of 2008, 5 wells (5.0 net) were drilled for a success rate of 100 percent. The Company's budgeted capital program for 2008 is approximately $27.0 million.

The following tables summarize Twin Butte's capital expenditures, drilling results and undeveloped land positions.

Capital Expenditures ($ thousands)	Three months ended March 31	
	2008	2007
Land acquisition	**571**	242
Geological and geophysical	**416**	275
Drilling and completions	**5,315**	5,466
Equipping and facilities	**1,904**	2,694
Property acquisitions	–	–
Property dispositions	–	(466)
Other	**308**	181
Total net capital expenditures	**8,514**	8,391

Drilling Results

Three months ended March 31	**2008**		2007	
	Gross	**Net**	Gross	Net
Crude oil	**3.0**	**3.0**	2.0	1.7
Natural gas	**2.0**	**2.0**	2.0	1.4
Dry and abandoned	–	–	–	–
Total	**5.0**	**5.0**	4.0	3.1
Success rate (%)		**100%**		100%

Undeveloped Land

Three months ended March 31	**2008**	2007
Gross Acres	**184,453**	36,450
Net Acres	**147,296**	29,191

The undeveloped land position has increased significantly as a result of the E4 acquisition and crown land sales.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2008, the Company had net debt of $46.3 million, excluding financial derivative contracts liability in the amount of $4.1 million relating to unrealized losses on financial derivative contracts recognized at March 31, 2008. The Company has a total credit facility with a Canadian chartered bank in the amount of $62.5 million. The credit facility is composed of a $55.0 million demand revolving operating credit facility and a $7.5 million acquisition and development credit facility. The Company is able to fund the current capital program from cash flow and existing credit facilities.

SHARE CAPITAL

At March 31, 2008 the Company had 43,415,425 Common Shares issued compared to 27,752,398 Common Shares at December 31, 2007. The increase of 56% in the number of Common Shares outstanding relates to the issuance of 15,663,027 Common Shares to the former shareholders of E4 Energy Inc. on February 8, 2008.

As of May 13, 2008 the Company currently has 43,415,425 Common Shares and 2,579,000 stock options outstanding.

CONTRACTUAL OBLIGATIONS

The issuance of flow through shares in February 2007 for proceeds of $12.0 million will require the Company to spend $12.0 million of flow-through share eligible Canadian Exploration Expenditures, as defined in the Canadian Income Tax Act, by December 31, 2008. As at March 31, 2008 the Company has incurred approximately $3.8 million of this commitment.

The Company has other commitments and guarantees in the normal course of business, consisting of office space leases and equipment rentals which are not considered material.

RELATED PARTY TRANSACTIONS

During the three month period ended March 31, 2008, the Company incurred costs totaling $64 thousand ($815 thousand – year ended December 31, 2007) for services rendered by companies in which a director of Twin Butte is an officer and a director. These costs were incurred in the normal course of business and recorded at the exchange amount.

NEWLY ADOPTED ACCOUNTING POLICIES

As disclosed in the December 31, 2007 annual audited financial statements, the CICA has issued three new accounting standards, section 1535 "Capital Disclosures", section 3862 "Financial Instruments – Disclosures", and section 3863 "Financial Instruments – Presentation". These standards became effective for the Company in the first quarter of 2008.

Section 1535 requires the disclosure of the Company's objectives, policies and processes for managing capital. This includes qualitative information regarding the Company's objectives, policies and processes for management of capital and quantitative data about what the Company manages as capital. These disclosures are based on information that is provided internally by the Company's key management. The Company has provided these disclosures in the December 31, 2007 financial statements.

Sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation" which revises and enhances financial instruments disclosure requirements and leaves unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks.

OUTLOOK

The Company continues to believe in the longer term outlook for natural gas prices due to improving supply and demand fundamentals and the relative valuation of natural gas compared to crude oil. When this is combined with the execution of key "gas weighted" acquisitions in 2007 the Company is positioned to deliver significant growth per share to Twin Butte shareholders.

The business combination with E4 Energy on February 8, 2008 was a key building block in the Company's growth increasing the Company prospect inventory and significantly increasing the undeveloped land base to approximately 143,000 net undeveloped acres. The E4 acquisition brings a large oil in place reservoir with significant development potential to our existing Plains area and an exciting new core area in N.E. British Columbia. The N.E. British Columbia assets are characterized by high working interest, multi zone opportunities and resource play opportunities that add significant growth potential to the Company.

For 2008 the board of directors of Twin Butte have approved a capital program of $27 million which parallels forecast 2008 funds from operations of $26.5 million ($0.63/share). The Company anticipates drilling 26 wells during the year with approximately $5.5 million allocated to land and seismic that will ensure continued expansion of our prospect inventory. Average production for 2008 is forecast to be approximately 3,150 boe/d with exit production in excess of 3,350 boe/d.

The management team and Board of Directors remain focused on per share growth in reserves, production and cash flow which will be achieved through exploration and exploitation of the existing asset base and the integration of accretive acquisitions following management's "acquire, exploit and explore" business strategy.

Twin Butte has an experienced management team, a solid reserve and production base, a strong balance sheet and a significant tax pool advantage. In 2008, management will continue to employ a disciplined approach that will take advantage of our expanded opportunity base and focus on per share value creation for our shareholders. The Company is positioned both operationally and financially with excellent growth potential for 2008 and beyond.

ADDITIONAL INFORMATION

Additional information about Twin Butte can be found on the Company's website at www.twinbutteenergy.com and on SEDAR at www.sedar.com.

BALANCE SHEETS

(unaudited)

	March 31 2008	December 31 2007
ASSETS		
Current Assets		
Accounts receivable	**$ 11,225,944**	$ 5,727,286
Deposits and prepaid expenses	**1,110,743**	558,263
Financial derivative contracts (note 8)	**–**	266,898
	12,336,687	6,552,447
Future income taxes	**7,590,086**	9,164,477
Property and equipment (note 3)	**166,758,486**	104,433,701
	$ 186,685,259	$ 120,150,625
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 17,394,005**	$ 8,278,779
Bank indebtedness (note 4)	**41,239,439**	21,248,583
Financial derivative contracts (note 8)	**4,651,034**	827,135
	63,284,478	30,354,497
Asset retirement obligation (note 5)	**9,130,831**	6,945,541
	72,415,309	37,300,038
Shareholders' Equity		
Share capital (note 6)	**127,123,397**	93,722,668
Contributed surplus (note 6)	**1,784,426**	1,014,991
Deficit	**(14,637,873)**	(11,887,072)
	114,269,950	82,850,587
	$ 186,685,259	$ 120,150,625

Commitments (note 9)

See accompanying notes to financial statements

STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

(unaudited)

	Three Months Ended March 31	
	2008	2007
REVENUE:		
Petroleum and natural gas sales	**$ 13,800,154**	$ 5,980,672
Royalties	**(2,420,926)**	(1,125,831)
Realized loss on financial derivatives	**(615,923)**	–
Unrealized loss on financial derivative contracts (note 8)	**(4,090,797)**	(673,405)
	6,672,508	4,181,436
EXPENSES:		
Operating	**2,541,754**	1,382,502
Transportation	**644,379**	316,582
General and administrative	**1,066,401**	474,470
Stock based compensation	**769,436**	176,636
Interest	**731,249**	55,717
Depletion, depreciation and accretion	**6,202,856**	3,819,540
	11,956,075	6,225,447
Loss before income taxes	**(5,283,567)**	(2,044,011)
Income taxes		
Future tax (recovery) expense	**(2,532,766)**	1,871,446
	(2,532,766)	1,871,446
Net loss and comprehensive loss	**(2,750,801)**	(3,915,457)
Deficit, beginning of period	**(11,887,072)**	(10,908,275)
Deficit, end of period	**$ (14,637,873)**	$ (14,823,732)
Basic & diluted loss per share	**$ (0.07)**	$ (0.19)
Weighted average common shares outstanding		
Basic	**36,702,699**	20,348,635
Diluted	**36,702,699**	20,348,635

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

(unaudited)

	Three Months Ended March 31 2008	2007
Cash provided by (used in):		
OPERATIONS:		
Net loss	**$ (2,750,801)**	$ (3,915,457)
Items not involving cash:		
Depletion, depreciation and accretion	**6,202,856**	3,819,540
Future tax (recovery) expense	**(2,532,766)**	1,871,446
Unrealized loss on financial derivative contracts	**4,090,797**	673,405
Stock based compensation	**769,436**	176,636
	5,779,522	2,625,570
Changes in non-cash working capital	**(6,803,398)**	(99,454)
	(1,023,876)	2,526,116
FINANCING:		
Change in bank indebtedness	**4,225,856**	(6,286,645)
Issuance of share capital, net of share issue costs	**(33,750)**	11,322,732
Changes in non-cash working capital	**–**	15,000
	4,192,106	5,051,087
INVESTING:		
Expenditures on property and equipment	**(8,513,728)**	(8,857,205)
Acquisition expenditures	**(362,668)**	–
Proceeds on disposition of property and equipment	**–**	465,721
Changes in non-cash working capital	**5,708,166**	814,281
	(3,168,230)	(7,577,203)
Decrease in cash and cash equivalents	**–**	–
Cash and cash equivalents, beginning of period	**–**	–
Cash and cash equivalents, end of period	**$ –**	$ –
Cash interest paid	**$ 729,237**	$ 56,316

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

March 31, 2008 (unaudited)

The interim financial statements of Twin Butte Energy Ltd. ("Twin Butte" or the "Company") have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2007 except as noted below. The disclosures provided below are incremental to those included in the audited annual financial statements. These interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's audited annual financial statements. Certain of the comparative amounts have been reclassified to conform to the presentation adopted in the current period.

Twin Butte is engaged in the acquisition of, exploration for, and development of petroleum and natural gas properties in Western Canada.

1. SIGNIFICANT ACCOUNTING POLICIES

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses. The amounts recorded for depletion and amortization of petroleum and natural gas properties and equipment and the provision for future asset retirement obligation costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, future oil and gas prices, future costs and other relevant assumptions. The amounts recorded for future taxes are based on estimates of future taxable income and anticipated income tax rates. The fair value of stock options is based on estimates using the Black-Scholes option pricing model and is recorded as stock-based compensation expense in the financial statements. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Newly Adopted Accounting Policies

As disclosed in the December 31, 2007 annual audited financial statements, the CICA has issued three new accounting standards, section 1535 "Capital Disclosures", section 3862 "Financial Instruments – Disclosures", and section 3863 "Financial Instruments – Presentation". These standards became effective for the Company in the first quarter of 2008.

Section 1535 requires the disclosure of the Company's objectives, policies and processes for managing capital. This includes qualitative information regarding the Company's objectives, policies and processes for management of capital and quantitative data about what the Company manages as capital. These disclosures are based on information that is provided internally by the Company's key management. The Company has provided these disclosures in the 2007 financial statements (note 6).

Sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation" which revises and enhances financial instruments disclosure requirements and leaves unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks.

2. ACQUISITION EXPENDITURES

On February 7, 2008, the Company purchased all the issued and outstanding shares of E4 Energy Inc., a publicly traded company with properties in North East British Columbia and Alberta for total consideration of $37.3 million, plus assumed bank debt and working capital. The purchase was paid for through the issuance of 15.7 million common shares of Twin Butte and was accounted for as a business combination using the purchase method of accounting as follows:

Net Assets Acquired

	Total
Petroleum and natural gas properties	$ 59,741,731
Future income tax liability	(576,906)
Net working capital deficiency	(19,924,318)
Asset retirement obligation	(1,913,109)
Total net assets acquired	$ 37,327,398

The Company is in the process of finalizing the valuation of the above assets and liabilities acquired and, therefore, the allocation of the purchase price is subject to refinement.

The net working capital deficiency consists of the following:

	Total
Accounts receivable	$ 3,642,964
Deposits and prepaid expenses	191,847
Accounts payable and accrued liabilities	(7,994,129)
Bank indebtedness	(15,765,000)
Net working capital deficiency	$ (19,924,318)

Consideration

	Total
Shares	$ 36,964,730
Transaction costs	362,668
Total purchase price	$ 37,327,398

3. PROPERTY AND EQUIPMENT

			March 31, 2008	December 31, 2007
	Cost	Accumulated Depletion & Depreciation	**Net Book Value**	Book Value
Petroleum and natural gas properties	$ 198,838,607	$ 32,209,238	**$ 166,629,369**	$ 104,352,054
Office and computer equipment	173,047	43,930	**129,117**	81,647
Total	$ 199,011,654	$ 32,253,168	**$ 166,758,486**	$ 104,433,701

The Company has capitalized $248,727 of general and administrative expenses directly related to exploration and development activities for the three month period ended March 31, 2008 ($178,799 - March 31, 2007).

The cost of undeveloped property excluded from the depletion base as at March 31, 2008 was $21,129,032 ($8,158,643 – December 31, 2007). Future development costs on proved undeveloped reserves of $14,466,200 as at March 31, 2008 are included in the calculation of depletion and depreciation ($13,457,000 – December 31, 2007).

4. BANK INDEBTEDNESS

As at March 31, 2008, the Company had a $62.5 million demand revolving credit facility with a Canadian chartered bank. The credit facility provides that advances may be made by way of direct advances, banker's acceptances, or standby letters of credit/guarantees. The credit facility is composed of a $55.0 million demand revolving operating credit facility and a $7.5 million acquisition and development credit facility. Interest rates on the demand revolving operating credit facility fluctuate based on a pricing grid and range from bank prime to bank prime plus 2.0%, depending upon the Company's then current debt to cash flow ratio of between less than one times to greater than three times. A debt to cash flow ratio of less than one times has interest payable at the bank's prime lending rate. A debt to cash flow ratio greater than three times has interest payable at the bank's prime lending rate plus 2.0%. Advances on the acquisition and development credit facility bear interest at the bank's prime lending rate plus 0.25%. The credit facility is secured by a demand debenture and a general security agreement covering all assets of the Company.

5. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are based on the Company's net ownership in wells and facilities, and management's estimate of future costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of the costs to be incurred.

The Company has estimated the present value of its total asset retirement obligation to be $9,130,831 at March 31, 2008, based on a total future liability of $15,529,750. Payments to settle asset retirement obligations occur over the operating lives of the underlying assets, estimated to be from 1 year to 19 years with the majority of the costs to be incurred between 2008 and 2016. A credit-adjusted risk free rate of eight percent and an inflation rate of two percent were used to calculate the present value of the asset retirement obligation.

Changes to the asset retirement obligation are as follows:

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
Asset retirement obligation, beginning of period	**$ 6,945,541**	$ 3,073,325
Liabilities incurred	**92,353**	540,749
Acquisitions	**1,913,109**	3,521,094
Liabilities related to property dispositions	–	(35,940)
Revisions in estimated cash outflows	**55,343**	(403,449)
Accretion of asset retirement obligation	**124,485**	249,762
Asset retirement obligation, end of period	**$ 9,130,831**	$ 6,945,541

6. SHARE CAPITAL

Authorized

An unlimited number of voting Common Shares and an unlimited number of Preferred Shares.

Issued

	Number of shares	Amount
Common Shares		
Balance, December 31, 2007	27,752,398	$ 93,722,668
Issued pursuant to acquisition of E4 Energy Inc. (note 2)	15,663,027	36,964,730
Tax effect of 2007 flow through share issue	–	(3,540,207)
Financing costs net of tax	–	(23,794)
Balance, March 31, 2008	**43,415,425**	**$ 127,123,397**

Management of Capital Structure

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute on its capital investment program, which includes investing in oil and gas activities which may or may not be successful. Therefore the Company continually strives to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its capital expenditures. The Company endeavors to maintain a debt to cash flow ratio below 1.5:1. However, this target ratio may change with changes in commodity prices and other changes in the business environment.

In the management of capital, the Company includes share capital and total debt (defined as the sum of current assets, current liabilities and bank debt) in the definition of capital.

The key measures that the Company utilizes in evaluating its capital structure are total debt to cash flow from operating activities (before changes in non-cash working capital) and the current credit available from its creditors in relation to the Company's budgeted capital program. Total debt to cash flow from operating activities (before changes in non-cash working capital) is calculated as total debt divided by cash flow from operating activities (before changes in non-cash working capital) and represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if cash flow from operating activities (before changes in non-cash working capital) stayed constant.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including; the current economic conditions; the risk characteristics of the underlying assets; the depth of its investment opportunities, forecasted investment levels; the past efficiencies of our investments; the efficiencies of the forecasted investments and the desired pace of investment; current and forecasted total debt levels; current and forecasted natural gas and crude oil prices and other factors that influence natural gas prices and cash flow from operating activities (before changes in non-cash working capital), such as foreign exchange and basis differential.

In order to maintain or adjust the capital structure, the Company will consider: its forecasted debt to forecasted cash flow from operating activities (before changes in non-cash working capital) ratio while attempting to finance an acceptable investment program including incremental investment and acquisition opportunities; the current level of bank credit available from the bank syndicate; the level of bank credit that may be obtainable from its banking syndicate as a result of natural gas reserve growth; the availability of other sources of debt with different characteristics than the existing bank debt; the sale of assets; limiting the size of the investment program and new common equity if available on favorable terms. During 2008, the Company's strategy in managing its capital was unchanged from the prior year.

Stock Options

The following table sets forth a reconciliation of stock option plan activity through to March 31, 2008:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2007	1,805,000	$ 3.15
Granted	1,551,000	2.45
Cancelled	(777,000)	3.77
Outstanding at March 31, 2008	**2,579,000**	**$ 2.79**

There were 171,667 options exercisable as at March 31, 2008 at an average exercise price of $3.84 per share. The 2,579,000 options outstanding at March 31, 2008 have a weighted average remaining contractual life of 4.52 years.

Stock Based Compensation

The Company accounts for its stock based compensation plan using the fair value method. Under this method, a compensation cost is charged over the vesting period for options granted to employees, consultants, officers, and directors with a corresponding increase to contributed surplus.

The following table reconciles the Company's contributed surplus balance.

	Period Ended March 31, 2008	Year Ended December 31, 2007
Contributed surplus balance at beginning of period	**$ 1,014,991**	$ 415,713
Stock based compensation for stock options granted	**236,934**	599,278
Stock based compensation for stock options cancelled	**532,501**	–
Contributed surplus balance at end of period	**$ 1,784,426**	$ 1,014,991

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with assumptions and resulting values for grants for the three month period ended March 31 as follows:

Expected volatility	50%
Risk free rate of return	4.5%
Expected stock option life	3 years
Dividend yield rate	0.0%
Weighted average fair value of stock option grants	$0.93

Earnings (Loss) Per Share

The following table sets forth the details of the denominator used for the computation of basic and diluted earnings (loss) per share:

	Three months ended March 31	
	2008	2007
Weighted average number of basic shares	**36,702,699**	20,348,635
Effect of dilutive securities:		
Employee stock options	–	–
Weighted average number of diluted shares	**36,702,699**	20,348,635

All of the issued stock options were excluded from the calculation of diluted weighted average shares outstanding as to include them would be anti-dilutive.

7. RELATED PARTY TRANSACTIONS

During the three month period ended March 31, 2008, the Company incurred costs totaling $63,795 (year ended December 31, 2007 - $814,916) for services rendered by companies in which a director of Twin Butte is an officer and a director. These costs were incurred in the normal course of business and recorded at the exchange amount. As at March 31, 2008, the Company has $63,795 included in accounts payable and accrued liabilities related to these transactions.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank indebtedness and risk management assets and liabilities. Risk management assets and liabilities arise from the use of derivative financial instruments. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows:

Fair Value of Financial Assets and Liabilities

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and bank indebtedness approximate their carrying amount due to the short-term maturity of those instruments.

Risk management assets and liabilities are recorded at their estimated fair value based on the mark-to-market method of accounting, using quoted market prices or, in their absence, third-party market indications and forecasts. The fair value of financial assets and liabilities were as follows:

	As at March 31, 2008		As at December 31, 2007	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Financial Assets				
Risk management assets	**–**	**–**	266,898	266,898
Accounts receivable	**11,225,944**	**11,225,944**	5,727,286	5,727,286
Financial Liabilities				
Risk management liabilities	**$ 4,651,034**	**$ 4,651,034**	$ 827,135	$ 827,135
Accounts payable and accrued liabilities	**17,394,005**	**17,394,005**	8,278,779	8,278,779
Bank indebtedness	**41,239,439**	**41,239,439**	21,248,583	21,248,583

Risk Management Assets and Liabilities

Net Risk Management Position

	March 31, 2008	December 31, 2007
Risk Management		
Current asset	**$ –**	$ 266,898
Current liability	**4,651,034**	827,135
Net Risk Management Liability	**$ 4,651,034**	$ 560,237

Summary of Unrealized Risk Management Positions

	As at March 31, 2008			As at December 31, 2007		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Commodity Prices						
Natural gas	**$ –**	**$ 3,674,310**	**$ 3,674,310**	$ 266,898	$ –	$ 266,898
Crude oil	**–**	**976,724**	**976,724**	–	827,135	827,135
Total Fair Value	**$ –**	**$ 4,651,034**	**$ 4,651,034**	$ 266,898	$ –	$ 560,237

The net fair value methodologies used to calculate the unrealized risk management positions is the value using quoted prices in the market.

Net Fair Value of Commodity Price Positions at March 31, 2008

Natural Gas Sales Price Derivative Contracts

Daily quantity per giga-joule ("GJ")	Remaining term of contract	Fixed price per GJ (AECO)	Fair market value
2,000	April 1 to December 31, 2008	$6.500	(1,350,855)
2,500	April 1 to October 31, 2008	$6.450	(1,269,849)
1,000	April 1 to December 31, 2008	$6.640	(653,320)
1,000	April 1 to October 31, 2008	$7.075	(400,286)
Natural gas fair value position			$ (3,674,310)

Crude Oil Sales Price Derivative Contracts

Daily quantity per barrel ("bbl")	Remaining term of contract	Fixed price per bbl (WTI)	Costless Collar per bbl (WTI)	Fair market value
100	April 1 to December 31, 2008	US $70.65		(806,265)
60	April 1 to December 31, 2008	US $87.25		(205,998)
100	April 1 to December 31, 2008		US $90.00 – US $120.00	35,539
Crude oil fair value position				$ (976,724)

Financial instruments carried on the balance sheet consist mainly of accounts receivable and current liabilities including bank indebtedness. The estimated fair value of the financial instruments approximates their carrying values due to their short terms to maturity. Substantially all of the Company's accounts receivable are due from customers in the oil and gas industry and are subject to normal industry credit risk. The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact any bank indebtedness that has a floating interest rate.

Reconciliation of Unrealized Risk Management Positions from January 1 to March 31, 2008

	2008	
	Fair Market Value	**Total Unrealized Gain (Loss)**
Fair Value of Contracts, Beginning of Year	**$ (560,237)**	**–**
Change in Fair Value of Contracts in Place at Beginning of Year	**(4,090,797)**	**(4,090,797)**
Fair Value of Contracts Realized During the Period	**–**	**–**
Fair Value of Contracts, End of Period	**$ (4,651,034)**	**$ (4,090,797)**

Risk Associated with Financial Assets and Liabilities

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange rates, credit risk and liquidity risk.

Market Risk

Market risk, the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices is comprised of the following:

- **Commodity Price Risk**
  As a means of mitigating exposure to commodity price risk volatility, the Company has entered into various natural gas and crude oil sales price derivative agreements. The use of derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. The Company's policy is to not use derivative financial instruments for speculative purposes.

- **Interest Rate Risk**
  The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact any bank indebtedness that has a floating interest rate, potentially affecting future cash flows. At March 31, 2008 the Company did not have any interest rate swaps or hedges in place.

- **Foreign Exchange Risk**
  The Company's operates in Canada and substantially all of the Company's activity is denominated in Canadian dollars. The Company is exposed to fluctuations in the exchange rate between the U.S./Canadian dollar with respect to crude oil sales price derivative agreements that are based in United States dollars.

The Company uses a non-GAAP measure, cash flow from operations, as a measure of current operating efficiency. Cash flow from operations represents cash flow from operating activities prior to changes in non-cash working capital. For the three months ended March 31, 2008, the sensitivity of cash flow from operations to changes in Twin Butte's realized crude oil and NGL prices, natural gas prices, and bank interest rate would have been as follows: An increase $1.00 per bbl in the realized price for crude oil and NGL would have resulted in approximately $32 thousand additional cash flow from operations. An increase by $0.10 per thousand cubic feet in the realized price for natural gas would have resulted in approximately $59 thousand additional cash flow from operations. An increase by 0.1% to the bank interest rate would have resulted in approximately

$90 thousand less cash flow from operations. However, the above sensitivity results crude oil and NGL and for natural gas should not be extrapolated further without considering Twin Butte's hedge portfolio, royalty parameters and potential price-related effects on the results of the period.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

At March 31, 2008, the Company had financial derivative contract agreements with two counterparties. The Company is in a liability position to both of those counterparties.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and debt management. As disclosed in note 6, a key measure that the Company utilizes in evaluating its capital structure and debt are total debt to cash flow from operating activities (before changes in non-cash working capital) and the current credit available from its creditors in relation to the Company's budgeted capital program. Both of these ratios are in an acceptable range for the Company.

In managing liquidity risk, the Company has access to funding at competitive rates through its banking credit facility. As at March 31, 2008, the Company had available unused bank credit facilities in the amount of $21.3 million. The Company believes it has sufficient funding through the use of this credit facility to meet foreseeable borrowing requirements.

The timing of cash outflows relating to financial liabilities are all within one year from March 31, 2008.

9. COMMITMENTS

The Company is committed to incur $12.0 million of flow-through share eligible Canadian Exploration Expenditures, as defined in the Canadian Income Tax Act, by December 31, 2008. As at March 31, 2008 the Company has incurred approximately $3.8 million of this commitment.

CORPORATE INFORMATION

OFFICERS

Ron Cawston
President and Chief Executive Officer

Glenn Downey
Vice President, Exploration

Greg Hodgson
Vice President, Production and Operations

R. Alan Steele
Vice President, Finance & CFO

BOARD OF DIRECTORS

Jim Saunders, (1) (2)
Chairman of the Board

Jim Brown (1)

Paul Colborne (3)

Craig Hruska (2) (3)

Ken Mullen (1) (3)

Paul Starnino (2)

Ron Cawston

Member of:
(1) Audit Committee
(2) Reserves Committee
(3) Compensation, Nominating and Governance Committee

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STOCK EXCHANGE LISTING

TSX
Trading Symbol "TBE"

Twin Butte Energy Ltd.