SECOND QUARTER, SIX MONTHS ENDED JUNE 30

FINANCIAL AND OPERATING HIGHLIGHTS

True Energy Inc. ("True", "the Company", "the Corporation") announces its financial and operating results for the three months and six months ended June 30, 2002. Production for the second quarter averaged 2,001 barrels of oil equivalent per day compared to 2,107 barrels of oil equivalent per day in the first quarter of the year. During the second quarter of 2002, True was successful in replacing the majority of production sold as part of a disposition of non-strategic assets for $6.25 million (see press release dated April 10th, 2002). Year over year, the Company improved its financial position significantly. Debt, net of working capital at June 30, 2002 was $10.3 million, down 55% from $22.7 million at June 30, 2001.

FINANCIAL

($000s, except per share amounts)

	Three Months Ended, June 30		%	Six Months Ended, June 30		%
	2002	2001	Change	**2002**	2001	Change
Revenue	**4,319**	4,653	(7)	**8,137**	7,841	4
Funds flow from operations*	**1,266**	871	45	**1,951**	2,147	(9)
per share – basic	**0.04**	0.05	(20)	**0.07**	0.14	(50)
Cash flow from operations	**1,260**	697	81	**1,774**	1,802	(2)
per share – basic	**0.04**	0.03	33	**0.06**	0.12	(50)
Net earnings (loss)	**299**	(558)	154	**(445)**	(669)	33
per share – basic	**0.01**	(0.04)	125	**(0.01)**	(0.04)	50
Debt, net of working capital				**10,256**	22,726	(55)
Capital expenditures, net				**(2,142)**	22,759	–
Shares outstanding				**32,885**	17,875	84
Weighted average shares				**29,866**	15,394	94

*Funds flow from operations includes prepaid gas revenue and hedging gains or losses pertaining to the corresponding period.

OPERATIONAL

	Three Months Ended, June 30		%	Six Months Ended, June 30		%
	2002	2001	Change	**2002**	2001	Change
Production						
Oil and NGLs (bbls/d)	**785**	492	60	**727**	402	81
Natural Gas (Mcf/d)	**7,296**	7,433	(2)	**7,961**	5,960	34
Combined Oil (BOE/d)	**2,001**	1,730	16	**2,053**	1,395	47
Prices						
Oil and NGLs ($/bbl)	**27.72**	21.12	31	**25.62**	20.41	26
Natural Gas ($/Mcf), before hedging	**3.53**	5.14	(31)	**3.33**	5.83	(43)
Natural Gas ($/Mcf), after hedging	**3.53**	5.48	(36)	**3.33**	5.89	(44)
Combined ($/BOE)	**23.73**	29.56	(20)	**21.89**	31.04	(29)
$/BOE						
Operating Netback	**11.76**	9.52	24	**9.44**	12.04	(22)
Operating Expense	**5.40**	6.61	(18)	**6.19**	7.54	(18)
General & Administrative	**2.66**	2.72	(2)	**2.72**	2.46	11
Royalties as a % of sales	**28%**	45%	(38)	**29%**	37%	(22)

LETTER TO THE SHAREHOLDERS

During the second quarter, the Company's field activity focus continued to be on its properties in the Smiley – Coleville – Kerrobert area of Saskatchewan. A second 100% owned horizontal development well was drilled and placed on production at Kerrobert and is now producing 105 barrels of oil per day. The producing rate is gradually being increased. Overall production from the Kerrobert field is now approximately 300 barrels of oil per day. At Smiley, a 100% interest dual-zone natural gas well was drilled and tied in to the Company's facility and is currently producing approximately 850 thousand cubic feet per day, bringing total net production at this facility to 2.2 million cubic feet per day. A 100% owned oilwell was drilled at Coleville. The well was placed on production in July and is averaging 60 barrels of oil per day.

Subsequent to the second quarter, the Company commenced the second phase of its oil development program at Coleville South. This phase includes the drilling of 16 wells, the first of which spud on August 8, 2002. The Company also anticipates drilling a well at Brazeau at the end of August 2002. Later in September, the Company will begin its ten-well light oil program at Kerrobert.

On July 31, 2002, the Company acquired all of the issued and outstanding shares of Gresham Resources Inc., pursuant to a plan of arrangement on the basis of 1.4 common shares of the Company for each outstanding share of Gresham. After giving effect to this transaction, the Corporation will have 45.1 million common shares issued and outstanding. In addition, the Company has negotiated with its bankers to put in place a demand revolving credit facility with an authorized borrowing amount of $19.0 million. Availability under this facility is subject to an interim review by September 30, 2002 and an annual review on or before May 31, 2003.

Outlook
During the first six months of 2002, True has successfully replaced the majority of production sold in the second quarter of the year, primarily through drilling. Additionally, the Company has substantially reduced debt, net of working capital, and has achieved significant operating cost reductions on a barrel of oil equivalent basis. The Company continues to steward its financial resources through redirection of operating cash flow, corporate acquisitions, and dispositions of non-strategic assets.

Paul R. Baay
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of financial results should be read in conjunction with the unaudited interim consolidated financial statements and selected notes for the six months ended June 30, 2002 and the audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2001. Where amounts are expressed on a barrel of oil equivalent basis (BOE), gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel

Production

Compared to the first quarter of 2002, oil production in the second quarter increased 18% to 785 barrels per day from 668, natural gas production decreased 15% to 7.3 million cubic feet per day from 8.6 and combined production was down 5% to 2,001 barrels of oil equivalent per day from 2,107.

Production during the three months ended June 30, 2002 increased 16% to 2,001 barrels of oil equivalent per day from 1,730 during the corresponding period of 2001. Natural gas made up 61% of production volumes, averaging 7.3 million cubic feet per day during the second quarter of 2002. True increased its oil volumes 60% for the period to 785 barrels per day from 492 for the same period in 2001. Current production, following the recent business combination with Gresham Resources Inc., is approximately 2,600 barrels of oil equivalent per day.

For the six months ended June 30, 2002, the Company averaged 2,053 barrels of oil equivalent per day, consisting of 726 barrels per day of oil and 8.0 million cubic feet per day of natural gas. This is a 47% increase over the 1,395 barrels of oil equivalent per day, on a combined basis, averaged in the same period of 2001. Oil production increased 81% more than 402 barrels per day and 34% more than 6.0 million cubic feet per day in the previous year.

Revenue

Oil and gas revenue for the second quarter of 2002 increased 13% to $4.3 million from $3.8 million in the first quarter of 2002 as a result of higher prices. The price received for oil production in the second quarter increased 20% to $27.70 per barrel from $23.14 in the previous quarter, and the average natural gas price received increased 13% to $3.53 per thousand cubic feet (after hedging) during the second quarter of 2002 from $3.12 in the prior quarter. Revenue for the three months ended June 30, 2002 was $4.3 million, down from $4.7 million in the same period of the previous year. Revenue for the six months ended June 30, 2002 increased 4% to $8.1 million from $7.8 million in the same period of the previous year.

Royalties

For the three months ended June 30, 2002, True Energy paid $1.2 million compared to $2.1 million in the corresponding period of the prior year and $1.1 million during the first quarter of 2002. Royalties as a percentage of revenue decreased from 30% in the first quarter of 2002 to 28% in the second quarter of 2002. For the six months ended June 30, 2002, True Energy paid $2.3 million compared to $2.9 million in the corresponding period of the prior year. Royalties as a percentage of sales decreased from 37% in the first six months of 2001 to 29% in the first half of 2002.

Operating Expenses

Compared to the first quarter of 2002, operating expenses decreased to $983,000 in the second quarter from $1.32 million. On a barrel of oil equivalent basis, operating expenses were 22% lower during the second quarter of 2002 at $5.40 compared to $6.95 in the first quarter of the year. For the three months ended June 30, 2002 operating expenses were $983,000, compared to $1.04 million for the three months ended June 30, 2001. On a barrel of oil equivalent basis, operating expenses were 18% lower during the second quarter of 2002 at $5.40 compared to $6.61 in the corresponding period of the prior year. For the six-month period ended June 30, 2002, expenses totalled $2.3 million compared to $1.9 million during the comparable period of 2001.

Operating Netbacks

Lower royalty rates, lower operating expenses and higher prices received during the three months ended June 30, 2002 resulted in an increase in operating netbacks to $11.76 per barrel of oil equivalent from $7.21 during the first quarter of 2002. These factors also contributed to a 24% increase in operating netbacks to $11.76 per barrel of oil equivalent in the second quarter of 2002 from $9.52 during the three months ended June 30, 2001. For the six months ended June 30, 2002, the operating netback was $9.44 per barrel of oil equivalent compared to $12.04 for the comparable period in 2001.

General and Administrative

For the second quarter of 2002, general and administrative expenses decreased to $485,000 from $525,000 in the first quarter of 2002. On a barrel of oil equivalent basis, expenses decreased 4% to $2.66 from $2.77. For the three months ended June 30, 2002, general and administrative decreased 2% to $2.66 from $2.72 compared to the corresponding period in 2001. For the six months ended June 30, 2002, expenses were $2.72 per barrel of oil equivalent compared to $2.46 for the six months ended June 30, 2001.

Interest Expense

During the second quarter of 2002, interest expense amounted to $186,000, up from the $142,000 incurred during the first quarter of 2002. On a year-over-year basis, interest expense for the three months ended June 30 decreased 14% to $186,000 in 2002 from $216,000 in 2001. For the six months ended June 30, 2002 interest expense totalled $328,000 up from the $274,000 incurred during the first half of 2001. Higher interest costs in 2002 reflect the higher debt levels in the first quarter of the year.

Capital Expenditures

True invested $3.8 million on oil and gas activities during the first six months of 2002. In addition, the Company received $5.9 million in net proceeds from the disposition of non-strategic oil and gas assets during the six month period ended June 30, 2002. Capital expenditures during the same period of the previous year totaled $22.8 million. The Company spent $3.6 million on exploration and development activities and $0.2 million on the acquisition of producing assets. During the same period in 2001, True spent $14.6 million on the acquisition of Marengo Exploration Ltd, $14.3 million on the acquisition of producing assets, and $8.5 million on exploration and development activities.

Depletion, Depreciation and Site Restoration

Compared to the first quarter of 2002, depletion, depreciation and site restoration expense decreased to $967,000 or $5.31 per barrel of oil equivalent from $1.43 million or $7.54 per barrel of oil equivalent. For the three months ended June 30, 2002, depletion, depreciation and site restoration expense was $967,000 or $5.31 per barrel of oil equivalent compared to $1.82 million or $11.59 per barrel of oil equivalent in the corresponding period of 2001. For the six months ended June 30, 2002, depletion, depreciation, and site restoration expense was $2.4 million or $6.45 per barrel of oil equivalent compared to $3.2 million or $12.54 per barrel of oil equivalent for the same period last year.

Liquidity and Capital Resources

The Company ended the year 2001 with a $14.0 million line of credit, drawn to $13.1 million and had a working capital deficit of $4.1 million. The Company ended the second quarter of 2002 with its bank line drawn to $6.8 million and had a working capital deficit of $3.5 million. At June 30, 2002, the Company had 32,885,102 common shares outstanding and 30,229,440 common shares outstanding on a diluted basis based on 572,500 in-the-money stock options.

CONSOLIDATED BALANCE SHEETS

at June 30, 2002 and December 31, 2001

	June 30, 2002 (unaudited)	December 31, 2001 (audited)
ASSETS		
Current assets		
Accounts receivable	**$ 3,064,485**	$ 3,952,052
Property, plant and equipment	**22,225,932**	26,612,128
	$ 25,290,417	$ 30,564,180
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 6,517,040**	$ 7,876,472
Current portion of prepaid gas	**–**	176,700
Bank debt	**6,802,856**	13,141,933
	13,319,896	21,195,105
Future site restoration and abandonment costs	**578,584**	426,584
Shareholders' equity		
Share capital	**31,378,868**	28,484,577
Deficit	**(19,986,931)**	(19,542,086)
	11,391,937	8,942,491
	$ 25,290,417	$ 30,564,180

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

for the periods ended June 30, 2002 and June 30, 2001 (unaudited)

	Three Months Ended, June 30		Six Months Ended, June 30	
	2002	2001	**2002**	2001
REVENUE				
Oil and NGLs	**$ 1,978,460**	$ 945,759	**$ 3,368,677**	$ 1,484,137
Natural gas	**2,340,413**	3,707,286	**4,768,436**	6,356,707
	4,318,873	4,653,045	**8,137,113**	7,840,844
ROYALTIES				
Crown	**(625,786)**	(1,381,607)	**(1,308,860)**	(2,023,202)
Other	**(570,794)**	(716,871)	**(1,021,148)**	(873,019)
	(1,196,580)	(2,098,478)	**(2,330,008)**	(2,896,221)
	3,122,293	2,554,567	**5,807,105**	4,944,623
EXPENSES				
Production	**982,624**	1,041,068	**2,300,237**	1,904,333
General and administrative	**485,115**	427,667	**1,010,586**	620,425
Interest on debt	**185,983**	216,360	**327,833**	274,177
Capital taxes	**202,284**	–	**217,284**	–
Depletion, depreciation and site restoration	**967,054**	1,824,913	**2,396,010**	3,167,482
	2,823,060	3,510,008	**6,251,950**	5,966,417
EARNINGS (LOSS) BEFORE TAXES	**299,233**	(955,441)	**(444,845)**	(1,021,794)
Future income tax (recovery)	**–**	(397,000)	**–**	(353,000)
NET EARNINGS (LOSS)	**299,233**	(558,441)	**(444,845)**	(668,794)
Deficit, beginning of period	**(20,286,164)**	(352,013)	**(19,542,086)**	(241,660)
Deficit, end of period	**$ (19,986,931)**	$ (910,454)	**$ (19,986,931)**	$ (910,454)
Weighted average common shares	**30,945,432**	17,813,453	**29,866,262**	15,393,920
Net earnings (loss) per share				
basic	**$ 0.01**	$ (0.03)	**$ (0.01)**	$ (0.04)
diluted	**$ 0.01**	$ (0.03)	**$ (0.01)**	$ (0.04)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the periods ended June 30, 2002 and June 30, 2001 (unaudited)

	Three Months Ended, June 30		Six Months Ended, June 30	
	2002	2001	**2002**	2001
OPERATIONS				
Net earnings (loss)	**$ 299,233**	$ (558,441)	**$ (444,845)**	$ (668,794)
Charges not involving cash:				
Depletion, depreciation and site restoration	**967,054**	1,824,913	**2,396,010**	3,167,482
Future income tax	**–**	(397,000)	**–**	(353,000)
Prepaid contract revenue	**(5,700)**	(172,900)	**(176,700)**	(343,900)
Cash flow from operations	**1,260,587**	696,572	**1,774,465**	1,801,788
Change in non-cash working capital	**(447,515)**	4,504,415	**(471,865)**	5,945,036
	813,072	5,200,987	**1,302,600**	7,746,824
FINANCING				
Issuance of common shares	**3,040,300**	13,817,250	**3,040,300**	18,817,250
Share issue costs	**(137,011)**	(779,867)	**(146,009)**	(1,179,506)
Increase (decrease) in debt	**(7,012,099)**	2,366,114	**(6,339,078)**	12,001,908
	(4,108,810)	15,403,497	**(3,444,787)**	29,639,652
INVESTING				
Proceeds on sale of property, plant and equipment	**5,934,194**	–	**5,943,898**	–
Acquisition of capital assets	**(201,401)**	(14,265,064)	**(201,401)**	(14,265,064)
Additions to property, plant and equipment	**(2,437,053)**	(6,206,556)	**(3,600,311)**	(8,494,093)
Cash paid on acquisition of Marengo Exploration Ltd.	**–**	(132,864)	**–**	(14,627,319)
	3,295,740	(20,604,484)	**2,142,187**	(37,386,476)
Increase (decrease) in cash	**–**	–	**–**	–
Cash, beginning of period	**–**	–	**–**	–
Cash, end of period	**$ –**	$ –	**$ –**	$ –
Weighted average common shares	**30,945,432**	17,813,453	**29,866,262**	15,393,920
Cash flow from operations per share				
basic	**$ 0.04**	$ 0.04	**$ 0.06**	$ 0.12
diluted	**$ 0.04**	$ 0.04	**$ 0.06**	$ 0.11

See accompanying notes to financial statements.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30, 2002 and 2001 (unaudited)

1. BASIS OF PRESENTATION:

The interim consolidated financial statements of the Company have been prepared by management in accordance with the accounting policies generally accepted in Canada. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2001. The disclosures provided below are incremental to those included with the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Company's annual report for the year ended December 31, 2001.

2. DISPOSITIONS:

On April 26, 2002 the Corporation sold certain non-strategic assets in the Milton/Hoosier Areas to an arm's length third party for net proceeds of $5.94 million. The proceeds from this disposition were fully allocated to petroleum and natural gas properties and have an equivalent tax basis.

3. BANK DEBT:

The Corporation has a demand revolving credit facility with an authorized borrowing amount of $8,400,000 with a Canadian chartered bank. Interest is payable at the bank's prime rate plus one and a half percent. Security is provided by a general assignment of book debts of the Corporation, a $10,000,000 floating charge debenture over all assets of the Corporation, a fixed charge over certain producing petroleum and natural gas reserves at Smiley and a first floating charge supplemental debenture of $35,000,000. (see Note 9(b))

4. CAPITAL STOCK:

(a) Authorized:
Unlimited number of voting Common Shares
Unlimited number of non-voting First Preferred Shares

(b) Issued:

	Number of Shares	Amount
Common shares:		
Balance December 31, 2001	28,775,102	$ 28,484,577
Issue costs		(8,998)
Balance March 31, 2002	28,775,102	$ 28,475,579
Issued on exercise of stock options	10,000	6,300
Issued through private placement	4,100,000	3,034,000
Issue costs		(137,011)
Balance June 30, 2002	32,885,102	$ 31,378,868

As at June 30, 2002 the Corporation has commitments to incur $2.1 million of qualifying expenditures during the remainder of 2002 to satisfy flow-through share agreements.

The following table summarizes the changes in stock options outstanding for the first half of 2002:

	Options	Weighted-Average Exercise Price
Outstanding at Dec. 31, 2001	2,022,500	$ 0.91
Cancelled	(297,500)	1.48
Granted	377,500	0.62
Outstanding at March 31, 2002	2,102,500	$ 0.78
Cancelled	(20,000)	$ 0.63
Granted	440,000	0.65
Exercised	(10,000)	0.63
Outstanding at June 30, 2002	2,512,500	$ 0.76

5. SUPPLEMENTAL CASH FLOW INFORMATION:

		2002		2001
Cash paid:				
Interest	$	327,833	$	274,177
Taxes		157,338		1,205,489
Non-cash investing and financing activities:				
Issue of common shares on acquisition of Marengo	$	–	$	1,136,700

6. STOCK BASED COMPENSATION:

Effective January 1, 2002 the Corporation prospectively adopted the new recommendations of the CICA with respect to the accounting for stock-based compensation and other stock-based payments. In accordance with the new standard, the Corporation elected to continue its policy that no compensation is recorded on the grant of employee stock options and consideration paid on the exercise of such options is recorded as share capital. In addition, the new standard requires a fair value based method of accounting for other stock-based payments. During the six months ended June 30, 2002, the Corporation granted 817,500 stock options. Had compensation cost for the stock options granted during the period been determined on a fair value based method, the net loss, after taxes, for the six months ended June 30, 2002 would have increased by $43,420.

7. INCOME TAXES:

At June 30, 2002, the Corporation has an unrecorded future tax asset of $1,894,000. A valuation allowance has been set up for the entire amount of the asset, resulting in a valuation allowance increase of $995,000 from December 31, 2001.

8. FINANCIAL INSTRUMENTS:

During March 2002, the Corporation entered into a natural gas contract for 3,000 gigajoules per day for the period April 1, 2002 to October 31, 2002. The contract established a floor price of Cdn$4.00 per gigajoule and a ceiling price of Cdn$5.00 per gigajoule at the AECO-C Hub.

In addition, True has entered into fixed price sales contracts to deliver heavy oil Lloydblend (LLK) at a price of $30.18 per barrel on 200 barrels per day for the period from May 1, 2002 to December 31, 2002 and at a price of $26.74 per barrel on 100 barrels per day for the period from May 1, 2002 to April 30, 2003.

9. SUBSEQUENT EVENTS:

(a) On July 31, 2002, the Corporation acquired all of the issued and outstanding shares of Gresham Resources Inc. pursuant to a plan of arrangement on the basis of 1.4 common shares of the Corporation for each outstanding share of Gresham. After giving effect to this transaction, the Corporation will have 45,117,787 common shares issued and outstanding.

(b) In addition, the Corporation has negotiated with its bankers to put in place a demand revolving credit facility with an authorized borrowing amount of $19,000,000, with interest payable at the bank's prime rate plus one and one quarter percent. Availability under this facility is subject to an interim review by September 30, 2002 and an annual review on or before May 31, 2003.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kenneth P. Acheson
President, Kennington Properties
Calgary, Alberta

Paul R. Baay
President and CEO,
True Energy Inc.
Calgary, Alberta

John Cuthbertson
Partner, Burnet Duckworth
& Palmer
Calgary, Alberta

W. C. (Mickey) Dunn
Independent Businessman
Edmonton, Alberta

James R. Glass
Geologist,
Independent Businessman
Vancouver, British Columbia

Robert G. Rowley, Q.C.
Independent Businessman
Calgary, Alberta

Michael S. Vandale
Chairman and President,
Vandale Oil, Inc.
Calgary, Alberta

Kim Ward
Independent Businessman
Toronto, Ontario

KEY MANAGEMENT

Paul R. Baay
President and CEO

Sadiq H. Lalani
Vice President, Finance and CFO

Clinton T. Broughton
Vice President

Gordon L. Reese
Vice President

Bradley D. Maynes
Vice President, Exploration

Mary Kay Axford
Controller

HEAD OFFICE

True Energy Inc.
300, 520 – 5th Avenue S.W.
Calgary, Alberta T2P 3R7
Phone: (403) 266-8670
Fax: (403) 264-8163
Internet: www.trueenergy.ab.ca

AUDITORS

KPMG LLP
Calgary, Alberta

BANKERS

National Bank of Canada
Calgary, Alberta

ENGINEERING CONSULTANTS

Gilbert Laustsen Jung
Associates Ltd.
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT
Computershare International Inc.
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: TUI