



PRESS RELEASE

TRUE ENERGY ANNOUNCES THIRD QUARTER 2004 FINANCIAL RESULTS

For Immediate Release

November 10, 2004 – True Energy Inc. (“True” or “The Company”) (TSX: TUI) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2004.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2004	2003 ¹	2004	2003 ¹
FINANCIAL (unaudited)				
(\$ except per share amounts)				
Revenue (before transportation)	17,759,501	9,966,856	48,478,706	27,840,840
Cash flow from operations ²	8,593,160	4,655,769	23,640,469	11,518,139
per share - basic	\$0.14	\$0.10	\$0.40	\$0.25
per share – diluted	\$0.14	\$0.09	\$0.39	\$0.24
Net earnings	2,295,174	2,375,718	6,126,593	5,044,945
per share - basic	\$0.04	\$0.05	\$0.10	\$0.11
per share - diluted	\$0.04	\$0.05	\$0.10	\$0.11
Capital expenditures, net	13,102,474	4,912,925	37,419,698	12,511,183
Debt, net of working capital			15,342,190	11,447,541
Total assets			93,185,655	56,707,228
Shareholders' equity			51,683,779	32,273,122
Shares outstanding				
Basic	61,771,179	54,041,087	61,771,179	54,041,087
diluted	65,393,046	57,081,920	65,393,046	57,081,920
Weighted average shares				
Basic	61,733,770	48,729,130	58,836,836	46,411,954
diluted	63,238,197	49,668,339	60,042,672	47,171,565

		Three months ended Sept. 30		Nine months ended Sept. 30	
		2004	2003 ¹	2004	2003 ¹
OPERATIONAL					
Daily volumes					
Oil and NGLs	(bbls/d)	1,706	1,238	1,615	1,055
Natural gas	(Mcf/d)	20,543	12,390	18,832	10,182
Total (BOE/d)	(6:1)	5,130	3,303	4,753	2,752
Prices (before transportation)					
Oil and NGLs	(\$/bbl)	37.48	26.61	32.18	29.46
Natural gas – before hedge	(\$/Mcf)	6.29	6.08	6.64	7.01
Natural gas – after hedge	(\$/Mcf)	6.29	6.09	6.64	6.96
Combined	(\$/boe)	37.63	32.80	37.22	37.06
Statistics					
Operating netback	(\$/boe)	20.10	17.58	20.50	19.35
Operating expenses	(\$/boe)	6.74	6.42	6.26	7.72
General & administrative	(\$/boe)	1.58	1.69	1.89	2.69
Royalties as a % of sales		27%	25%	26%	25%

¹ Various 2003 amounts have been restated to reflect changes in accounting policies.

² Management's Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than cash flow from operations as determined in accordance with Canadian generally accepted accounting principals (“GAAP”) as an indicator of the Company's performance. The Company presents cash flow from operations per share whereby per share amounts are calculated consistent with the calculation of earnings per share.

REPORT TO SHAREHOLDERS

True is pleased to report the progress made during the three and nine months ending September 30, 2004. Operational milestones were reached, along with strong financial performance. An updated reserve report effective July 1, 2004 quantified some of the results achieved during the first half of 2004.

Accomplishments for the three and nine month periods ended September 30, 2004 include:

- drilled 27 (24.6 net) wells at a net 95.9% success rate during the third quarter of 2004;
- increased average third quarter production to 5,130 boe/d, up from 4,972 boe/d in the second quarter of 2004, compared to 3,303 boe/d for the third quarter of 2003;
- generated revenue of \$48.5 million in the first nine months of 2004 (74% higher than the same period in 2003) and cash flow of \$23.6 million (105% higher than the same period in 2003); and
- achieved a net debt to historical cash flow ratio of 0.5x for the nine months annualized.

The highlights of a mid-year update to True's reserves by Gilbert Laustsen Jung Associates Ltd. ("GLJ"), as at July 1, 2004, included:

- A 104% increase in the pre-tax NPV 10% of total proved and probable reserves to \$137.3 million, up by \$70.1 million from \$67.2 million at January 1, 2004;
- A 60% increase in proved and probable working interest reserves (prior to deduction of royalties payable) to 11,418 Mboe from 7,127 Mboe at January 1, 2004;
- A 59% increase in total proved working interest reserves (prior to deduction of royalties payable), from 5,185 Mboe to 8,221 Mboe;
- An increase in the Company's proved plus probable reserve life index to 6.4 years, based on the trailing quarter's annualized production, up from 5.2 years at year-end.

The Company currently anticipates drilling or participating in up to twenty-six wells during the fourth quarter of 2004, of which nineteen wells are in Saskatchewan and seven wells are in Alberta. The program will include up to 20 (17.2 net) natural gas wells, 1 (0.75 net) light oil well, and 5 (4.6 net) heavy oil wells.

True's average production exceeded the 5,000 boe/d threshold in the third quarter. Third quarter drilling successes will mostly be placed on production over the last quarter of this year. Production levels are currently 6,100 boe/d, weighted 68% towards natural gas.

During the third quarter, True replaced a rental compressor in the Dodsland area of Saskatchewan with an owned unit, reducing operating costs at this facility by \$20,000 per month. At Coleville, True installed a third compressor, bringing total gas processing capacity in Saskatchewan to 22 Mmcf/d. During the fourth quarter of 2004, at Dodsland, a new 5 Mmcf/d capacity facility is being installed in addition to the compressor added in the third quarter, and is expected to be on stream by year end.

True continues to grow its land inventory, reaching approximately 291,700 net undeveloped acres of land as at September 30, 2004.

Continued strong commodity prices are allowing the Company to pursue the high quality inventory of drilling prospects within the Company's substantial undeveloped land base. Please visit our website at www.trueenergy.ca to view our updated November 2004 presentation. We look forward to delivering additional growth and strong financial results during the remainder of this year and into 2005.

Paul R. Baay
President & CEO
November 9, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 9, 2004 - The following Management's Discussion and Analysis of financial results as provided by the management of True Energy Inc. ("True" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements and selected notes for the three and nine months ended September 30, 2004 and 2003 and the audited consolidated financial statements and Management Discussion and Analysis for the years ended December 31, 2003 and 2002. This commentary is based on information available to November 9, 2004. The financial data presented is in accordance with Canadian generally accepted accounting principles in Canadian dollars, except where indicated otherwise.

The term barrels of oil equivalent ("BOE") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 mcf/ bbl) of natural gas to barrels of oil equivalence 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 this report are derived from converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

Management's Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than, cash flow from operations or funds flow from operations as determined in accordance with Canadian generally accepted accounting principals ("GAAP") as an indicator of the Company's performance. The Company presents cash flow from operations per share whereby per share amounts are calculated consistent with the calculation of earnings per share. The consolidated statements of cash flows in the unaudited interim financial statements present the reconciliation between net earnings and cash flow from operations.

Management's Discussion and Analysis also contains other terms such as net debt and operating netbacks, which are not recognized measures under GAAP. Management believes these measures are useful supplemental measures of firstly, the total amount of current and long term debt the Company has and secondly, the amount of revenues received after royalties and operating costs. Readers are cautioned, however, that these measures should not be construed as an alternative to other terms such as current and long term debt or net income determined in accordance with GAAP as measures of performance. True's method of calculating these measures may differ from other companies, and accordingly, may not be comparable to measures used by other companies.

Additional information relating to True, including True's revised Annual Information Form for the year ended December 31, 2003, is on SEDAR at www.sedar.com.

Net Earnings and Cash Flow from Operations

True generated cash flow from operations of \$23.6 million for the nine months ended September 30, 2004, up 105% from the \$11.5 million produced in the same period of 2003. For the three months ended September 30, 2004, cash flow from operations of \$8.6 million grew 85% compared to \$4.7 million for the third quarter of the prior year.

Cash Flow From Operations

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003*	2004	2003*
Cash flow from operations	\$8,593,160	\$4,655,769	\$23,640,469	\$11,518,139
Basic	\$0.14	\$0.10	\$0.40	\$0.25
Diluted	\$0.14	\$0.09	\$0.39	\$0.24

* restated to reflect changes in accounting policies

For the nine months ended September 30, 2004, net earnings were \$6.1 million, compared to \$5.0 million for the same period in 2003. Net earnings for the third quarter of 2004 were \$2.3 million, 3% less than third quarter 2003 net earnings.

Net Earnings

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003*	2004	2003*
Net Earnings	\$2,295,174	\$2,375,718	\$6,126,593	\$5,044,945
Basic	\$0.04	\$0.05	\$0.10	\$0.11
Diluted	\$0.04	\$0.05	\$0.10	\$0.11

* restated to reflect changes in accounting policies

Sales Volumes

Sales volumes for the three months ended September 30, 2004 averaged 5,130 boe/d compared to 4,972 boe/d in the second quarter of 2004. Throughout the third quarter, sales rates reflected operational difficulties associated with wet conditions, down time for equipment maintenance, and safety-related shut-in of heavy oil wells as nearby wells were drilled. These operational issues were offset by the gradual bringing on-stream of new wells drilled during the second quarter of the year. Third quarter drilling will mostly be placed on production over the last quarter of this year. Production levels are currently 6,100 boe/d, weighted 68% toward natural gas.

During the third quarter of 2004, the weighting toward natural gas averaged 67%, compared to 63% in the corresponding period of 2003. In the first nine months of 2004, average daily sales were 4,753 boe/d, up 73% from 2,752 boe/d in 2003.

		Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
		2004	2003	2004	2003
Natural gas	(Mcf/d)	20,543	12,390	18,832	10,182
Heavy oil	(Bbls/d)	1,473	1,021	1,394	840
Light oil & NGLs	(Bbls/d)	233	217	221	215
Total crude oil & NGLs	(Bbls/d)	1,706	1,238	1,615	1,055
Total BOE/d	(6:1)	5,130	3,303	4,753	2,752

Sales of natural gas averaged 20.5 Mmcf/d during the third quarter of 2004, compared to 20.3 Mmcf/d in the second quarter of 2004. During this quarter True tied in 9 (9.0 net) natural gas wells located in the Dodsland and Coleville Driver areas of Saskatchewan, of which all but one was a second quarter drill. Of the natural gas wells drilled in the third quarter, one was tied in by the end of the third quarter and four more are now tied in.

Crude oil and natural gas liquids sales for the first nine months of 2004 averaged 1,615 bbls/d, up 53% from 2003 average sales of 1,055 bbls/d. In the third quarter crude oil and NGL sales volumes averaged 1,706 bbls/d compared to 1,238 bbls/d during the same period of 2003. During the quarter, True drilled and tied in two 100% owned horizontal heavy oil wells at Kerrobert. A sixth horizontal heavy oil well this year was drilled and tied in at Kerrobert early in the fourth quarter of 2004, bringing total heavy oil volumes to current levels of 1,740 bbls/d, or 29% of total volumes.

Commodity Prices

The impact of changes in the Canadian dollar from the conversion of US\$ based commodities prices reduced profitability during the third quarter of 2004, as the Canadian/ U.S. exchange rate deteriorated 4% from an average of 0.7362 in the second quarter of the year to 0.7648. For the nine months ending September 30, the average exchange rate in 2004 was up 7% compared to the same period of 2003, with a 5% change in the third quarter of 2004 compared to 2003.

Average Commodity Prices

	Three Months ended Sept. 30,			Nine Months ended Sept. 30,		
	2004	2003*	% Change	2004	2003*	% Change
Exchange rate (US\$/Cdn\$)	0.7648	0.7250	5%	0.7534	0.7016	7%
NYMEX (US\$/mmbtu)	5.58	4.90	14%	5.82	5.50	6%
Alberta spot (\$/mcf)	6.08	5.75	6%	6.41	6.79	-6%
True's average prices (\$/mcf)						
– before transportation & hedge	6.29	6.08	3%	6.64	7.01	-5%
– before transportation & after hedge	6.29	6.09	3%	6.64	6.96	-5%
WTI (US\$/bbl)	43.91	30.24	45%	39.19	31.07	26%
Edmonton par – light oil (\$/bbl)	56.56	41.31	37%	51.12	44.59	15%
Bow River – heavy oil (\$/bbl)	41.60	30.63	36%	37.78	33.78	12%
True's average prices, before transportation (\$/bbl)						
- light crude & condensate	50.46	38.66	31%	48.02	42.85	12%
- NGL's	23.90	29.72	-20%	32.27	30.32	6%
- light crude oil & condensate and NGL's	49.24	36.40	35%	45.79	40.67	13%
- heavy crude oil	35.62	24.53	45%	30.02	26.59	13%
- crude oil & NGL's	37.48	26.61	41%	32.18	29.46	9%

* restated to reflect changes in accounting policies

True's natural gas is primarily sold on the daily spot market, with some contracts based on the historical Alberta spot price and others based on the future month spot price. During the first nine months of 2004, the Alberta Spot reference price declined by 6% compared to 2003. Over this same time frame, True received an average price of \$6.64/Mcf for its natural gas (before hedging and transportation costs), 5% less than the prior year. In the three month period ended September 30, 2004, before accounting for transportation costs or hedges, True received an average natural gas price of \$6.29/Mcf, 3% greater than in the same period in 2003. During the same period the Alberta Spot price grew by 6%. True's 2004 contract prices are referenced to both future and historical spot prices, versus historical spot prices in 2003.

For heavy crude oil, True received an average price before transportation of \$35.62/bbl during the third quarter of 2004, 45% more than in 2003. The average reference price for Bow River crude was 36% greater over the same period. While the heavy oil differential widened towards the end of the third quarter, the actual heavy oil price was stronger with the higher underlying light oil prices. During the first nine months of 2004, True's heavy oil price received averaged \$30.02/bbl, or 13% more than in the prior year, compared to the 12% increase in the price for Bow River reference prices over this period. The Company blends most of its heavy oil with condensate on a 4:1 ratio. This causes True's heavy oil price to reflect changes in the spot price of purchasing condensate to achieve this blending.

For light oil, condensate and NGL's, True received an average \$49.24/bbl during the third quarter of 2004, 35% greater than the average price received in 2003. The average Edmonton par price was 37% higher during the third quarter of 2004 compared to 2003. In the nine months ending September 30, 2004, True's average price was \$45.79/bbl, 13% greater than in 2003, compared to a 15% increase in the average Edmonton par price.

Revenue

Revenue before transportation for the nine months ended September 30, 2004 was \$48.5 million, 74% greater than the \$27.8 million generated in the same period in 2003. During the third quarter of 2004, pre-transportation revenue of \$17.8 million was 78% more than the corresponding 2003 period. The higher revenue was the result of significant growth in production volumes for both natural gas and heavy crude oil, complemented by higher commodity prices, primarily for crude oil.

Revenue (\$000s)

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003*	2004	2003*
Light oil & condensate	1,029	577	2,498	2,073
NGLs	23	150	277	310
Heavy oil	4,829	2,304	11,462	6,100
Crude oil & NGLs	5,881	3,031	14,237	8,483
Natural gas	11,879	6,924	34,242	19,497
Natural gas hedge	-	12	-	(139)
Total before transportation	17,760	9,967	48,479	27,841
Transportation	(510)	(236)	(1,278)	(599)
Total	17,250	9,731	47,201	27,242

* restated to reflect changes in accounting policies

True had a natural gas commodity price swap for 3,000 gigajoules per day for the period April 1, 2003 to October 31, 2003 based on an AECO "C" price of Cdn. \$6.08 per gigajoule. For the first nine months of 2003, the Company recorded a decrease to gas sales of \$139 thousand. True has not had any hedges in place in 2004.

Transportation costs continue at approximately 2% to 3% of gross revenues for the three and nine months ending September 30, for 2004 and 2003.

Royalties

For the nine months ending September 30, 2004, total royalties were \$12.3 million, 79% more than the \$6.9 million incurred in the same period in 2003. For the three months ended September 30, 2004, the Company paid \$4.6 million in royalties, 88% more than in the corresponding quarter of 2003, proportionally slightly more than the increase in sales revenues for both the three and nine month periods. Royalties as a percentage of pre-hedge sales (after transportation costs) for the nine and three months ending September 30 remained in the 25% to 27% band. In 2004, royalty rates have increased marginally reflecting the combination of higher crude oil prices, True's increased drilling this year under numerous farm-in agreements with overriding royalty obligations, and reaching the maximum royalty free volumes allowed on selected heavy oil wells.

Royalties, by Commodity Type (\$000's)

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003	2004	2003
Light crude oil & condensate	126	131	403	368
NGL's	7	27	62	82
Heavy oil	1,212	491	2,485	1,314
Natural gas	3,238	1,789	9,396	5,140
Total	4,583	2,438	12,346	6,904

Royalties, as a % of Commodity Sales (before hedge, after transportation costs)

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003	2004	2003
Light crude oil & condensate	12	23	16	18
NGL's	30	18	22	26
Heavy oil	25	22	22	21
Natural gas	27	27	27	27
Total	27	25	26	25

Royalties, by Type (\$000s)

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003	2004	2003
Crown royalties	3,006	1,582	7,985	4,603
Freehold & GORR	1,652	932	4,639	2,524
Alberta Royalty Tax Credit	(75)	(76)	(278)	(223)
Total	4,583	2,438	12,346	6,904

Operating Expenses

For the three months ended September 30, 2004, operating costs totaled \$3.2 million, compared to \$2.0 million recorded in the same period of 2003. In the nine months ended September 30, 2004, \$8.2 million of operating costs were incurred, compared to \$5.8 million in the same period of 2003. During the third quarter of 2004, operating costs averaged \$6.74/boe, up from the \$5.54/boe enjoyed during the second quarter of this year, with a very wet summer making field operations more costly. In addition, the Company has incurred incremental costs in 2004 compared to 2003 for trucking water, chemical and treating costs, compressor rentals, and gathering and processing charges. For the nine months, operating costs have averaged \$6.26/boe this year, down \$1.46/boe from the average costs per boe in 2003.

Operating costs for the last quarter of 2004 are expected to be similar to the third quarter, as increased costs from winter conditions are expected to equate to the incremental costs from a wet July and August. Cost savings from the installation of a new compressor at Dodsland in August should be enjoyed in the last quarter of this year.

Production Costs, by Commodity Type (\$000s)

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003	2004	2003
Light crude oil & condensate	171	74	509	379
NGL's	14	20	45	67
Heavy oil	901	664	2,236	2066
Natural gas	2,096	1,193	5,366	3,290
Total	3,182	1,951	8,156	5,802

Production Costs per Unit, by Commodity Type

		Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
		2004	2003	2004	2003
Light crude oil & cond.	(\$/ bbl)	8.39	4.97	9.79	7.85
NGL's	(\$/ bbl)	14.30	3.87	5.20	6.53
Heavy oil	(\$/ bbl)	6.64	7.07	5.85	9.00
Natural gas	(\$/ Mcf)	1.11	1.05	1.04	1.18
Total	(\$/ boe)	6.74	6.42	6.26	7.72

Operating Netbacks

Field operating netbacks for natural gas during the third quarter of 2004 of \$3.27/Mcf were within 1% of 2003 netbacks, reflecting an increased gas price more than offset by higher transportation, royalty and operating costs. For the nine month period, operating net backs for natural gas declined 4% as a 12% improvement in operating costs was more than offset by lower gas prices.

Field Operating Netbacks Natural Gas

\$/Mcf	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003*	2004	2003*
Sales	6.29	6.08	6.64	7.01
Hedge	-	0.01	-	(0.05)
Transportation	(0.20)	(0.16)	(0.17)	(0.15)
Royalties	(1.71)	(1.57)	(1.82)	(1.86)
Production expense	(1.11)	(1.05)	(1.04)	(1.18)
Field operating netback	3.27	3.31	3.61	3.77

* restated to reflect changes in accounting policies

Field operating netbacks for crude oil and NGLs averaged \$21.02/bbl during the third quarter of 2004, an improvement of \$7.27/bbl, or 53% compared to 2003, primarily driven by increased crude oil prices.

**Field Operating Netbacks
Crude Oil & NGL's**

<i>\$/bbl</i>	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003*	2004	2003*
Sales	37.48	26.61	32.18	29.46
Transportation	(0.97)	(0.51)	(0.95)	(0.56)
Royalties	(8.57)	(5.70)	(6.67)	(6.13)
Production expense	(6.92)	(6.65)	(6.30)	(8.72)
Field operating netback	21.02	13.75	18.26	14.05

* restated to reflect changes in accounting policies

Overall, crude oil & NGL field operating netbacks for True during the first three quarters of 2004 improved by 30% compared to 2003 at an average \$18.26/boe, with increased prices and decreased operating costs.

For the nine month period ending September 30, 2004, True's overall field netback averaged \$20.50/boe compared to \$19.35/boe for the same 2003 period with reduced operating costs and increased crude oil commodity prices, partially offset by increased royalty costs. During the third quarter of 2004, company field operating netbacks improved by 14% compared to 2003, driven primarily by increased crude oil sales prices while transportation, royalties and operating costs all increased on a per unit basis.

Corporate Field Operating Netbacks

<i>\$/boe</i>	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003*	2004	2003*
Sales	37.63	32.80	37.22	37.06
Transportation	(1.08)	(0.77)	(0.98)	(0.80)
Royalties	(9.71)	(8.03)	(9.48)	(9.19)
Production expense	(6.74)	(6.42)	(6.26)	(7.72)
Field operating netback	20.10	17.58	20.50	19.35

* restated to reflect changes in accounting policies

General and Administrative

General and administrative expenses for the nine months ended September 30, 2004 were \$2.5 million compared to \$2.0 million for the same period in 2003. In the third quarter of 2004, the net cost of general and administrative charges were \$0.7 million, compared to \$0.5 million in the comparable 2003 period. In 2004, gross costs, amounts capitalized and recoveries have all increased, reflecting the personnel and related supplies required to administer the increased production base while continuing to generate exploration opportunities. On a per unit of production basis, costs in 2004 have declined in both the third quarter and for the nine months ended September 30 when compared to the same periods of 2003, reflecting increased efficiencies.

**General and Administrative Costs
\$ 000's, except where noted**

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003*	2004	2003*
Gross costs	1,456	900	4,710	3,219
Capitalized	(327)	(120)	(1,365)	(434)
Recoveries	(383)	(265)	(889)	(767)
Net costs	746	515	2,456	2,018
Net costs, per unit (\$/ boe)	1.58	1.69	1.89	2.69

* restated to reflect changes in accounting policies

General and administrative expenses for the three and nine month period ending September 30, 2003 have been restated to reflect the fourth quarter 2003 adoption of the CICA Handbook Section 3870 "Stock Based Compensation and Other Stock Based Payments", resulting in increased costs of \$40 thousand and \$107 thousand respectively. In 2004, stock compensation costs for the first three quarters of 2004 are \$511 thousand, of which \$178 thousand was in the third quarter.

Interest Expense

True recorded \$84 thousand of interest expense for the three months ended September 30, 2004 compared to \$164 thousand charged in the same period of 2003. For the nine months ending September 30, 2004 interest expense was \$406 thousand, down from \$655 thousand in the same period in 2003. True's costs of borrowing declined in 2004 compared to 2003 with the transition from prime plus one and a quarter percent to a price grid basis dependent on the net debt to cash flow ratio, as determined on a quarter by quarter basis. Further savings during the third quarter of 2004 were realized from lower average bank indebtedness levels compared to the same period in 2003.

Interest Costs \$000s, except where noted

	Three Months ended Sept 30,		Nine Months ended Sept 30,	
	2004	2003	2004	2003
Interest expense	84	164	406	655
Interest (\$/ boe)	0.18	0.54	0.31	0.87
Net debt at quarter end	15,342	11,448	15,342	11,448
Debt to periods cash flow ratio annualized	0.4x	0.6x	0.5x	0.75x

Capital Expenditures

During the third quarter of 2004, True invested \$13.1 million on capital projects, compared to \$4.9 million in 2003. True drilled or participated in 27 (24.6 net) wells during the third quarter of 2004, resulting in 23 (20.6 net) natural gas wells, 2 (2.0 net) heavy oil wells, 1 (1.0 net) light oil well and 1 (1.0 net) well that was dry and abandoned.

Capital expenditures for the nine months ending September 30, 2004 totaled \$37.4 million, while \$12.5 million was expended in the prior year. During the first nine months of 2004, True has drilled 66 (55.0 net) wells with a net success rate of 90%. True anticipates spending between \$54 million to \$56 million on capital expenditures during 2004.

During the third quarter, True replaced a rental compressor in the Dodsland area of Saskatchewan with an owned unit, reducing operating costs at this facility by \$20,000 per month. At Coleville, True installed a third compressor, bringing total gas processing capacity in Saskatchewan to 22 Mmcf/d. During the fourth quarter of 2004, at Dodsland, a new 5 Mmcf/d capacity facility is being installed in addition to the compressor added in the third quarter, and is expected to be on stream by year end.

Capital Expenditures \$000s

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003	2004	2003
Lease acquisitions & retention	1,456	853	3,051	1,486
Geological & geophysical	319	127	1,220	569
Drilling & completion costs	8,107	3,237	18,953	8,015
Facilities & equipment	3,302	512	6,006	1,709
Exploration & development	13,184	4,729	29,230	11,779
Acquisitions	(94)	-	8,388	184
Head office expenditures	13	184	114	548
Total expenditures	13,103	4,913	37,732	12,511
Dispositions	-	-	(312)	-
Net capital expenditures	13,103	4,913	37,420	12,511

True continues to develop its land base. At September 30, 2004, True has approximately 291,700 net undeveloped acres of land, of which 150,550 net acres are in Alberta and 141,150 net acres are in Saskatchewan.

During the second quarter of 2004, the Company committed to drill three wells and recomplate one well in Alberta by the end of 2004 pursuant to the second phase of a farm-in agreement with an oil and gas

company. During the second and third quarters, two wells were drilled. The Company expects to satisfy the remaining drilling and recompletion commitment by the end of 2004 at an estimated cost for True's interest of approximately \$1.0 million.

The Company has also committed to drill three wells during 2004 and one well in 2005 in Alberta pursuant to various farm-in agreements with oil and gas companies at an estimated cost to the Company of \$1.7 million in 2004 and \$0.4 million in 2005.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion (site restoration) expense for the third quarter of 2004 was \$3.4 million, compared to \$2.1 million in 2003, approximately 1% higher per boe in 2004. For the nine months ended September 30, 2004 the depletion, depreciation and accretion charge of \$10.2 million was 7% greater per boe than the corresponding 2003 period.

The costs for the three and nine month periods ending September 30, 2003 have been restated to reflect the adoption of CICA Handbook Section 3110 "Asset Retirement Obligations", with increased charges of \$32 thousand and \$89 thousand respectively.

Depletion, Depreciation and Accretion Costs \$000's, except where noted

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003*	2004	2003*
Depletion	2,238	1,260	6,872	3,171
Depreciation	1,079	851	3,158	2,243
Accretion	45	32	123	89
Total	3,362	2,143	10,153	5,503
Per unit (\$/ boe)	7.12	7.05	7.80	7.31

* restated to reflect changes in accounting policies

Income Taxes

For the three and nine months ending September 30, 2004 True has recorded a provision for capital taxes of \$0.5 million and \$1.1 million respectively, reflecting both the growth in the balance sheet of the Company and the increased gross sales revenues from Saskatchewan based properties. The provision for future income taxes for the nine month period is \$6.4 million, of which \$2.5 million has been recorded during the third quarter of this year. At September 30, 2004, the Company had approximately \$52 million in tax pools available to shelter future income.

Future income tax expense for the nine and three month period ending September 30, 2003 have been restated by minor amounts to reflect the adoption of CICA Handbook Section 3110 "Asset Retirement Obligations".

Liquidity and Capital Resources

True's net debt as at September 30, 2004 was \$15.3 million, with \$7.1 million drawn on a revolving credit facility and the balance a net working capital shortfall. True continues to target maintaining an annualized net debt to historical cash flow ratio below 1.3 times. At the end of 2004, the Company anticipates it will have a net debt to historical cash flow of approximately 0.8 times, with an aggressive drilling program combined with facility expansions scheduled for the last quarter of this year.

During the first quarter of 2004, True's revolving credit facility was revised to an authorized amount of \$27.5 million, subject to an interim review by July 1, 2004 and an annual review by May 31, 2005. During the third quarter of 2004, an interim review was completed, with the next interim review scheduled for January 1, 2005. No modification to the terms of the facility was made. The Company and its bankers are currently reviewing the credit facility utilizing the July 1, 2004 updated reserve report.

In April 2004, True closed a bought-deal private placement of common and flowthrough shares for aggregate proceeds of \$13.3 million, before expenses. In conjunction with this private placement, True committed to incur by the end of 2005 \$5.5 million of "Canadian exploration expenses ("CEE"), of which at September 30, 2004 \$2.1 million remain to be incurred on qualifying expenditures. Based on current expectations of operations for the fourth quarter of 2004 and 2005, the Company is confident this obligation will be met.

The Company expects to be able to fund its capital expenditure program for the balance of 2004 using cash flow from operations and available credit facilities. If cash flows are other than projected, capital expenditure levels will be adjusted to meet the targeted ratio. The Company's practices of continually monitoring spending opportunities in comparison to expected cash flow levels allows for adjustments to the capital program as required. True anticipates year-end 2004 net debt to be approximately \$24.5 million. Management believes the financial condition of the Company to be healthier at the end of the third quarter of 2004 compared to the end of 2003, the combination of relatively low debt levels combined with strong commodity prices in conjunction with a disciplined capital expenditure program.

At November 8, 2004 the Company has 61,846,179 common shares outstanding, and 3,546,867 options outstanding at an average exercise price of \$1.07 per share.

Business Prospects and 2004 Outlook

True Energy is optimistic about its future prospects. The Company has been successful in growing its production and land base since its formation in September 2000 and is expected to continue with future growth through development of its core assets and new exploration on the Company's inventory of geological prospects. Currently, the Company's producing properties are located in west central Saskatchewan and west central Alberta. During the remainder of 2004, the Company will continue to focus its exploration efforts in areas of multi-zone potential for natural gas and economically viable crude oil.

The Company anticipates that 2004 average production will be 5,000 boe/d, weighted approximately 67% towards natural gas. True believes world and domestic supply and demand factors will result in continuing strong prices for crude oil and natural gas prices continuing around the current levels for the balance of this year. True further anticipates the US\$/ Cdn \$ exchange rate to average 0.76 during 2004.

In 2004, operating costs are expected to reflect continued focus on operational efficiencies coupled with effective facility utilization for increasing production volumes. A wet summer increased costs levels, causing Management to believe average operating costs for 2004 to be in the \$6.00/boe range.

Currently, the Company anticipates spending approximately \$54 million to \$56 million during 2004 on oil and gas exploration and development activities within the core west central Saskatchewan and west central Alberta areas, including asset acquisitions.

Changes in Accounting Policy in 2004

Effective January 1, 2004, True adopted Accounting Guideline 16, "Oil and Gas Accounting - Full Cost". In September 2002, the Canadian Institute of Chartered Accountants ("CICA") approved Section 3063, "Impairment of Long-Lived Assets" (S. 3063), establishing standards for the recognition, measurement and disclosure of the impairment of long-lived assets and applies to long-lived assets held for use. An impairment loss is recognized when the carrying value exceeds its fair value and is not recoverable. This standard is effective for fiscal years beginning on or after April 1, 2003. AcG-16, issued in September 2003, includes this section in the application of the impairment test for oil and gas companies using the full cost method of accounting. The carrying value for oil and gas properties is limited to their fair value, which is equal to estimated future cash flows from proved and probable reserves, calculated using future price forecasts and costs discounted at a risk-free rate. The former ceiling test used undiscounted cash flows determined using constant prices, reduced for general and administrative and financing costs. The adoption of this standard had no material adverse impact on the Company's financial results.

Also effective January 1, 2004 True adopted the CICA's new accounting pronouncement Accounting Guideline 13 "Hedging Relationships" (AcG-13) which is in effect for fiscal years commencing on or after July 1, 2003. This Guideline sets out certain conditions when hedge accounting may be applied; otherwise the fair values of derivative financial instruments are recorded as an asset or liability on the balance sheet. True does not currently have any hedges; hence the guideline has no current applicability.

For the fiscal year beginning January 1, 2004, True adopted the CICA's new section "Asset Retirement Obligations" (Section 3110). This new accounting pronouncement requires accrued reclamation and abandonment obligations be recognized on the balance sheet by increasing oil and gas properties offset by a corresponding liability. The asset and liability are initially measured at fair value, being the discounted future value of the liability, and then capitalized as part of the cost of the asset and subsequently amortized over the life of the asset. The liability accretes until the retirement obligation is settled. Comparative numbers for 2003 and prior periods have been restated and the impact is disclosed in Note 2 of the financial statements. The adoption of this standard does not have a material adverse impact on the Company's financial position or results of operations.

For the fiscal year beginning January 1, 2004, True revised its presentation of transportation costs in accordance with CICA Handbook Section 1100 "Generally Accepted Accounting Principles". As a result, revenue has been presented prior to transportation costs and a separate expense for transportation costs has been presented in the statements of operations and deficit. The Company has reclassified previously reported amounts to be consistent with the presentation under this new policy. Revenue and transportation costs both increased (by \$0.5 million and \$0.2 million in the third quarter of 2004 and 2003 respectively, and by \$1.3 million and \$0.6 million in the nine months ended September of 2004 and 2003 respectively) as a result of this new policy. There was no impact on net income or cash flow in any quarter of 2004, nor did it impact restated net income or cash flow for any quarter of 2003.

The Company has adopted the March 19, 2004 recommendation of the Emerging Issues Committee of the CICA on flow-through shares (EIC-146), which requires the recognition of the foregone tax benefits at the time of renouncement, provided there is reasonable assurance that the expenditures will be incurred. Prior to 2004, the tax effect of the renouncement was recorded when the corresponding flow-through shares were issued. In April 2004, the Company committed to incur \$5.5 million of qualifying Canadian Exploration Expense ("CEE") expenditures by the end of 2005 to satisfy 2004 flow-through share agreements. In accordance with EIC-146, True will reduce its CEE income tax pool and recognize the income tax effect on related share issue costs when the expenditures are renounced to the shareholders, anticipated to be in the first quarter of 2005.

Effective March 31, 2004, True is subject to the new disclosure requirements as set out in National Instrument 51-102 ("NI51-102"), requiring shorter reporting periods and enhanced disclosure for annual and interim financial statements, management's discussion and analysis, and the annual information form.

Selected Quarterly Consolidated Information

The following table sets forth selected consolidated financial information of the Corporation for the most recently completed quarters ending at the end of the second last most recently completed financial year.

2004 – Quarter ended (\$000s, except per share amounts)	March 31	June 30	Sept. 30
Gross revenues before royalties & transportation	13,342	17,377	17,760
Cash flow from operations	6,264	8,783	8,593
Cash flow from operations per share			
basic	\$0.11	\$0.15	\$0.14
diluted	\$0.11	\$0.14	\$0.14
Net earnings	958	2,874	2,295
Net earnings per share			
basic	\$0.02	\$0.05	\$0.04
diluted	\$0.02	\$0.05	\$0.04
Capital expenditures, net	15,243	9,075	13,102

2003 – Quarter ended * (\$000s, except per share amounts)	March 31	June 30	Sept. 30	Dec. 31
Gross revenues before royalties & transportation	10,108	7,766	9,967	10,639
Cash flow from operations	4,374	2,489	4,656	4,494
Cash flow from operations per share				
basic	\$0.10	\$0.06	\$0.10	\$0.08
diluted	\$0.10	\$0.05	\$0.09	\$0.08
Net earnings (loss)	1,500	1,169	2,376	(682)
Net earnings (loss) per share				
basic	\$0.03	\$0.03	\$0.05	\$(0.01)
diluted	\$0.03	\$0.03	\$0.05	\$(0.01)
Capital expenditures, net	2,613	4,985	4,913	7,529

* restated for changes in accounting policies

2002 – Quarter ended * (\$000s, except per share amounts)	Dec. 31
Gross revenues before royalties & transportation	5,807
Cash flow from operations	2,633
Cash flow from operations per share	
basic	\$0.06
diluted	\$0.06
Net earnings	675
Net earnings per share	
basic	\$0.01
diluted	\$0.01
Capital expenditures, net	2,667

* restated for changes in accounting policies

Critical Accounting Estimates

The reader is advised that the critical accounting estimates, policies, and practices as described in the Management Discussion and Analysis in the Company's December 31, 2003 Annual Report continue to be critical in determining True's unaudited financial results as at September 30, 2004.

Reader Advisory

Statements in this document may contain forward-looking information including expectations of future production and components of cash flow and earnings. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. These risks include, but are not limited to; the risks associated with the oil and gas industry, commodity prices and exchange rate changes. Industry related risks could include, but are not limited to; operational risks in exploration, development and production, delays or changes in plans, risks associated to the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of production, costs and expenses. The reader is cautioned not to place undue reliance on this forward looking information.

The reader is also cautioned that this document contains the term reserve life index, which is not a recognized measure under GAAP. Management believes that this measure is a useful supplemental measure of the length of time the reserves would be produced over at the rate used in the calculation. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as net income determined in accordance with GAAP as a measure of performance. True's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

The reader is further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based upon available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

TRUE ENERGY INC.
CONSOLIDATED BALANCE SHEETS
at September 30, 2004 and December 31, 2003

	September 30, 2004 (unaudited)	December 31, 2003 Restated –Note 2
ASSETS		
Current assets		
Accounts receivable	\$10,312,655	\$9,754,654
Deposits and prepaids	616,239	704,380
	<u>10,928,894</u>	<u>10,459,034</u>
Property, plant and equipment	82,256,761	54,153,130
	<u>\$93,185,655</u>	<u>\$64,612,164</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$19,003,486	\$13,336,706
Capital taxes payable	188,026	-
Bank debt (note 4)	7,079,572	11,582,860
	<u>26,271,084</u>	<u>24,919,566</u>
Capital taxes payable	1,132,781	835,878
Asset retirement obligations (notes 1(a) and 2(a))	3,538,775	2,701,573
Future income taxes	10,559,236	4,480,568
Shareholders' equity		
Share capital (note 5)	59,905,432	46,519,371
Contributed surplus (note 8)	701,076	204,530
Deficit	<u>(8,922,729)</u>	<u>(15,049,322)</u>
	<u>51,683,779</u>	<u>31,674,579</u>
	<u>\$93,185,655</u>	<u>\$64,612,164</u>

See accompanying selected notes to consolidated financial statements.

TRUE ENERGY INC.**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**for the periods ended September 30, 2004 and 2003
(unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2004	2003	2004	2003
		Restated – Note 2		Restated – Note 2
REVENUE				
Petroleum and natural gas sales	\$17,759,501	\$9,966,856	\$48,478,706	\$27,840,840
Royalties, net of Alberta royalty tax credit	4,583,135	2,438,051	12,346,468	6,904,044
	<u>13,176,366</u>	<u>7,528,805</u>	<u>36,132,238</u>	<u>20,936,796</u>
EXPENSES				
Production	3,181,478	1,951,267	8,155,775	5,801,594
Transportation – Note 1(c) & 2(c)	509,587	235,601	1,277,783	598,570
General and administrative- Note 2(b)	745,630	514,971	2,455,575	2,017,778
Interest on debt	84,274	163,968	406,449	654,847
Depletion, depreciation and accretion – Notes 1(a) & 2(a)	3,361,832	2,143,216	10,153,268	5,502,764
	<u>7,882,801</u>	<u>5,009,023</u>	<u>22,448,850</u>	<u>14,575,553</u>
EARNINGS BEFORE TAXES	5,293,565	2,519,782	13,683,388	6,361,243
TAXES – Note 9				
Current income taxes (recovery)	71,618	(14,859)	16,831	(186,611)
Capital taxes	465,773	208,200	1,111,042	458,703
Future income tax - Notes 1(a), 2(a) & 9	2,461,000	(49,277)	6,428,922	1,044,206
	<u>2,998,391</u>	<u>144,064</u>	<u>7,556,795</u>	<u>1,316,298</u>
NET EARNINGS	2,295,174	2,375,718	6,126,593	5,044,945
Deficit, beginning of period as previously stated	(11,217,903)	(16,575,453)	(14,991,672)	(19,320,423)
Change in accounting policy – Notes 1(a) & 2(a)	-	(167,605)	(57,650)	(91,862)
Deficit, beginning of period as restated	<u>(11,217,903)</u>	<u>(16,743,058)</u>	<u>(15,049,322)</u>	<u>(19,412,285)</u>
Deficit, end of period	<u>\$(8,922,729)</u>	<u>\$(14,367,340)</u>	<u>\$(8,922,729)</u>	<u>\$(14,367,340)</u>
Net earnings per share				
Basic	\$0.04	\$0.05	\$0.10	\$0.11
diluted	\$0.04	\$0.05	\$0.10	\$0.11

See accompanying selected notes to the consolidated financial statements.

TRUE ENERGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the periods ended September 30, 2004 and 2003
(unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2004	2003	2004	2003
		Restated – Note 2		Restated – Note 2
Cash provided by (used in):				
Operations				
Net earnings	\$2,295,174	\$2,375,718	\$6,126,593	\$5,044,945
Charges not involving cash:				
Depletion, depreciation and accretion – Notes 1(a) & 2(a)	3,361,832	2,143,216	10,153,268	5,502,764
Stock option costs – Note 2(b)	177,592	58,927	511,262	126,038
Future income tax /(recovery) - Notes 1(a) & 2(a)	2,461,000	(49,277)	6,428,922	1,044,206
Capital taxes	297,562	127,185	420,424	(199,814)
Funds flow from operations	8,593,160	4,655,769	23,640,469	11,518,139
Change in non-cash working capital	796,420	1,372,465	2,383,824	(585,793)
	9,389,580	6,028,234	26,024,293	10,932,346
Financing				
Issuance of common shares	27,183	10,000,000	13,871,415	10,079,066
Share issue costs	(4,219)	(704,645)	(850,325)	(779,001)
Increase / (decrease) in bank debt	2,417,434	(8,815,326)	(4,503,288)	(9,560,756)
	2,440,398	480,029	8,517,802	(260,691)
Investing				
Additions to capital assets	(13,197,246)	(4,912,925)	(29,344,206)	(12,357,039)
Acquisition of capital assets	94,596	-	(8,387,841)	(154,144)
Proceeds on sale of capital assets	176	-	312,349	-
	(13,102,474)	(4,912,925)	(37,419,698)	(12,511,183)
Change in non-cash working capital	1,272,496	(1,595,338)	2,877,603	1,839,528
	(11,829,978)	(6,508,263)	(34,542,095)	(10,671,655)
Change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

See accompanying selected notes to consolidated financial statements.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2004 and 2003 (unaudited)

1. SUMMARY OF ACCOUNTING POLICIES:

The interim consolidated financial statements of the Company have been prepared by management in accordance with the accounting policies generally accepted in Canada. The unaudited 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, 2003, except as mentioned below. The interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles ("GAAP") applicable for annual financial statements. Accordingly, 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, 2003.

a. Asset Retirement Obligations

Effective for fiscal years beginning on or after January 1, 2004, the CICA issued Handbook Section 3110 "Asset Retirement Obligations" ("ARO"). Under the new standard, a liability is recognized for the future retirement obligations associated with the Company's property, plant and equipment. The fair value of the ARO is recorded on a discounted basis. This amount is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until the Company settles the obligation.

b. Full Cost Accounting

In January 2004, the Company adopted AcG-16 "Oil and Gas Accounting – Full Cost", the new guideline issued by the Canadian Institute of Chartered Accountants ("CICA") which replaces AcG-5 "Full Cost Accounting in the Oil and Gas Industry".

The adoption of AcG-16 modifies how the ceiling test is performed resulting in a two stage process. The first stage requires the carrying amounts of the cost centres to be tested for recoverability using undiscounted future cash flows from proved reserves and management's best estimate of forward indexed prices. When the carrying amount of a cost centre is not recoverable, the second stage of the process will determine the impairment whereby the cost centre would be written down to its fair value. The second stage requires the calculation of discounted future cash flows from proved plus probable reserves. The fair value is estimated using accepted present value techniques, which incorporate risks and other uncertainties when determining expected cash flows.

Under AcG-5, future net revenues for ceiling test purposes were based on proved reserves and undiscounted end of period prices. Estimated future general and administrative costs and financing charges associated with the future net revenues were deducted in arriving at the "ceiling".

The Company has performed the ceiling test under AcG-16 as of September 30, 2004 and there were no changes to net income, property, plant and equipment or any other reported amounts in the financial statements as a result of adopting this guideline.

The impairment test was calculated using the average price forecasts outlined in the table below.

Heavy Oil (\$/bbl)	Medium / Light Oil (\$/bbl)	Natural Gas (\$/mcf)	NGL's (\$/bbl)
27.78	38.14	5.89	32.82

c. Transportation Costs

Effective for fiscal years beginning on or after October 1, 2003, the CICA issued Handbook Section 1100 “Generally Accepted Accounting Principles”, which defines the sources of GAAP that companies must use, and effectively eliminates industry practice as a source of GAAP. In prior years, it had been industry practice for companies to net transportation charges against revenue rather than showing transportation as a separate expense on the income statement. Beginning January 1, 2004, the Company has recorded revenue gross of transportation charges and a transportation expense on the income statement.

d. Flow-through Common Shares

The Company has adopted the March 19, 2004 recommendation of the Emerging Issues Committee of the CICA on flow-through shares (EIC-146), which requires the recognition of the foregone tax benefits at the time of renouncement, provided there is reasonable assurance that the expenditures will be incurred. Prior to 2004, the tax effect of the renouncement was recorded when the corresponding flow-through shares were issued.

2. RESTATEMENT OF PRIOR PERIODS DUE TO CHANGES IN ACCOUNTING POLICIES:

In accordance with the CICA Handbook, the Company adopted two new accounting policies at January 1, 2004 and one new accounting policy at December 31, 2003 that required restatement of prior quarters in 2003. The following explains the impact of these restatements on the Company's previously reported third quarter 2003 results.

a. Asset Retirement Obligation

On January 1, 2004, the company adopted CICA Handbook Section 3110 “Asset Retirement Obligations”. This change in accounting policy has been applied retroactively with restatement of prior periods presented for comparative purposes. The 2003 and estimated 2004 impact of adopting this standard compared to the previous standard is:

Change in Consolidated Balance Sheet	
\$000s	
	As at December 31,
	2003
Increase in property, plant and equipment	1,552
Total assets	<u>1,552</u>
Future site restoration & abandonment costs	(1,222)
Asset retirement obligations	2,702
Future income tax liabilities	130
Retained earnings	(58)
Total liabilities and shareholders' equity	<u>1,552</u>

Change in Consolidated Statements of Operations and Deficit
\$000s

	Three months ended Sept. 30, 2003	Nine months ended Sept. 30, 2003
Depletion, depreciation & site restoration	(33)	(75)
Accretion of asset retirement obligations	32	89
Future income taxes	(49)	(56)
Net (earnings) / loss	(50)	(42)
Per common share - basic	-	-
Per common share - diluted	-	-

The total future asset retirement obligation was estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. At September 30, 2004, the estimated total undiscounted amount required to settle the asset retirement obligations is approximately \$6.5 million. These obligations will be settled based on the useful lives of the underlying assets, which currently extend up to 21 ¼ years into the future. This amount has been discounted using credit-adjusted, risk-free interest rates of between 4.9% and 5.1%.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of property, plant and equipment.

\$000s

	For the three months ended Sept. 30,		For the nine months ended Sept. 30,	
	2004	2003	2004	2003
Asset retirement obligations, beginning of period	3,205	2,330	2,702	2,211
Liabilities incurred	289	166	618	219
Liabilities assumed on acquisitions	-	-	244	9
Liabilities released on dispositions	-	-	(148)	-
Accretion of asset retirement obligations	45	32	123	89
Asset retirement obligations, end of period	3,539	2,528	3,539	2,528

b. Stock-Based Compensation Plan:

At December 31, 2003, the Company adopted CICA Handbook Section 3870 "Stock based compensation and other stock based payments". Under the transitional provisions of the standard, the Company is required to record compensation expense in the statement of operations and deficit for options issued on or after January 1, 2003. As a result of the implementation of this amended standard at year end 2003, previously reported 2003 amounts have been restated to give effect to the standard as at January 1, 2003. As a result of the restatement requirements, previously reported net income for the third quarter of 2003 decreased by \$40,136, and for the first nine months of 2003, previously reported net income decreased by \$107,247. There was no impact on cash flow as a result of adopting this standard and there was no change in previously reported per share amounts.

c. Transportation Costs:

At January 1, 2004, the Company adopted CICA Handbook Section 1100 "Generally Accepted Accounting Principles". As a result, revenue has been presented prior to transportation costs and a separate expense for transportation costs has been presented in the statements of operations and deficit. The Company has reclassified previously reported amounts to be consistent with the presentation under this new policy. Revenue and transportation costs both increased by \$0.2 million in the third quarter of 2003 and by \$0.6 million in the first nine months of 2003 from previously reported amounts, as a result of this new policy. There was no impact on net income or cash flow for the third quarter and first three quarters of 2003.

3. ACQUISITIONS/DISPOSITIONS:

On February 2, 2004, the Company entered into an agreement with an arm's length third party to purchase certain petroleum and natural gas assets located in the Company's West Central Saskatchewan core area. Closing of the acquisition occurred on March 1, 2004 and the Company has accounted for this acquisition as a purchase on this date. The purchase price of \$7,745,258 was fully allocated to petroleum and natural gas properties and has an equivalent tax basis.

On April 14, 2004, the Company sold certain non-strategic assets in the Ear Lake Area to an arm's length third party for net proceeds of \$26,292. The proceeds from this disposition were fully allocated to petroleum and natural gas properties and have an equivalent tax basis.

On June 30, 2004, the Company entered into an agreement with an arm's length third party to purchase certain petroleum and natural gas assets located in the Company's Smiley core area. Closing occurred on the same date and the Company has accounted for this acquisition as a purchase on June 30, 2004. The purchase price of \$346,719 was fully allocated to petroleum and natural gas properties and has an equivalent tax basis.

On December 31, 2003, the Company entered into a Letter of Intent with an arm's length third party, to exchange certain petroleum and natural gas assets located in the Company's non-core East Central Saskatchewan area for certain petroleum and natural gas assets located in the Company's core West Central Saskatchewan area. This swap was effective November 1, 2003 and closed on March 26, 2004. The net cost of this swap amounted to \$9,808 (acquisition of \$295,865 and disposition of \$286,057) and was fully allocated to petroleum and natural gas properties having an equivalent tax basis as of the closing date.

4. BANK DEBT:

On March 16, 2004, the terms of the demand revolving credit facility were revised to increase the authorized borrowing amount to \$27,500,000. Interest is payable at the lenders' prime rate plus an applicable margin, as outlined in the lending agreement, based on the debt to cash flow ratio. The availability under the facility is subject to an interim review on or before January 1, 2005 and an annual review by May 31, 2005. The standby fee was changed to 1/8 of 1% (0.125%) on the undrawn portion of the credit facility. No other terms or conditions were modified.

5. CAPITAL STOCK:

Authorized:

- Unlimited number of voting Common Shares
- Unlimited number of non-voting First Preferred Shares

Issued:

	Number of Shares	Amount
Common shares:		
Balance December 31, 2002	45,134,421	\$ 38,448,124
Options exercised	406,666	304,066
Issued through private placement	5,000,000	5,750,000
Flow-through shares issued through private placement	3,500,000	4,025,000
Tax effect of flow-through shares		(1,719,882)
Share issue costs, net of future income taxes of \$486,117		(274,093)
Balance September 30, 2003, before contributed surplus	54,041,087	\$ 46,533,215

Balance December 31, 2003, before contributed surplus	54,044,420	\$ 46,519,371
Options exercised	711,466	586,113
Issued through private placement	4,457,153	7,800,018
Flow-through shares issued through private placement	2,558,140	5,500,001
Share issue costs, net of future income taxes of \$350,254		(500,071)
Balance September 30, 2004, before contributed surplus	61,771,179	\$ 59,905,432

As at September 30, 2004, the Company has commitments to incur \$2.1 million of qualifying Canadian Exploration Expense expenditures by the end of 2005 to satisfy 2004 flow-through share agreements. The Company has not reduced share capital by the tax effect of flow-through shares issued in 2004. Furthermore, the Company has not reduced its tax pools by the 2004 Canadian Exploration Expenditure obligation. The Company will record these items when the expenditures are renounced to the shareholders.

The following table summarizes the changes in stock options outstanding for the nine months ended September 30, 2004:

	Options	Weighted-Average Exercise Price
Outstanding at Dec. 31, 2003	3,686,000	\$0.91
Cancelled	(35,167)	\$1.27
Granted	682,500	\$1.63
Exercised	(711,466)	\$0.80
Outstanding at September 30, 2004	3,621,867	\$1.06

6. SUPPLEMENTAL CASH FLOW INFORMATION:

	For the three months ended Sept. 30,		For the nine months ended Sept. 30,	
	2004	2003	2004	2003
Cash paid:				
Interest	\$84,274	\$163,968	\$406,449	\$654,847
Taxes (net of refunds)	217,270	(64,336)	653,725	(270,216)
Investing and financing activities				
Net assets acquired on acquisitions (note 3)	(94,772)	-	8,075,492	154,144

7. STOCK BASED COMPENSATION:

In 2003, the Company prospectively adopted the amendments to CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-Based Payments" pursuant to the transitional provisions contained therein. In accordance with the transition rules, the expense recognized applies to stock options granted in 2003 and thereafter. During the nine months ended September 30, 2004, the Company granted 682,500 (2003: 925,000) stock options to employees, consultants and directors. The Company recorded stock option expense of \$511,262 during the first nine months of 2004 and \$177,592 during the third quarter of 2004. For the restated first nine months of 2003, the Company recorded stock option expense of \$107,247 and for the restated third quarter, stock option expense totaled \$40,136.

For stock options granted in 2002 and prior years, the Company elected to continue accounting for the related compensation expense on the intrinsic value at the grant date. Accordingly, net income for 2002 and subsequent years remains unchanged with respect to stock options granted in 2002.

The Company continues to disclose the pro forma earnings impact of stock options granted in 2002. If the fair value method had been used for options granted in 2002, the Company's net earnings and net earnings per share for the periods ended September 30, 2004 and 2003 would approximate the following pro forma amounts:

	Three Months ended Sept 30,		Nine Months ended Sept. 30,	
	2004	2003	2004	2003
Net Earnings:				
As reported	\$2,295,174	\$2,375,718	\$6,126,593	\$5,044,945
Pro forma	\$2,275,927	\$2,325,473	\$6,068,776	\$4,893,522
Net Earnings per Share:				
As reported	\$0.04	\$0.05	\$0.10	\$0.11
Pro forma	\$0.04	\$0.05	\$0.10	\$0.11
Diluted:				
As reported	\$0.04	\$0.05	\$0.10	\$0.11
Pro forma	\$0.04	\$0.05	\$0.10	\$0.10

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	Three Months ended Sept 30,		Nine Months ended Sept. 30,	
	2004	2003	2004	2003
Assumptions:				
Risk free interest rate (%)	4.48	5.81	5.34	5.69
Expected life (years)	5.0	5.0	5.0	5.0
Expected volatility (%)	44	65	55	73
Results:				
Weighted average fair value of options granted (\$)	\$0.91	\$0.61	\$0.86	\$0.50

8. CONTRIBUTED SURPLUS:

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,	
	2004	2003	2004	2003
Balance, beginning of period	\$524,930	\$67,111	\$ 204,530	-
Stock-based compensation expense	177,592	40,136	511,262	107,247
Transfer to share capital on exercise of options	(1,446)	-	(14,716)	-
Balance, end of period	\$701,076	\$ 107,247	\$ 701,076	\$ 107,247

9. INCOME TAXES:

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate income tax rate (2004: 41.6188%) to earnings or losses before income taxes. This difference results from the following items:

	Sept. 30, 2004
Expected income tax expense	\$ 5,695,026
Crown royalties and charges	2,065,903
Resource allowance	(2,036,817)
Change in enacted tax rates	63,964
Stock option expense	212,781
Other	428,065
Future income tax expense	\$6,428,922
Current Income tax expense	16,831
Capital tax expense	1,111,042
Total tax expense	\$7,556,795

10. COMMITMENTS:

During the second quarter of 2004, the Company committed to drill three wells and recomplete one well in Alberta by the end of 2004 pursuant to the second phase of a farm-in agreement with an oil and gas company. During the second and third quarters, two wells were drilled. The Company expects to satisfy the remaining drilling and recompletion commitment by year end at an estimated cost for True's interest of approximately \$1.0 million.

The Company has also committed to drill three wells during 2004 and one well in 2005 in Alberta pursuant to various farm-in agreements with oil and gas companies at an estimated cost to the Company of \$1.7 million in 2004 and \$400,000 in 2005.

The Company has further committed to provide corporate sponsorship of a Canadian athlete and Olympic hopeful. The sponsorship extends to June 2006 at a fixed additional cost of \$20,000, plus incentive payments that could total to approximately \$30,000, based on medals awarded.

True Energy Inc. is a Calgary-based oil and natural gas exploration and development company. The Company's shares trade on The Toronto Stock Exchange under the symbol **TUI**. For further information, please contact:

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