



PRESS RELEASE
TRUE ENERGY ANNOUNCES SECOND QUARTER FINANCIAL RESULTS

For Immediate Release

August 14, 2003 – True Energy Inc. (“True”) (TSX:TUI) is pleased to announce its financial and operating results for the three and six months ended June 30, 2003.

**FINANCIAL AND OPERATING
HIGHLIGHTS**

| | Three months ended June 30 | | Six months ended June 30 | |
|-------------------------------|----------------------------|-------------|--------------------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| FINANCIAL | | | | |
| (\$ except per share amounts) | | | | |
| Revenue | 7,594,972 | 4,318,873 | 17,511,015 | 8,137,113 |
| Funds flow from operations* | 2,488,656 | 1,266,287 | 6,862,370 | 1,951,165 |
| per share - basic | \$0.06 | \$0.04 | \$0.15 | \$0.07 |
| per share - diluted | \$0.05 | \$0.04 | \$0.15 | \$0.06 |
| Cash flow from operations | 2,488,656 | 1,260,587 | 6,862,370 | 1,774,465 |
| per share - basic | \$0.06 | \$0.04 | \$0.15 | \$0.06 |
| per share – diluted | \$0.05 | \$0.04 | \$0.15 | \$0.06 |
| Net earnings (loss) | 1,207,253 | 299,233 | 2,744,970 | (444,845) |
| per share - basic | \$0.03 | \$0.01 | \$0.06 | (\$0.01) |
| per share - diluted | \$0.03 | \$0.01 | \$0.06 | (\$0.01) |
| Capital expenditures, net | 4,984,990 | (3,295,738) | 7,598,258 | (2,142,187) |
| Debt, net of working capital | | | 20,566,753 | 10,255,411 |
| Total assets | | | 52,492,485 | 25,290,417 |
| Shareholders' equity | | | 21,877,381 | 11,391,937 |
| Shares outstanding | | | | |
| basic | | | 45,241,087 | 32,885,102 |
| diluted | | | 48,381,087 | 35,397,602 |
| Weighted average shares | | | | |
| basic | | | 45,234,163 | 29,866,262 |
| diluted | | | 45,684,476 | 30,229,440 |

* funds flow from operations includes prepaid gas revenue

| | | Three months ended June 30 | | Six months ended June 30 | |
|----------------------------|----------|----------------------------|-------|--------------------------|-------|
| | | 2003 | 2002 | 2003 | 2002 |
| OPERATIONAL | | | | | |
| Daily Volumes | | | | | |
| Oil and NGLs | (bbls/d) | 812 | 785 | 962 | 727 |
| Natural gas | (Mcf/d) | 9,383 | 7,296 | 9,059 | 7,961 |
| Total BOE/d | (6:1) | 2,376 | 2,001 | 2,472 | 2,053 |
| Prices | | | | | |
| Oil and NGLs | (\$/bbl) | 26.63 | 27.72 | 30.73 | 25.62 |
| Natural gas – before hedge | (\$/Mcf) | 6.77 | 3.53 | 7.51 | 3.33 |
| Natural gas – after hedge | (\$/Mcf) | 6.59 | 3.53 | 7.42 | 3.33 |
| Combined | (\$/boe) | 35.13 | 23.73 | 39.14 | 21.89 |
| Statistics | | | | | |
| Operating Netback | (\$/boe) | 16.76 | 11.76 | 20.55 | 9.43 |
| Operating Expenses | (\$/boe) | 9.04 | 5.40 | 8.61 | 6.19 |
| General & Administrative | (\$/boe) | 2.68 | 2.67 | 3.21 | 2.72 |
| Royalties as a % of sales | | 26% | 28% | 25% | 29% |

REPORT TO SHAREHOLDERS

It is with pleasure that I present this report to you, our shareholders, to highlight our accomplishments and achievements during the first six months of this year. Significant progress has been made both operationally and financially as we implement our strategy of disciplined growth. Despite daunting weather conditions over the winter and spring breakup period, we managed to average daily production volumes during the second quarter of 2003 of 2,376 boe/d, weighted 66% towards natural gas.

We have generated cash flow from operations of \$6.8 million (\$0.15 per diluted share) on gross sales of \$17.5 million and net income of \$2.7 million (\$0.06 per diluted share) during the first six months of 2003. These compare favorably to the \$1.8 million of cash flow from operations and the net loss of \$0.4 million generated in the same period of 2002. For the three months ended June 30, 2003, True recorded \$2.5 million (\$0.05 per diluted share) of cash flow from operations and net earnings of \$1.2 million (\$0.03 per diluted share) compared to \$1.3 million of cash flow from operations and net earnings of \$0.3 million for this period in 2002.

The Company's drilling program was delayed with the extended wet conditions during and following spring breakup. Our exploration team successfully coped with these operational difficulties, achieving a 100% success rate on twenty-four gross wells year to date. Following the successful five (2.55 net) wells during the first quarter of 2003, True drilled nine (7.75 net) operated wells in the West Central Saskatchewan core area in the second quarter. Within the Coleville Driver, Smiley, Coleville South, Kerrobert and Druid exploration areas, True drilled six (4.75 net) natural gas wells, two (2.0 net) horizontal heavy oil wells, and one (1.0 net) light oil well. Several of the natural gas wells encountered hydrocarbons in multiple zones, including one well with gas in five horizons and two wells containing oil zones. In addition to the fourteen (10.3 net) wells drilled during the first six months of 2003, in July and August 2003 True has drilled nine (4.5 net) light oil wells at Kerrobert and one 100% natural gas well at Dodsland.

At the end of June 2003, True's net debt is \$20.6 million. The ratio of net debt to cash flow for the first six months of 2003 annualized sits at 1.5 times. Our credit facility terms as amended during July 2003, should result in significant cost of borrowing savings. Our financial strength has been further reinforced with the issue of 3.5 million flowthrough shares at \$1.15 per share for gross proceeds of \$4.025 million in July 2003. We remain dedicated to a net debt to historical cash flow ratio of approximately 1.3 times.

As we move towards the fall and winter months, the pivotal question of what commodity prices will do consume the minds of many within the industry. Strong commodity prices will allow explorers to run expanded exploration programs, enhancing the growth of available product. But will it satisfy the demand? We believe that overall inventory supplies are unlikely to rise significantly for at least two years, unless the next two winters prove to be unusually mild. If those winters are severe - as the last one was in several parts of the nation - shortages will only grow worse. Further arguments for a long-term upside is that natural gas is environmentally benign in comparison to other fossil fuels. Continued high commodity prices combined with an expanding inventory of drilling prospects, enhanced by approximately 200,000 net acres of undeveloped land, highlight the unique opportunity the Company has to grow significantly in the near term.

The fast paced work environment we have created at True has accelerated our generation of drilling opportunities. We look forward to continued prospect generation. The future growth prospects for True look excellent. We will continue to balance capital exposure, exploration risk, and project opportunity generation within our operations program to achieve our business strategies. I look forward to reporting to you our accomplishments in the months to come.

Paul R. Baay
President & CEO
August 14, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of financial results as provided by the management of True Energy Inc. should be read in conjunction with the unaudited interim consolidated financial statements and selected notes for the three and six months ended June 30, 2003 and 2002 and the audited consolidated financial statements and Management Discussion and Analysis for the year ended December 31, 2002.

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.

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. The consolidated statements of cash flows in the unaudited interim financial statements presents the reconciliation between net earnings and cash flow from operations.

Net Earnings and Cash Flow from Operations

For the three months ended June 30, 2003, cash flow from operations of \$2.5 million grew 97% compared to \$1.3 million for the same period of the prior year. For the six months ended June 30, 2003, cash flow from operations was \$6.9 million, compared to \$1.8 million for the same period of the prior year.

Cash Flow From Operations

| | Three Months ended June 30, | | Six Months ended June 30, | |
|---------------------------|-----------------------------|--------------|---------------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| Cash flow from operations | \$ 2,488,656 | \$ 1,260,587 | \$ 6,862,370 | \$ 1,774,465 |
| Basic | \$ 0.06 | \$ 0.04 | \$ 0.15 | \$ 0.06 |
| Diluted | \$ 0.05 | \$ 0.04 | \$ 0.15 | \$ 0.06 |

Net earnings for the second quarter of 2003 were \$1.2 million, up 303% compared to second quarter 2002 net earnings of \$0.3 million. For the six months ended June 30, 2003, net earnings were \$2.7 million, compared to a loss of \$0.4 million for the same period in 2002.

Net Earnings

| | Three Months ended June 30, | | Six Months ended June 30, | |
|--------------|-----------------------------|------------|---------------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| Net Earnings | \$ 1,207,253 | \$ 299,233 | \$ 2,744,970 | \$ (444,845) |
| Basic | \$ 0.03 | \$ 0.01 | \$ 0.06 | \$ (0.01) |
| Diluted | \$ 0.03 | \$ 0.01 | \$ 0.06 | \$ (0.01) |

Production

Production for the three months ended June 30, 2003 increased by 19% to 2,376 boe/d, weighted 66% natural gas, compared to 2,001 boe/d for the same period in 2002. For the six months ended June 30, 2003, production rates grew 20% to 2,472 boe/d from 2,053 boe/d in 2002.

Sales of natural gas averaged 9,383 Mcf/d during the second quarter of 2003, up 29% from 7,296 produced during the second quarter of 2002. For the six months ended June 30, 2003, natural gas sales averaged 9,059 Mcf/d compared to 7,961 Mcf/d produced during the first six months of 2002. During the second quarter of 2003 the Company experienced daily production rates for natural gas dropping to just over seven Mmcf/d with spring breakup problems. True exited the quarter at approximately eleven Mmcf/d being the results of the resumption of pre-breakup production, increased volumes from additional compression added at Druid, combined with additional sales from natural gas wells drilled at Smiley, Dodsland, and Rosevear during the first half of 2003. At the end of the second quarter five natural gas wells drilled during the first half remained to be completed and tied in.

Crude oil and NGL sales averaged 812 bbls/d for the three months ended June 30, 2003, compared to 785 bbls/d during the same period of 2002. For the six months ended June 30, 2003, average crude oil and NGL sales were 962 bbls/d compared to 727 bbls/d for the first half of 2002. Access problems caused by wet surface conditions within True's focus area in West Central Saskatchewan triggered curtailed crude oil operations during the second quarter spring breakup period. Daily production rates for crude oil dropped to just over 500 Bbls/d in April 2003. By early June, conditions began to return to normal and wells were brought back on production. Daily production rates at the end of the quarter were also enhanced with sales from two horizontal 100% W.I. 11⁰ API oil wells at Kerrobert McLaren drilled in late May 2003.

Crude oil and NGL's made up 34% of the daily production rates during the second quarter of 2003, primarily the result of spring breakup production problems temporarily reducing daily production rates.

Production Volumes

| | | Three Months ended June 30, | | Six Months ended June 30, | |
|------------------|----------|-----------------------------|-------|---------------------------|-------|
| | | 2003 | 2002 | 2003 | 2002 |
| Crude oil & NGLs | (Bbls/d) | 812 | 785 | 962 | 727 |
| Natural gas | (Mcf/d) | 9,383 | 7,296 | 9,059 | 7,961 |
| Total BOE/d | (6:1) | 2,376 | 2,001 | 2,472 | 2,053 |

Revenue

Revenue during the second quarter of 2003 was \$7.6 million, up 76% from \$4.3 million for the corresponding three months of the previous year. For the six months ended June 30, 2003, revenue of \$17.5 million was 115% greater than the \$8.1 million generated in the same period in 2002. Higher revenue dollars received during the six and three month periods ending June 30 of 2003 compared to 2002 were the result of overall higher commodity prices combined with increased production volumes.

Revenue (\$000s)

| | | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------|--|-----------------------------|-------|---------------------------|-------|
| | | 2003 | 2002 | 2003 | 2002 |
| Crude oil & NGLs | | 1,967 | 1,979 | 5,350 | 3,369 |
| Natural gas | | 5,778 | 2,340 | 12,311 | 4,768 |
| Natural gas hedge | | (150) | - | (150) | - |
| Total | | 7,595 | 4,319 | 17,511 | 8,137 |

True's sales of crude oil and natural gas liquids averaged \$30.73/bbl for the six month period ending June 30, 2003, an increase of 20% from the \$25.62/bbl received during the first six months of 2002. During the second quarter of 2003, True received an average of \$26.63/bbl, 4% less than the comparable period in 2002.

Nymex crude oil prices have declined during the second quarter to an average of \$US 28.91/bbl from the first quarter 2003 levels of \$US 33.89/bbl. Bow River prices reflected this decline along with exchange rate fluctuations to decline 21% in the second quarter of 2003 compared to the average first quarter 2003 price. True's net price during the second quarter declined a similar 21% from the average price of \$33.75/bbl received during the first quarter of 2003. As global inventories of crude oil and products remain low by historical standards, the need to replenish inventories should help sustain prices in the range of \$US 28/bbl to \$US 29/bbl for the balance of this year.

For the six month period ending June 30, 2003 True received \$7.51/Mcf, up 125% from the average \$3.33/Mcf received in 2002. For the three months ended June 30, 2003, True received an average price for natural gas, before accounting for hedges, of \$6.77/Mcf, up 92% from the same period in 2002. The average AECO-C\$ price during the first quarter of 2003 was \$8.17/Mcf, dropping 17% to \$6.81/Mcf during the second quarter. True's net price was 19% lower in the second quarter compared to the \$8.34/Mcf received in the first quarter of 2003.

Natural gas prices have been volatile, as the correlation between anticipated weather patterns and gas storage inventory levels are monitored on a week by week basis. The North American natural gas market is a tight balance driven by the overall demand levels of end users, primarily industrial consumers, in comparison to storage inventories. At the end of June 2003, prices softened, likely the result of economy driven demand stagnation combined with fuel switching. Notwithstanding record rig utilization statistics, overall growth in supply is not anticipated to remedy the overall low levels of natural gas inventories. True expects that after a summer of somewhat reduced prices, gas prices will be sustained by fall to average around \$US5/Mcf for the balance of this year.

Average Prices

| | | Three Months ended June 30, | | Six Months ended June 30, | |
|----------------------------|-----------|-----------------------------|-------|---------------------------|-------|
| | | 2003 | 2002 | 2003 | 2002 |
| Crude oil & NGL's | (\$/ bbl) | 26.63 | 27.72 | 30.73 | 25.62 |
| Natural gas – before hedge | (\$/ Mcf) | 6.77 | 3.53 | 7.51 | 3.33 |
| Natural gas – after hedge | (\$/ Mcf) | 6.59 | 3.53 | 7.42 | 3.33 |
| Total | (\$/ boe) | 35.13 | 23.73 | 39.14 | 21.89 |

Hedging

True has a natural gas commodity price swap for 3,000 gigajoules per day for the period April 1, 2003 to October 31, 2003. The contract establishes that the Company will pay the counter party the differential for any month when the AECO "C" price is established at more than Cdn. \$6.08/gigajoule and that the counter party will pay the Company the differential when the AECO "C" price is established at less than Cdn. \$6.08 per gigajoule. For the three and six months ending June 30, 2003, the Company recorded a reduction to gas sales of \$150,183 for this transaction.

Royalties

For the six months ending June 30, 2003, total royalties were \$4.5 million, up 92% compared to \$2.3 million for the first half of 2002. For the three months ended June 30, 2003, the Company paid \$2.0 million in royalties compared to \$1.2 million in the corresponding quarter of 2002, an increase of 68% paralleling the growth in pre-hedge gross revenue of 79% for this same three month period. Royalties as a percentage of pre-hedge sales for the second quarter of 2003 were 26% compared to 28% in the same period in 2002.

The ratio of royalties to sales for crude oil and NGL's averaged 20% during the second quarter of 2003, relatively unchanged from the 21% ratio in the first quarter of 2003. For the six months ending June 30, royalty rates compared to gross revenues for crude oil and NGL's were consistently 21% in both 2003 and 2002. This reflects the netting effect of higher commodity prices offset by a freehold mineral tax holiday status to the end of 2003 for heavy oil wells drilled in the Coleville South area in 2002 and lower royalty rates for new Saskatchewan production on-stream after October 1, 2002. As in the first quarter of 2003, condensate/NGL production in the Doris and Rosevear areas in Alberta attracted royalty rates of over 40% and 30% respectively during the second quarter of 2003.

For natural gas, the pre-hedge royalty rate during the first six months of 2003 averaged 27% compared to 34% in the same period in 2002. Similarly, for the three months ending June 30, 2003, royalty rates for natural gas of 28% were lower than the 32% rate in the same quarter of 2002. The addition of the Alberta properties in the Rosevear, Donalda, and Doris areas effective August 1, 2002 brought overall significantly lower royalty rates for natural gas, the effect of savings from gas cost allowance credits. In addition, the Company enjoyed cost savings from lower royalty rates for Saskatchewan production brought on-stream after October 1, 2002.

With the addition of qualifying Alberta properties in the Rosevear, Donalda and Doris areas, the Company has recorded \$81 thousand of Alberta Royalty Tax Credit during the first quarter and \$66 thousand during the second quarter of 2003, compared to nil in 2002.

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

| | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------|-----------------------------|-------|---------------------------|-------|
| | 2003 | 2002 | 2003 | 2002 |
| Crude oil & NGL's | 391 | 447 | 1,115 | 700 |
| Natural gas | 1,625 | 750 | 3,351 | 1,630 |
| Total | 2,016 | 1,197 | 4,466 | 2,330 |

Royalties, as a % of Commodity Sales (excluding hedge)

| | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------|-----------------------------|------|---------------------------|------|
| | 2003 | 2002 | 2003 | 2002 |
| Crude oil & NGL's | 20 | 23 | 21 | 21 |
| Natural gas | 28 | 32 | 27 | 34 |
| Total | 26 | 28 | 25 | 29 |

Royalties, by Type (\$ 000s)

| | Three Months ended June 30, | | Six Months ended June 30, | |
|----------------------------|-----------------------------|-------|---------------------------|-------|
| | 2003 | 2002 | 2003 | 2002 |
| Crown royalties | 1,357 | 616 | 3,021 | 1,299 |
| Freehold & GORR | 725 | 581 | 1,592 | 1,031 |
| Alberta Royalty Tax Credit | (66) | - | (147) | - |
| Total | 2,016 | 1,197 | 4,466 | 2,330 |

Operating Expenses

For the six months ended June 30, 2003, operating costs were \$3.9 million, up 67% from the \$2.3 million recorded in the same period of 2002. For the three month period ending June 30, 2003 \$2.0 million of operating costs were incurred, an increase of 100% over the \$1.0 million in the same three months in 2002. On a barrel of oil equivalent basis, operating expenses averaged \$8.61/bbl for the first six months of 2003, and \$9.04/bbl for the second quarter, both statistics significantly higher than in the corresponding periods of 2002.

Weather was a significant factor in increasing operating costs during the first half of 2003. True has traditionally had higher operating costs during the winter and spring months compared to the summer. In 2003, this pattern was more pronounced due to harsher conditions than usual. Colder temperatures and heavier than normal snowfalls during the first quarter of 2003, combined with snow removal and related freeze-up problems added significant costs. This was followed by spring breakup, and subsequent snow and rainfall resulting in an extended period of road bans and poor access to a number of wells. Increased trucking costs, where trucking could occur at all were incurred. Load weight restrictions, towing and use of transfer trucks designed for severe mud conditions meant that overall trucking costs were greater than normal amounts until the end of spring breakup. Funds were expended for pumping standing water at various locations, followed by grading to restore roads immediately after spring breakup along with spring tank cleaning and minor oil well workovers. Compressors were overhauled and turnarounds completed in the Smiley, Coleville Driver and Dodsland areas.

Operating costs for natural gas properties grew from \$0.63/Mcf in the first six months of 2002 to \$1.28/Mcf in the same period in 2003. At Doris, operating costs are relatively high at over \$2/Mcf as a result of fees and expenses related to the partially owned third party operated gas plant. Production from this area was redirected to a different facility in late April 2003 with ultimate savings expected to be approximately \$0.30/Mcf. During the second quarter of 2003, processing fee reductions were offset by annual property tax charges. At Dodsland/ Druid, the tie-in at the beginning of June of a 100% Bakken gas well drilled during the first quarter of 2003 triggered additional gas processing charges, not offset by lower operating cost incremental volumes from compression added late in the quarter at Druid. At Rosevear, operating costs in 2003 averaged \$0.87/Mcf in the first quarter, and \$0.84/Mcf in the second quarter, primarily as a result of third party processing fees.

Operations for the third quarter will be free from spring breakup related costs.

Production Costs, by Commodity Type
\$ 000s

| | Three Months ended June 30, | | Six Months ended June 30, | |
|---------------------|-----------------------------|------|---------------------------|-------|
| | 2003 | 2002 | 2003 | 2002 |
| Crude oil and NGL's | 744 | 674 | 1,754 | 1,389 |
| Natural gas | 1,211 | 309 | 2,096 | 911 |
| Total | 1,955 | 983 | 3,850 | 2,300 |

Production Costs per Unit, by Commodity Type

| | | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------|-----------|-----------------------------|------|---------------------------|-------|
| | | 2003 | 2002 | 2003 | 2002 |
| Crude oil & NGL's | (\$/ bbl) | 10.08 | 9.44 | 10.08 | 10.56 |
| Natural gas | (\$/ Mcf) | 1.42 | 0.47 | 1.28 | 0.63 |
| Total | (\$/ boe) | 9.04 | 5.40 | 8.61 | 6.19 |

Operating Netbacks

Operating netbacks for natural gas were higher in 2003 by 69% and 167% respectively for both the three and six month periods ending June 30 compared to 2002, the result of higher per unit commodity prices partially offset by increased unit royalty and operating costs.

Field Operating Netbacks
Natural Gas

| | | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------------|--|-----------------------------|--------|---------------------------|--------|
| | | 2003 | 2002 | 2003 | 2002 |
| \$/Mcf | | | | | |
| Sales | | 6.77 | 3.53 | 7.51 | 3.31 |
| Hedge | | (0.18) | - | (0.09) | - |
| Royalties | | (1.90) | (1.13) | (2.05) | (1.15) |
| Production expense | | (1.42) | (0.47) | (1.28) | (0.63) |
| Field operating netback | | 3.27 | 1.93 | 4.09 | 1.53 |

Operating netbacks for crude oil and NGL's declined by 6% to average \$11.26/bbl during the second quarter of 2003 in comparison to \$12.03/bbl received in the same period of 2002, primarily from lower commodity prices and royalties. Operating costs on a per unit basis grew as a result of inclement weather. For the six months ending June 30, operating netbacks were \$14.24/bbl, up 46% from the comparative 2002 period, driven by higher commodity prices and lower operating costs, partially offset by increased royalties.

Field Operating Netbacks
Crude Oil & NGL's

| | | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------------|--|-----------------------------|--------|---------------------------|---------|
| | | 2003 | 2002 | 2003 | 2002 |
| \$/bbl | | | | | |
| Sales | | 26.63 | 27.71 | 30.73 | 25.62 |
| Royalties | | (5.29) | (6.24) | (6.41) | (5.33) |
| Production expense | | (10.08) | (9.44) | (10.08) | (10.56) |
| Field operating netback | | 11.26 | 12.03 | 14.24 | 9.73 |

Overall, operating netbacks for True improved for the three and six month periods ending June 30, 2003 by 43% and 118% respectively compared to the same periods in 2002, the net result of increased commodity prices, partially offset by higher royalty and production costs.

Corporate Field Operating Netbacks

| | | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------------|--|-----------------------------|--------|---------------------------|--------|
| | | 2003 | 2002 | 2003 | 2002 |
| \$/bbl | | | | | |
| Sales | | 35.13 | 23.73 | 39.14 | 21.89 |
| Royalties | | (9.33) | (6.57) | (9.98) | (6.27) |
| Production expense | | (9.04) | (5.40) | (8.61) | (6.19) |
| Field operating netback | | 16.76 | 11.76 | 20.55 | 9.43 |

General and Administrative

General and administrative expenses for the six months ended June 30, 2003 were \$1.4 million, up from \$1.0 million recorded for the same period of 2002. For the three months ending June 30, 2003, general and administrative costs were \$0.6 million compared to \$0.5 million during the second quarter of 2002.

General and administrative costs have increased in 2003 over 2002 amounts, reflecting the increased production base. Total costs are reduced by charges recovered through capital and operating projects. Total recoveries of general and administrative costs for the three months ended June 30, 2003 were \$0.3 million compared to \$0.1 million in the same 2002 period. For the six months ended June 30, 2003, recoveries totaled \$0.5 million compared to \$0.2 million in the comparable 2002 period. In addition, True capitalizes those direct costs incurred by exploration-focused personnel. Salaries and benefits for field personnel are charged to the related projects in which they are involved. During the second quarter of 2003, True capitalized \$164 thousand and for the first six month period of 2003 capitalized salaries and benefits totaled \$281 thousand.

On a per unit of production basis, general and administrative expenses for the three months ended June 30, 2003 were \$2.68/boe, directly comparable to the \$2.67/boe incurred in the same 2002 period. For the six months ending June 30, 2003 general and administrative costs were \$3.21/boe, up 18% from 2002 levels of \$2.72/boe.

During the second quarter of 2003, salaries and wages were \$587 thousand, compared to \$332 thousand in 2002. For the six months ending June 30, 2003, salary and wages were \$1.1 million, compared to \$0.6 million in the same period of 2002. True has twenty-five full time employees and three part-time consultants compared to fifteen employees and six consultants during the same period in 2002. Second quarter 2003 unusual costs of \$97,000 included service charges to renegotiate the Company's credit facility, professional tax advisor fees, annual business taxes, and annual general meeting and first quarter material preparation and mailing costs. True also recorded a one time recovery of general and administrative costs of \$66 thousand for marketing fees retroactively charged a partner. During the first quarter of 2003, unusual costs included the year end audit and tax services, reserve report, and the TSX annual fee totaling \$187 thousand.

During the third quarter, True does not anticipate any significant unusual general and administrative costs.

General and Administrative Costs

\$ 000's

| | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------------------|-----------------------------|-------|---------------------------|-------|
| | 2003 | 2002 | 2003 | 2002 |
| Gross costs | 1,039 | 658 | 2,252 | 1,309 |
| Capitalized | (164) | (66) | (314) | (132) |
| Recoveries | (296) | (107) | (502) | (166) |
| Net costs | 579 | 485 | 1,436 | 1,011 |
| Net costs, per unit (\$/ BOE) | 2.68 | 2.67 | 3.21 | 2.72 |

Interest Expense

True recorded \$254 thousand of interest expense for the three months ended June 30, 2003, up from \$186 thousand charged in the same period of 2002. For the six months ending June 30, 2003 interest expense was \$491 thousand, up from \$328 thousand in the first half of 2002. The increase in the cost of borrowing reflects the overall higher debt levels combined with higher interest rates.

At the end of June 2003, True's net debt to annualized six month cash flow ratio was 1.5 times, significantly improved over the 2.9 times at the same period of 2002. In comparison, at the end of March 2003, the ratio of the first quarter cash flow annualized to net debt was at 1.0 ratio. As had been expected, the reduced production volumes from spring breakup problems combined with the resumption of capital expenditures during the second quarter resulted in an increased ratio at the end of the second quarter of 2003. The Company is committed to an annualized net debt to cash flow ratio of approximately 1.3 times, and are targeting to be at this level by year end.

Interest Costs

\$ 000s, except where noted

| | Three Months ended June 30, | | Six Months ended June 30, | |
|---|-----------------------------|------|---------------------------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| Interest expense | 254 | 186 | 491 | 328 |
| Interest (\$/ BOE) | 1.17 | 1.02 | 1.10 | 0.88 |
| Net debt at quarter end | | | 20,567 | 10,255 |
| Debt to first half cash flow ratio annualized | | | 1.5x | 2.9x |

Capital Expenditures

Capital expenditures for the six months ended June 30, 2003 were \$7.6 million, compared to net dispositions of \$2.1 million for the same period in 2002. During the second quarter of 2003, \$5.0 million was invested, as extended wet conditions during and following spring breakup delayed True's exploration and development activities until after spring break-up. In comparison, for the second quarter of 2002, net dispositions totaled \$3.3 million.

During the first six months of 2003, True spent \$4.8 million drilling and completing fourteen (10.3 net) wells at a 100% success rate. Of this, \$3.2 million was invested during the second quarter of 2003 to drill nine (7.75 net) wells within the Coleville Driver, Smiley, Coleville South, Kerrobert and Druid exploration areas.

At June 30, 2003 the Company had 154,028 net acres of undeveloped land. Subsequent to the end of the second quarter, True was the successful bidder on over 44,000 net acres of crown lands within the Rosevear and Doris area, contributing significantly towards the corporate year-end goal of 200,000 net undeveloped acres.

Subsequent to the end of the second quarter, True has drilled to date 9 (4.5 net) light oil wells at Kerrobert and one 100% natural gas well at Dodsland.

In August, 2003, the Company entered into a large area farmin arrangement in the Whitecourt, Alberta area, giving True the exclusive right to explore on over 85,000 acres of land utilizing the farmor's extensive seismic database. Under the terms of the farmin agreement, True has committed to drill four Mississippian test wells prior to March 15, 2004, each well earning the drilled section subject to a non-convertible gross overriding royalty and also earning 60% of two other sections. The farmin provides for a rolling option to the end of December, 2004 under similar earning provisions.

An exploratory well at Lochend, in which True has a 35% working interest, targeting the Elkton formation is expected to spud in mid-October, with the recent issuance of a drilling license by the AEUB (Alberta Energy and Utilities Board). The licensing of this potential high-impact well had been delayed pending resolution of drilling concerns by area residents.

The balance of 2003 should see True allocate more of its capital towards internally generated prospects on lands already acquired. The Company will increasingly emphasize exploration for medium-risk multi-zone high netback liquids-rich natural gas and light prospects located within its West Central Alberta fairway. Currently, True expects that the drilling pursuant to the farm-in criteria at Whitecourt and the potential high-impact well at Lochend will be complemented by targeting natural gas wells at Donald, Smiley, Rosevear and Doris and light oil wells at Kerrobert.

Capital Expenditures
\$ 000s

| | Three Months ended June 30, | | Six Months ended June 30, | |
|--------------------------------|-----------------------------|---------|---------------------------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| Lease acquisitions & retention | 240 | 115 | 633 | 251 |
| Geological & geophysical | 284 | 538 | 442 | 669 |
| Drilling & completion costs | 3,229 | 1,353 | 4,778 | 2,001 |
| Facilities & equipment | 855 | 266 | 1,197 | 528 |
| Exploration & development | 4,608 | 2,272 | 7,050 | 3,449 |
| Acquisitions | 154 | 223 | 184 | 201 |
| Head office expenditures | 223 | 143 | 364 | 152 |
| Total expenditures | 4,985 | 2,638 | 7,598 | 3,802 |
| Dispositions | - | (5,934) | - | (5,944) |
| Net capital expenditures | 4,985 | (3,296) | 7,598 | (2,142) |

Depletion, Depreciation and Site Restoration

Depletion, depreciation and site restoration expense for the first six months of 2003 totaled \$3.3 million compared to \$2.4 million during 2002. For the three months ended June 30, 2003, depletion, depreciation and future site restoration was \$1.5 million compared to \$1.0 million for the same period of 2002. The depletion and depreciation rate for the second quarter of 2003 averaged \$7.08/boe, down 10% compared to \$7.84/boe recorded in the first quarter of 2003. During 2002, the depletion and depreciation rate for the first six months was \$6.45/boe and \$5.31/boe during the second quarter.

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

| | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------------|-----------------------------|------|---------------------------|-------|
| | 2003 | 2002 | 2003 | 2002 |
| Depletion | 891 | 464 | 1,911 | 1,187 |
| Depreciation | 567 | 438 | 1,269 | 1,057 |
| Future site restoration | 73 | 65 | 164 | 152 |
| Total | 1,531 | 967 | 3,344 | 2,396 |
| Per unit (\$/ BOE) | 7.08 | 5.31 | 7.48 | 6.45 |

Income Taxes

Capital taxes paid by the Company are in respect of the Federal Large Corporations Tax and the Saskatchewan Capital Tax. For the three and six months ended June 30, 2003 the provision for capital taxes is estimated at \$0.3 million, marginally greater than the provision for the same periods in 2002.

For the three and six months ended June 30, 2003, True has also recorded a current income tax recovery of \$0.2 million reflecting recovery of prior over-estimation of taxes.

During the second quarter of 2003, there were substantively enacted changes to the federal and Alberta income tax rates and to deductions for resource income. These changes will reduce the rate on resource income, provide for the deduction of crown royalties and eliminate the resource allowance as phased in over a five year period. For True, the impact of these reductions was not significant for the second quarter of 2003. For the six months ended June 30, 2003, the provision for future income taxes was \$1.1 million.

Liquidity and Capital Resources

At June 30, 2003, True had drawn \$16.5 million on its revolving line of credit and had a working capital deficit of \$4.1 million. At the end of the year 2002, True had a net debt position of \$19.9 million.

On April 25, 2003, the terms of the demand revolving credit facility were revised to increase the authorized borrowing amount to \$22,800,000. Furthermore, the availability under the facility was subject to reductions of \$1,200,000 per month commencing April 30, 2003. Interest is payable at the bank's prime rate plus one and a quarter 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 first floating charge supplemental debentures of \$80,000,000. A standby fee is charged on one half of one percent on the undrawn portion of the credit facility.

On July 7, 2003, the terms of the demand revolving credit facility were revised to change the authorized borrowing amount to \$20,000,000. The availability under the facility is not subject to monthly reductions, but is subject to an interim review by September 30, 2003, and an annual review by May 31, 2004. 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.

Pursuant to the bank's review of the facility, the bank acknowledges contravention and non-compliance with the working capital covenant (current ratio of not less than 1:1 as at the end of each fiscal quarter). The Corporation expects to remedy this negative financial covenant through anticipated cash flow increases.

On July 24, 2004 the Company issued 3.5 million flow-through common shares pursuant to a private placement at a price of \$1.15 per share for gross proceeds of \$4.0 million. The bought-deal offering was led by FirstEnergy Capital Corp. and included Octagon Capital Corporation, Canaccord Capital Corporation and Jennings Capital Inc., as underwriters. Pursuant to a flow-through share agreement, the Corporation is committed to renounce \$4.025 million of Canadian Exploration Expense in 2003 to the subscribers of these shares. The Corporation has until December 31, 2004 to incur the qualifying expenditures. Proceeds from the issue will be used by True to fund its ongoing exploration program.

The Company expects to generate sufficient cash flow from operations to fund its capital expenditure program during 2003. 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.

At March 31, 2003, the Company had 45,241,087 common shares outstanding and 45,702,281 weighted common shares outstanding on a diluted basis based on 2,525,000 in-the-money stock options. During the first quarter of 2003, 106,666 employee options were exercised for total proceeds of \$79,000.

At June 30, 2003, the Company had 45,241,087 common shares outstanding and 3,140,000 options outstanding at an average exercise price of \$0.77 per share. As at August 14, 2003 total common shares issued and outstanding were 48,741,087 and 3,065,000 options were outstanding at an average price of \$0.77 per share.

Reader Advisory

Statements in this document may contain forward-looking information. 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. The reader is cautioned not to place undue reliance on this forward looking information.

TRUE ENERGY INC.
CONSOLIDATED BALANCE SHEETS
at June 30, 2003 and December 31, 2002

| | June 30, 2003 (unaudited) | December 31, 2002 (audited) |
|---|------------------------------|--------------------------------|
| ASSETS | | |
| Current Assets | | |
| Accounts receivable | \$ 7,020,123 | \$ 7,699,237 |
| Deposits and prepaids | 517,353 | 853,208 |
| | <u>7,537,476</u> | <u>8,552,445</u> |
| Property, plant and equipment | 44,955,009 | 40,537,151 |
| | <u>\$ 52,492,485</u> | <u>\$ 49,089,596</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 11,654,188 | \$ 11,249,520 |
| Bank debt | 16,450,041 | 17,195,471 |
| | <u>28,104,229</u> | <u>28,444,991</u> |
| Capital taxes payable | 416,400 | 686,430 |
| Future site restoration and abandonment costs | 994,475 | 830,474 |
| Future income taxes payable | 1,100,000 | - |
| Shareholders' equity | | |
| Share capital | 38,452,834 | 38,448,124 |
| Deficit | <u>(16,575,453)</u> | <u>(19,320,423)</u> |
| | 21,877,381 | 19,127,701 |
| | <u>\$ 52,492,485</u> | <u>\$ 49,089,596</u> |

See accompanying selected notes to consolidated financial statements.

TRUE ENERGY INC.**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

for the periods ended June 30, 2003 and June 30, 2002

(unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| | 2003 | 2002 | 2003 | 2002 |
| REVENUE | | | | |
| Petroleum and natural gas sales | \$ 7,594,972 | \$ 4,318,873 | \$ 17,511,015 | \$ 8,137,113 |
| Royalties, net of Alberta royalty tax credit | 2,016,137 | 1,196,580 | 4,465,993 | 2,330,008 |
| | 5,578,835 | 3,122,293 | 13,045,022 | 5,807,105 |
| EXPENSES | | | | |
| Production | 1,954,858 | 982,624 | 3,850,327 | 2,300,237 |
| General and administrative | 578,521 | 485,115 | 1,435,696 | 1,010,586 |
| Interest on debt | 253,850 | 185,983 | 490,879 | 327,833 |
| Depletion, depreciation and site restoration | 1,531,102 | 967,054 | 3,344,399 | 2,396,010 |
| | 4,318,331 | 2,620,776 | 9,121,301 | 6,034,666 |
| EARNINGS (LOSS) BEFORE TAXES | 1,260,504 | 501,517 | 3,923,721 | (227,561) |
| TAXES | | | | |
| Current taxes (recovery) | (171,749) | - | (171,749) | - |
| Capital taxes | 225,000 | 202,284 | 250,500 | 217,284 |
| Future income tax | - | - | 1,100,000 | - |
| | 53,251 | 202,284 | 1,178,751 | 217,284 |
| NET EARNINGS (LOSS) | 1,207,253 | 299,233 | 2,744,970 | (444,845) |
| Deficit, beginning of period | (17,782,706) | (20,286,164) | (19,320,423) | (19,542,086) |
| Deficit, end of period | \$ (16,575,453) | \$ (19,986,931) | \$ (16,575,453) | \$ (19,986,931) |
| Net earnings (loss) per share | | | | |
| basic | \$ 0.03 | \$ 0.01 | \$ 0.06 | \$ (0.01) |
| diluted | \$ 0.03 | \$ 0.01 | \$ 0.06 | \$ (0.01) |

See accompanying selected notes to the consolidated financial statements.

TRUE ENERGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the periods ended June 30, 2003 and June 30, 2002
(unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|-------------|---------------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| Operations | | | | |
| Net earnings (loss) | \$1,207,253 | \$ 299,233 | \$ 2,744,970 | \$ (444,845) |
| Charges not involving cash: | | | | |
| Depletion, depreciation and site restoration | 1,531,102 | 967,054 | 3,344,399 | 2,396,010 |
| Future income tax | - | - | 1,100,000 | - |
| Capital tax | (249,699) | - | (326,999) | - |
| Prepaid contract revenue | - | (5,700) | - | (176,700) |
| Cash flow from operations | 2,488,656 | 1,260,587 | 6,862,370 | 1,774,465 |
| Change in non-cash working capital | (1,956,279) | (72,477) | (1,958,258) | (1,493,983) |
| | 532,377 | 1,188,110 | 4,904,112 | 280,482 |
| Financing | | | | |
| Issuance of common shares | - | 3,040,300 | 79,066 | 3,040,300 |
| Share issue costs | 10,253 | (137,011) | (74,356) | (146,009) |
| Decrease in bank debt | (400,080) | (7,012,099) | (745,430) | (6,339,078) |
| | (389,827) | (4,108,810) | (740,720) | (3,444,787) |
| Investing | | | | |
| Additions to property, plant and equipment | (4,830,846) | (2,437,053) | (7,444,114) | (3,600,311) |
| Acquisition of capital assets | (154,144) | (201,401) | (154,144) | (201,401) |
| Proceeds on sale of property, plant and equipment | - | 5,934,192 | - | 5,943,899 |
| | (4,984,990) | 3,295,738 | (7,598,258) | 2,142,187 |
| Change in non-cash working capital | 4,842,440 | (375,038) | 3,434,866 | 1,022,118 |
| | (142,550) | 2,920,700 | (4,163,392) | 3,164,305 |
| Increase (decrease) 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

Six months ended June 30, 2003 and 2002 (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, 2002. 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, 2002.

2. BANK DEBT:

On April 25, 2003, the terms of the demand revolving credit facility were revised to increase the authorized borrowing amount to \$22,800,000. Furthermore, the availability under the facility is subject to reductions of \$1,200,000 per month commencing April 30, 2003. Interest is payable at the bank's prime rate plus one and a quarter 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 first floating charge supplemental debentures of \$80,000,000. A standby fee is charged on one half of one percent on the undrawn portion of the credit facility.

On July 7, 2003, the terms of the demand revolving credit facility were revised to change the authorized borrowing amount to \$20,000,000. The availability under the facility is not subject to monthly reductions, but is subject to an interim review by September 30, 2003, and an annual review by May 31, 2004. 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.

Pursuant to the bank's review of the facility, the bank acknowledges contravention and non-compliance with the working capital covenant (current ratio of not less than 1:1 as at the end of each fiscal quarter). The Corporation expects to remedy this negative financial covenant through anticipated cash flow increases.

3. 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 |
| Issued on exercise of stock options | 106,666 | 79,066 |
| Share issue costs | | (74,356) |
| Balance June 30, 2003 | 45,241,087 | \$ 38,452,834 |

The following table summarizes the changes in stock options outstanding for the six months ended June 30, 2003:

| | Options | Weighted-Average Exercise Price |
|------------------------------|-----------|------------------------------------|
| Outstanding at Dec. 31, 2002 | 2,529,166 | \$ 0.77 |
| Cancelled | (2,500) | 0.73 |
| Granted | 720,000 | 0.77 |
| Exercised | (106,666) | 0.74 |
| Outstanding at June 30, 2003 | 3,140,000 | \$ 0.77 |

4. SUPPLEMENTAL CASH FLOW INFORMATION:

| | 2003 | 2002 |
|------------------------|------------|------------|
| Cash paid: | | |
| Interest | \$ 490,879 | \$ 327,833 |
| Taxes (net of refunds) | (205,880) | 157,338 |

5. STOCK BASED COMPENSATION:

The Corporation accounts for its stock based compensation plan using the intrinsic value method. Under this method, no costs are recognized in the financial statements for share options granted to employees or directors when the options are issued at market value. Canadian generally accepted accounting principles require disclosure of the impact on net earnings had the fair value method been used for stock options issued on or after January 1, 2002. During the six months ended June 30, 2003, the Corporation granted 720,000 (2002: 1,792,500) stock options to employees, consultants and directors. If the fair value method had been used, the Corporation's net earnings and net earnings per share for the three and six months ended June 30, 2003 would approximate the following pro forma amounts:

| | Three Months ended June 30, | | Six Months ended June 30, | |
|-------------------------|-----------------------------|------------|---------------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| Net Earnings: | | | | |
| As reported | \$ 1,207,253 | \$ 299,233 | \$ 2,744,970 | \$ (444,845) |
| Pro forma | \$ 1,123,156 | \$ 127,854 | \$ 2,576,736 | \$ (797,029) |
| Net Earnings per Share: | | | | |
| As reported | \$ 0.03 | \$ 0.01 | \$ 0.06 | \$ (0.01) |
| Pro forma | \$ 0.02 | \$ 0.00 | \$ 0.06 | \$ (0.03) |
| Diluted: | | | | |
| As reported | \$ 0.03 | \$ 0.01 | \$ 0.06 | \$ (0.01) |
| Pro forma | \$ 0.02 | \$ 0.00 | \$ 0.06 | \$ (0.03) |

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 June 30, | | Six Months ended June 30, | |
|---|-----------------------------|---------|---------------------------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| Assumptions: | | | | |
| Risk free interest rate (%) | 5.83 | 5.61 | 5.63 | 5.88 |
| Expected life (years) | 5.0 | 5.0 | 5.0 | 5.0 |
| Expected volatility (%) | 74 | 106 | 93 | 104 |
| Results: | | | | |
| Weighted average fair value of options granted (\$) | \$ 0.50 | \$ 0.59 | \$ 0.52 | \$ 0.57 |

The Corporation also issued 125,000 options to a non-employee during the six months ended June 30, 2003 and has recorded general and administrative expense of \$22,102.

6. FINANCIAL INSTRUMENTS – COMMODITY RISK:

On January 30, 2003, the Corporation entered into a natural gas commodity price swap for 3,000 gigajoules per day for the period April 1, 2003 to October 31, 2003. The contract establishes that the Corporation will pay the counter party the differential for any month when the AECO “C” price is established at more than Cdn\$6.08 per gigajoule and that the counter party will pay the Corporation the differential when the AECO “C” price is established at less than Cdn\$6.08 per gigajoule. For the three and six months ended June 30, 2003, the Corporation recorded a reduction to gas sales of \$150,183 for this transaction.

In addition, the Corporation had entered into a fixed price sales contract to deliver heavy oil Lloydblend (LLK) at a price of \$26.74 per barrel on 100 barrels per day for the period from May 1, 2002 to April 30, 2003. Effective October 1, 2002, the fixed price sales contract was modified in respect of the committed volumes to 50 barrels per day from October 1, 2002 to April 30, 2003. The Corporation has entered into another fixed price sales contract to deliver heavy oil Lloydblend (LLK) at a price of \$27.87 per barrel on 200 barrels per day for the period January 1, 2003 to June 30, 2003.

7. SUBSEQUENT EVENTS:

On July 24, 2003, the Corporation issued 3,500,000 flow-through common shares through a private placement at a price of \$1.15 per share for gross proceeds of \$4,025,000. Pursuant to a flow-through share agreement, the Corporation is committed to renounce \$4,025,000 of Canadian Exploration Expense deductions in 2003 to the subscribers of these shares.

Subsequent to June 30, 2003, the Corporation has committed to drill four wells pursuant to a farm-in agreement with an oil and gas company in the Whitecourt, Alberta area by March 15, 2004.

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**.

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