TRUE energy inc.

PRESS RELEASE

TRUE ENERGY ANNOUNCES SECOND QUARTER 2004 FINANCIAL RESULTS

For Immediate Release

August 12, 2004 – True Energy Inc. ("True" or "The Company") (TSX: TUI) is pleased to announce its financial and operating results for the three and six months ended June 30, 2004.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended June 30		Six months ended June 30	
	2004	2003 [1]	2004	2003 [1]
FINANCIAL				
($ except per share amounts)				
Revenue (before transportation)	17,377,369	7,766,423	30,719,205	17,873,984
Cash flow from operations [2]	8,783,492	2,488,656	15,047,309	6,862,370
per share - basic	$0.15	$0.06	$0.26	$0.15
per share – diluted	$0.14	$0.05	$0.26	$0.15
Net earnings	2,873,793	1,168,964	3,831,419	2,669,227
per share - basic	$0.05	$0.03	$0.07	$0.06
per share - diluted	$0.05	$0.03	$0.07	$0.06
Capital expenditures, net	9,074,541	4,984,990	24,317,224	7,598,258
Debt, net of working capital			11,077,590	20,566,753
Total assets			82,978,683	53,922,256
Shareholders' equity			49,186,285	21,776,887
Shares outstanding				
Basic	61,731,179	45,241,087	61,731,179	45,241,087
diluted	65,390,545	48,381,087	65,390,545	48,381,087
Weighted average shares				
Basic	60,173,635	45,241,087	57,372,452	45,234,163
diluted	61,600,354	45,671,064	58,779,805	45,684,476

		Three months ended June 30		Six months ended June 30	
		2004	2003 [1]	2004	2003 [1]
OPERATIONAL					
Daily volumes					
Oil and NGLs	(bbls/d)	1,590	812	1,569	962
Natural gas	(Mcf/d)	20,285	9,383	17,967	9,059
Total (BOE/d)	(6:1)	4,972	2,376	4,563	2,472
Prices (before transportation)					
Oil and NGLs	($/bbl)	30.05	27.22	29.27	31.32
Natural gas – before hedge	($/Mcf)	7.06	6.92	6.84	7.67
Natural gas – after hedge	($/Mcf)	7.06	6.74	6.84	7.57
Combined	($/boe)	38.41	35.93	36.99	39.95
Statistics					
Operating netback	($/boe)	21.88	16.76	20.73	20.55
Operating expenses	($/boe)	5.54	9.04	5.99	8.61
General & administrative	($/boe)	2.03	2.83	2.06	3.36
Royalties as a % of sales		27%	26%	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 significant accomplishments and results achieved during the first half of 2004. Continued success with our very active drilling program, supplemented by a synergistic first quarter acquisition in the Company's west central Saskatchewan core area, enabled the Company to achieve a production target of 5,000 boe/d in early April.

Accomplishments for the three and six month periods ended June 30, 2004 include:

- drilled 16 (14.2 net) wells at a net 96.5% success rate during the second quarter of 2004, 39 (30.4 net) wells at a net 86% success rate during the first half;
- increased average second quarter production to 4,972 boe/d, up from 2,376 boe/d for the same period in 2003;
- reduced operating costs to $5.99/boe for the first half of 2004, down 30% compared to the same period in 2003;
- generated revenue of $30.7 million in the first half of 2004 (72% higher than the same period in 2003) and cash flow of $15.0 million (119% higher than the same period in 2003) in spite of 7% lower commodity prices;
- improved operating netback to a record $21.88/boe during the second quarter of 2004;
- achieved debt to historical cash flow ratio of 0.4x, well below the Company's maximum target of 1.3x; and
- issued 4,457,153 common shares at $1.75 per share and 2,558,140 flow-through common shares at $2.15 per share for gross proceeds of $13.3 million.

During the second quarter of 2004, True drilled sixteen (14.2 net) wells with a net 96.5% success rate, resulting in twelve (10.7 net) natural gas wells, three (3.0 net) heavy oil wells and one (0.5 net) well that was dry and abandoned. Four of the successful gas wells were new pool discoveries, three of which were in Saskatchewan with the fourth being in Alberta. The Company participated in 2 (0.7 net) gas wells in Alberta, and drilled ten 100% working interest gas wells in Saskatchewan, six in the Dodsland area and four in the Coleville area. The heavy oil wells were additional horizontal locations located on the Company's Kerrobert McLaren property in Saskatchewan.

During the third quarter of 2004, the Company anticipates drilling or participating in up to thirty wells with up to ten wells located in Alberta, as we continue to diversify our drilling portfolio. During July 2004, the Company's combined production rates (based on field estimates) averaged 4,640 boe/d, reflecting down time for equipment maintenance, safety-related shut-in of heavy oil wells as nearby wells were drilled, operational difficulties associated with the wet conditions, partially offset by the gradual bringing on-stream of new wells. Production levels are currently 5,100 boe/d. Of the natural gas wells drilled in the second quarter, three are now tied in and four will be tied in by mid August. The remaining second quarter natural gas wells are expected to be tied in during the balance of this year.

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 August 2004 presentation. We look forward to delivering additional growth and strong financial results during the remainder of the year.

Paul R. Baay
President & CEO
August 12, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 10, 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 six months ended June 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 August 10, 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 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.

Net Earnings and Cash Flow from Operations

True generated cash flow from operations of $15.0 million for the six months ended June 30, 2004, up 119% from the $6.9 million produced in the same period of 2003. For the three months ended June 30, 2004, cash flow from operations of $8.8 million grew 253% compared to $2.5 million for the second quarter of the prior year.

Cash Flow From Operations

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003*	2004	2003*
Cash flow from operations	$8,783,492	$2,488,656	$15,047,309	$6,862,370
Basic	$0.15	$0.06	$0.26	$0.15
Diluted	$0.14	$0.05	$0.26	$0.15

* restated to reflect changes in accounting policies

For the six months ended June 30, 2004, net earnings were $3.8 million, compared to $2.7 million for the same period in 2003. Net earnings for the second quarter of 2004 were $2.9 million, up 146% compared to the second quarter 2003 net earnings of $1.2 million.

Net Earnings

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003*	2004	2003*
Net Earnings	$2,873,793	$1,168,964	$3,831,419	$2,669,227
Basic	$0.05	$0.03	$0.07	$0.06
Diluted	$0.05	$0.03	$0.07	$0.06

* restated to reflect changes in accounting policies

Sales Volumes

Sales volumes for the three months ended June 30, 2004 averaged 4,972 boe/d, an increase of over 800 boe/d from the 4,155 boe/d reported in the first quarter of 2004, primarily through growth in natural gas sales. During the second quarter of 2004, the weighting towards natural gas averaged 68%, compared to 66% in the corresponding period of 2003. In the first six months of 2004, average daily sales were 4,563 boe/d, up 85% from 2,472 boe/d in 2003. During the first half of 2003, True's production and sales volumes were adversely affected by unusually wet conditions in Saskatchewan, especially in the second quarter. In 2004, wet weather conditions in both Alberta and Saskatchewan had a lesser effect on Company production that was already tied-in, but caused delays in drilling and pipelining operations.

		Three Months ended June 30, 2004	2003	Six Months ended June 30, 2004	2003
Natural gas	(Mcf/d)	20,285	9,383	17,967	9,059
Heavy oil	(Bbls/d)	1,382	628	1,353	749
Light oil & NGLs	(Bbls/d)	208	184	216	213
Total crude oil & NGLs	(Bbls/d)	1,590	812	1,569	962
Total BOE/d	(6:1)	4,972	2,376	4,563	2,472

Sales of natural gas averaged 20.3 Mmcf/d during the second quarter of 2004, up 30% from average first quarter sales rates. Early in the second quarter of 2004, True tied in 15 (12.4 net) natural gas wells primarily located in the Dodsland/ Druid area of Saskatchewan and in the Goodwin and Roche areas of Alberta. Of the natural gas wells drilled in the second quarter, three are now tied in and four will be tied in by mid August. The remaining second quarter natural gas wells are expected to be tied in during the balance of this year. In the Dodsland/ Druid area in Saskatchewan, the Company is installing a five Mmcf/d compressor, replacing a similar sized rental unit. This will reduce Company operating costs at this facility by $20,000 per month. At Coleville, True is currently upgrading compression and dehydration for additional handling capacity of 4 Mmcf/d.

Second quarter crude oil and NGL sales volumes averaged 1,590 bbls/d compared to 812 bbls/d during the same period of 2003. Oil production levels were flat throughout the first half of 2004, the effect of the safety related shut-in of heavy oil wells as nearby wells were drilled, offset by the gradual bringing on-stream of the shut-in and new heavy oil wells.

During July 2004, the Company's combined production rates (based on field estimates) averaged 4,640 boe/d, reflecting down time for equipment maintenance, safety-related shut-in of heavy oil wells as nearby wells were drilled, operational difficulties associated with the wet conditions, partially offset by the gradual bringing on-stream of new wells.

Average Commodity Prices

	Three Months ended June 30, 2004	2003*	Six Months ended June 30, 2004	2003*
Exchange rate *(US$/Cdn$)*	0.7362	0.7164	0.7477	0.6896
NYMEX *(US$/mmbtu)*	6.16	5.74	5.95	5.82
Alberta spot *($/mcf)*	6.85	6.66	6.56	7.30
True's average prices *($/mcf)*				
– before transportation & hedge	7.06	6.92	6.84	7.67
– before transportation & after hedge	7.06	6.74	6.84	7.57
WTI *(US$/bbl)*	38.31	29.05	36.77	31.50
Edmonton par – light oil ($/bbl)	50.81	41.53	48.36	46.27
Bow River – heavy oil *($/bbl)*	37.25	31.24	35.83	35.39
True's average prices, before transportation *($/bbl)*				
- light crude & condensate	48.07	39.16	46.45	44.72
- NGL's	33.87	24.85	33.35	30.90
- light crude oil & condensate and NGL's	44.96	36.96	43.91	42.87
- heavy crude oil	27.82	24.38	26.93	28.03
- crude oil & NGL's	30.05	27.22	29.27	31.32

* restated to reflect changes in accounting policies

Lesser movement in the relative US$/ Cdn$ exchange rate during the second quarters of 2004 and 2003 translated into reduced impact on Canadian dollar results from the conversion of US$ based commodities. This change was only 3% during the second quarter of 2004 compared to 2003 versus 8% for the first half of 2004 compared to 2003.

For the three months ended June 30, 2004, before accounting for transportation costs or hedges, True received an average natural gas price of $7.06/Mcf, 2% greater than in the same period in 2003, paralleling a 3% increase in the Alberta Spot price. During the first six months of 2004, True received an average price of $6.84/Mcf for its natural gas (before hedging and transportation costs), 11% less than the comparable 2003 period. Over this same time frame, the Alberta Spot reference price declined by 10%. True's natural gas is primarily sold on the daily spot market.

True received an average price before transportation of $27.82/bbl for its heavy crude oil during the second quarter of 2004, 14% more than in 2003. The average reference price for Bow River crude was 19% greater over the same period. During the first six months of 2004, True's average heavy oil price received averaged $26.93/bbl, or 4% less than in the prior year, compared to the 1% increase in price for Bow River reference prices over this period. True's heavy oil price reflects the increases in condensate blending costs over this period.

For light oil and condensate, True received an average $48.07/bbl during the second quarter of 2004, 23% greater than the average price received in 2003. The average Edmonton par price was 22% higher during the second quarter of 2004 compared to 2003. For the first six month period of 2004, True's average price was $46.45/bbl, 4% greater than in 2003, as was the Edmonton par price.

Revenue

Revenue before transportation for the six months ended June 30, 2004 was $30.7 million, 72% greater than the $17.9 million generated in the same period in 2003. During the second quarter of 2004, pre-transportation revenue of $17.4 million was 124% more than sales for the corresponding period of the previous year. 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 June 30,		Six Months ended June 30,	
	2004	2003*	2004	2003*
Light oil & condensate	709	553	1,469	1,496
NGLs	140	64	254	160
Heavy oil	3,501	1,393	6,633	3,796
Crude oil & NGLs	4,350	2,010	8,356	5,452
Natural gas	13,027	5,906	22,363	12,572
Natural gas hedge	-	(150)	-	(150)
Total before transportation	17,377	7,766	30,719	17,874
Transportation	(454)	(171)	(768)	(363)
Total	16,923	7,595	29,951	17,511

* 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 three and six months ending June 30, 2003, the Company recorded a decrease to gas sales of $150 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 six months ending June 30, for 2004 and 2003.

Royalties

For the six months ending June 30, 2004, total royalties were $7.8 million, 74% more than the $4.5 million incurred in the same period in 2003. For the three months ended June 30, 2004, the Company paid $4.5 million in royalties, 124% more than in the corresponding quarter of 2003, mirroring the increase in sales revenues for both the three and six month periods. Royalties as a percentage of pre-hedge sales (after transportation costs) for the six and three months ending June 30 remained in the 25% to 27% band. On a per unit basis, royalties have increased reflecting the impact of higher commodity price levels.

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

	Three Months ended June 30,		Six Months ended June. 30,	
	2004	2003	2004	2003
Light crude oil & condensate	154	99	277	237
NGL's	36	25	55	55
Heavy oil	651	267	1,273	823
Natural gas	3,676	1,625	6,158	3,351
Total	4,517	2,016	7,763	4,466

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

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003	2004	2003
Light crude oil & condensate	22	18	19	16
NGL's	26	40	22	35
Heavy oil	19	20	20	22
Natural gas	29	28	28	27
Total	27	26	26	25

Royalties, by Type *($000s)*

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003	2004	2003
Crown royalties	2,995	1,357	4,979	3,021
Freehold & GORR	1,653	725	2,987	1,592
Alberta Royalty Tax Credit	(131)	(66)	(203)	(147)
Total	4,517	2,016	7,763	4,466

Operating Expenses

For the three months ended June 30, 2004, operating costs totaled $2.5 million, compared to $2.0 million recorded in the same period of 2003. For the six months ended June 30, 2004, $5.0 million of operating costs were incurred, compared to $3.9 million in the same period of 2003. On a barrel of oil equivalent basis, operating expenses averaged $5.54 for the second quarter of 2004, down $3.50/boe from the same period of 2003. In 2003, True experienced extended harsh spring break-up conditions, triggering additional operating charges and lower sales volumes. Operating costs during the first quarter of 2004 averaged $6.53/boe. True traditionally experiences higher operating costs in the winter and spring months compared to the summer.

Operating costs for the third quarter of 2004 are expected to be similar to the second quarter, then increasing during the last quarter of the year with the advent of seasonal winter conditions and charges. The installation of a new compressor at Dodsland/Druid in August of this year, replacing a rented unit, will reduce operating costs by $20,000/month. At Doris, the Company is optimistic that increased throughput will continue to reduce unit operating costs.

Production Costs, by Commodity Type ($000s)

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003	2004	2003
Light crude oil & condensate	134	135	338	305
NGL's	2	25	31	47
Heavy oil	757	584	1,335	1,402
Natural gas	1,614	1,211	3,270	2,096
Total	2,507	1,955	4,974	3,850

Production Costs per Unit, by Commodity Type

		Three Months ended June 30, 2004	2003	Six Months ended June 30, 2004	2003
Light crude oil & cond.	($/ bbl)	9.10	9.55	10.69	9.13
NGL's	($/ bbl)	0.36	9.55	4.02	9.13
Heavy oil	($/ bbl)	6.01	10.23	5.42	10.35
Natural gas	($/ Mcf)	0.87	1.42	1.00	1.28
Total	($/ boe)	5.54	9.04	5.99	8.61

Operating Netbacks

Field operating netbacks for natural gas of $4.04/Mcf during the second quarter of 2004 improved in comparison to 2003 by $0.77/Mcf, primarily from decreases in operating costs, and slight gains in the net natural gas price after royalties.

Field Operating Netbacks
Natural Gas

$/Mcf	Three Months ended June 30, 2004	2003*	Six Months ended June 30, 2004	2003*
Sales	7.06	6.92	6.84	7.67
Hedge	-	(0.18)	-	(0.09)
Transportation	(0.16)	(0.15)	(0.15)	(0.16)
Royalties	(1.99)	(1.90)	(1.88)	(2.05)
Production expense	(0.87)	(1.42)	(1.00)	(1.28)
Field operating netback	4.04	3.27	3.81	4.09

* restated to reflect changes in accounting policies

Field operating netbacks for crude oil and NGLs averaged $16.94/bbl during the second quarter of 2004, an improvement of $5.68/bbl compared to 2003, with reduced operating costs combined with stronger commodity prices.

Field Operating Netbacks
Crude Oil & NGL's

$/bbl	Three Months ended June 30, 2004	2003*	Six Months ended June 30, 2004	2003*
Sales	30.05	27.22	29.27	31.32
Transportation	(1.13)	(0.59)	(0.93)	(0.59)
Royalties	(5.81)	(5.29)	(5.62)	(6.41)
Production expense	(6.17)	(10.08)	(5.97)	(10.08)
Field operating netback	16.94	11.26	16.75	14.24

* restated to reflect changes in accounting policies

Overall, field operating netbacks for True during the second quarter of 2004 improved by $5.12/boe to average $21.88/boe. Both increased sales prices and decreased operating costs contributed to this 31% increase in field netback per boe.

For the six month period ending June 30, 2004 True's overall field netback of $20.73/boe compared to $20.55/boe for the same 2003 period reflects the net impact of reduced operating costs offset by decreased commodity prices. The 2003 netbacks reflect the effect of the inclement spring weather on operating costs.

Corporate Field Operating Netbacks

$/boe	Three Months ended June 30, 2004	2003*	Six Months ended June 30, 2004	2003*
Sales	38.41	35.93	36.99	39.95
Transportation	(1.00)	(0.80)	(0.92)	(0.81)
Royalties	(9.99)	(9.33)	(9.35)	(9.98)
Production expense	(5.54)	(9.04)	(5.99)	(8.61)
Field operating netback	21.88	16.76	20.73	20.55

* restated to reflect changes in accounting policies

General and Administrative

General and administrative expenses for the six months ended June 30, 2004 were $1.7 million compared to $1.5 million for the same period in 2003. For the second quarter of 2004, the net cost of general and administrative charges were $0.9 million, compared to $0.6 million in the comparable 2003 period. Recoveries of costs quarter over quarter have remained relatively flat. Gross costs have increased in 2004 compared to 2003, reflecting the personnel requirements to administer an increased production base and create exploration opportunities. Costs capitalized have also increased in 2004, as True capitalizes those general and administrative costs incurred to explore, and its significantly increased focus on exploration and acquisition opportunities as it continues to build its expanding asset base – especially in comparison to the first half of 2003 which was less growth focused. Salaries and benefits for field personnel are recovered through charges to the related projects in which they are involved.

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

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003*	2004	2003*
Gross costs	1,754	1,072	3,254	2,319
Capitalized	(582)	(164)	(1,038)	(314)
Recoveries	(255)	(296)	(506)	(502)
Net costs	917	612	1,710	1,503
Net costs, per unit ($/ boe)	2.03	2.83	2.06	3.36

* restated to reflect changes in accounting policies

General and administrative expenses for the six and three month period ending June 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 $67 thousand and $34 thousand respectively. Stock compensation costs were $334 thousand during the first six months of 2004, of which $177 thousand was in the second quarter.

Interest Expense

True recorded $176 thousand of interest expense for the three months ended June 30, 2004 compared to $254 thousand charged in the same period of 2003. For the six month period ending June 30, 2004 interest expense was $322 thousand, down from $491 thousand in the first half of 2003. During the second quarter of 2004, interest expense includes $72 thousand of non-deductible interest charges from an income tax audit on a predecessor corporation. The dramatic decrease in interest expenses reflects the improved cost of borrowing combined with dramatic reductions in net debt levels of the company over the comparable period in 2004 to 2003.

Interest Costs
$000s, except where noted

	Three Months ended June 30,		SIx Months ended June 30,	
	2004	2003	2004	2003
Interest expense	176	254	322	491
Interest ($/ boe)	0.39	1.17	0.39	1.10
Net debt at quarter end	11,078	20,567	11,078	20,567
Debt to periods cash flow ratio annualized	0.3x	2.1x	0.4x	1.5x

Capital Expenditures

Capital expenditures during the second quarter of 2004 were $9.1 million, and $24.3 million for the six month period. In comparison, during 2003, True spent $7.6 million during the first half of the year, of which $5.0 million was spent in the second quarter. True drilled 16 (14.2 net) wells in the second quarter of 2004, of which most of the gas wells will be completed, equipped and tied in during the third quarter of this year. During the first six months of 2004, True drilled 39 (30.4 net) wells with a net success rate of 86%. Assuming commodity prices at similar levels to current pricing, True anticipates spending approximately $54 million, including acquisitions, during 2004.

Capital Expenditures $000s

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003	2004*	2003
Lease acquisitions & retention	1,023	240	1,595	633
Geological & geophysical	618	284	901	442
Drilling & completion costs	5,309	3,229	10,846	4,778
Facilities & equipment	1,710	855	2,704	1,197
Exploration & development	8,660	4,608	16,046	7,050
Acquisitions	378	154	8,482	184
Head office expenditures	66	223	101	364
Total expenditures	9,104	4,985	24,629	7,598
Dispositions	(30)	-	(312)	-
Net capital expenditures	9,074	4,985	24,317	7,598

**restated*

True continues to develop its land base. At June 30, 2004, True has approximately 269,300 net undeveloped acres of land, of which 127,500 net acres are in Alberta and 141,800 net acres are in Saskatchewan.

With the completion of the first phase of a large farm-in arrangement in the Whitecourt, Alberta area during the first quarter of 2004, the Company committed during the second quarter of this year to the second phase of the earning provisions. True is committed to drill three additional wells and recomplete one well under this agreement by the end of 2004. The first of these wells was drilled in the third quarter. The Company expects to satisfy the remaining drilling and recompletion commitment by year end at an estimated cost for True's interest of approximately $650,000.

True has also committed to drill two wells in 2004 and one well in 2005 in Alberta pursuant to separate farm-in agreements with various oil and gas companies. Subject to successfully obtaining the necessary regulatory approvals, the Company believes they will be able to satisfy the terms of these farm-ins. The cost to drill and case or abandon these wells to True is estimated to be $800,000 in 2004 and $600,000 in 2005.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion (site restoration) expense for the second quarter ended June 30, 2004 was $3.5 million in 2004, up 129% compared to the cost of $1.5 million in 2003. For this six month period, the depletion, depreciation and accretion charge was $6.8 million, up 102% from the prior period charge. The increased costs reflect the net impact of the significant increased production rate offset by a successful drilling program during the second quarter of 2004.

The costs for the six and three month periods ending June 30, 2003 have been restated to reflect the adoption of CICA Handbook Section 3110 "Asset Retirement Obligations", with increased charges of $16 thousand and $8 thousand respectively.

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

	Three Months ended June 30,		Six Months ended June 30,	
	2004	2003*	2004	2003*
Depletion	2,447	891	4,634	1,911
Depreciation	1,035	619	2,079	1,392
Accretion	42	29	78	57
Total	3,524	1,539	6,791	3,360
Per unit ($/ boe)	7.79	7.12	8.18	7.51

* restated to reflect changes in accounting policies

Income Taxes

For the six and three months ending June 30, 2004 True has recorded a provision for capital taxes of $0.6 million and $0.3 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 six month period is $4.0 million, of which $2.1 million has been recorded during the second quarter of this year. At June 30, 2004, the Company had approximately $48.2 million in tax pools available to shelter future income.

Future income tax expense for the six and three month period ending June 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 June 30, 2004 was $11.1 million, a decrease of $12.4 million during the quarter. During the second quarter of 2004, the Company closed a private placement of common and flow-through common shares for gross proceeds of $13.3 million. True continues to target maintaining an annualized net debt to historical cash flow ratio below 1.3 times. Wet conditions in Saskatchewan at the end of the second quarter of 2004 delayed planned capital expenditures, resulting in a lower net debt level than had been planned. At the end of 2004, the Company anticipates it will have a net debt to historical cash flow of approximately 0.8 times, reflecting an active second half capital program.

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, the interim review was completed, with the next interim review scheduled for January 1, 2005. No modification to the terms of the facility was made.

On April 21, 2004, True closed a bought-deal private placement of 4,457,153 common shares issued at $1.75 per share and 2,558,140 flow-through common shares issued at $2.15 per share for aggregate proceeds of $13.3 million, before expenses. In conjunction with this private placement, True committed to incur $5.5 million of '"Canadian exploration expenses ("CEE"). At the end of the second quarter of 2004, True is obligated to incur $4.9 million of qualifying expenditures by December 31, 2005. Based on the current forecasts of operations for 2004, the Company is confident this obligation will be met.

During the second quarter of 2004, True satisfied its remaining commitment to incur qualifying CEE expenditures in satisfaction of a flow-through common share financing completed in July 2003.

The Company expects to be able to fund its capital expenditure program for the balance of 2004 using cash flow from operations and forecasted 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 second quarter of 2004 compared to the end of 2003, the effect of the second quarter financing and strong cash flows from operations, combined with a disciplined and successful capital expenditure program.

At August 10, 2004 the Company has 61,732,846 common shares outstanding, and 3,657,700 options outstanding at an average exercise price of $1.06 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, approximately 68% weighted towards natural gas. True believes world and domestic supply and demand factors will result in potentially even stronger prices for crude oil from current levels 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 0.75 during 2004.

In 2004, operating costs are expected to reflect continued focus on operational efficiencies coupled with effective facility utilization for increasing production volumes. Average operating costs for 2004 are expected to be in the $6.00/boe range.

Currently, the Company anticipates spending approximately $54 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 $0.3 million and $0.2 million in the first quarters of 2004 and 2003 respectively, and by $0.5 million and $0.2 million in the second quarters of 2004 and 2003 respectively) as a result of this new policy. There was no impact on net income or cash flow in the first or second quarter of 2004, nor did it impact restated net income or cash flow for the first or second 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 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
Gross revenues before royalties & transportation	13,342	17,377
Cash flow from operations	6,264	8,783
Cash flow from operations per share		
basic	$0.11	$0.15
diluted	$0.11	$0.14
Net earnings (loss)	958	2,874
Net earnings (loss) per share		
basic	$0.02	$0.05
diluted	$0.02	$0.05
Capital Expenditures, net	15,243	9,075

2003 – Quarter ended ($000s, except per share amounts)*	March 31	June 30	Sep. 30	Dec. 31
Gross revenues before royalties	9,916	7,595	9,731	10,318
Cash flow from operations	4,374	2,489	4,637	4,308
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)	1,538	1,207	2,366	(782)
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

*prior to restatement for changes in accounting policies

2002 – Quarter ended ($000s, except per share amounts)*	March 31	June 30	Sep. 30	Dec. 31
Gross revenues before royalties	3,818	4,319	5,030	5,807
Cash flow from operations	514	1,260	1,505	2,633
Cash flow from operations per share				
basic	$0.02	$0.04	$0.04	$0.06
diluted	$0.02	$0.04	$0.04	$0.06
Net earnings (loss)	(744)	299	(32)	699
Net earnings (loss) per share				
basic	$(0.03)	$0.01	$0.00	$0.02
diluted	$(0.03)	$0.01	$0.00	$0.02
Capital Expenditures, net	1,154	(3,296)	18,277	2,667

*prior to restatement 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 financial results as at June 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 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 June 30, 2004 and December 31, 2003

	June 30, 2004 (unaudited)	December 31, 2003 Restated –Note 2
ASSETS		
Current assets		
Accounts receivable	$10,258,681	$9,754,654
Deposits and prepaids	537,835	704,380
	10,796,516	10,459,034
Property, plant and equipment	72,182,167	54,153,130
	$82,978,683	$64,612,164
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$16,802,193	$13,336,706
Capital taxes payable	409,775	-
Bank debt	4,662,138	11,582,860
	21,874,106	24,919,566
Capital taxes	613,471	835,878
Asset retirement obligations (notes 1(a) and 2(a))	3,204,821	2,701,573
Future income taxes	8,100,000	4,480,568
Shareholders' equity		
Share capital (note 5)	59,879,258	46,519,371
Contributed surplus (note 8)	524,930	204,530
Deficit	(11,217,903)	(15,049,322)
	49,186,285	31,674,579
	$82,978,683	$64,612,164

See accompanying selected notes to consolidated financial statements.

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

	Three months ended June 30, 2004	Three months ended June 30, 2003 Restated – Note 2	Six months ended June 30, 2004	Six months ended June 30, 2003 Restated – Note 2
REVENUE				
Petroleum and natural gas sales	$17,377,369	$7,766,423	$30,719,205	$17,873,984
Royalties, net of Alberta royalty tax credit	4,517,083	2,016,137	7,763,333	4,465,993
	12,860,286	5,750,286	22,955,872	13,407,991
EXPENSES				
Production	2,506,895	1,954,858	4,974,297	3,850,327
Transportation – Note 1(c) & 2(c)	454,107	171,451	768,196	362,969
General and administrative- Note 2(b)	916,761	612,084	1,709,945	1,502,807
Interest on debt	175,724	253,850	322,175	490,879
Depletion, depreciation and accretion – Notes 1(a) & 2(a)	3,524,909	1,539,355	6,791,436	3,359,548
	7,578,396	4,531,598	14,566,049	9,566,530
EARNINGS BEFORE TAXES	5,281,890	1,218,688	8,389,823	3,841,461
TAXES				
Current taxes (recovery)	1,905	(171,749)	(54,787)	(171,749)
Capital taxes	307,702	225,000	645,269	250,500
Future income tax - Notes 1(a) & 2(a)	2,098,490	(3,527)	3,967,922	1,093,483
	2,408,097	49,724	4,558,404	1,172,234
NET EARNINGS	2,873,793	1,168,964	3,831,419	2,669,227
Deficit, beginning of period as previously stated	(14,091,696)	(17,782,706)	(14,991,672)	(19,320,423)
Change in accounting policy – Notes 1(a) & 2(a)		(129,316)	(57,650)	(91,862)
Deficit, beginning of period as restated	(14,091,696)	(17,912,022)	(15,049,322)	(19,412,285)
Deficit, end of period	$(11,217,903)	$(16,743,058)	$(11,217,903)	$(16,743,058)
Net earnings per share				
Basic	$0.05	$0.03	$0.07	$0.06
diluted	$0.05	$0.03	$0.07	$0.06

See accompanying selected notes to the consolidated financial statements.

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

	Three months ended June 30, 2004	Three months ended June 30, 2003 Restated – Note 2	Six months ended June 30, 2004	Six months ended June 30, 2003 Restated – Note 2
Cash provided by (used in):				
Operations				
Net earnings	$2,873,793	$1,168,964	$3,831,419	$2,669,227
Charges not involving cash:				
Depletion, depreciation and accretion – Notes 1(a) & 2(a)	3,524,909	1,539,355	6,791,436	3,359,548
Stock option costs – Note 2(b)	177,385	33,563	333,670	67,111
Future income tax - Notes 1(a) & 2(a)	2,098,490	(3,527)	3,967,922	1,093,483
Capital tax	108,915	(249,699)	122,862	(326,999)
Cash flow from operations	8,783,492	2,488,656	15,047,309	6,862,370
Change in non-cash working capital	(221,214)	(1,956,279)	1,587,404	(1,958,258)
	8,562,278	532,377	16,634,713	4,904,112
Financing				
Issuance of common shares	13,335,400	-	13,844,232	79,066
Share issue costs	(846,106)	10,253	(846,106)	(74,356)
Decrease in bank debt	(15,148,422)	(400,080)	(6,920,722)	(745,430)
	(2,659,128)	(389,827)	6,077,404	(740,720)
Investing				
Additions to capital assets	(8,726,062)	(4,830,846)	(16,146,960)	(7,444,114)
Acquisition of capital assets	(378,469)	(154,144)	(8,482,437)	(154,144)
Proceeds on sale of capital assets	29,990	-	312,173	-
	(9,074,541)	(4,984,990)	(24,317,224)	(7,598,258)
Change in non-cash working capital	3,171,391	4,842,440	1,605,107	3,434,866
	(5,903,150)	(142,550)	(22,712,117)	(4,163,392)
Change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	$ -	$ -	$ -	$ -

See accompanying selected notes to consolidated financial statements.

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 June 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)
23.21	32.32	5.35	29.25

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 second 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 Sheets
$000s

	As at June 30,	
	2004	2003
Increase in property, plant and equipment	1,768	1,430
Total assets	1,768	1,430
Future site restoration & abandonment costs	(1,222)	(994)
Asset retirement obligations	3,205	2,330
Future income tax liabilities	41	138
Retained earnings	(256)	(44)
Total liabilities and shareholders' equity	1,768	1,430

$000s

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Depletion, depreciation & site restoration	(2)	(21)	(6)	(42)
Accretion of asset retirement obligations	42	29	78	57
Future income taxes	(17)	(4)	(31)	(7)
Net (earnings) / loss	23	4	41	8
Per common share - basic	-	-	-	-
Per common share - diluted	-	-	-	-

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

	As at June 30, 2004	2003
Asset retirement obligations, beginning of period	2,702	2,211
Liabilities incurred	425	62
Liabilities settled	-	-
Accretion of asset retirement obligations	78	57
Asset retirement obligations, end of period	3,205	2,330

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 second quarter of 2003 decreased by $33,563, and for the first half of 2003 previously reported net income decreased by $67,111. 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 second quarter of 2003 and by $0.4 million in the first half 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 second quarter and first half 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 $7,848,556 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 $26,115. 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 $338,016 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 July 1, 2004 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	106,666	79,066
Share issue costs		(74,356)
Balance June 30, 2003, before contributed surplus	45,241,087	$ 38,452,834
Balance December 31, 2003, before contributed surplus	54,044,420	$ 46,519,371
Options exercised	671,466	557,484
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 $348,490		(497,616)
Balance June 30, 2004, before contributed surplus	61,731,179	$ 59,879,258

As at June 30, 2004, the Company has commitments to incur $4.9 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-though 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 six months ended June 30, 2004:

	Options	Weighted-Average Exercise Price
Outstanding at Dec. 31, 2003	3,686,000	$0.91
Cancelled	(35,168)	$1.27
Granted	680,000	$1.63
Exercised	(671,466)	$0.81
Outstanding at June 30, 2004	3,659,366	$1.06

6. SUPPLEMENTAL CASH FLOW INFORMATION:

	2004	2003
For the six months ended June 30		
Cash paid:		
Interest	$ 322,175	$ 490,879
Taxes (net of refunds)	436,455	(205,880)
Investing and financing activities:		
Net assets acquired on acquisitions (note 3)	8,170,264	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 six months ended June 30, 2004, the Company granted 680,000 (2003: 720,000) stock options to employees, consultants and directors. The Company recorded stock option expense of $333,670 during the first half of 2004 and $177,385 during the second quarter of 2004. For the restated first half of 2003, the Company recorded stock option expense of $67,111 and for the restated second quarter, stock option expense totaled $33,563.

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 June 30, 2004 and 2003 would approximate the following pro forma amounts:

	Three Months ended June 30, 2004	2003	Six Months ended June 30, 2004	2003
Net Earnings:				
As reported	$2,873,793	$1,168,964	$3,831,419	$2,669,227
Pro forma	$2,854,546	$1,118,375	$3,792,849	$2,568,049
Net Earnings per Share:				
As reported	$0.05	$0.03	$0.07	$0.06
Pro forma	$0.05	$0.02	$0.07	$0.06
Diluted:				
As reported	$0.05	$0.03	$0.07	$0.06
Pro forma	$0.05	$0.02	$0.06	$0.06

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, 2004	2003	Six Months ended June 30, 2004	2003
Assumptions:				
Risk free interest rate (%)	4.81	5.78	5.34	5.66
Expected life (years)	5.0	5.0	5.0	5.0
Expected volatility (%)	49	75	55	75
Results:				
Weighted average fair value of options granted ($)	$0.82	$0.30	$0.86	$0.47

8. CONTRIBUTED SURPLUS:

	Three Months ended June 30, 2004	2003	Six Months ended June 30, 2004	2003
Balance, beginning of period	$360,815	$33,548	$ 204,530	-
Stock-based compensation expense	177,385	33,563	333,670	67,111
Transfer to share capital on exercise of options	(13,270)	-	(13,270)	-
Balance, end of period	$524,930	$ 67,111	$ 524,930	$ 67,111

9. 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 quarter, one well was 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 $650,000.

The Company has also committed to drill two 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 $800,000 in 2004 and $600,000 in 2005.

10. SUBSEQUENT EVENTS:

Subsequent to June 30, 2004, an interim review of the Company's demand revolving credit facility was completed. There was no modification to the terms of the facility and the next interim review was scheduled for January 1, 2005.

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:

Paul R. Baay, President & CEO (403) 750-1272
or
Joan E. Dunne, Vice President, Finance & CFO (403) 750-1262

True Energy Inc.
2300, 530 – 8th Avenue S.W.
Calgary, AB T2P 3S8
Phone (403) 266-8670
Fax: (403) 264-8163
Internet: www.trueenergy.ca