

TRUE ENERGY INC.

Renewal Annual Information Form

**For the
Year Ended
December 31, 2004**

March 21, 2005

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ABBREVIATIONS

Oil and Natural Gas Liquids

Bbls	barrels
Mbbls	thousand barrels
BOPD	barrels of oil per day
Bbls/d	barrels of oil per day
MMbbls	million barrels
NGLs	natural gas liquids
BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 Bbl of crude oil for 6 Mcf of natural gas

Natural Gas

Mcf	thousand cubic feet
Mmcf	million cubic feet
Bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
Mmcf/d	million cubic feet per day
m ³	cubic metres
MMBTU	million British Thermal Units
gigajoule	trillion joules

Other

AECO	EnCana Corp.'s natural gas storage facility located at Suffield, Alberta.
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale.
ARTC	Alberta Royalty Tax Credit
BOE/d	barrel of oil equivalent per day
MBOE	1,000 barrels of oil equivalent
\$000s or \$M	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

CONVERSIONS

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Unless otherwise specified, information in this Annual Information Form is as at the end of the Corporation's most recently completed financial year, being December 31, 2004.

All dollar amounts herein are in Canadian dollars, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks, may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect

management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Corporation assumes no obligation to update or review them to reflect new events or circumstances.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Corporation's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

BACKGROUND

The Corporation

True Energy Inc. was formed on the amalgamation (the "Original Amalgamation") of Sundance Resources Inc. ("Sundance"), 887733 Alberta Ltd. ("Holdco") and 851431 Alberta Ltd. ("Newco") pursuant to the *Business Corporations Act* (Alberta) (the "ABCA") effective August 31, 2000. Effective July 31, 2002, True acquired all of the issued and outstanding shares of Gresham Resources Inc. ("Gresham"). On December 1, 2002, True and Gresham amalgamated pursuant to the ABCA, continuing as True Energy Inc. The Corporation's principal office is located at Suite 2300, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8, and the Corporation's registered office is located at Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

The common shares of the Corporation (the "Common Shares") trade on the Toronto Stock Exchange (the "TSX") under the symbol "TUI".

Subsidiaries

As at December 31, 2004, True had one wholly-owned subsidiary, Marengo Exploration Ltd. ("Marengo"), a corporation incorporated pursuant to the laws of Alberta.

True undertook a reorganization of the producing activities of the True group to reorganize them in a general partnership and, on April 1, 2001, a general partnership was created which has a tax year end of December 31, the partners of which are True (which has a tax year end of December 30) and Marengo (which has a tax year end of December 30). True serves as managing partner of the partnership. Reference herein to "True" or the "Corporation" refer to True Energy Inc. and its wholly-owned subsidiary, Marengo and True Energy, a general partnership, unless the context otherwise requires.

GENERAL DEVELOPMENT OF THE BUSINESS

Original Amalgamation

True was formed on the Original Amalgamation of Sundance, Holdco and Newco pursuant to the ABCA effective August 31, 2000.

Sundance Resources Inc.

Sundance was incorporated as Sundance Resources Inc. under the ABCA on February 9, 1996. Sundance's principal oil and gas properties at the time of the Original Amalgamation were located in the Province of Saskatchewan.

Sundance completed its initial public offering as a junior capital pool company and commenced trading on the Alberta Stock Exchange on July 3, 1996.

Sundance's major transaction as a junior capital pool company was comprised of two acquisitions. Pursuant to the first acquisition, effective November 7, 1997, Sundance purchased various oil and gas interests held by four private companies, including interests in six producing oil wells, one shut-in gas well, 11 suspended wells and numerous development targets. Sundance paid \$510,000 for these interests, based on a third party evaluation of the proved and probable reserves associated with these interests. Pursuant to the second acquisition, effective February 25, 1998, Sundance acquired certain oil and gas interests held by Vandale Oil Inc., including interests in light and heavy oil processing facilities, as well as interests in properties containing 27 producing wells, three non-producing wells and seven abandoned wells or suspended injectors. Sundance paid \$1,528,000 for these interests, based on a third party evaluation of the proved and probable reserves associated with these interests. The acquisitions were approved by shareholders of Sundance at the annual and special meeting of shareholders held on April 24, 1998. The purchase price for the acquisitions was paid through the issuance of 1,680,865 common shares

of Sundance and a debenture that was subsequently converted into 2,857,143 common shares of Sundance in July, 1999 at \$0.21 per share and 997,404 common shares of Sundance in November, 1999 at \$0.225 per share.

887733 Alberta Ltd.

Holdco was incorporated under the ABCA on July 5, 2000. Prior to the Original Amalgamation, Holdco had not conducted any operations other than negotiating and entering into a petroleum, natural gas and general rights conveyance agreement dated July 20, 2000 pursuant to which it acquired (the "Clanrob Acquisition") from Clanrob Resources Ltd. ("Clanrob"), effective August 31, 2000, certain petroleum and natural gas assets (the "Clanrob Assets") in consideration of the assumption by Holdco of indebtedness in the amount of \$700,000 and the issuance by Holdco to Clanrob of 2,950,000 Holdco common shares. The transaction occurred immediately prior to the Original Amalgamation.

851431 Alberta Ltd.

Newco was incorporated under the ABCA on October 26, 1999. Prior to the Original Amalgamation, Newco had not conducted operations other than engaging in discussions and negotiations for the purpose of completing a private placement that occurred prior to the Original Amalgamation, of 3,876,904 Newco common shares for aggregate consideration of \$3,517,380.

The Amalgamation of Sundance, Holdco and Newco

The Original Amalgamation of Sundance, Holdco and Newco was effective August 31, 2000 pursuant to the ABCA. Pursuant to the Original Amalgamation (i) holders of common shares of Sundance received 0.444 common shares of True ("Common Shares") for each Sundance common share held, (ii) holders of Newco common shares received one Common Share for each Newco common share held, and (iii) holders of Holdco common shares received one Common Share for each Holdco common share held. Immediately upon completion of the Original Amalgamation, a new management team and the board of directors of the Corporation was put in place. After giving effect to the Original Amalgamation, the Corporation had 10,649,934 Common Shares outstanding. The Common Shares commenced trading on the Canadian Venture Exchange ("CDNX") on September 13, 2000.

Acquisition of Marengo Exploration Ltd.

Marengo was incorporated under the ABCA on July 3, 1996. On November 3, 1997, the Corporation filed Articles of Amendment to remove the private company provisions and the restrictions on share transfer, consolidate the outstanding common shares on a 0.8 new for 1 old basis, increase the minimum number of directors to three, change the name of the common shares to Class A Shares and create Class B Shares.

Marengo was in the business of exploration, development and production of petroleum and natural gas, primarily in the Province of Saskatchewan.

Marengo closed its initial public offering at the end of December 1997 for gross proceeds of \$4,647,000. Marengo had 3,894,100 Class A shares and 408,936 Class B shares outstanding. Marengo shares began trading on the CDNX (formerly the Alberta Stock Exchange) under the trading symbols "MRO.A" and "MRO.B" for the Class A and Class B shares respectively in March of 1998.

On December 31, 1998, Marengo closed a \$650,000 private placement financing of 650,000 flow-through Class A common shares at a price of \$1.00 per share.

On December 31, 1999, Marengo closed a \$487,500 private placement financing of 975,000 flow-through Class A common shares at a price of \$0.50 per share.

Pursuant to an offer dated February 6, 2001, True acquired all of the outstanding Class A Shares and Class B Shares of Marengo in consideration for an aggregate of 947,251 Common Shares and \$15,000,545 in cash.

Acquisition of Gresham Resources Inc.

Gresham was incorporated under the laws of the Province of British Columbia on May 1, 1987 as "Mammoth Resources Ltd.". On October 5, 1987, its name was changed to "Death Valley Resources Ltd.", on March 23, 1989 its name was changed to "DVR Resources Ltd.", and on June 14, 1993 its name was changed to "Gresham Resources Inc." On February 6, 2001, by Articles of Continuance, Gresham continued from British Columbia to Alberta. Gresham shares traded on the TSX Venture Exchange under the trading symbol "GRC".

Gresham had one wholly-owned subsidiary, which was incorporated in Nevada, U.S.A., on November 20, 1987 under the name "Death Valley Resources (U.S.), Inc." The name was changed to "Gresham Oil & Gas (USA) Inc." on August 19, 1993.

Gresham's petroleum and natural gas assets were located in Alberta. Effective December 31, 1999, Gresham sold its holdings in the south-west North Dakota sector of the Williston Basin. Proceeds of \$4,329,000 from the sale were used to fund an acquisition and drilling at Rosevear, Alberta. On February 1, 2000, interests in the Rosevear area were purchased for \$4,500,000 and 1,200,000 Gresham shares at an ascribed value of \$0.83 per share.

On May 30, 2001, Gresham closed a \$9.6 million acquisition at Doris Creek, effective April 1, 2001. The purchase included 47,000 net undeveloped acres of land.

Pursuant to a plan of arrangement, True acquired all of the issued and outstanding shares of Gresham, effective July 31, 2002, on the basis of 1.4 Common Shares of True for each outstanding common share of Gresham, for an aggregate of 12,232,654 Common Shares.

True and its wholly owned subsidiary, Gresham, amalgamated effective December 1, 2002 pursuant to the ABCA, and continued under the name True Energy Inc. At December 1, 2002, True had 45,117,756 Common Shares issued and outstanding.

As Gresham Oil & Gas (USA) Inc. no longer engaged in any activity nor had any assets in the United States or Canada, it was dissolved effective May 2003.

Other Acquisitions and Financings

True completed a public offering of 1,670,000 Common Shares issued on a "flow-through" basis at an issue price of \$1.50 per share for gross proceeds of \$2,505,000 on December 12, 2000. On December 21, 2000 and December 31, 2000, the Corporation issued 200,000 and 55,000 flow-through Common Shares, respectively, pursuant to two separate private placements at a price of \$1.50 for gross proceeds of \$300,000 and \$82,500, respectively.

On February 5, 2001, True closed a private placement of 4,166,667 special warrants issued at a price of \$1.20 per special warrant for gross proceeds of \$5,000,000. The net subscription proceeds from the special warrants were used to pay the cash portion of the consideration for the Class A Shares and Class B Shares of Marengo. True subsequently filed a prospectus dated March 22, 2001 qualifying the Common Shares issued on exercise of such special warrants.

On February 13, 2001, the Common Shares commenced trading on the TSX and, on March 6, 2001, the Common Shares were delisted from the CDNX.

On June 26, 2001, the Corporation completed a private placement of 7,200,000 special warrants at an issue price of \$1.90 per special warrant for gross proceeds of \$13,680,000. True subsequently filed a prospectus dated September 5, 2001 qualifying the Common Shares issued on exercise of such special warrants.

On June 26, 2001, the Corporation completed an acquisition of certain petroleum and natural gas assets located in Saskatchewan from an arm's length party, for a net purchase price of approximately \$14 million funded from the net proceeds of the special warrant financing described in the preceding paragraph.

On November 13, 2001, the Corporation completed a private placement of 3,700,000 Common Shares issued on a "flow-through" basis at an issue price of \$0.95 per share for gross proceeds of \$3,515,000.

Effective April 1, 2002, True sold certain non-strategic assets in west central Saskatchewan for gross proceeds of \$6.25 million. Estimated proved producing reserves relating to the assets sold were 154,000 barrels of heavy oil and 2.1 billion cubic feet of natural gas. On a barrel of oil equivalent basis, this equated to 511,000 BOE, resulting in proceeds of \$12.23/BOE.

On May 14, 2002, the Corporation completed a private placement of 4,100,000 Common Shares at an issue price of \$0.74 per share for gross proceeds of \$3,034,000.

On July 24, 2003, the Corporation completed the private placement of 3,500,000 Common Shares issued on a "flow-through" basis at an issue price of \$1.15 per share for gross proceeds of \$4,025,000.

On September 17, 2003, the Corporation completed the private placement of 5,000,000 Common Shares at an issue price of \$1.15 per share for gross proceeds of \$5,750,000.

On April 21, 2004, the Corporation completed a private placement of 4,457,153 Common Shares at an issue price of \$1.75 per share and 2,558,140 Common Shares issued on a "flow-through" basis at an issue price of \$2.15 per share for aggregate gross proceeds of \$13,300,018.75.

As at December 31, 2004, True had 62,097,979 Common Shares outstanding.

On January 20, 2005, the Corporation announced that it had entered into an agreement with Meridian Energy Corporation ("Meridian") pursuant to which True agreed to make an offer (the "Offer") to acquire all of the outstanding common shares of Meridian on the basis of, at the election of the Meridian shareholder, (a) 0.91 common shares of the Company per Meridian share; or (b) \$3.85 in cash per Meridian share; or (c) a combination thereof, provided that the maximum aggregate amount of cash payable pursuant to the offer be limited to \$30 million. The Offer was dated February 7, 2005, and is subject to certain conditions, including the deposit of not less than 66 2/3% of the outstanding Meridian shares (on a fully diluted basis), receipt of all required regulatory approvals and other customary conditions. Meridian is a public company listed on the TSX Venture Exchange with operations principally in the Willesden Green area of Alberta, Canada.

On March 15, 2005, True took up and paid for over 95% of the issued and outstanding shares of Meridian that had been deposited pursuant to the Offer. Approximately 33,999,409 Common Shares were issued and \$533,879.50 paid in cash in consideration for the Meridian Shares taken up and paid for on that date. The Offer was extended to March 28, 2005. Raymond G. Smith, the former Chairman and Chief Executive Officer of Meridian, was appointed to the board of directors of True.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

On March 4, 2005 True filed its statement of reserves data and other oil and gas information dated March 4, 2005 and the Report of Management and Directors on Oil and Gas Disclosure and the Report on Reserves Data by the Independent Qualified Reserves Evaluator (collectively, the "Statement of Reserves") with the applicable provincial securities commissions or similar authorities in Canada. The Statement of Reserves is incorporated by reference herein and forms a part hereof. The effective date of the Statement of Reserves is December 31, 2004. A copy of the Statement of Reserves may be obtained by accessing the disclosure documents available for True through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. True's SEDAR profile number is 14985.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information of the Corporation for the last three fiscal years.

	Year ended December 31,		
	2004	2003*	2002*
	(\$000s except per share amounts)		
Gross revenues before royalties & transportation	67,948	38,479	19,539
Cash flow from operations	33,945	16,012	5,912
Per share – basic	\$0.57	\$0.33	\$0.16
Per share – diluted	\$0.56	\$0.32	\$0.16
Net earnings	8,960	4,363	310
Per share – basic and diluted	\$0.15	\$0.09	\$0.01
Capital expenditures, net	54,919	20,040	18,802
Total assets	108,340	64,612	50,579
Total net debt – current	22,158	14,461	19,893
Long term financial liabilities			
Capital taxes payable	1,364	836	686
Future income taxes	13,209	4,481	-
Asset retirement obligations	3,951	2,702	2,211
Average production (boe/d, 6:1)	5,048	3,003	2,042

* Various 2002 and 2003 amounts have been restated to reflect changes in the accounting policies, as described in the 2004 Management's Discussion and Analysis.

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

2004 – Quarter ended (unaudited) (\$000s, except per share amounts)	March 31	June 30	Sep. 30	Dec. 31
Gross revenues before royalties & transportation	13,342	17,377	17,760	19,469
Cash flow from operations	6,264	8,783	8,593	10,305
Cash flow from operations per share				
basic	\$0.11	\$0.15	\$0.14	\$0.17
diluted	\$0.11	\$0.14	\$0.14	\$0.16
Net earnings	958	2,874	2,295	2,833
Net earnings per share				
basic	\$0.02	\$0.05	\$0.04	\$0.05
diluted	\$0.02	\$0.05	\$0.04	\$0.04
Capital Expenditures, net	15,243	9,075	13,102	17,499
Average production (boe/d, 6:1)	4,155	4,972	5,130	5,927

2003 – Quarter ended (unaudited) (\$000s, except per share amounts)	March 31	June 30	Sep. 30	Dec. 31
Gross revenues before royalties & transportation	10,108	7,766	9,967	10,639
Cash flow from operations	4,374	2,489	4,656	4,494
Cash flow from operations per share				
basic	\$0.10	\$0.06	\$0.10	\$0.08
diluted	\$0.10	\$0.05	\$0.09	\$0.08
Net earnings (loss)	1,500	1,169	2,376	(682)
Net earnings (loss) per share				
basic	\$0.03	\$0.03	\$0.05	\$(0.01)
diluted	\$0.03	\$0.03	\$0.05	\$(0.01)
Capital Expenditures, net	2,613	4,985	4,913	7,529
Average production (boe/d, 6:1)	2,569	2,376	3,303	3,749

Notes:

- (1) Various 2003 amounts have been restated to reflect changes in accounting policies, as described in the 2004 Management's Discussion and Analysis.
- (2) The selected consolidated financial information contains the term cash flow from operations, which is not a recognized measure under generally accepted accounting principles ("GAAP"). Management believes that in addition to net income, cash flow from operations is a useful supplemental measure as it demonstrates the ability to generate the cash necessary to repay debt or fund future growth through capital investment. Readers are cautioned, however, that this measure should not be construed as an alternative to net income determined in accordance with GAAP as an indication of our performance. The Corporation's method of calculating this measure may differ from other companies and accordingly, they may not be comparable to measures used by other companies. For these purposes, the Corporation defines cash flow from operations as cash provided by operations before changes in non-cash operating working capital.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. The following is a description of the rights, privileges, restrictions and conditions attaching to the share capital of the Corporation.

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. Holders of Common Shares are entitled to one vote per share at meetings of shareholders of the Corporation. Subject to the rights of the holders of preferred shares and any other shares having priority over the Common Shares, holders of Common Shares are entitled to dividends if, as and when declared by the board of directors and upon liquidation, dissolution or winding-up to receive, the remaining property of the Corporation.

Preferred Shares

The preferred shares are issuable in one or more series and the board of directors of the Corporation may fix, prior to their issue, the number of shares of each series and the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or the return of capital in the event of the liquidation, dissolution or winding-up of the Corporation rank on a parity with the preferred shares of every other series and are entitled to a preference over the Common Shares and any other shares of the Corporation ranking junior to the preferred shares.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX and trade under the symbol "TUI". The following sets forth the price range and trading volume of the Common Shares on the TSX (as reported by the TSX) for the periods indicated.

	Price Range		Volume
	High (\$)	Low (\$)	
2004			
January	2.00	1.53	9,361,801
February	1.78	1.43	5,054,436
March	1.85	1.58	3,358,826
April	1.88	1.60	6,135,264
May	1.84	1.60	3,091,901
June	1.84	1.62	3,307,609
July	2.01	1.80	5,219,807
August	2.04	1.82	6,856,903
September	2.95	2.03	8,111,373
October	2.91	2.57	5,959,446
November	3.55	2.54	9,531,421
December	3.80	2.94	4,812,675
2005			
January	4.58	3.40	10,871,473
February	5.70	4.34	11,599,774
March (1-17)	5.45	4.41	7,084,474

DIRECTORS AND OFFICERS

The names, municipalities of residence, positions with the Corporation, principal occupation of the directors and officers of the Corporation are set out below and, in the case of directors, the period each has served as a director of True.

Name, Municipality of Residence and Position with the Corporation	Principal Occupation	Director Since
W.C. (Mickey) Dunn ⁽¹⁾⁽²⁾⁽³⁾ Edmonton, Alberta Chairman of the Board and Director	Businessman	2000
Kenneth P. Acheson, C.A. ⁽¹⁾⁽²⁾ Calgary, Alberta Director	President, Kennington Properties Ltd. (commercial real estate company)	2000
John H. Cuthbertson ⁽²⁾ Calgary, Alberta Corporate Secretary and Director	Partner, Burnet, Duckworth & Palmer LLP (barristers and solicitors)	2000
James R. Glass ⁽³⁾⁽⁴⁾ Parksville, British Columbia Director	B.Sc. Geology, P.Eng., Retired	2002
Robert G. Rowley, Q.C. ⁽¹⁾⁽⁴⁾ Calgary, Alberta Director	Independent Businessman	2000
Kim M. Ward ⁽³⁾⁽⁴⁾ Toronto, Ontario Director	Independent Businessman	2001

Name, Municipality of Residence and Position with the Corporation	Principal Occupation	Director Since
Paul R. Baay Calgary, Alberta President, Chief Executive Officer and Director	President and Chief Executive Officer of True	2000
Joan E. Dunne Calgary, Alberta Vice-President, Finance and Chief Financial Officer	Vice-President, Finance and Chief Financial Officer of True	N/A
Clinton T. Broughton Calgary, Alberta Vice President	Vice President of True	N/A
Kevin W. Yakiwchuk Calgary, Alberta Vice President, Exploration	Vice President, Exploration of True	N/A
Ian C. Ross Calgary, Alberta Vice President, Land	Vice President, Land of True	N/A

Note:

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Reserves Committee.
- (5) The term of office of each director expires at the next annual meeting of the shareholders of the Corporation.
- (6) Mr. Raymond G. Smith, the former Chairman and Chief Executive Officer of Meridian was appointed to the board of directors of the Corporation on March 15, 2005 upon True taking up and paying for Meridian Shares pursuant to its Offer to acquire the outstanding Meridian Shares. Mr. Smith joined Meridian as President and CEO on September 19, 2002. On January 1, 2004 he became Chairman and CEO. Mr. Smith was President and CEO of Corsair Exploration Ltd. from July 1999 to June 2002.

All of the directors and officers have been engaged for more than five years in their present principal occupations or executive positions with the same or associated companies, except as disclosed below under "Management" and except for W.C. (Mickey) Dunne and Robert G. Rowley. Mr. Dunn has been an independent businessman since 1999 and prior thereto was President and Chief Executive Officer of Cardium Service and Supply Ltd. ("Cardium") from 1981 to 1999. Cardium, through its subsidiaries, was a private international company involved in engineering, manufacturing and servicing of oilfield equipment as well as the extraction and processing of high-grade silica material. Robert G. Rowley was a partner of Macleod Dixon LLP (barristers and solicitors) prior to April 1, 2002. Raymond G. Smith joined Meridian as President and CEO on September 19, 2002. On January 1, 2004 he became Chairman and CEO. Mr. Smith was President and CEO of Corsair Exploration Ltd. from July 1999 to June 2002.

As at December 31, 2004, the directors and officers of True, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 5,834,805 Common Shares, or approximately 9% of the issued and outstanding Common Shares.

MANAGEMENT

True's management team have a wide breadth of experience in general business and directly in the oil and gas industry.

Paul R. Baay, President and Chief Executive Officer

Mr. Paul Baay of Calgary, Alberta has been the President and Chief Executive Officer of the Corporation since completion of the Original Amalgamation on August 31, 2000. Between April 1999 and August 31, 2000, Mr. Baay was an independent businessman and prior thereto was President and Chief Executive Officer of Remington Energy Ltd. from January 1, 1992 to April 1, 1999. Mr. Baay is a University of Western Ontario graduate with a Bachelor of Arts Degree.

Clinton T. Broughton, Vice President

Mr. Clint Broughton of Calgary, Alberta has been the Vice-President of the Corporation since August 31, 2000. Prior thereto, Mr. Broughton was an independent businessman from 1997 to September 2000, except for the period from October 1999 to May 2000 when he was Vice-President, Operations at Calahoo Petroleum Ltd. Prior thereto, Mr. Broughton was Vice-President, Operations from 1984 to 1997 at Seagull Energy Canada Ltd. and prior thereto was Division Drilling Superintendent at Amoco Canada Petroleum Company Limited. Mr. Broughton received his engineering degree from the University of Saskatchewan in 1965. Mr. Broughton is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (having served as Vice-President and President of the Northwest Branch), the Petroleum Joint Venture Association, the Canadian Association of Drilling Engineers (having served as Secretary, Vice-President and President) and the Petroleum Society of CIM.

Joan E. Dunne, C.A., Vice President, Finance & Chief Financial Officer

Ms. Joan Dunne joined the Corporation on November 25, 2002 as Vice President, Finance and Chief Financial Officer. Ms. Dunne brings over twenty years of experience in the oil and gas industry, and has held senior management positions since 1984. From December 2000 to November 2002 Ms. Dunne consulted for various petroleum companies in the areas of finance, tax, and investor relations. Prior thereto, Ms. Dunne was Vice President and Chief Financial Officer of Ionic Energy Inc. since January 1998. From October 1996 until joining Ionic, Ms. Dunne was Vice President Finance for Petrorep Resources Ltd. Prior thereto and from August 1994 to October 1996, Ms. Dunne held various positions with Barrington Petroleum Ltd, finally as Treasurer. Ms. Dunne graduated from the University of Calgary with a Bachelor of Commerce degree and joined the Canadian Institute of Chartered Accountants in 1983.

Kevin W. Yakiwchuk, Vice President, Exploration

Mr. Kevin Yakiwchuk joined True in May 2001 and became the Vice President, Exploration in January 2005. Prior to joining True, Mr. Yakiwchuk held the position of Geologist at Crestar Energy Inc. from April 2000, and prior to that at Renaissance Energy Ltd. from December 1996. Mr. Yakiwchuk completed his B.Sc. Geology in 1992 and M.Sc. Geology in 1994 at the University of Alberta. He is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and the Canadian Society of Petroleum Geologists.

Ian C. Ross, Vice President, Land

Mr. Ian Ross joined True in August 2001 and became the Vice President of Land in January 2005. Mr. Ross has worked for the past 20 years in both surface and mineral negotiation capacities for various oil and gas exploration companies in Western Canada. Prior to joining True, Mr. Ross was a landman at Crestar Energy Inc. from 1997. Mr. Ross received his Petroleum Mineral Land Management diploma from Mount Royal College in 1985 and is a licensed Alberta Land Agent. Mr. Ross has been a member of the Canadian Association of Petroleum Landmen since 1989 and received his professional landman designation in 1998.

HUMAN RESOURCES

At December 31, 2004, True employed 31 full time, one part-time employee and four consultants.

John H. Cuthbertson, True's corporate secretary and a director, is a partner with Burnet, Duckworth & Palmer LLP, and provides legal services to the Corporation on a fee for services basis.

DIVIDEND POLICY

True has not paid any dividends on its outstanding Common Shares. The board of directors of True will determine the actual timing, payment and amount of dividends, if any, that may be paid by True from time to time based upon, among other things, the cash flow, results of operations and financial condition of True, the need for funds to finance ongoing operations and other business considerations as the board of directors of True considers relevant.

The Corporation's credit facility provides that the Corporation shall not without the prior approval of the Corporation's banker, not to be unreasonably withheld, reduce or distribute capital or pay dividends or redeem or repurchase common or preferred shares, unless such dividends, redemptions, and repurchases do not impair the capacity of the Corporation to fulfil its obligations with respect to the credit facilities including the repayment of the loan.

LEGAL PROCEEDINGS

To the knowledge of the Corporation, there are no legal proceedings material to the Corporation to which the Corporation or its subsidiaries is a party or of which any of their respective properties is the subject matter nor are there any such proceedings known to the Corporation to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Corporation, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares of the Corporation, or any known associate or affiliate of such persons in any transactions within the three most recently completed financial years of the Corporation or during the current financial year which has materially affected, or would materially affect, the Corporation or its subsidiary.

TRANSFER AGENT AND REGISTRAR

The Corporation's auditors are KPMG LLP, Chartered Accountants, Suite 1200, 205 5th Avenue S.W. Calgary, Alberta T2P 4B9.

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than GLJ, the Corporation's independent engineering evaluator and KPMG LLP, the Corporation's auditors. None of the principals of GLJ or KPMG LLP had any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of the Corporation's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation, except for John H. Cuthbertson, a director and the Corporate Secretary of the Corporation, is a partner at Burnet, Duckworth & Palmer LLP, which law firm renders legal services to the Corporation.

INDUSTRY CONDITIONS

Introduction

The oil and gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, British Columbia and Saskatchewan, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect True's operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and True is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing - Oil

In Canada, producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. Oil exports may be made pursuant to export contracts with terms not exceeding one year in the case of crude oil other than heavy crude, and not exceeding two years in the case of heavy crude, provided that an order approving any such export has been obtained from the National Energy Board ("NEB"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export license from the NEB and the issue of such a license requires the approval of the Governor in Council.

Pricing and Marketing - Natural Gas

In Canada, the price of natural gas sold is determined by negotiation between natural gas producers, marketers and purchasers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of 2 years or less or for a term of between 2 and 20 years (in quantities of not more than 30,000 m³/d) may be made pursuant to an NEB order, or, in the case of exports for a longer duration (to a maximum of 25 years) or a larger quantity, pursuant to an NEB export license and Governor in Council approval.

The governments of Alberta, British Columbia and Saskatchewan also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements and market considerations.

Pipeline Capacity

Although pipeline expansions are ongoing, the availability of sufficient pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market natural gas production. In addition, the rationing of capacity on the inter-provincial pipeline systems also continues to affect the ability to export oil and natural gas.

The North American Free Trade Agreement

On January 1, 1994, the North American Free Trade Agreement ("NAFTA") among the governments of Canada, the U.S. and Mexico became effective. NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports of energy resources to the U.S. or Mexico will be allowed, provided that any export restrictions are justified under certain provisions of the General Agreement on Tariffs and Trade, and further provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period or in such other

representative period as the parties may agree), (ii) impose an export price higher than the domestic price subject to an exception with respect to certain measures which only restrict the volume of exports, and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum or maximum export or import price requirements, provided, in the case of export-price requirements, prohibition in any circumstances in which any other form of quantitative restriction is prohibited, and in the case of import-price requirements, such requirements do not apply with respect to enforcement of countervailing and anti-dumping orders and undertakings.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements, which is important for Canadian natural gas exports.

Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of crude oil, sulphur, natural gas and natural gas liquids production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is also subject to certain provincial taxes and royalties. These royalties are not eligible for incentive programs sponsored by various governments as discussed below. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced.

From time to time the governments of Canada and western Canadian provinces have established incentive programs which have included royalty rate reductions, royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced recovery projects. The trend in recent years has been for provincial governments to allow such incentive programs to expire without renewal, and consequently few such incentive programs are currently operative.

Oil royalty rates vary from province to province. In Alberta, oil royalty rates vary between 10% and 35% for oil and 10% and 30% for new oil. New oil is applicable to oil pools discovered after March 31, 1974 and prior to October 1, 1992. The Alberta government introduced the Third Tier Royalty with a base rate of 10% and a rate cap of 25% for oil pools discovered after September 30, 1992.

Effective January 1, 1994, the calculation and payment of natural gas royalties became subject to a simplified process. The royalty reserved to the Crown, subject to various incentives, is between 15% and 30%, in the case of new gas, and between 15% and 35%, in the case of old gas, depending upon a prescribed or corporate average reference price. Natural gas produced from qualifying exploratory natural gas wells spudded or deepened after July 31, 1985 and before June 1, 1988 continues to be eligible for a royalty exemption for a period of 12 months, or such later time that the value of the exempted royalty quantity equals a prescribed maximum amount. Natural gas produced from qualifying intervals in eligible natural gas wells spudded or deepened to a depth below 2,500 meters is also subject to a royalty exemption, the amount of which depends on the depth of the well.

Oil sands projects are subject to a specific regulation made effective July 1, 1997 and expiring June 30, 2007, which, among other things, determines the Crown's share of crude and processed oil sands products.

In Alberta, a producer of oil or natural gas from Crown lands is entitled to a credit against the royalties payable to the Crown by virtue of the ARTC program. The ARTC program is based on a price-sensitive formula, and the ARTC rate currently varies between 75% for prices for oil at or below \$100 per cubic meter and 25% for prices above \$210 per cubic meter. In general, the ARTC rate is currently applied to a maximum of \$2,000,000 of Alberta Crown royalties payable for each producer or associated group of producers. Crown royalties on production from producing properties acquired from corporations claiming maximum entitlement to ARTC will generally not be eligible for ARTC. The rate is established quarterly based on the average "par price", as determined by the applicable government department for the previous quarterly period. On December 22, 1997, the Alberta

government announced that it would conduct a review of the ARTC program with the objective of setting out better targeted objectives for a smaller program and to deal with administrative difficulties. On August 30, 1999, the Alberta government announced that it would not be reducing the size of the program, but that it would introduce new rules to reduce the number of persons who qualify for the program. The new rules preclude companies that pay less than \$10,000 in royalties per year and non-corporate entities from qualifying from the program.

In Saskatchewan, for Crown royalty and freehold production tax purposes, crude oil is considered either "heavy oil", "southwest designated oil" or "non-heavy oil other than southwest designated oil". The conventional royalty and production tax classifications ("fourth tier oil" introduced October 1, 2002, "third tier oil", "new oil" or "old oil") of oil production are applicable to each of the three crude oil types. The Crown royalty and freehold production tax structure for crude oil is price sensitive and varies between the base royalty rates of 5% for all "fourth tier oil" to 20% for "old oil". Marginal royalty rates are 30% for all "fourth tier oil" to 45% for "old oil".

Natural gas is considered either "non-associated gas" or "associated gas". The royalty and production tax classifications of gas production ("fourth tier gas" introduced October 1, 2002, "third tier gas", "new gas" and "old gas") are applicable to each of the two gas types. The Crown royalty and freehold production tax for gas is price sensitive and varies between the base royalty rate of 5% for "fourth tier gas" and 20% for "old gas". The marginal royalty rates are between 30% for "fourth tier gas" and 45% for "old gas".

On October 1, 2002, the following changes were made to the royalty and tax regime in Saskatchewan:

- A new Crown royalty and freehold production tax regime applicable to associated natural gas (gas produced from oil wells) that is gathered for use or sale. The royalty/ tax will be payable on associated natural gas produced from an oil well that exceeds approximately 65 thousand cubic meters in a month.
- A modified system of incentive volumes and maximum royalty/ tax rates applicable to the initial production from oil wells and gas wells with a finished drilling date on or after October 1, 2002 was introduced. The incentive volumes are applicable to various well types and are subject to a maximum royalty rate of 2.5% and a freehold production tax rate of zero per cent.
- The elimination of the re-entry and short section horizontal oil well royalty/ tax categories. All horizontal oil wells with a finished drilling date on or after October 1, 2002 will receive the "fourth tier" royalty/ tax rates and new incentive volumes.

Producers of oil and natural gas in British Columbia are required to pay annual rental payments in respect of Crown leases and royalties and freehold production taxes in respect of oil and gas produced from Crown and freehold lands, respectively. The amount payable as a royalty in respect of oil depends on the vintage of the oil (whether it was produced from a pool discovered before or after October 31, 1975), whether the oil is considered incremental or produced from a well shut-in for at least 36 months immediately preceding January 1, 1998 and which resumed production on or after such date, the quantity of oil produced in a month and the value of the oil. Oil produced from pools discovered after June 30, 1974 may be exempt from the payment of a royalty for the first 36 months of production. Subject to the minimum royalties described in the following sentence, the royalty payable on natural gas is determined by a sliding scale based on a reference price, which is the greater of the amount obtained by the producer and a prescribed minimum price. Gas produced in association with oil has a minimum royalty of 8% while the royalty in respect of other gas may not be less than 15%.

Oil and natural gas royalty holidays and reductions for specific wells reduce the amount of Crown royalties paid to the provincial governments. The ARTC program provides a rebate on Crown royalties paid in respect of eligible producing properties.

The current structure for federal taxation of resource income contains the following initiatives applicable to the oil and gas industry which are being phased in over a five year period commencing in 2003:

- (i) a reduction of the federal statutory corporate income tax rate on income earned from resource activities from 28% to 21%; and

- (ii) a deduction for federal income tax purposes of actual provincial and other Crown royalties and mining taxes paid and the elimination of the 25% resource allowance. Also, the percentage of the ARTC that True will be required to include in federal taxable income will be increased (also on a phased-in basis) to 100% in 2012 and beyond.

Land Tenure

Crude oil and natural gas located in the western Canadian provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licenses and permits for varying terms from two years and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions and regulation on the storage and transportation of various substances produced or utilized in association with certain oil and gas industry operations and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facilities sites be abandoned and reclaimed to the satisfaction of provincial authorities. As well, applicable environmental laws may impose remediation obligations with respect to property designated as a contaminated site upon certain responsible persons, which include persons responsible for the substance causing the contamination, persons who caused the release of the substance and any past or present owner, tenant or other person in possession of the site. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders.

Applicable environmental laws in Alberta are consolidated in the *Environmental Protection and Enhancement Act* ("APEA"). The APEA imposes stricter environmental standards, it requires more stringent compliance, reporting and monitoring obligations and significantly increases penalties for any contravention of the Act than previous legislation. These changes will have an incremental effect on the cost of conducting operations in Alberta.

British Columbia's *Environmental Assessment Act* became effective June 30, 1995. This legislation rolled the previous processes for the review of major energy projects into a single environmental assessment process with public participation in the environmental and review process.

In December, 2002, the Government of Canada ratified the Kyoto Protocol ("Protocol"). The Protocol calls for Canada to reduce, during the period between 2008 and 2012, its greenhouse gas emissions to a level that is 6% below the 1990 level of such emissions in Canada. The Protocol has become legally binding as 55 countries have ratified it, covering at least 55% of the emissions addressed by the Protocol. When the Government of Canada implements the Protocol, it is expected to affect the operation of all industries in Canada, including the oil and natural gas industry. As details of implementation of this Protocol have yet to be announced, the affect on our operations cannot be determined at this time.

True is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased, although not material, expenditures of both a capital and expense nature as a result of increasingly stringent laws relating to the protection of the environment.

Trends

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near term future of the business.

Commodity Prices

Natural gas is a commodity influenced by factors within North America. Strong commodity prices have led to positive responses in supply. This, combined with a moderate winter has led to high comparative inventory storage exit levels. With the continued uncertainty about the supply and demand balance for natural gas, True believe the prices for 2005 are likely to remain in the US \$6.00/ Mcf range.

Crude oil is influenced by world supply uncertainties combined with demand expectations. Supply questions include OPEC's ability to adjust their quotas and potential production performance. World demand is influenced by projections surrounding the economies of different nations, specifically China and India. With the continued level of concern, the Corporation anticipates crude oil prices in 2005 are likely to be in the US \$50/bbl range, with the US/ Canadian exchange rate to be approximately 0.83. True expects heavy oil differentials to be approximately Cdn. \$20/bbl during 2005.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. The cost of purchasing land and properties similarly increase during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the price charged by the various service suppliers also declines.

Competitors and Peers

In the past three to five years, many new junior oil and gas companies have started up business. These companies often have experienced management teams from previous industry organizations that have disappeared with the consolidation phase of junior exploration companies that the industry has been going through. The consolidation phase has included in many cases either the sale to or the conversion to a royalty trust. Most new companies have been able to raise capital and recruit well qualified personnel. Many new companies in fact have the same or similar people as the prior company. Some trust conversions have included transferring out a minor percentage of assets into the small "restart" company. This trend is anticipated to continue.

Capital Markets

Investor uncertainty in the North American economy has affected the oil and gas industry. The impact that the Kyoto Protocol will have on the oil and gas sector has not yet been determined in the absence of final legal and regulatory measures which may be imposed.

Generally during the past two years, the economic recovery combined with increased commodity prices has caused an increase in new equity financings in the oil and gas industry. The Corporation competes with the numerous new companies and their new stories in its access to capital. The competitive nature of the oil and gas industry will cause opportunities for equity financings to be selective. Some companies will have to rely on internally generated funds to conduct their exploration and developmental programs. With the continued commodity price strength, many established oil and gas companies are reducing their willingness to issue "flow-through" shares as their internal tax horizon shortens. Continuation of strong commodity prices will make this trend more marked.

Competitive Conditions

The petroleum industry must manage many risks that are beyond the direct control of the industry. Among these are risks associated with exploration, environment, commodity prices, foreign exchange, and interest rates (see "Risk Factors").

The oil and natural gas industry is intensely competitive and the Corporation must compete in all aspects of its operations with a substantial number of other corporations that may have greater technical or financial resources.

With the maturing nature of west central Saskatchewan and west central Alberta, the access to new prospects is becoming more and more competitive and complex. The Corporation believes that it can continue to explore and develop oil production and reserves in west central Saskatchewan and west central Alberta with an objective of maintaining its cash flow from this area. The Corporation is seeking alternative natural gas weighted prospects in order to help mitigate this problem.

True will continue to focus on its strategic advantages in Saskatchewan and Alberta to maintain a stable base. The Corporation intends to use its expertise to achieve maximum efficiencies in increasing and producing reserves efficiently in these areas.

Environmental Considerations

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial, state and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions and regulation on the storage and transportation of various substances produced or utilized in association with certain oil and gas industry operations and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facilities sites be abandoned and reclaimed to the satisfaction of regulatory authorities. As well, applicable environmental laws may impose remediation obligations with respect to property designated as a contaminated site upon certain responsible persons, which include persons responsible for the substance causing the contamination, persons who caused the release of the substance and any past or present owner, tenant or other person in possession of the site. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders.

The Corporation is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased, although not material, expenditures of both a capital and expense nature as a result of increasingly stringent laws relating to the protection of the environment.

All government regulations and procedures will be followed in strict adherence to the law. The Corporation believes in well abandonment and site restoration in a timely manner to ensure minimal damage to the environment and lower overall costs to the Corporation.

RISK FACTORS

An investment in the Common Shares is speculative due to the nature of the Corporation's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves. An investor should consider carefully the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions.

While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Competition

Oil and gas exploration is intensely competitive in all its phases and involves a high degree of risk. The Corporation competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. The Corporation's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Competition may also be presented by alternate fuel sources.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations all imposed by various levels of government all subject to amendment from time-to-time. See "Industry Conditions." The Corporation's operations may require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary

licenses and permits that may be required to carry out exploration and development at its projects and the obtaining of such licences and permits may delay operations of the Corporation.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases." The Corporation's exploration and production facilities and other operations and activities emit a small amount of greenhouse gases which may subject the Corporation to legislation regulating emissions of greenhouse gases. The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse gases emission reduction requirements for various industrial activities, including oil and gas exploration and production. Future federal legislation, together with provincial emission reduction requirements, such as those in the *Climate Change and Emissions Management Act* (Alberta) (yet to be proclaimed), may require the reduction of emissions or emissions intensity produced by the Corporation's operations and facilities. The direct or indirect costs of these regulations may adversely affect the business of the Corporation.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects. See "Industry Conditions".

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. The Corporation's ability to market its natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The Corporation's revenues, profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas. The Corporation's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions, in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Corporation's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations.

The exchange rate between the Canadian and U.S. dollar also affects the profitability of the Corporation and the Canadian dollar has strengthened recently against the U.S. dollar.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Corporation are in part determined by the Corporation's borrowing base. A sustained material decline in prices from historical average prices could reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation which could require that a portion, or all, of the Corporation's bank debt be repaid.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Corporation's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations or prospects.

Additional Funding Requirements

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to the Corporation.

Issuance of Debt

From time to time the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time, could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian

dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Title to Assets

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. It is the practice of the Corporation in acquiring significant oil and gas leases or interest in oil and gas leases to fully examine the title to the interest under the lease. In the case of minor acquisitions the Corporation may rely upon the judgment of oil and gas lease brokers or landmen who perform the field work in examining records in the appropriate governmental office before attempting to place under lease a specific interest. The Corporation believes that this practice is widely followed in the oil and gas industry. Nevertheless, there may be title defects that affect lands comprising a portion of the Corporation's properties. To the extent title defects do exist, it is possible that the Corporation may lose all or a portion of its right, title, estate and interest in and to the properties to which the title relates.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and cash flows to be derived therefrom, including many factors beyond the Corporation's control. The reserve and associated cash flow information set forth herein represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

In accordance with applicable securities laws, GLJ, the independent reserves evaluator, has used both constant and forecast price and cost estimates in calculating reserve quantities included herein. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and revenues derived therefrom will vary from the estimates contained in the GLJ Report, and such variations could be material. The GLJ Report is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the GLJ Report will be reduced to the extent that such activities do not achieve the level of success assumed in the GLJ Report. The GLJ Report is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Corporation's resources since that date.

Insurance

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although prior to drilling the Corporation will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expend, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's results of operations and business.

Uncertainty of Global Financial Markets

On September 11, 2001, the United States was the subject of terrorist attacks resulting in significant loss of life and property damage. The events of September 11, 2001 and the response of the United States and other nations have created an environment of uncertainty in global financial markets, the effect of which could have a material impact upon the Corporation, its business and its ability to finance operations.

Dividends

The Corporation has not paid any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations and other business considerations as the board of directors of the Corporation considers relevant.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of its property and assets; however, if a claim arose and was successful this could have an adverse effect on the Corporation and its operations.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing

activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Corporation.

Third Party Credit Risk

The Corporation is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations.

Conflicts of Interest

The directors or officers of the Corporation may also be directors or officers of other oil and gas companies or otherwise involved in natural resource exploration and development and situations may arise where they are in a conflict of interest with the Corporation. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with the Corporation disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Corporation. The Corporation has key person insurance for Paul R. Baay, President and Chief Executive Officer. The Corporation does not have key person insurance in effect for any other member of management. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is contained in the Corporation's consolidated financial statements and the related management's discussion and analysis for the Corporation's most recently completed financial year.

The Corporation will provide to any person or corporation, upon request to the Corporation:

- (a) when the securities of the Corporation are in the course of a distribution pursuant to a preliminary short form prospectus or a short form prospectus:
 - (i) one copy of True's annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;
 - (ii) one copy of the comparative financial statements of True for its most recently completed financial year in respect of which such financial statements have been issued, together with the report of the auditor thereon, and one copy of any interim financial statements of True subsequent to the financial statements for its most recent financial year;

- (iii) one copy of the information circular of True in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that circular, as appropriate, and
 - (iv) one copy of any other document that is incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, a copy of the documents referred to in clauses (a)(i), (ii) or (iii) above, provided the Corporation may require a payment of a reasonable charge if the request is made by a person or Corporation who is not a security holder of True.

Additional copies of this Annual Information Form and the materials listed in the preceding paragraph are available on the foregoing basis and upon request by contacting the Corporation at its offices at 2300, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8, or by phone at (403) 266-8670, fax at (403) 264-8163 or e-mail at general.info@trueenergy.ab.ca.