

For the three months ended March 31, 2005

First Quarter 2005



TRUE energy inc.





Corporate Information

BOARD OF DIRECTORS

W.C. (Mickey) Dunn, Chairman (1) (3) (4)
Independent Businessman
 Edmonton, Alberta

Kenneth P. Acheson (1) (4)
President, Kennington Properties Ltd.
 Calgary, Alberta

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

John H. Cuthbertson, (4)
Partner, Burnet, Duckworth & Palmer LLP
 Calgary, Alberta

James R. Glass (2) (3)
Independent Businessman
 Parksville, British Columbia

Robert G. Rowley, Q.C. (1) (2)
Independent Businessman
 Calgary, Alberta

Raymond G. Smith
Independent Businessman
 Calgary, Alberta

Kim M. Ward (2) (3)
Independent Businessman
 Toronto, Ontario

OFFICERS

Paul R. Baay
President and CEO

Douglas J. Bartole
Vice President, Operations

Clinton T. Broughton
Chief Operating Officer

Joan E. Dunne
Vice President, Finance and CFO

Kevin W. Yakiwchuk
Vice President, Exploration

Ian C. Ross
Vice President, Land

Committees of the Board of Directors

- (1) Audit Committee member
- (2) Reserves Committee member
- (3) Compensation Committee member
- (4) Corporate Governance Committee member

EXCHANGE LISTING

The Toronto Stock Exchange, TUI

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

AUDITORS

KPMG LLP

BANKERS

National Bank of Canada

EVALUATION ENGINEERS

Gilbert Laustsen Jung Associates Ltd.

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada

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TRUE **energy inc.**

Financial and Operating Highlights



	Three months ended March 31	
	2005	2004
FINANCIAL (unaudited)		
<i>(\$ except share amounts)</i>		
Revenue (before transportation)	22,441,195	13,341,836
Cash flow from operations ¹	10,731,631	6,263,817
Per share - basic	0.16	0.11
Per share - diluted	0.15	0.11
Net earnings	1,029,720	957,626
Per share - basic	0.02	0.02
Per share - diluted	0.01	0.02
Capital expenditures, net	205,094,643	15,242,683
Debt, net of working capital	38,785,818	23,458,708
Total assets	343,832,507	77,038,585
Shareholders' equity	203,881,053	33,297,322
Shares outstanding		
Basic	98,148,272	54,676,086
Diluted	101,957,308	58,122,086
Weighted average shares		
Basic	68,528,923	54,571,269
Diluted	70,715,391	55,990,654
OPERATIONAL		
Daily volumes		
Oil and NGLs (bbls/d)	2,333	1,547
Natural gas (mcf/d)	26,308	15,648
Combined (boe/d, 6:1)	6,718	4,155
Prices (before transportation)		
Oil and NGLs (\$/bbl)	26.72	28.45
Natural gas (\$/mcf)	7.11	6.56
Combined (\$/boe)	37.12	35.28
Statistics		
Operating netback (\$/boe)	20.76	19.34
Operating expenses (\$/boe)	5.76	6.53
General and administrative (\$/boe)	2.47	2.10
Royalties as a % of sales	27%	25%

¹ 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, cash flow per share should not be considered alternative to or more meaningful than earnings per share.

Report to Shareholders

True is pleased to report the progress made during the three months ending March 31, 2005. Operational milestones were reached, along with strong financial performance. Meridian Energy Corporation ("Meridian") was acquired mid-March 2005, strengthening our Alberta based production and exploration platform.

Accomplishments for the three month period ended March 31, 2005 include:

- ◆ *drilled 24 (16.2 net) True and Meridian wells at a net 94% success rate during the first quarter of 2005;*
- ◆ *increased first quarter production to 6,718 boe/d, up from 4,155 boe/d for the first quarter of 2004;*
- ◆ *grew undeveloped land inventory to 321,000 net undeveloped acres of land;*
- ◆ *generated cash flow of \$10.7 million (71% higher than the same period in 2004); and*
- ◆ *maintained a net debt to historical cash flow ratio of 0.9x for the three months annualized.*

The Company currently anticipates drilling or participating in up to 28 wells during the second quarter of 2005, of which 12 wells are in Saskatchewan and 16 wells are in Alberta.

Production during April 2005 has averaged approximately 8,670 boe/d, based on field estimates, weighted approximately 70% toward natural gas, 20% heavy oil and 10% light oil and NGLs. True has approximately 1,000 boe/d that are either curtailed due to spring break-up conditions or awaiting tie-in during the second quarter. The Company currently has 11 (6.2 net) Alberta wells and 19 (18.8 net) Saskatchewan wells remaining to be tied-in.

True is pleased to announce the appointment of Clinton T. Broughton as Chief Operating Officer. Mr. Broughton has been a Vice President of the Company since its inception in September of 2000. The Company has also promoted Mr. Douglas J. Bartole, P. Eng. to Vice President, Operations. Mr. Bartole has been with the Company since 2001 in various capacities, lastly as Production and Engineering Manager since 2002. Prior to joining True, he was at Husky Oil Ltd. and Renaissance Energy Ltd.

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 on May 13, 2005 to view our updated presentation. We look forward to delivering additional growth and strong financial results during the remainder of this year and into 2006.

Paul R. Baay
President and Chief Executive Officer
 May 11, 2005

Management's Discussion and Analysis



May 11, 2005 - 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 months ended March 31, 2005 and 2004 and the audited consolidated financial statements and Management Discussion and Analysis for the years ended December 31, 2004 and 2003. This commentary is based on information available to, and is dated, May 11, 2005. The financial data presented is in accordance with Canadian generally accepted accounting principles in Canadian dollars, except where indicated otherwise.

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 mcf/ bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this report are derived from converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

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

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

Additional information relating to True, including True's Annual Information Form for the year ended December 31, 2004, is on SEDAR at www.sedar.com.

NET EARNINGS AND CASH FLOW FROM OPERATIONS

True generated cash flow from operations of \$10.7 million (\$0.15 per diluted share) for the three months ended March 31, 2005, up 71% from the \$6.3 million (\$0.11 per diluted share) for the first quarter of 2004.

Cash flow from operations

	Three months ended March 31,	
	2005	2004
Cash flow from operations	\$ 10,731,631	\$ 6,263,817
Basic	\$ 0.16	\$ 0.11
Diluted	\$ 0.15	\$ 0.11

True generated earnings of \$1.0 million in the first quarters of 2005 and 2004.

Net earnings

	Three months ended March 31,	
	2005	2004
Net earnings	\$ 1,029,720	\$ 957,626
Basic	\$ 0.02	\$ 0.02
Diluted	\$ 0.01	\$ 0.02

Management's Discussion and Analysis



SALES VOLUMES

Sales volumes in the first three months of 2005 averaged 6,718 boe/d, compared to 4,155 boe/d in 2004. Throughout the first quarter, sales rates reflected production primarily placed on-stream at the end of 2004 combined with the addition of production from the purchase of Meridian Energy Corporation ("Meridian") mid-March. Production during April 2005 has averaged approximately 8,670 boe/d, based on field estimates, weighted approximately 70% toward natural gas. The Company currently has 11 (6.2 net) Alberta wells and 19 (18.8 net) Saskatchewan wells remaining to be tied-in.

During the first quarter of 2005, the weighting toward natural gas production averaged 65%, compared to 63% in the corresponding period of 2004. Heavy oil sales volumes made up 30% of total sales in 2005 compared to 32% last year. In April 2005, natural gas contributed 70% and heavy oil sales averaged 20% of total volumes sold.

	<i>Three months ended March 31,</i>	
	2005	2004
Natural gas (mcf/d)	26,308	15,648
Heavy oil (bbls/d)	1,982	1,323
Light oil and NGLs (bbls/d)	351	224
Total crude oil and NGLs (bbls/d)	2,333	1,547
Total (boe/d, 6:1)	6,718	4,155

Sales of natural gas averaged 26.3 mmcf/d during the first quarter of 2005, compared to 23.2 mmcf/d in the fourth quarter of 2004, and 15.6 mmcf/d in the first quarter of 2004. During this quarter True tied in 9 (7.2 net) natural gas wells located in the Doddsland, Coleville and Smiley areas of Saskatchewan and in the Doris and Edson areas of Alberta. Subsequent to the end of the first quarter of 2005, the Company has placed on production 2 (1.2 net) Alberta and 1 (1.0 net) Saskatchewan gas wells.

Crude oil and natural gas liquids sales for the first three months of 2005 averaged 2,333 bbls/d, up 51% from first quarter 2004 average sales of 1,547 bbls/d, and up from 2,064 bbls/d during the last quarter of 2004. During the first quarter of 2005, True placed on production one 100% owned light oil well at Whitecourt, Alberta.

COMMODITY PRICES

The impact of changes in the Canadian dollar from the conversion of US\$ based commodities prices reduced profitability during the first quarter of 2005 when compared to the same period in 2004. The Canadian/ U.S. exchange rate changed 7% from an average of 0.7591 in 2004 to 0.8159.

Average commodity prices

	<i>Three months ended March 31,</i>		
	2005	2004	% Change
Exchange rate (US\$/Cdn\$)	0.8159	0.7591	7
NYMEX (US\$/mmbtu)	6.50	5.74	13
Alberta spot (\$/mcf)	6.76	6.28	8
True's average price, before transportation (\$/mcf)	7.11	6.56	8
WTI (US\$/bbl)	49.83	35.23	41
Edmonton par - light oil (\$/bbl)	62.20	45.90	36
Bow River - heavy oil (\$/bbl)	39.08	34.38	14
True's average prices, before transportation (\$/bbl)			
Light crude and condensate	53.97	45.04	20
NGLs	50.31	32.73	54
Light crude oil, condensate and NGLs	52.45	43.33	21
Heavy crude oil	22.16	25.94	(15)
Crude oil and NGLs	26.72	28.45	(6)

Management's Discussion and Analysis



True's natural gas is primarily sold on the daily spot market. During the first three months of 2005, the Alberta Spot reference price improved by 8% compared to 2004. Similarly over this same time frame, True's average sales price before transportation averaged \$7.11/mcf for its natural gas, 8% more than the \$6.56/mcf received in the prior year.

For heavy crude oil, True received an average price before transportation of \$22.16/bbl during the first quarter of 2005, 15% less than in 2004, while the average reference price for Bow River crude was 14% higher in 2005 compared to 2004. The Company blends most of its heavy oil with condensate on a 4:1 ratio to make it light enough to flow through the pipeline. This causes True's heavy oil price to reflect changes in the spot price of purchasing condensate to achieve this blending. In February 2005, condensate required for blending with heavy oil commanded prices varying from a low of \$13.37/bbl at Smiley to a high of \$20.66/bbl at Coleville South. This translated into a net price for True's heavy oil ranging from \$20.93/bbl to \$13.18/bbl. Notwithstanding this, every production area reported positive cash flow every month during the first quarter of 2005.

For light oil, condensate and NGLs, True recorded an average \$52.45/bbl during the first quarter of 2005, 21% greater than the average price received in 2004. The average Edmonton par price was 36% higher during the first quarter of 2005 compared to 2004.

REVENUE

Revenue before transportation for the three months ended March 31, 2005 was \$22.4 million, 68% greater than the \$13.3 million generated in the same period in 2004. The higher revenue was the result of significant growth in production volumes for both natural gas and heavy crude oil, complemented by higher natural gas prices, despite lower overall crude oil prices.

Revenue (\$000s)

	<i>Three months ended March 31,</i>	
	2005	2004
Light oil and condensate	998	760
NGLs	660	114
Heavy oil	3,954	3,132
Crude oil and NGLs	5,612	4,006
Natural gas	16,829	9,336
Total before transportation	22,441	13,342
Transportation	573	314
Total	21,868	13,028

True did not have any hedges in place in 2004. To date in 2005, True still does not have any hedges.

Transportation costs continue to be approximately 2% to 3% of gross revenues for the three months ended March 31 for 2005 and 2004.

ROYALTIES

For the three months ending March 31, 2005, total royalties were \$5.8 million, 80% more than the \$3.2 million incurred in the same period in 2004. Royalties as a percentage of sales (after transportation costs) in the first quarter of 2005 varied in the 18% to 29% range, reflecting commodity price changes. Overall, the slight increase in royalty rates is the expected result of higher natural gas prices combined with the impact of participating in farm-in agreements with overriding royalty obligations. The Alberta Royalty Tax Credit will shelter less future royalties subsequent to the first quarter of 2005, as True has now reached its maximum credit level.

Management's Discussion and Analysis



Royalties, by commodity type (\$000s)

	Three months ended March 31,	
	2005	2004
Light crude oil and condensate	229	123
NGLs	171	19
Heavy oil	700	622
Natural gas	4,732	2,482
Total	5,832	3,246

Royalties, as a % of commodity sales (after transportation costs)

	Three months ended March 31,	
	2005	2004
Light crude oil and condensate	23	16
NGLs	26	16
Heavy oil	19	21
Natural gas	29	27
Total	27	25

Royalties, by type (\$000s)

	Three months ended March 31,	
	2005	2004
Crown royalties	4,060	1,984
Freehold and GORR	1,892	1,334
Alberta Royalty Tax Credit	(120)	(72)
Total	5,832	3,246

OPERATING EXPENSES

For the three months ended March 31, 2005, operating costs totaled \$3.5 million, compared to \$2.5 million recorded in the same period of 2004. During the first quarter of 2005, operating costs averaged \$5.76/boe, down \$0.77/boe from the \$6.53/boe in the first quarter of 2004. Winter weather conditions in 2005 were reasonable, not triggering significant unusual field operations expenditures. In comparison, operating costs during the fourth quarter of 2004 averaged \$5.10/boe.

In the second quarter of 2005 operating costs may be slightly higher than in the first quarter, as a result of wetter field conditions.

Production expenses, by commodity type (\$000s)

	Three months ended March 31,	
	2005	2004
Light crude oil and condensate	197	204
NGLs	57	29
Heavy oil	1,081	578
Natural gas	2,149	1,656
Total	3,484	2,467

Management's Discussion and Analysis



Production expenses per unit, by commodity type

	Three months ended March 31,	
	2005	2004
Light crude oil and condensate (\$/bbl)	10.62	12.08
NGLs (\$/bbl)	4.37	8.38
Heavy oil (\$/bbl)	6.06	4.80
Natural gas (\$/mcf)	0.91	1.16
Total (\$/boe)	5.76	6.53

OPERATING NETBACKS

Field operating netbacks for natural gas during the first quarter of 2005 of \$4.03/mcf increased 15% compared to 2004 netbacks, reflecting increased sales prices and reduced per unit operating costs, partially offset by higher royalty costs.

Field operating netbacks

	Three months ended March 31,	
	2005	2004
Natural gas (\$/mcf)		
Sales	7.11	6.56
Transportation	(0.17)	(0.15)
Royalties	(2.00)	(1.74)
Production expense	(0.91)	(1.16)
Field operating netback	4.03	3.51

Field operating netbacks for crude oil and NGLs averaged \$14.30/bbl during the first quarter of 2005, down 13% compared to \$16.53/bbl in 2004. Increased operating costs combined with lower heavy oil sales prices (particularly in February 2005 when premium costs were incurred for blending condensate) account primarily for this reduction.

Field operating netbacks

	Three months ended March 31,	
	2005	2004
Crude oil and NGLs (\$/bbl)		
Sales	26.72	28.45
Transportation	(0.83)	(0.72)
Royalties	(5.23)	(5.44)
Production expense	(6.36)	(5.76)
Field operating netback	14.30	16.53

During the first quarter of 2005, company field operating netbacks improved by 7% compared to 2004, with increased natural gas prices combined with operating cost reductions, despite increased royalty costs, accounting for the increased per unit contribution.

Corporate field operating netbacks (\$/boe)

	Three months ended March 31,	
	2005	2004
Sales	37.12	35.28
Transportation	(0.95)	(0.83)
Royalties	(9.65)	(8.58)
Production expense	(5.76)	(6.53)
Field operating netback	20.76	19.34

Management's Discussion and Analysis



GENERAL AND ADMINISTRATIVE

General and administrative net expenses for the three months ended March 31, 2005 were \$1.5 million compared to \$0.8 million for the same period in 2004. In 2005, gross costs, amounts capitalized and recoveries have all increased, reflecting the personnel and related supplies required to administer the increased production base while continuing to generate exploration opportunities. On a per-unit of production basis, costs in 2005 have increased in comparison to 2004. Salaries and wages as a percentage of total costs have remained at approximately 39%. In the first quarter of 2005 incremental charges include reserves reporting, office rent with the addition of approximately 50% more space late in 2004, directors fees, and annual report charges (a second quarter cost in 2004) plus additional consultant costs for transitioning Meridian properties. It is expected these transition costs will continue through the second quarter of 2005, as computer conversions for land and accounting systems occur.

General and administrative costs (\$000s, except where noted)

	<i>Three months ended March 31,</i>	
	2005	2004
Gross costs	2,660	1,500
Capitalized	(817)	(456)
Recoveries	(348)	(251)
Net costs	1,495	793
Net costs, per unit (\$/boe)	2.47	2.10

General and administrative expenses for the first quarters of 2005 and 2004 include charges of \$238 thousand and \$156 thousand respectively for stock based compensation charges.

INTEREST EXPENSE

True recorded \$183 thousand of interest expense in the first quarter of 2005 compared to \$146 thousand in the same period of 2004. True's net debt at the end of the first quarter of 2005 includes approximately \$10.2 million of net debt assumed with the acquisition of Meridian.

Interest costs (\$000s, except where noted)

	<i>Three months ended March 31,</i>	
	2005	2004
Interest expense	183	146
Interest (\$/boe)	0.30	0.39
Net debt at quarter end	38,786	23,459
Debt to periods cash flow ratio annualized	0.9x	0.9x

CAPITAL EXPENDITURES

During the first quarter of 2005, True focused on acquiring additional seismic to follow up successful 2004 drilling results, completing the Meridian acquisition, and executing its 2005 drilling program.

True invested \$14.2 million on capital projects in the first quarter of 2005, excluding the corporate acquisition of Meridian, compared to \$15.2 million in 2004. During this period, True and Meridian achieved a 94% success rate in the drilling or participation in 24 (16.2 net) wells, resulting in 23 (15.2 net) natural gas wells and 1 (1.0 net) dry and abandoned well. True and Meridian participated in or drilled 15 (7.5 net) wells in Alberta, and drilled 9 (8.7 net) wells in Saskatchewan. The above wells include 15 (11.7 net) wells from True's 2005 drilling program, of which 6 (3.0 net) are in Alberta and 9 (8.7 net) are in Saskatchewan. The remaining 9 (4.5 net) Alberta wells were part of the 2005 drilling program of Meridian.

Management's Discussion and Analysis



Capital expenditures (\$000s)

	Three months ended March 31,	
	2005	2004
Lease acquisitions and retention	426	572
Geological and geophysical	1,051	283
Drilling and completion costs	10,891	5,927
Facilities and equipment	1,852	604
Exploration and development	14,220	7,386
Acquisitions - property	-	8,104
Acquisitions - corporate	190,836	-
Head office expenditures	39	35
Total expenditures	205,095	15,525
Dispositions	-	(282)
Net capital expenditures	205,095	15,243

True continues to develop its land base. At March 31, 2005, True has approximately 321,000 net undeveloped acres of land, of which 159,000 net acres are in Saskatchewan and 162,000 net acres are in Alberta, with Meridian's contribution accounting for approximately 20,400 net acres in Alberta in this total.

By the end of the first quarter of 2005, the Company had committed to drill a total of thirteen wells in Alberta and six wells in Saskatchewan with varying commitment dates up to the end of the first quarter of 2006 pursuant to various farm-in agreements with oil and gas companies. The Company expects to satisfy these various drilling commitments at an estimated cost for True's interest of approximately \$7.2 million. Subsequent to the end of March 2005, the Company has further committed to drill an additional well in Alberta by the end of the second quarter of this year at an estimated cost to True of \$0.6 million.

True anticipates spending approximately \$80 million on capital expenditures during 2005 (other than Meridian).

DEPLETION, DEPRECIATION AND ACCRETION

Depletion, depreciation and accretion (site restoration) expense for the first quarter of 2005 was \$9.0 million, compared to \$3.3 million in 2004, or 73% more per boe in 2005, primarily reflecting the acquisition cost of the Meridian properties. True has excluded from the depletion calculation \$22.2 million for undeveloped properties and \$18.7 million for undeveloped land.

Depletion, depreciation and accretion costs (\$000s, except where noted)

	Three months ended March 31,	
	2005	2004
Depletion	7,578	2,187
Depreciation	1,387	1,034
Accretion	50	46
Total	9,015	3,267
Per unit (\$/boe)	14.91	8.64

INCOME TAXES

For the three months ending March 31, 2005 True has recorded a provision for capital taxes of \$0.5 million, 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 first quarter of 2005 is \$0.3 million, reflecting tax rate reductions.

Management's Discussion and Analysis



LIQUIDITY AND CAPITAL RESOURCES

True's net debt as at March 31, 2005 was \$38.8 million, with \$25.6 million drawn on a revolving credit facility and the balance a net working capital shortfall. True continues to target maintaining an annualized net debt to historical cash flow ratio below 1.3 times. At the end of 2005, the Company anticipates it will have a net debt to historical cash flow of less than 1.0 times, with an aggressive drilling program combined with construction of facilities.

During the first quarter of 2005, True's revolving credit facility was revised to an authorized amount of \$85.0 million, subject to an annual review by June 1, 2005. The Company and its bankers are currently reviewing the credit facility. The Company does not expect any significant changes.

In April 2004, True closed a private placement of common and flow-through shares for aggregate proceeds of \$13.3 million, before expenses. In conjunction with this private placement, True committed to incur \$5.5 million of qualifying "Canadian exploration expenses ("CEE") expenditures by the end of 2005. This obligation was met by the end of March 2005.

The Company expects to be able to fund its capital expenditure program for the balance of 2005 using cash flow from operations and available credit facilities. If cash flows are other than projected, capital expenditure levels will be adjusted to meet the targeted ratio. The Company's practice 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 2005 net debt to be approximately \$48 million. Management believes the financial condition of the Company to be as healthy at the end of the first quarter of 2005 as it was at year-end 2004 due to the combination of relatively low debt levels combined with strong commodity prices and a disciplined capital expenditure program.

On January 20, 2005 True announced its intention to purchase all of the issued and outstanding shares of Meridian for \$3.85 cash per share, 0.91 of a True share for each Meridian share, or any combination therein (subject to a maximum cash offer of \$30 million). On March 16, 2005, the Company announced that over 95% of Meridian shareholders had accepted the offer. Any Meridian shares not tendered to the offer were acquired pursuant to compulsory acquisition provisions. In total, True issued 35,749,930 shares and paid \$619,742 cash to acquire Meridian.

At May 10, 2005 the Company has 98,151,605 common shares outstanding and 3,784,033 options outstanding at an average exercise price of \$1.69 per share.

BUSINESS PROSPECTS AND 2005 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 2005, 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 2005 average production will be approximately 9,700 boe/d, weighted approximately 71% toward natural gas. True believes world and domestic supply and demand factors will result in continuing strong prices for crude oil and natural gas prices continuing around the current levels for the balance of this year. True further anticipates the US\$/ Cdn. \$ exchange rate to average 0.80 this year.

In 2005, operating costs are expected to reflect continued focus on operational efficiencies coupled with effective facility utilization for increasing production volumes. Management believes, assuming normal weather conditions that average operating costs for 2005 should continue in the current range, and does not expect they will exceed the \$6.00/boe range.

The Company anticipates spending approximately \$80 million (excluding the Meridian acquisition) in 2005 on oil and gas exploration and development activities within the core west central Saskatchewan and west central Alberta areas, including minor asset acquisitions.

Management's Discussion and Analysis



CHANGES IN ACCOUNTING POLICIES

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. 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. Revenue and transportation costs both increased as a result of this new policy. There was no impact on net income or cash flow.

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, in the first quarter of 2005, True reduced its CEE income tax pool and recognized the income tax effect on related share issue costs when the expenditures were renounced to the shareholders.

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

Management's Discussion and Analysis



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 first quarter of 2005.

2005 - Quarter ended (unaudited)

(\$000s, except per share amounts)

	March 31
Gross revenues before royalties and transportation	22,441
Cash flow from operations	10,732
Cash flow from operations per share	
Basic (\$)	0.16
Diluted (\$)	0.15
Net earnings	1,030
Net earnings per share	
Basic (\$)	0.02
Diluted (\$)	0.01
Capital expenditures, net	205,095

2004 - Quarter ended (unaudited)

(\$000s, except per share amounts)

	March 31	June 30	Sept. 30	Dec. 31
Gross revenues before royalties and 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

2003 - Quarter ended (unaudited)¹

(\$000s, except per share amounts)

	March 31	June 30	Sept. 30	Dec. 31
Gross revenues before royalties and 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

¹ Restated for changes in accounting policies.

Management's Discussion and Analysis



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, 2004 Annual Report continue to be critical in determining True's unaudited financial results as at March 31, 2005.

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 with 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.

Consolidated Balance Sheets



	March 31, 2005	December 31, 2004
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Current assets		
Accounts receivable	\$ 26,052,048	\$ 11,855,330
Deposits and prepaids	817,472	786,238
	26,869,520	12,641,568
Property, plant and equipment	283,794,649	95,697,962
Goodwill <i>(notes 1(e) and 2)</i>	33,168,338	-
	\$ 343,832,507	\$ 108,339,530
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 39,000,303	\$ 22,095,095
Capital taxes payable	1,069,036	-
Bank debt <i>(note 3)</i>	25,585,999	12,704,255
	65,655,338	34,799,350
Capital taxes payable	403,790	1,363,746
Asset retirement obligations <i>(note 1(a))</i>	5,150,218	3,950,692
Future income taxes	68,742,108	13,209,236
Shareholders' equity		
Share capital <i>(note 4)</i>	207,869,710	60,228,985
Contributed surplus <i>(note 7)</i>	1,071,365	877,263
Deficit	(5,060,022)	(6,089,742)
	203,881,053	55,016,506
	\$ 343,832,507	\$ 108,339,530

See accompanying selected notes to the consolidated financial statements.

Consolidated Statements of Operations and Deficit



For the three months ended March 31, <i>(unaudited)</i>	2005	2004
REVENUE		
Petroleum and natural gas sales	\$ 22,441,195	\$ 13,341,836
Royalties, net of Alberta royalty tax credit	5,832,459	3,246,250
	16,608,736	10,095,586
EXPENSES		
Production	3,484,178	2,467,402
Transportation <i>(note 1(c))</i>	573,341	314,089
General and administrative	1,495,364	793,184
Interest on bank debt	179,649	144,643
Other interest	3,084	1,808
Depletion, depreciation and accretion <i>(note 1(a))</i>	9,015,056	3,266,527
	14,750,672	6,987,653
EARNINGS BEFORE TAXES	1,858,064	3,107,933
TAXES <i>(note 8)</i>		
Current income taxes (recovery)	-	(56,692)
Capital taxes	488,344	337,567
Future income tax	340,000	1,869,432
	828,344	2,150,307
NET EARNINGS	1,029,720	957,626
Deficit, beginning of period as previously stated	(6,089,742)	(14,991,672)
Change in accounting policy <i>(note 1(a))</i>	-	(57,650)
Deficit, beginning of period as restated	(6,089,742)	(15,049,322)
Deficit, end of period	\$ (5,060,022)	\$ (14,091,696)
Net earnings per share		
Basic	\$ 0.02	\$ 0.02
Diluted	\$ 0.01	\$ 0.02

See accompanying selected notes to the consolidated financial statements.

Consolidated Statements of Cash Flows



For the three months ended March 31, <i>(unaudited)</i>	2005	2004
CASH PROVIDED BY (USED IN):		
OPERATIONS		
Net earnings	\$ 1,029,720	\$ 957,626
Charges not involving cash:		
Depletion, depreciation and accretion <i>(note 1(a))</i>	9,015,056	3,266,527
Stock option costs <i>(note 6)</i>	237,761	156,285
Future income tax <i>(note 8)</i>	340,000	1,869,432
Capital taxes	109,080	13,947
Foreign exchange	14	-
Funds from operations	10,731,631	6,263,817
Change in non-cash working capital	(2,243,430)	1,808,618
	8,488,201	8,072,435
FINANCING		
Issuance of common shares	233,510	508,832
Share issue costs	(1,099,768)	-
Increase in bank debt	12,881,743	8,227,700
	12,015,485	8,736,532
INVESTING		
Additions to property, plant and equipment	(13,160,672)	(7,420,898)
Acquisition of property, plant and equipment	(12,263,700)	(8,103,968)
Proceeds on sale of property, plant and equipment	-	282,183
	(25,424,372)	(15,242,683)
Change in non-cash working capital	4,920,686	(1,566,284)
	(20,503,686)	(16,808,967)
Change in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -

See accompanying selected notes to the consolidated financial statements.

Selected Notes to the Consolidated Financial Statements



Three months ended March 31, 2005 and 2004 (unaudited)

1. SUMMARY OF ACCOUNTING POLICIES

The interim consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting policies 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, 2004, 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, 2004.

a. Asset retirement obligations

Effective for fiscal years beginning on or after January 1, 2004, the Company adopted a new Canadian accounting standard for asset retirement obligations. 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 new Canadian accounting guidance for full cost accounting, which modifies how the full cost ceiling test is performed resulting in a two stage process. The first stage requires the carrying amounts of the cost centers 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 the prior method, 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 impairment test was calculated using the weighted average price forecasts outlined in the table below.

Heavy oil	Light oil	Medium oil	Natural gas	NGLs
(\$/bbl)	(\$/bbl)	(\$/bbl)	(\$/mcf)	(\$/bbl)
33.04	57.30	44.08	6.79	52.69

c. Transportation costs

In 2004, the Company retroactively changed the classification of transportation costs of oil and gas deliveries to classify such costs as expenses. In prior years, it had been industry practice for companies to classify transportation charges as reductions of revenue.

d. Flow-through common shares

The Company has adopted Canadian standards on flow-through shares, 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.

e. Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets received, is tested for impairment on an annual basis in the fourth quarter. If indications of impairment are present, a loss would be charged to earnings for the amount that the carrying value of goodwill exceeds its fair value.

Selected Notes to the Consolidated Financial Statements



Three months ended March 31, 2005 and 2004 (unaudited)

2. ACQUISITIONS/DISPOSITIONS

Effective March 15, 2005, the Company acquired all of the issued and outstanding common shares of Meridian Energy Corporation ("Meridian"), a public company, involved in the exploration, development and production of oil and natural gas in central Alberta. The consideration offered was \$619,742 and 0.91 of a True common share for each Meridian common share resulting in 35,111,184 True shares issued as at March 31, 2005 and an additional 638,746 shares issued April 18, 2005. The value of the transaction, based on an adjusted average share price for True of \$4.20 at January 19, 2005, was \$152,180,867 (including \$1,411,419 in transaction costs) plus the assumption of Meridian's debt. The transaction was accounted for using the purchase method. The purchase price allocation resulted in an excess purchase price over the fair value of assets acquired of approximately \$33,168,338, which has been reflected as goodwill. The accounts include the results of Meridian effective March 15, 2005, the date the majority of Meridian shares were taken up and exchanged for True shares.

The purchase price equation is as follows:

Cost of acquisition:	
Common shares issued	\$ 150,149,706
True transaction costs	1,411,419
Cash to shareholders	619,742
	\$ 152,180,867
Allocated at estimated fair values:	
Accounts receivable	\$ 15,186,329
Deposits and prepaids	89,275
Property, plant and equipment	183,743,803
Goodwill	33,168,338
Accounts payable and accrued liabilities	(14,119,236)
Bank debt	(11,388,895)
Future income taxes	(53,506,490)
Asset retirement obligations	(992,257)
	\$ 152,180,867

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

3. BANK DEBT

On February 4, 2005, the terms of the demand revolving credit facility were revised to increase the authorized borrowing amount to \$85,000,000. Interest is payable at the lenders' prime rate, subject to adjustment depending on the debt to cash flow ratio. The availability under the facility is subject to an annual review on or before June 1, 2005. No other terms or conditions were modified.

Selected Notes to the Consolidated Financial Statements



Three months ended March 31, 2005 and 2004 (unaudited)

4. CAPITAL STOCK

Authorized:

Unlimited number of voting common shares
Unlimited number of non-voting first preferred shares

Issued:

Common shares	Number of shares	Amount
Balance December 31, 2003	54,044,420	\$ 46,519,371
Options exercised	631,666	508,833
Balance March 31, 2004	54,676,086	\$ 47,028,204
Balance December 31, 2004	62,097,979	\$ 60,228,985
Options exercised	300,363	277,169
Issued on acquisition of Meridian Energy Corporation	35,749,930	150,149,706
Share issue costs, net of future income taxes of \$428,918		(670,850)
Tax effect of 2004 flow-through shares		(2,115,300)
Balance March 31, 2005	98,148,272	\$ 207,869,710

As at March 31, 2005, the Company has satisfied its obligation to incur qualifying Canadian Exploration Expense expenditures pertaining to 2004 flow-through share agreements.

The following table summarizes the changes in stock options outstanding for the three months ended March 31, 2005.

	Options	Weighted average exercise price
Outstanding at Dec. 31, 2004	3,958,567	\$ 1.35
Cancelled	(194,168)	1.57
Granted	345,000	4.05
Exercised	(300,363)	0.78
Outstanding at March 31, 2005	3,809,036	\$ 1.63

5. SUPPLEMENTAL CASH FLOW INFORMATION

	For the three months ended March 31,	
	2005	2004
Cash paid:		
Interest	\$ 182,733	\$ 146,451
Taxes (net of refunds)	\$ 488,849	\$ 232,106
Investing and financing activities:		
Net assets acquired on acquisitions (note 2)	\$ 152,180,867	\$ 7,821,785

Selected Notes to the Consolidated Financial Statements



Three months ended March 31, 2005 and 2004 (unaudited)

6. 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 three months ended March 31, 2005, the Company granted 345,000 (2004: 400,000) stock options to employees, consultants and directors. The Company recorded stock option expense of \$237,761 during the first three months of 2005 and \$156,285 during the first quarter of 2004.

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 March 30, 2005 and 2004 would approximate the following pro forma amounts:

	<i>Three months ended March 31,</i>	
	2005	2004
Net earnings:		
As reported	\$ 1,029,720	\$ 957,626
Pro forma	\$ 1,024,113	\$ 938,303
Net earnings per share:		
As reported	\$ 0.02	\$ 0.02
Pro forma	\$ 0.01	\$ 0.02
Diluted:		
As reported	\$ 0.01	\$ 0.02
Pro forma	\$ 0.01	\$ 0.02

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:

	<i>Three months ended March 31,</i>	
	2005	2004
Assumptions:		
Risk free interest rate (%)	2.85	5.55
Expected life (years)	5.0	5.0
Expected volatility (%)	42	58
Results:		
Weighted average fair value of options granted (\$)	1.64	0.88

7. CONTRIBUTED SURPLUS

	<i>Three months ended March 31,</i>	
	2005	2004
Balance, beginning of period	\$ 877,263	\$ 204,530
Stock-based compensation expense	237,761	156,284
Transfer to share capital on exercise of options	(43,659)	-
Balance, end of period	\$ 1,071,365	\$ 360,814

Selected Notes to the Consolidated Financial Statements



Three months ended March 31, 2005 and 2004 (unaudited)

8. INCOME TAXES

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate income tax rate of 40.1% (2004: 41.6%) to earnings or losses before income taxes. This difference results from the following items:

	March 31, 2005	March 31, 2004
Expected income tax expense	\$ 744,608	\$ 1,292,590
Crown royalties and charges	443,891	599,419
Resource allowance	(469,665)	(529,816)
Stock option expense	95,281	65,000
Change in enacted tax rates	(496,238)	(44,514)
Other	22,123	486,753
Future income tax expense	340,000	1,869,432
Current Income tax expense	-	(56,692)
Capital tax expense	488,344	337,567
Total tax expense	\$ 828,344	\$ 2,150,307

9. COMMITMENTS

By the end of the first quarter of 2005, the Company had committed to drill a total of thirteen wells in Alberta and six wells in Saskatchewan with varying commitment dates up to the end of the first quarter of 2006 pursuant to various farm-in agreements with oil and gas companies. The Company expects to satisfy these various drilling commitments at an estimated cost for True's interest of approximately \$7.2 million. Subsequent to the end of March 2005, the Company has further committed to drill an additional well in Alberta by the end of the second quarter of this year at an estimated cost to True of \$0.6 million.

The Company has further committed to various corporate sponsorships extending to September 2006 at an estimated combined cost of up to \$70,000 (up to \$35,000 in 2005, \$25,000 in 2006, and \$10,000 in 2007).

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