

For the three and nine months ended September 30, 2005

Third Quarter 2005



TRUE energy inc.





Corporate Information

As at September 30, 2005

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 (2)
Chairman, Cork Exploration Inc.
 Calgary, Alberta

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

OFFICERS

Paul R. Baay
President and CEO

Clinton T. Broughton
Vice President and COO

Douglas J. Bartole
Vice President, Operations

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
 CIBC

EVALUATION ENGINEERS

Gilbert Laustsen Jung Associates Ltd.

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada

HEAD OFFICE

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TRUE **energy inc.**

On November 2, 2005, the Company closed the Plan of Arrangement (the "Arrangement") which was approved at a special meeting of the shareholders held November 1, 2005. Shareholders voted, in excess of 93%, in favour of the resolution approving the Arrangement. Pursuant to the Arrangement, shareholders exchanged one True common share for 0.50 pre-consolidation trust units of TKE Energy Trust ("TKE"), 0.10 of a common share of Vero Energy Inc. ("Vero") and one share purchase warrant of Vero. Each purchase warrant of Vero entitles the holder to acquire 0.0655 of a Vero share for a period of 30 days following the effective date of the Arrangement.

Financial and Operating Highlights



	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
FINANCIAL (unaudited, \$ except per share amounts)				
Revenue (before transportation)	44,510,151	17,759,501	100,613,975	48,478,706
Cash flow from operations ¹	25,500,450	8,593,160	54,244,758	23,640,469
Per share - basic	0.26	0.14	0.61	0.40
Per share - diluted	0.25	0.14	0.60	0.39
Net earnings	6,502,152	2,295,174	10,662,209	6,126,593
Per share - basic	0.07	0.04	0.12	0.10
Per share - diluted	0.06	0.04	0.12	0.10
Capital expenditures, net	28,651,264	13,102,474	253,912,401	37,419,698
Debt, net of working capital	44,394,329	15,342,190	44,394,329	15,342,190
Total assets	379,041,020	93,185,655	379,041,020	93,185,655
Shareholders' equity	214,564,766	51,683,779	214,564,766	51,683,779
Shares outstanding				
Basic	98,362,438	61,771,179	98,362,438	61,771,179
Diluted	103,100,606	65,393,046	103,100,606	65,393,046
Weighted average shares				
Basic	98,296,107	61,733,770	88,434,167	58,836,836
Diluted	100,536,172	63,238,197	90,324,155	60,042,672
OPERATIONAL				
Daily volumes				
Oil and NGLs (bbls/d)	3,093	1,706	2,707	1,615
Natural gas (mcf/d)	33,455	20,543	31,516	18,832
Combined (boe/d, 6:1)	8,669	5,130	7,960	4,753
Prices (before transportation)				
Oil and NGLs (\$/bbl)	50.28	37.48	39.65	32.18
Natural gas (\$/mcf)	9.81	6.29	8.29	6.64
Combined (\$/boe)	55.81	37.63	46.30	37.22
Statistics				
Operating netback (\$/boe)	33.48	20.10	27.35	20.50
Production expenses (\$/boe)	7.15	6.74	6.27	6.26
General and administrative (\$/boe) ²	0.67	1.20	1.39	1.50
Royalties, as a % of sales	26%	27%	26%	26%

¹ The MD&A contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. Therefore reference to cash flow from operations or cash flow from operations per share (basic and diluted) may not be comparable with the calculation of similar measures for other entities. Management uses cash flow from operations to analyze operating performance and leverage and considers cash flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. The reconciliation between net earnings, cash flow from operations and cash flow from operating activities can be found in the statement of cash flows in the unaudited consolidated interim financial statements. Cash flow from operations per share is calculated using the basic and diluted weighted average number of shares for the period.

² Restated to exclude stock-based compensation expense.

Report to Shareholders

On November 1, 2005, the shareholders of the Company voted in excess of 93% in favour of the Plan of Arrangement whereby True is combined and reorganized with TKE Energy Trust to continue operating as a sustainable energy trust (True Energy Trust), and a new exploration focused producing company (Vero Energy Inc.). The Trust and the new exploration company are listed on the Toronto Stock Exchange under the symbols TUI.UN and VRO.

Accomplishments for the three and nine month periods ended September 30, 2005 include:

- ◆ *generated revenue of \$44.5 million in the third quarter of 2005 (151% higher than the same period in 2004), cash flow from operations of \$25.5 million (197% higher than the same period in 2004), gross revenues exceeded the landmark \$100 million level;*
- ◆ *drilled 77 (57.5 net) wells at a net 91% success rate during the first nine months of 2005, 39 (30.8 net) wells of these during the third quarter of 2005;*
- ◆ *increased production by 69% to average 8,669 boe/d in the third quarter of 2005, up from 5,130 boe/d for the same period in 2004; and*
- ◆ *improved operating netbacks by 67% to a record \$33.48/boe in the third quarter of 2005 compared to 2004.*

During the quarter True achieved an 89% success rate in the drilling or participation in 39 (30.8 net) wells, resulting in 30 (23.5 net) natural gas wells, 5 (4.0 net) heavy oil wells and 4 (3.3 net) dry and abandoned, with 16 (9.1 net) wells in Alberta and 23 (21.7 net) wells in Saskatchewan. During the first nine months of 2005, True and its wholly owned subsidiary, Meridian Energy Corporation, achieved a 91% success rate with the drilling of 77 (57.5 net) wells, resulting in 60 (43.0 net) gas wells and 11 (9.5 net) heavy oil wells. True continues to grow its land inventory, which was approximately 319,000 net undeveloped acres of land as at September 30, 2005.

We would like to thank our Board of Directors, staff and our shareholders for their support during the five year history of True Energy Inc. Please visit the True Energy Inc. website at www.trueenergy.ab.ca on Monday, November 14, 2005 to view our updated presentation for details of anticipated 2006 operations for True Energy Trust. For more information on Vero Energy Inc., please see their website at www.veroenergy.ca.

Paul R. Baay
President & CEO
November 9, 2005

Management's Discussion and Analysis



November 9, 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 and nine months ended September 30, 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, November 9, 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 operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. Therefore reference to cash flow from operations or cash flow from operations per share (basic and diluted) may not be comparable with the calculation of similar measures for other entities. Management uses cash flow from operations to analyze operating performance and leverage and considers cash flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. The reconciliation between net earnings, cash flow from operations and cash flow from operating activities can be found in the statement of cash flows in the unaudited consolidated interim financial statements. Cash flow from operations per share is calculated using the basic and diluted weighted average number of shares for the period.

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 Renewal Annual Information Form for the year ended December 31, 2004, is located on SEDAR at www.sedar.com.

NET EARNINGS AND CASH FLOW FROM OPERATIONS

True generated cash flow from operations of \$25.5 million (\$0.25 per diluted share) for the three months ended September 30, 2005, up 197% from the \$8.6 million (\$0.14 per diluted share) for the third quarter of 2004. Cash flow for nine months ended September 30, 2005 was \$54.2 million (\$0.60 per diluted share), up 129% from \$23.6 million (\$0.39 per diluted share) generated in the same period of 2004. Higher commodity prices and increased sales volumes were the primary factors contributing to the increases.

Cash flow from operations (\$000s, except per share amounts)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Cash flow from operations	25,500	8,593	54,245	23,640
Basic (\$/share)	0.26	0.14	0.61	0.40
Diluted (\$/share)	0.25	0.14	0.60	0.39

Management's Discussion and Analysis



True generated earnings of \$6.5 million (\$0.06 per diluted share) in the third quarter of 2005 compared to \$2.3 million (\$0.04 per diluted share) in the third quarter of 2004. For the nine month period ended September 30, 2005, earnings were \$10.7 million (\$0.12 per diluted share) as compared to \$6.1 million (\$0.10 per diluted shares) generated over the same period in 2004. Net earnings per share in 2005 reflect increased cash flow partially offset by higher depletion, depreciation and accretion charges from the acquisition of Meridian Energy Corporation ("Meridian"), increased stock compensation costs related to more staff and a strong share price, increased interest expense resulting from funding True's active drilling program, and the issuance of approximately 35 million True shares to acquire Meridian in the first quarter.

Net earnings (\$000s, except per share amounts)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Net earnings	6,502	2,295	10,662	6,127
Basic (\$/share)	0.07	0.04	0.12	0.10
Diluted (\$/share)	0.06	0.04	0.12	0.10

SALES VOLUMES

Sales volumes for the three months ended September 30, 2005 averaged 8,669 boe/d, an increase of 69% compared to 5,130 boe/d reported in the third quarter of 2004, paralleling the increase in the year-to-date 2005 average daily sales of 7,960 boe/d, up 67% from 4,753 boe/d for the same period of 2004. The third quarter and year-to-date increase in sales volumes is due to the realization of the benefits derived from the first quarter corporate acquisition and an active drilling program.

Sales volumes

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Natural gas (mcf/d)	33,455	20,543	31,516	18,832
Heavy oil (bbls/d)	2,112	1,473	2,010	1,394
Light oil and NGLs (bbls/d)	981	233	697	221
Total crude oil and NGLs (bbls/d)	3,093	1,706	2,707	1,615
Total (boe/d, 6:1)	8,669	5,130	7,960	4,753

Sales of natural gas averaged 33.5 mmcf/d during the third quarter of 2005, compared to 20.5 mmcf/d in the third quarter of 2004, an increase of 63%. Likewise, natural gas sales have increased in the nine months ended September 30, 2005 to 31.5 mmcf/d compared to 18.8 mmcf/d for the same period in 2004.

Crude oil and NGLs sales for the three months ended September 30, 2005 averaged 3,093 bbls/d, up 81% from third quarter 2004 average sales of 1,706 bbls/d. This increase arises from the heavy oil wells drilled and brought on-stream in the Smiley area combined with new light oil and NGL production from the Willesden Green, Corbett and Ferrier properties. Similarly, crude oil and natural gas liquids were up 68% to 2,707 bbls/d for the first nine months of 2005, compared to 1,615 bbls/d for the first nine months of 2004.

Management's Discussion and Analysis



COMMODITY PRICES

While commodity prices improved significantly over 2004, the impact of changes in the Canadian dollar from the conversion of US based commodities prices moderated increases in profitability during the first nine months of 2005 when compared to the same period in 2004. The Canadian/ U.S. exchange rate has changed 9% in 2005 from 2004.

Average commodity prices

	Three months ended Sept. 30			Nine months ended Sept. 30		
	2005	2004	% Change	2005	2004	% Change
Exchange rate (US\$/Cdn\$)	0.8322	0.7648	9	0.8174	0.7534	9
NYMEX (US\$/mmbtu)	9.73	5.58	74	7.75	5.82	33
Alberta spot (\$/mcf)	9.24	6.08	52	7.75	6.41	21
True's average price, before transportation (\$/mcf)	9.81	6.29	56	8.29	6.64	25
WTI (US\$/bbl)	63.18	43.91	44	55.46	39.19	42
Edmonton par - light oil (\$/bbl)	77.02	56.56	36	68.46	51.12	34
Bow River - heavy oil (\$/bbl)	52.64	41.60	27	44.20	37.78	17
True's average prices, before transportation (\$/bbl)						
Light crude and condensate	68.83	50.46	36	64.53	48.02	34
NGLs	54.54	23.90	128	50.44	32.27	56
Light crude oil, condensate and NGLs	63.88	49.24	30	59.18	45.79	29
Heavy crude oil	43.96	35.62	23	32.87	30.02	10
Total crude oil and NGLs	50.28	37.48	34	39.65	32.18	23

True's natural gas is primarily sold on the daily spot market. The Company's third quarter sales price averaged \$9.81/mcf for its natural gas, 56% more than the \$6.29/mcf received in the prior year, similar to the 52% increase in the Alberta Spot reference price for the same period. For the year-to-date, True's average gas price was \$8.29/mcf, an increase of 25% over the same period last year. The incremental price gain True received compared to spot prices reflects the higher heat content and increased volumetric weighting of the acquired Willesden Green property in relation to overall corporate natural gas volumes.

For heavy crude oil, True received an average price before transportation of \$43.96/bbl during the third quarter of 2005, an increase of 23% over 2004 prices and slightly lower than the increase experienced by the Bow River reference price for the same period. True's incremental price reflects higher premiums paid for condensate blending in the third quarter. For the first nine months of 2005, True received \$32.87/bbl, an increase of 10% over 2004 prices. In comparison, the Bow River reference price increased 17% to \$44.20/bbl over the same period. The high condensate prices incurred during the first and third quarters of 2005 account for a significant portion of this difference. The Company blends most of its heavy oil with condensate on a 4:1 ratio to meet pipeline requirements.

For light oil, condensate and NGLs, True recorded an average \$63.88/bbl during the third quarter of 2005, 30% greater than the average price received in 2004. During this period, the Edmonton par price increased by 36%. For the first nine months of 2005, the Company received an average \$59.18/bbl, an increase of 29% over the same period last year. The Edmonton par price averaged \$68.46/bbl, an increase of 34% over the same period.

Management's Discussion and Analysis



REVENUE

Revenue before transportation for the three months ended September 30, 2005 was \$44.5 million, 151% greater than the \$17.8 million generated in the same period in 2004. During the first nine months of 2005, the pre-transportation revenue landmark of \$100.6 million was reached, 108% more than revenue for the same period of 2004. The higher revenue was the result of significant growth in production volumes for natural gas, crude oil, condensate and NGLs, complemented by higher natural gas and crude oil prices.

Revenue (\$000s)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Light crude oil and condensate	4,062	1,029	7,625	2,498
NGLs	1,708	23	3,644	277
Heavy oil	8,540	4,829	18,040	11,462
Crude oil and NGLs	14,310	5,881	29,309	14,237
Natural gas	30,200	11,879	71,305	34,242
Total before transportation	44,510	17,760	100,614	48,479
Transportation	(941)	(510)	(2,215)	(1,278)
Total	43,569	17,250	98,399	47,201

To date in 2005, True has not undertaken any hedging.

Transportation costs continue to be approximately 2% to 3% of gross revenues for the three and nine months ending September 30, 2005 and 2004.

ROYALTIES

For the three months ending September 30, 2005, total royalties were \$11.2 million, compared to \$4.6 million incurred in the same period in 2004 up 144%. Similarly, total royalties for the nine months ended September 30, 2005 were \$25.3 million, up 105%, paralleling the increase in year-to-date sales revenue. Royalties as a percentage of sales (after transportation costs) in the nine months ended September 30, 2005 ranged from 17% to 28% depending on commodity reflecting commodity price changes and consistency with 2004. True has recorded its maximum Alberta Royalty Tax Credit in 2005.

Royalties, by commodity type (\$000s)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Light crude oil and condensate	580	126	1,282	403
NGLs	319	7	660	62
Heavy oil	2,204	1,212	3,740	2,485
Natural gas	8,061	3,238	19,660	9,396
Total	11,164	4,583	25,342	12,346

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Light crude oil and condensate	14	12	17	16
NGLs	19	30	18	22
Heavy oil	27	25	22	22
Natural gas	27	27	28	27
Total	26	27	26	26

Management's Discussion and Analysis



Royalties, by type (\$000s)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Crown royalties	7,992	3,006	18,635	7,985
Freehold and GORR	3,172	1,652	7,148	4,639
Alberta Royalty Tax Credit	-	(75)	(441)	(278)
Total	11,164	4,583	25,342	12,346

PRODUCTION EXPENSES

For the three months ended September 30, 2005, production expenses totaled \$5.7 million, compared to \$3.2 million recorded in the same period of 2004. During the third quarter of 2005, production expenses averaged \$7.15/boe, an increase of \$0.41/boe compared to third quarter 2004. Operating costs have increased by 79%, proportionately somewhat more than 2005 third quarter production rates. The incremental increases were incurred in gathering and processing charges, well servicing and maintenance, trucking, and road and lease maintenance costs. These third quarter charges have brought overall year-to-date production expenses to average \$6.27/boe in the first nine months of 2005, consistent with 2004.

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Light crude oil and condensate	610	171	1,084	509
NGLs	173	14	312	45
Heavy oil	1,126	901	3,573	2,236
Natural gas	3,791	2,096	8,651	5,366
Total	5,700	3,182	13,620	8,156

Production expenses per unit, by commodity type

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Light crude oil and condensate (\$/bbl)	10.34	8.39	9.17	9.79
NGLs (\$/bbl)	5.50	14.30	4.31	5.20
Heavy oil (\$/bbl)	5.79	6.64	6.51	5.85
Natural gas (\$/mcf)	1.23	1.11	1.01	1.04
Total (\$/boe)	7.15	6.74	6.27	6.26

OPERATING NETBACKS

For the three months ended September 30, 2005, corporate field operating netbacks improved by 67% to \$33.48/boe from \$20.10/boe for the same period in 2004. Strong commodity prices enhanced by the price received from a rich natural gas/condensate mix derived from properties' acquired in the first quarter have exceeded the incremental royalty and production expenses in the period. Corporate field operating netbacks improved by 33% to \$27.35/boe for the nine months ended September 30, 2005, as compared to \$20.50/boe for the comparable period in 2004.

Field operating netbacks - corporate

(\$/boe)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Sales	55.81	37.63	46.30	37.22
Transportation	(1.18)	(1.08)	(1.02)	(0.98)
Royalties	(14.00)	(9.71)	(11.66)	(9.48)
Production expense	(7.15)	(6.74)	(6.27)	(6.26)
Field operating netback	33.48	20.10	27.35	20.50

Management's Discussion and Analysis



Field operating netbacks for natural gas during the third quarter of 2005 increased 77% to \$5.78/mcf, compared to \$3.27/mcf for the third quarter of 2004, predominately as a result of True's 2005 average sales price per mcf exceeding the 2004 average sales price by \$3.52/mcf, reflecting current market conditions for natural gas. Per unit natural gas sales prices increased proportionately with royalties.

Field operating netbacks - natural gas

(\$/mcf)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Sales	9.81	6.29	8.29	6.64
Transportation	(0.18)	(0.20)	(0.16)	(0.17)
Royalties	(2.62)	(1.71)	(2.29)	(1.82)
Production expense	(1.23)	(1.11)	(1.01)	(1.04)
Field operating netback	5.78	3.27	4.83	3.61

Field operating netbacks for crude oil and NGLs averaged \$31.35/bbl during the three months ended September 30, 2005, up 49% compared to \$21.02/bbl for the same period in 2004 reflecting the increased weighting of True's production of light oil and NGLs compared to heavy oil and the corresponding increase in average sales prices for these commodities relative to heavy oil. Per unit crude oil and NGL sales price increases exceeded the incremental royalty expenses for the quarter.

Field operating netbacks - crude oil and NGLs

(\$/bbl)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Sales	50.28	37.48	39.65	32.18
Transportation	(1.32)	(0.97)	(1.04)	(0.95)
Royalties	(10.90)	(8.57)	(7.69)	(6.67)
Production expense	(6.71)	(6.92)	(6.72)	(6.30)
Field operating netback	31.35	21.02	24.20	18.26

GENERAL AND ADMINISTRATIVE

On a per-unit of production basis, general and administrative costs in third quarter of 2005 have declined to \$0.67/boe from \$1.20/boe in the third quarter of 2004, whereas on a year-to-date basis, costs have decreased to \$1.39/boe from \$1.50/boe over the same period in 2004. Net general and administrative expenses for the three months ended September 30, 2005 were \$0.5 million compared to \$0.6 million for the same period in 2004. For the first nine months of 2005, net general and administrative charges were \$3.0 million, compared to \$1.9 million in the comparable 2004 period.

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. The year-to-date increase is primarily the result of higher first quarter costs incurred to conclude the Meridian acquisition, incremental charges associated with reserve reporting, annual report charges, directors fees, and additional office rent associated with adding approximately 50% more space in late 2004. Third quarter increases in general and administrative costs were offset by an increase in amounts recovered for operating and capital cost recoveries. On a per unit basis, the growth in production has more than offset the increased cost.

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004 ¹	2005	2004 ¹
Gross costs	1,719	1,278	6,705	4,198
Capitalized	(452)	(327)	(2,069)	(1,365)
Recoveries	(730)	(383)	(1,620)	(889)
Net costs	537	568	3,016	1,944
Net costs, per unit (\$/boe)	0.67	1.20	1.39	1.50

¹ Restated to exclude stock-based compensation expense.

Management's Discussion and Analysis



STOCK-BASED COMPENSATION

Stock-based compensation for the three and nine month periods ended September 30, 2005 was \$0.5 million and \$1.1 million, respectively, compared to \$0.2 million and \$0.5 million for the same three and nine month periods in 2004. Additional options granted to new employees and to retain existing staff combined with increased share prices has caused this expense to increase.

INTEREST EXPENSE

True recorded \$0.3 million of interest expense in the third quarter of 2005 compared to \$0.1 million in the same period of 2004. For the nine month period ending September 30, 2005 interest expense was \$0.8 million, up from \$0.4 million in the first nine months of 2004. Net debt of \$44.4 million at the end of the third quarter of 2005 reflects the incremental \$10.2 million net debt assumed with the Meridian acquisition and True's capital expenditure program.

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Interest expense	261	84	788	403
Interest (\$/boe)	0.32	0.18	0.36	0.31
Net debt at period end	44,394	15,342	44,394	15,342
Debt to periods cash flow ratio annualized	0.4x	0.4x	0.6x	0.5x

CAPITAL EXPENDITURES

Capital expenditures during the third quarter of 2005 were \$28.7 million, and \$63.1 million for the nine month period, before corporate acquisitions. In comparison, during 2004, True spent \$13.1 million during the third quarter, and a cumulative \$37.7 million for first nine months of 2004. During the third quarter, True achieved a 89% success rate in the drilling or participation in 39 (30.8 net) wells, resulting in 30 (23.5 net) natural gas wells, 5 (4.0 net) heavy oil wells and 4 (3.3 net) dry and abandoned well. During the first nine months of 2005, True and its wholly owned subsidiary, Meridian, have achieved a 91% success rate with the drilling of 77 (57.5 net) wells, resulting in 60 (43.0 net) gas wells and 11 (9.5 net) heavy oil wells.

Capital expenditures (\$000s)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Lease acquisitions and retention	1,995	1,456	6,501	3,051
Geological and geophysical	242	319	1,567	1,220
Drilling and completion costs	23,687	8,107	44,966	18,953
Facilities and equipment	2,700	3,302	9,860	6,006
Exploration and development	28,624	13,184	62,894	29,230
Acquisitions - property	-	(94)	-	8,388
Acquisitions - corporate	-	-	190,836	-
Head office expenditures	39	13	194	114
Total expenditures	28,663	13,103	253,924	37,732
Dispositions	(12)	-	(12)	(312)
Net capital expenditures	28,651	13,103	253,912	37,420

True continues to develop its land base. At September 30, 2005, the Company had approximately 319,000 net acres of undeveloped land, of which 161,000 net acres are in Saskatchewan and 158,000 net acres are in Alberta.

Management's Discussion and Analysis



By the end of the third quarter of 2005, the Company had committed to drill a total of four wells in Alberta and seven 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 \$4.1 million. Of these commitments, subsequent to September 30, 2005, Vero Energy Inc. has assumed two of the four wells in Alberta for an estimated cost of \$1.5 million. Subsequent to the end of September 30, 2005, the Company has further committed to drill an additional two wells in Alberta by the end of the first quarter of 2006 for an estimated cost to True of \$1.3 million.

DEPLETION, DEPRECIATION AND ACCRETION

Depletion, depreciation and accretion (site restoration) expense for the third quarter of 2005 was \$12.0 million, compared to \$3.4 million in third quarter of 2004. For this nine month period, the depletion, depreciation and accretion charge was \$32.7 million as compared to \$10.2 million in 2004. The increased expense reflects the March 2005 acquisition of Meridian assets and increased overall production volumes. True has excluded from the depletion calculation \$22.2 million for undeveloped properties and \$19.1 million for undeveloped land.

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

	<i>Three months ended Sept. 30</i>		<i>Nine months ended Sept. 30</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
Depletion	9,829	2,238	26,950	6,872
Depreciation	2,131	1,079	5,573	3,158
Accretion	65	45	172	123
Total	12,025	3,362	32,695	10,153
Per unit (\$/boe)	15.08	7.12	15.05	7.80

INCOME TAXES

For the three and nine months ending September 30, 2005 True has recorded a provision for capital taxes of \$0.7 million and \$1.9 million, respectively, reflecting both the growth in the balance sheet of the Company and the increased gross sales revenues from Saskatchewan based properties. The provision for future income taxes for the first nine months of 2005 is \$9.3 million, of which \$6.2 million has been recorded during the third quarter of this year.

As at September 30, 2005, the Company estimated the total tax pools to be approximately \$103 million.

LIQUIDITY AND CAPITAL RESOURCES

True's net debt as at September 30, 2005 was \$44.4 million, with \$30.2 million drawn on a revolving credit facility and the balance a net working capital shortfall. True continues to target 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 ratio of approximately 1.0 times with the existing capital program.

On February 4, 2005, the terms of the demand revolving credit facility were revised to increase the authorized borrowing amount to \$85 million. Interest is payable at the lenders' prime rate, subject to adjustment depending on the debt to cash flow ratio. The availability under the facility was subject to an annual review on or before June 1, 2005. In conjunction with the annual review of the credit facility completed in May 2005, the authorized borrowing amount was unchanged and a June 1, 2006 annual review date was established. The availability under the facility was subject to an interim review by October 1, 2005. On July 26, 2005, \$75 million of the credit facility was syndicated between two lenders and a \$10 million operating facility provided by one lender. In conjunction with the interim review on September 30, 2005, a subsequent interim review date of January 1, 2006 was set. No other terms or conditions were modified.

Management expects to be able to fund the capital expenditure program for the balance of 2005 and in 2006 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.

Management's Discussion and Analysis



The 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 of the Trust to be approximately \$95 million. Management believes the financial condition to be as healthy at the end of the first, second and third quarters 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 thereof, with the maximum cash available under the offer limited to \$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 35,749,931 shares and paid \$619,742 cash to acquire Meridian.

All of the options outstanding as at September 30, 2005 were exercised during October, with the exception of options to acquire two common shares. At November 2, 2005, immediately prior to the effective time of the Plan of Arrangement with TKE Energy Trust, the Company had 103,100,604 common shares outstanding.

PLAN OF ARRANGEMENT

On November 2, 2005, the Company closed the Plan of Arrangement (the "Arrangement") which was approved at a special meeting of the shareholders held November 1, 2005. Shareholders voted, in excess of 93%, in favour of the resolution approving the Arrangement. Pursuant to the Arrangement, shareholders exchanged one True common share for 0.50 pre-consolidation trust units of TKE Energy Trust ("TKE"), 0.10 of a common share of Vero Energy Inc. ("Vero") and one share purchase warrant of Vero. Each purchase warrant of Vero entitles the holder to acquire 0.0655 of a Vero common share at an effective exercise price of \$2.22 per whole Vero share, for a period of 30 days following the effective date of the Arrangement.

At a special meeting of TKE unitholders on November 1, 2005, the unitholders voted in favour of changing the name of TKE to True Energy Trust ("Trust") and consolidating the trust units on a 1 for 2 basis. The name change and consolidation became effective on November 2, 2005. Both the Trust and Vero are publicly traded on the Toronto Stock Exchange. Under the Arrangement, True Energy Inc. and TKE Energy Inc. were amalgamated to form the new administrator of the Trust under the name True Energy Inc.

In conjunction with and prior to closing of the Arrangement, all but two stock options (4,738,166 options), were exercised for gross proceeds of \$11 million. The remaining two stock options were cancelled upon completion of the Arrangement of True.

Immediately following the completion of the Arrangement, new banking facilities were put in place. The new bank facility for True Energy Inc. and the Trust consists of a demand revolving credit facility in the amount of \$115 million and an operating facility of \$10 million. The credit facility is guaranteed by the Trust and all material subsidiaries, and is secured against all of the assets of True Energy Inc., the Trust and all material subsidiaries. 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 interim review by March 1, 2006 and an annual review on or before June 1, 2006. The debenture was increased to \$250 million.

BUSINESS PROSPECTS AND 2006 OUTLOOK

True has been successful in growing its production and land base since its formation in September 2000 and is expected to continue with moderated future growth through development of its core assets and new exploration within the Trust utilizing the inventory of geological prospects. Currently, the Trust's producing properties are located in Saskatchewan, Alberta and British Columbia. During the remainder of 2005 and in 2006, exploration efforts will continue in areas of multi-zone potential for natural gas and economically viable crude oil.

The Company anticipates that 2005 average production will be approximately 9,000 boe/d, weighted approximately 67% toward natural gas, and to exit 2005 at approximately 13,000 boe/d. True believes world and domestic supply and demand factors will result in continuing strong prices for crude oil and natural gas prices for the balance of this year. True further anticipates the US\$/ Cdn.\$ exchange rate to average 0.85 for the fourth quarter of 2005 and in 2006.

Management's Discussion and Analysis



For the remainder of 2005 and 2006, operating costs are expected to reflect continued operational efficiencies coupled with effective facility utilization while increasing production volumes. Management believes, assuming normal weather conditions that average operating costs for the balance of this year and next year should continue in the current range.

The Company anticipates spending approximately \$115 million (excluding corporate acquisitions) in 2005 on oil and gas exploration and development activities within Saskatchewan and Alberta, including minor asset acquisitions. The initial capital budget for 2006 has been set at \$80 million.

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 became 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 second quarter of 2005.

2005 - Quarter ended (unaudited)

(\$000s, except per share amounts)

	March 31	June 30	Sept. 30
Gross revenues before royalties and transportation	22,441	33,663	44,510
Cash flow from operations	10,732	18,013	25,500
Cash flow from operations per share			
Basic (\$)	0.16	0.18	0.26
Diluted (\$)	0.15	0.18	0.25
Net earnings	1,030	3,130	6,502
Net earnings per share			
Basic (\$)	0.02	0.03	0.07
Diluted (\$)	0.01	0.03	0.06
Capital expenditures, net	205,095	20,166	28,651

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 September 30, 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



	September 30, 2005	December 31, 2004
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Current assets		
Accounts receivable	\$ 33,950,436	\$ 11,855,330
Deposits and prepaids	784,149	786,238
	34,734,585	12,641,568
Property, plant and equipment	311,138,097	95,697,962
Goodwill <i>(notes 1(e) and 2)</i>	33,168,338	-
	\$ 379,041,020	\$ 108,339,530
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 48,591,853	\$ 22,095,095
Capital taxes payable	384,499	-
Bank debt <i>(note 3)</i>	30,152,562	12,704,255
	79,128,914	34,799,350
Capital taxes payable	1,438,816	1,363,746
Asset retirement obligations <i>(note 1(a))</i>	6,206,417	3,950,692
Future income taxes <i>(note 8)</i>	77,702,107	13,209,236
Shareholders' equity		
Share capital <i>(note 4)</i>	208,053,674	60,228,985
Contributed surplus <i>(note 7)</i>	1,938,625	877,263
Retained earnings (deficit)	4,572,467	(6,089,742)
	214,564,766	55,016,506
	\$ 379,041,020	\$ 108,339,530

Commitments *(note 9)*
 Subsequent event *(note 10)*

See accompanying selected notes to the consolidated financial statements.

Consolidated Statements of Operations and Deficit



<i>(unaudited)</i>	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
REVENUE				
Petroleum and natural gas sales	\$ 44,510,151	\$ 17,759,501	\$ 100,613,975	\$ 48,478,706
Royalties, net of Alberta royalty tax credit	11,163,499	4,583,135	25,341,997	12,346,468
	33,346,652	13,176,366	75,271,978	36,132,238
EXPENSES				
Production	5,700,150	3,181,478	13,619,849	8,155,775
Transportation <i>(note 1(c))</i>	941,181	509,587	2,215,385	1,277,783
General and administrative	537,400	568,038	3,016,067	1,944,313
Interest on bank debt	263,811	51,383	785,663	298,800
Other interest (income)	(2,495)	32,891	2,134	107,649
Stock-based compensation <i>(note 6)</i>	479,953	177,592	1,127,770	511,262
Depletion, depreciation and accretion <i>(note 1(a))</i>	12,025,335	3,361,832	32,695,196	10,153,268
	19,945,335	7,882,801	53,462,064	22,448,850
EARNINGS BEFORE TAXES	13,401,317	5,293,565	21,809,914	13,683,388
TAXES <i>(note 8)</i>				
Current income taxes	-	71,618	(4,695)	16,831
Capital taxes	679,165	465,773	1,852,400	1,111,042
Future income tax	6,220,000	2,461,000	9,300,000	6,428,922
	6,899,165	2,998,391	11,147,705	7,556,795
NET EARNINGS	6,502,152	2,295,174	10,662,209	6,126,593
Deficit, beginning of period as previously stated	(1,929,685)	(11,217,903)	(6,089,742)	(14,991,672)
Change in accounting policy <i>(note 1(a))</i>	-	-	-	(57,650)
Deficit, beginning of period as restated	(1,929,685)	(11,217,903)	(6,089,742)	(15,049,322)
Retained earnings (deficit), end of period	\$ 4,572,467	\$ (8,922,729)	\$ 4,572,467	\$ (8,922,729)
Net earnings per share				
Basic	\$ 0.07	\$ 0.04	\$ 0.12	\$ 0.10
Diluted	\$ 0.06	\$ 0.04	\$ 0.12	\$ 0.10

See accompanying selected notes to the consolidated financial statements.

Consolidated Statements of Cash Flows



<i>(unaudited)</i>	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
CASH PROVIDED BY (USED IN):				
OPERATIONS				
Net earnings	\$ 6,502,152	\$ 2,295,174	\$ 10,662,209	\$ 6,126,593
Charges not involving cash:				
Depletion, depreciation and accretion <i>(note 1(a))</i>	12,025,335	3,361,832	32,695,196	10,153,268
Stock-based compensation <i>(note 6)</i>	479,953	177,592	1,127,770	511,262
Future income tax <i>(note 8)</i>	6,220,000	2,461,000	9,300,000	6,428,922
Capital taxes	273,010	297,562	459,569	420,424
Foreign exchange	-	-	14	-
Funds from operations	25,500,450	8,593,160	54,244,758	23,640,469
Change in non-cash working capital	(1,928,056)	796,420	1,543,674	2,383,824
	23,572,394	9,389,580	55,788,432	26,024,293
FINANCING				
Issuance of common shares	156,882	27,183	394,725	13,871,415
Share issue costs	-	(4,219)	(1,099,768)	(850,325)
Increase (decrease) in bank debt	(4,653,076)	2,417,434	17,448,306	(4,503,288)
	(4,496,194)	2,440,398	16,743,263	8,517,802
INVESTING				
Additions to property, plant and equipment	(28,663,430)	(13,197,246)	(63,140,227)	(29,344,206)
Acquisition of property, plant and equipment	-	94,596	(12,263,700)	(8,387,841)
Proceeds on sale of property, plant and equipment	12,166	176	12,166	312,349
	(28,651,264)	(13,102,474)	(75,391,761)	(37,419,698)
Change in non-cash working capital	9,575,064	1,272,496	2,860,066	2,877,603
	(19,076,200)	(11,829,978)	(72,531,695)	(34,542,095)
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 and nine month periods ended September 30, 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 principles 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 ("ARO"). Under the new standard, a liability is recognized for the future retirement obligations associated with the Company's property, plant and equipment. The fair value of the ARO is recorded on a discounted basis. This amount is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes to earnings with the passage of time, and is adjusted for revisions in estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

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)
35.45	65.80	53.67	9.14	60.22

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 and nine month periods ended September 30, 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 paid 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 638,747 shares issued in April and June 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 net 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 million. Interest is payable at the lenders' prime rate, subject to adjustment depending on the debt to cash flow ratio. The availability under the facility was subject to an annual review on or before June 1, 2005. No other terms or conditions were modified.

In conjunction with the annual review of the credit facility completed in May 2005, the authorized borrowing amount was unchanged and a June 1, 2006 annual review date was established. The availability under the facility is subject to an interim review by October 1, 2005.

On July 26, 2005, the \$75 million of the credit facility was syndicated between two lenders, and a \$10 million operating facility provided by one lender. No other terms or conditions were modified.

In conjunction with the interim review on September 30, 2005, a subsequent interim review date of January 1, 2006 was set. No other terms or conditions were modified.

Selected Notes to the Consolidated Financial Statements



Three and nine month periods ended September 30, 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	711,466	586,113
Issued through private placement	4,457,153	7,800,018
Flow-through shares issued through private placement	2,558,140	5,500,001
Share issue costs, net of future income taxes of \$350,254	-	(500,071)
Balance September 30, 2004	61,771,179	\$ 59,905,432
Balance December 31, 2004	62,097,979	\$ 60,228,985
Options exercised	514,528	461,133
Issued on acquisition of Meridian Energy Corporation	35,749,931	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 September 30, 2005	98,362,438	\$ 208,053,674

The following table summarizes the changes in stock options outstanding for the nine months ended September 30, 2005.

	Options	Weighted average exercise price
Outstanding at December 31, 2004	3,958,567	\$ 1.35
Cancelled	(417,871)	1.95
Granted	1,712,000	4.01
Exercised	(514,528)	0.77
Outstanding at September 30, 2005	4,738,168	\$ 2.32

5. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Cash paid:				
Interest	\$ 261,316	\$ 84,274	\$ 787,797	\$ 406,449
Taxes (net of refunds)	\$ 288,253	\$ 217,270	\$ 1,278,106	\$ 653,725

Selected Notes to the Consolidated Financial Statements



Three and nine month periods ended September 30, 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 nine months ended September 30, 2005, the Company granted 1,712,000 (2004: 682,500) stock options to employees, consultants and directors.

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

The Company continues to disclose the pro forma earnings impact of stock options granted in 2002. If the fair value method had been used for options granted in 2002, the Company's net earnings and net earnings per share for the periods ended September 30, 2005 and 2004 would approximate the following pro forma amounts:

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Net earnings:				
As reported	\$ 6,502,152	\$ 2,295,174	\$ 10,662,209	\$ 6,126,593
Pro forma	\$ 6,496,619	\$ 2,275,927	\$ 10,645,536	\$ 6,068,776
Net earnings per share:				
As reported	\$ 0.07	\$ 0.04	\$ 0.12	\$ 0.10
Pro forma	\$ 0.07	\$ 0.04	\$ 0.12	\$ 0.10
Diluted:				
As reported	\$ 0.06	\$ 0.04	\$ 0.12	\$ 0.10
Pro forma	\$ 0.06	\$ 0.04	\$ 0.12	\$ 0.10

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Assumptions:				
Risk free interest rate (%)	2.98	4.48	2.80	5.34
Expected life (years)	5.0	5.0	5.0	5.0
Expected volatility (%)	45	44	44	55
Results:				
Weighted average fair value of options granted (\$)	1.98	0.91	1.69	0.86

7. CONTRIBUTED SURPLUS

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2005	2004	2005	2004
Balance, beginning of period	\$ 1,479,512	\$ 524,930	\$ 877,263	\$ 204,530
Stock-based compensation expense	479,953	177,592	1,127,770	511,262
Transfer to share capital on exercise of options	(20,840)	(1,446)	(66,408)	(14,716)
Balance, end of period	\$ 1,938,625	\$ 701,076	\$ 1,938,625	\$ 701,076

Selected Notes to the Consolidated Financial Statements



Three and nine month periods ended September 30, 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 before income taxes. This difference results from the following items:

	Sept. 30, 2005	Sept. 30, 2004
Expected income tax expense	\$ 8,745,775	\$ 5,695,026
Crown royalties and charges	2,868,256	2,065,903
Resource allowance	(2,527,841)	(2,036,817)
Stock option expense	452,236	212,781
Change in enacted tax rates and other	(238,426)	492,029
Future income tax expense	9,300,000	6,428,922
Capital tax expense	1,852,400	1,111,042
Current income tax expense (recoveries)	(4,695)	16,831
Total tax expense	\$ 11,147,705	\$ 7,556,795

9. COMMITMENTS

By the end of the third quarter of 2005, the Company had committed to drill a total of four wells in Alberta and seven 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 \$4.1 million. Of these commitments, subsequent to September 30, 2005, Vero Energy Inc. has assumed two of the four Alberta wells for an estimated cost of \$1.5 million. Subsequent to the end of September 30, 2005, the Company has further committed to drill an additional two wells in Alberta by the end of the first quarter of 2006 for an estimated cost to True of \$1.3 million.

10. SUBSEQUENT EVENTS

On November 2, 2005, the Company closed the Plan of Arrangement (the "Arrangement") which was approved at a special meeting of the shareholders held November 1, 2005. Pursuant to the Arrangement, shareholders exchanged one True common share for 0.50 pre-consolidation units of TKE Energy Trust ("TKE"), 0.10 of a common share of Vero Energy Inc. ("Vero"), and one share purchase warrant of Vero. Each purchase warrant of Vero entitles the holder to acquire 0.0655 of a Vero common share for a period of 30 days following the effective date of the Arrangement. The business combination will be accounted for using the purchase method whereby True acquired TKE. In conjunction with and prior to closing of the Arrangement, all but two stock options (4,738,166 options) were exercised for gross proceeds of \$11 million. The remaining two stock options were cancelled upon completion of the Arrangement. Under the Arrangement, True Energy Inc. and TKE Energy Inc. were amalgamated to form the new administrator of the Trust under the name True Energy Inc.

At a special meeting of TKE unitholders on November 1, 2005, the unitholders voted in favour of changing the name of TKE to True Energy Trust ("Trust") and consolidating the trust units on a 1 for 2 basis. The name change and consolidation became effective on November 2, 2005. Both the Trust and Vero are publicly traded on the Toronto Stock Exchange.

Immediately following completion of the Arrangement, new banking facilities were put in place. The bank facility for True Energy Inc. and the Trust consists of a demand revolving credit facility in the amount of \$115 million and an operating facility of \$10 million. The credit facility is guaranteed by the Trust and all material subsidiaries, and is secured against all of the assets of True Energy Inc., the Trust and all material subsidiaries. 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 interim review by March 1, 2006 and an annual review on or before June 1, 2006. The debenture was increased to \$250 million.