

Q1 TRUE ENERGY

FIRST QUARTER, THREE MONTHS ENDED MARCH 31

FINANCIAL AND OPERATING HIGHLIGHTS

True Energy Inc. ("True", "the Company") announces its financial and operating results for the three months ended March 31, 2002. During the first quarter of this fiscal year, True continued to focus on maximizing existing facilities and disposing of non-strategic assets in order to position the Company for its next stage of growth.

FINANCIAL

(\$000s, except per share amounts)

Three months ended March 31	2002	2001	% Change
Revenue	3,818,241	3,187,799	20%
Funds flow from operations*	684,878	1,276,216	(46%)
per share – basic	0.02	0.10	(80%)
per share – diluted	0.02	0.09	(78%)
Cash flow from operations	513,878	1,105,216	(54%)
per share – basic	0.02	0.09	(78%)
per share – diluted	0.02	0.08	(75%)
Net earnings (loss)	(744,078)	(110,353)	(574%)
per share – basic	(0.03)	(0.01)	(200%)
per share – diluted	(0.03)	(0.01)	(200%)
Debt, net of working capital	17,720,727	16,022,849	11%
Total assets	29,810,695	45,763,216	(35%)
Shareholders' equity	8,189,415	12,999,866	(37%)
Net capital expenditures	1,153,554	2,287,537	(50%)
Shares outstanding	28,775,102	17,688,851	63%
Weighted average shares			
basic	28,775,102	12,947,505	122%
diluted	28,779,102	14,037,299	105%

* Funds flow from operations includes prepaid gas revenue.

OPERATIONAL

Three months ended March 31	2002	2001	% Change
Daily Volumes			
Oil and NGLs (bbls/d)	668	311	115%
Gas (Mcf/d)	8,635	4,470	93%
Equivalent Oil (BOE/d @ 6:1)	2,107	1,056	100%
Prices			
Oil and NGLs (\$/bbl)	23.14	19.26	20%
Gas (\$/Mcf)	3.12	6.59	(53%)
Equivalent Oil (\$/BOE @ 6:1)	20.14	33.57	(40%)
\$/BOE @ 6:1			
Operating Netback	7.21	16.22	(56%)
Operating Expenses	6.95	9.09	(24%)
General & Administrative	2.77	2.03	37%
Royalties as a % of sales	30%	25%	20%

LETTER TO THE SHAREHOLDERS

On a barrel of oil equivalent basis, True doubled its production over the same period last year, while materially reducing its net debt. Subsequent to the end of the first quarter, the Company reduced its debt from \$17.7 million to its current level of less than \$9.0 million, while current production is 1,850 barrels of oil equivalent per day. This reduction in debt has now resulted in the Company having the financial flexibility to continue with the development of its initial core area in west central Saskatchewan and to commence its drilling program in west central Alberta, the Company's second core area.

Operating Results

Production doubled to 2,107 barrels of oil equivalent per day from 1,056 barrels of oil equivalent per day during the first quarter of 2001. Natural gas made up 68% of production volumes averaging 8.6 million cubic feet per day during the first quarter of 2002. True increased its oil volumes for the period to 668 barrels per day, up from 311 barrels per day for the same period in 2001. Current production following the recent dispositions, is approximately 1,850 barrels of oil equivalent per day.

True's main areas of operation during the quarter were at Kerrobert and Coleville in west central Saskatchewan. At Kerrobert, the Company drilled its initial 100% owned development well that is now producing at stable rates of 180 barrels per day of oil. The Company has acquired 3-D seismic confirming up to five additional locations. The second development well will spud in early June with further work to continue through the summer. This project represents long-term reserves with excellent finding costs and low operating expenses.

At Coleville, the Company's main natural gas producing area, recent facility expansion has resulted in capacity of 6 to 8 million cubic feet per day. True is currently producing 4 million cubic feet per day (net) of natural gas at this facility. This expansion represents significant opportunity to the Company as development drilling can now commence to fully utilize the capacity. During the second quarter, True will drill two development wells to maximize throughput at both the Company's Coleville and Smiley natural gas facilities.

The Company also put in place a fixed price heavy oil contract that will see the Company receive a price of Cdn \$30.18 per barrel for 200 barrels of oil per day for the period from May 1, 2002 to December 31, 2002. This price is before diluent and tariff costs.

The Company has put in place a natural gas costless collar for 3,000 gigajoules per day for the summer period of April to October of this year. The floor price is Cdn \$4.00 per gigajoule and the ceiling is Cdn \$5.00 per gigajoule.

During the summer, True will also commence drilling its first well in west central Alberta targeting the Shunda formation at 2,800 metres. The Company will continue to build this core area, which will be more defined by year-end.

Subsequent to the end of the quarter, True Energy completed the sale of certain non-strategic assets in west central Saskatchewan for proceeds of \$6.25 million, effective April 1, 2002 and; on May 14, 2002, the Company completed its previously announced private placement of 4.1 million common shares for gross proceeds of \$3.0 million.



Paul R. Baay
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of financial results should be read in conjunction with the unaudited interim consolidated financial statements and selected notes for the three months ended March 31, 2001 and the audited consolidated financial statements and Management Discussion and Analysis for the year ended December 31, 2001. Where amounts are expressed on a barrel of oil equivalent basis (BOE), gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel.

Production

For the three months ended March 31, 2002, the Company produced an average of 2,107 barrels of oil equivalent per day, consisting of 668 barrels per day of oil and 8.6 million cubic feet per day of natural gas. This is a 100 percent increase over the 1,056 barrels of oil equivalent per day, on a combined basis, averaged in the same period of 2001. Oil production increased 115 percent from 311 barrels per day and natural gas production increased 93 percent from 4.5 million cubic feet per day in the first quarter of the previous year. Compared to the fourth quarter of 2001, oil production for the three months ended March 31, 2002 decreased three percent to 668 barrels per day from 688 barrels per day, natural gas production decreased seven percent to 8.6 million cubic feet per day from 9.2 million cubic feet per day and combined production was down by five percent to 2,107 barrels of oil equivalent per day from 2,221 barrels of oil equivalent per day.

Revenue

Oil and gas revenue for the first quarter of 2002 decreased 17 percent to \$3.8 million from \$4.6 million received in the fourth quarter of 2001 as a result of decreased production. The price received for the first quarter's oil production increased 54 percent to \$23.14 per barrel from \$15.03 per barrel in the previous quarter. The average natural gas price received dropped 27 percent to \$3.12 per thousand cubic feet during the current year first quarter from \$4.30 per thousand cubic feet (after hedging) in the prior quarter.

Royalties

Royalties paid during the first quarter of 2002 were \$1.1 million compared to \$1.2 million during the previous quarter. Royalties as a percentage of revenue increased to 30 percent in the first quarter of 2002 from 25 percent in the fourth quarter of 2001.

Operating Expenses

Operating expenses, on a barrel of oil equivalent basis, were marginally lower during the first quarter of 2002 at \$6.95 compared to \$7.41 in the fourth quarter of last year. For the three months ended March 31, 2002 operating expenses were \$1.3 million, compared to \$1.5 million for the three months ended December 31, 2001 and \$0.9 million during the first quarter of 2001.

Operating Netbacks

Higher royalty rates and lower natural gas prices received during the three months ended March 31, 2002 resulted in a decrease in operating netbacks to \$7.21 per barrel of oil equivalent in the first quarter of 2002 from \$9.40 per barrel of oil equivalent during the fourth quarter of 2001. The operating netback for the comparable period in the prior year was \$16.22 per barrel of oil equivalent.

General and Administrative

General and administrative expenses increased 12 percent to \$2.77 per barrel of oil equivalent during the three months ended March 31, 2002 from \$2.48 per barrel of oil equivalent in the fourth quarter of 2001. Expenses increased to \$525,000 in the first quarter of 2002 from \$193,000 in the comparative period of the prior year. On a barrel of oil equivalent basis, expenses were \$2.77 for the three months ended March 31, 2002 compared to \$2.03 for the three months ended March 31, 2001. General and administrative expenses for the first quarter of 2002 included approximately \$90,000 of annual fees.

Interest Expense

Interest expense during the first quarter of 2002 amounted to \$142,000, down from the \$233,000 incurred during the fourth quarter of 2001 and up from the \$58,000 incurred during the first three months of 2001. Higher interest costs in 2002 reflect the increase in debt levels.

Capital Expenditures

True invested \$1.2 million, net of dispositions, on oil and gas activities during the three-month period ended March 31, 2002 compared to \$16.8 million incurred in the same period of 2001. The Company spent \$1.2 million on exploration and development activities in the first quarter. During the same period in 2001, True spent \$14.6 million on the acquisition of Marengo Exploration Ltd. and \$2.2 million on exploration and development activities.

Depletion, Depreciation and Site Restoration

Depletion, depreciation and site restoration expense for the three months ended March 31, 2002 was \$1.4 million or \$7.54 per barrel of oil equivalent compared to \$3.6 million or \$17.49 per barrel of oil equivalent in the fourth quarter of 2001 and \$1.3 million or \$14.14 per barrel of oil equivalent for the same period last year.

Liquidity and Capital Resources

The Corporation ended the year 2001 with a \$14.0 million line of credit, drawn to \$13.1 million and had a working capital deficit of \$4.1 million. The Corporation ended the first quarter of 2002 with its bank line drawn to \$13.8 million and had a working capital deficit of \$3.9 million.

At March 31, 2002, the Company had 28,775,102 common shares outstanding and 28,779,102 common shares outstanding on a diluted basis, based on 80,000 in-the-money stock options.

CONSOLIDATED BALANCE SHEETS

At March 31, 2002 and December 31, 2001	March 31, 2002 (unaudited)	December 31, 2001 (audited)
ASSETS		
Current Assets		
Accounts receivable	\$ 3,386,969	\$ 3,952,052
Property, plant and equipment	26,423,726	26,612,128
	\$ 29,810,695	\$ 30,564,180
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 7,287,042	\$ 7,876,472
Current portion of prepaid gas	5,700	176,700
Bank debt	13,814,954	13,141,933
	21,107,696	21,195,105
Future site restoration and abandonment costs	513,584	426,584
Shareholders' equity		
Share capital	28,475,579	28,484,577
Deficit	(20,286,164)	(19,542,086)
	8,189,415	8,942,491
	\$ 29,810,695	\$ 30,564,180

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the periods ended March 31, 2002 and March 31, 2001	March 31, 2002 (unaudited)	March 31, 2001 (unaudited)
REVENUE		
Oil and NGLs	\$ 1,390,217	\$ 538,573
Natural gas	2,428,023	2,649,226
	3,818,240	3,187,799
ROYALTIES		
Crown	(683,074)	(641,595)
Other	(450,354)	(156,148)
	(1,133,428)	(797,743)
	2,684,812	2,390,056
EXPENSES		
Production	1,317,613	863,265
General and administrative	525,471	192,758
Interest on long-term debt	141,850	57,817
Capital taxes	15,000	-
Depletion, depreciation and site restoration	1,428,956	1,342,569
	3,428,890	2,456,409
EARNINGS (LOSS) BEFORE TAXES	(744,078)	(66,353)
Future income tax	-	44,000
NET EARNINGS (LOSS)	(744,078)	(110,353)
Deficit, beginning of period	(19,542,086)	(241,660)
Deficit, end of period	\$ (20,286,164)	\$ (352,013)
Weighted average common shares	28,775,102	12,947,505
Net earnings (loss) per share		
basic	(\$0.03)	(\$0.01)
diluted	(\$0.03)	(\$0.01)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the periods ended March 31, 2002 and March 31, 2001	March 31, 2002 (unaudited)	March 31, 2001 (unaudited)
OPERATIONS		
Net loss	\$ (744,078)	\$ (110,353)
Charges not involving cash:		
Depletion, depreciation and site restoration	1,428,956	1,342,569
Future income tax	-	44,000
Prepaid gas revenue	(171,000)	(171,000)
Cash flow from operations	513,878	1,105,216
Change in non-cash working capital	(24,347)	1,440,621
	489,531	2,545,837
FINANCING		
Issuance of common shares	-	5,000,000
Share issue costs	(8,998)	(399,639)
Increase in bank debt	673,021	9,635,794
	664,023	14,236,155
INVESTING		
Proceeds on sale of property, plant and equipment	9,704	-
Additions to property, plant and equipment	(1,163,258)	(2,287,537)
Cash paid on acquisition of Marengo Exploration Ltd.	-	(14,494,455)
	(1,153,554)	(16,781,992)
Increase (decrease) in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	-	-
Weighted average common shares	28,775,102	12,947,505
Cash flow from operations per share		
basic	\$ 0.02	\$ 0.09
diluted	\$ 0.02	\$ 0.08

See accompanying notes to financial statements.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2002 and 2001 (unaudited)

1. BASIS OF PRESENTATION:

The interim consolidated financial statements of the Company have been prepared by management in accordance with the accounting policies generally accepted in Canada. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2001. The disclosures provided below are incremental to those included with the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Company's annual report for the year ended December 31, 2001.

2. BANK INDEBTEDNESS AND LONG-TERM DEBT:

The Corporation has a demand revolving credit facility with an authorized borrowing amount of \$14,000,000 with a Canadian chartered bank. Interest is payable at the bank's prime rate plus one and a half percent. Security is provided by a general assignment of book debts of the Corporation, a \$10,000,000 floating charge debenture over all assets of the Corporation, a fixed charge over certain producing petroleum and natural gas reserves at Smiley and a first floating charge supplemental debenture of \$35,000,000

Pursuant to the bank's review of this facility in May 2002 after giving effect to the bank's then current commodity price forecast and the Corporation's sale of certain assets (see Note 9), the authorized borrowing amount has been reduced to \$8,100,000, subject to an interim review on July 31, 2002. At March 31, 2002, the bank acknowledged contravention and non-compliance with the working capital covenant (current ratio of not less than 1:1 as at the end of each fiscal quarter). The Corporation expects to remedy this negative financial covenant through dispositions of non-strategic assets in April 2002 (see Note 9) and a new equity issue that closed in May 2002 (see Note 9).

3. CAPITAL ASSETS:

At March 31, 2002, the Corporation performed the ceiling test, using quarter end prices, and no write-down of the carrying value of the assets is required.

4. CAPITAL STOCK:

(a) Authorized:

Unlimited number of voting Common Shares

Unlimited number of non-voting First Preferred Shares

(b) Issued:

	Number of Shares	Amount
Common shares:		
Balance December 31, 2001	28,775,102	\$ 28,484,577
Share Issue Costs		(8,998)
Balance March 31, 2002	28,775,102	\$ 28,475,579

The Corporation has commitments to incur \$3,515,000 of qualifying expenditures during 2002 to satisfy flow-through share agreements.

The following table summarizes the changes in stock options outstanding for the quarter ended March 31, 2002:

	2002 Weighted-Average Options	Exercise Price
Outstanding at beginning of quarter	2,022,500	\$ 0.91
Cancelled	(297,500)	1.48
Granted	377,500	0.62
Exercised	-	-
Outstanding at end of quarter	2,102,500	\$ 0.78

5. SUPPLEMENTAL CASH FLOW INFORMATION:

	2002	2001
Cash paid:		
Interest	\$ 141,850	\$ 57,817
Taxes	-	-
Non-cash investing and financing activities:		
Issue of common shares on acquisition	\$ -	\$ 1,136,700

6. STOCK BASED COMPENSATION:

Effective January 1, 2002 the Corporation prospectively adopted the new recommendations of the CICA with respect to the accounting for stock-based compensation and other stock-based payments. In accordance with the new standard, the Corporation elected to continue its policy that no compensation is recorded on the grant of employee stock options and consideration paid on the exercise of such options is recorded as share capital. In addition, the new standard requires a fair value based method of accounting for other stock-based payments. During the three months ended March 31, 2002, the Corporation granted 377,500 stock options. Had compensation cost for the stock options granted during the period been determined on a fair value based method, the net loss, after taxes, for the three months ended March 31, 2002 would have increased by \$9,682.

7. INCOME TAXES:

At March 31, the Corporation has an unrecorded future tax asset of \$1,075,000. A valuation allowance has been set up for the entire amount of the asset, resulting in a valuation allowance increase of \$176,000 from December 31, 2001.

8. FINANCIAL INSTRUMENTS:

During March 2002, the Corporation entered into a natural gas contract for 3,000 gigajoules per day for the period April 1, 2002 to October 31, 2002. The contract established a floor price of Cdn\$4.00 per gigajoule and a ceiling price of Cdn\$5.00 per gigajoule at the AECO-C Hub.

In addition, True has entered into a fixed price sales contract to deliver 200 barrels per day of heavy oil Lloydblend (LLK) at a price of \$30.18 per barrel for the period from May 1, 2002 to December 31, 2002.

9. SUBSEQUENT EVENTS:

- (a) On April 26, 2002 the Corporation sold certain non-strategic assets in the Milton/Hoosier Areas to an arm's length third party for \$6.25 million. The proceeds from this disposition will be fully allocated to petroleum and natural gas properties and have an equivalent tax basis.
- (b) The Corporation completed an equity financing in May 2002 whereby 4,100,000 common shares were issued at a price of \$0.74 per share, resulting in gross proceeds of \$3,034,000.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kenneth P. Acheson
President, Kennington Properties
Calgary, Alberta

Paul R. Baay
President and C.E.O., True Energy
Inc.
Calgary, Alberta

John Cuthbertson
Partner, Burnet Duckworth &
Palmer
Calgary, Alberta

W. C. (Mickey) Dunn
Independent Businessman
Edmonton, Alberta

Robert G. Rowley, Q.C.
Independent Businessman
Calgary, Alberta

Michael S. Vandale
Chairman and President, Vandale
Oil, Inc.
Calgary, Alberta

Kim Ward
Independent Businessman
Toronto, Ontario

KEY MANAGEMENT

Paul R. Baay
President and C.E.O.

Sadiq H. Lalani
Vice President, Finance and C.F.O.

Clinton T. Broughton
Vice President

Gordon L. Reese
Vice President

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BANKERS

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ENGINEERING CONSULTANTS

Gilbert Laustsen Jung

REGISTRAR AND TRANSFER AGENT

Computershare International Inc.
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: TUI