A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue **November 30, 2004**

REAL RESOURCES INC.

$20,000,012

1,269,842 FLOW-THROUGH COMMON SHARES

PRICE: $15.75
PER FLOW-THROUGH COMMON SHARE

This short form prospectus qualifies the distribution of 1,269,842 common shares (the "**Common Shares**") of Real Resources Inc. (the "**Corporation**") to be issued as "flow-through shares" within the meaning of the *Income Tax Act* (Canada) (the "**Flow-Through Common Shares**") at a price of $15.75 per Flow-Through Common Share (the "**Offering**"). The price for the Flow-Through Common Shares offered under this short form prospectus was determined by negotiation between the Corporation and the Underwriters (as defined below).

The Corporation will incur and, effective on or before December 31, 2004, renounce to each subscriber of Flow-Through Common Shares Canadian exploration expense ("**CEE**") in an amount equal to the aggregate purchase price paid by such subscriber. See "Renunciation of CEE" and "Certain Canadian Federal Income Tax Considerations".

The outstanding Common Shares are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "RER". On November 25, 2004, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the TSX was $12.25. The Corporation has applied to list the Flow-Through Common Shares distributed under this short form prospectus on the TSX. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX.

	Price to Public	Underwriters' Fee	Net Proceeds to the Corporation(1)
Per Flow-Through Common Share	$15.75	$0.945	$14.805
Total	$20,000,012	$1,200,001	$18,800,011

Note:
(1) Before deducting expenses of the Offering estimated to be $255,000 which will be paid from the general funds of the Corporation.

GMP Securities Ltd., CIBC World Markets Inc., Raymond James Ltd., Orion Securities Inc., Peters & Co. Limited and Maison Placements Canada Inc. (collectively, the "**Underwriters**"), have agreed to act as, and the Corporation has appointed the Underwriters as, the sole and exclusive agents of the Corporation to offer the Flow-Through Common Shares for sale at a price of $15.75 per Flow-Through Common Share. The Underwriters have agreed that in the event that less than 1,269,842 Flow-Through Common Shares are sold by the Underwriters as agents, the Underwriters shall purchase from the Corporation, as principals, the Flow-Through Common Shares not sold by the Underwriters as agents in accordance with the conditions contained in the Underwriting Agreement referred to under

"Plan of Distribution" and subject to approval of certain legal matters on behalf of the Corporation by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by Bennett Jones LLP.

CIBC World Markets Inc. is a wholly-owned subsidiary of a Canadian chartered bank which is a lender to the Corporation and to which the Corporation is presently indebted. Consequently, the Corporation may be considered to be a connected issuer of CIBC World Markets Inc. under applicable securities laws. See "Relationship Between the Corporation's Lender and an Underwriter".

Subscriptions for Flow-Through Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription book at any time without notice. It is expected that definitive certificates for the Flow-Through Common Shares will be available for delivery on the closing of the Offering, which is expected to occur on or about December 16, 2004 (the "**Closing Date**") or such later date as the Corporation and the Underwriters may agree, but in no event later than December 31, 2004. Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price for the Common Shares at levels other than those which otherwise might prevail in the open market. See "Plan of Distribution".

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All dollar amounts in this short form prospectus are in Canadian dollars unless otherwise stated.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporation, at its offices located at 700, 555 – 4th Avenue S.W., Calgary, Alberta, T2P 3E7 (Telephone: (403) 262-9077 or by faxing a written request to (403) 262-6403) or by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporation at the above-mentioned address, telephone and fax numbers.

The following documents of the Corporation filed with the securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the Renewal Annual Information Form of the Corporation dated May 7, 2004 for the year ended December 31, 2003 (the "**AIF**");

(b) the material change report of the Corporation dated April 6, 2004 respecting an offering of 4,305,000 Common Shares (See "Recent Developments");

(c) Management's Discussion and Analysis of the financial condition and results of operations of the Corporation for the years ended December 31, 2003 and December 31, 2002;

(d) the audited comparative financial statements of the Corporation and the notes thereto for the years ended December 31, 2003 and December 31, 2002, together with the report of the auditors thereon;

(e) Management's Discussion and Analysis of financial condition and results of operations for the nine months ended September 30, 2004;

(f) the unaudited comparative financial statements of the Corporation for the nine months ended September 30, 2004 and 2003; and

(g) the Information Circular of the Corporation dated April 1, 2004, relating to the Annual General and Special Meeting of Shareholders held on May 6, 2004 (excluding those portions that are not required pursuant to National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference herein, being the disclosure under the headings "Report on Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices").

Any of the following documents, if filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada after the date of this short form prospectus and before the termination of this Offering, shall be deemed to be incorporated by reference in this short form prospectus:

(a) material change reports (except confidential material change reports);

(b) comparative interim financial statements;

(c) comparative financial statements for the Corporation's most recently completed financial year, together with the accompanying report of the auditor; and

(d) information circulars (other than any disclosure comparable to the portions of the Information Circular of the Corporation dated April 1, 2004 which are not incorporated by reference in this short form prospectus).

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superceded for the purposes of this short form prospectus to the

extent that a statement contained herein or in any other subsequently filed document which is also, or is deemed to be, incorporated by reference herein modifies or supercedes such statement. The modifying or superceding statement need not state that it has modified or superceded a prior statement or include any other information set forth in the document that it modifies or supercedes. The making of a modifying or superceding statement shall not be deemed to be an admission for any purposes that the modified or superceded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an admission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superceded shall not be deemed, except as so modified or superceded, to constitute a part of this short form prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus and in certain documents incorporated by reference into this short form prospectus constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be.

In particular, this short form prospectus and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- the quantity of the Corporation's reserves;
- oil and natural gas production levels;
- capital expenditure programs;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development; and
- treatment under governmental regulatory regimes.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this short form prospectus:

- volatility in market prices for oil and natural gas and foreign exchange rates;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems; and
- the other factors discussed under "Risk Factors" in this short form prospectus.

These factors should not be construed as exhaustive. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements.

REAL RESOURCES INC.

The Corporation was incorporated in 1978 and continued under the *Business Corporations Act* (Alberta) (the "**ABCA**") on January 19, 1989. In recent years the Corporation has made several corporate acquisitions by merging or amalgamating with other issuers, including an amalgamation with Blue Ridge Resources Inc. on July 1, 1995, amalgamations with Flatland Energy Inc. and Flatland Resources Ltd. on January 31, 1997, an amalgamation with Tri-Ex Oil & Gas Ltd. on January 9, 1998, an amalgamation with ABCOG Corporation on November 12, 1998, an amalgamation with Flatland Resources Inc. on January 7, 2000, an amalgamation with Prism Petroleum Inc. on October 2, 2000 and an amalgamation with Embo Petroleum Inc. on April 1, 2001. The Corporation has continued under the name of "Real Resources Inc." following each amalgamation.

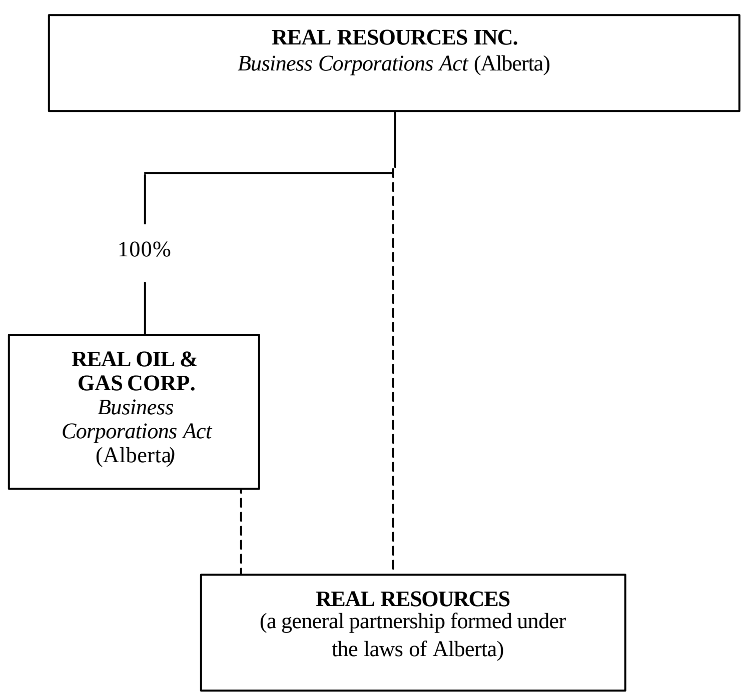
On October 31, 2002, the Corporation formed a wholly-owned subsidiary, Real Oil Corporation, incorporated under the ABCA, which changed its name to Real Oil & Gas Corp. ("**Real Oil**") on November 14, 2002.

Effective December 10, 2002, the Corporation acquired all of the issued and outstanding shares of Belmont Energy Ltd. ("**Belmont**"), a private Alberta oil and natural gas exploration and development company. See "General Development of the Business – Three Year History" in the AIF.

On December 17, 2002, the Corporation and its subsidiaries, Real Oil and Belmont, formed a general partnership under the laws of Alberta (the "**Partnership**") to carry on business under the name "Real Resources". Effective December 31, 2003 Real Oil and Belmont were amalgamated under the ABCA, with the continuing corporation named "Real Oil & Gas Corp." The Corporation and Real Oil are now the only two partners of the Partnership. See "General Development of the Business – Three Year History" in the AIF. The Partnership now carries on the petroleum and natural gas exploration, development, production and marketing businesses which were carried on by each of the Corporation, Real Oil and Belmont.

The head office of the Corporation is located at 700, 555 - 4th Avenue S.W., Calgary, Alberta, T2P 3E7. The registered office is located at 3500, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4J8.

The structure of the Corporation, its subsidiary and the Partnership is as follows:



DESCRIPTION OF THE BUSINESS

General

The business of the Corporation is the acquisition of interests in petroleum and natural gas rights and the exploration for, and the development, production and marketing of, petroleum and natural gas. The Corporation's principal properties are located in Alberta and Saskatchewan.

For a detailed description of the business of the Corporation, please refer to "Description of the Business" as contained in the AIF.

For information regarding the Corporation's natural gas and petroleum reserves and production information, please refer to "Oil, NGLs and Natural Gas Reserves Definitions", "Oil and Natural Gas Reserves", "Estimated 2004 Production", "Future Development Costs", "Historical Undeveloped Reserves – Constant Prices and Costs" and "Other Oil and Gas Information" in the AIF and to the definitions set forth in National Instrument 51-101 and Companion Policy 51-101CP.

RECENT DEVELOPMENTS

On March 30, 2004, the Corporation completed an offering of 4,305,000 Common Shares at a price of $6.35 per Common Share for gross proceeds to the Corporation of $27,336,750. The net proceeds from such offering were used to repay outstanding indebtedness under the Corporation's then existing credit facilities.

On October 22, 2004, the Corporation, Real Oil and the Partnership entered into an amendment to the Credit Facilities (as defined below) with a Canadian chartered bank which provides for a $95,000,000 extendible revolving term credit facility and a U.S. $15,000,000 swap facility. See "Consolidated Capitalization".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2003 and September 30, 2004 and as at November 26, 2004, both before and after giving effect to the Offering:

Designation	Authorized	Outstanding as at December 31, 2003	Outstanding as at September 30, 2004[4]	Outstanding as at November 26, 2004	Outstanding as at November 26, 2004 after giving effect to the Offering[1]
		(restated)[2]	(unaudited)	(unaudited)	(unaudited)
Common Shares[3]	Unlimited	$52,693,000 (23,351,075 Common Shares)	$79,093,000 (27,728,649 Common Shares)	$79,343,000 (27,813,547 Common Shares)	$97,888,011 (29,083,389 Common Shares)
Preferred Shares	Unlimited	Nil	Nil	Nil	Nil
Credit Facilities[5]	$95,000,000	$62,253,000	$53,146,000	$57,570,000	$39,024,989

Notes:

(1) Based on the issuance of 1,269,842 Flow-Through Common Shares for an aggregate of $20,000,012 less the Underwriters' fee of $1,200,001 and expenses of the Offering estimated to be $255,000, the net proceeds from this issue are estimated to be $18,545,011.

(2) Certain amounts at December 31, 2003 have been restated to conform with a new accounting standard issued by the Canadian Institute of Chartered Accountants that the Corporation adopted on January 1, 2004 retroactively with restatement. This standard relates to the adoption of the fair-value base method of calculating the value of stock-based compensation.

(3) As at November 26, 2004, there were 1,978,463 options issued and outstanding to acquire Common Shares. These options were held by directors, officers and employees of the Corporation and are exercisable at prices ranging from $1.44 to $9.45 per Common Share. The options expire at various dates to October 1, 2009.

(4) As at September 30, 2004, the Corporation had retained earnings of $45,204,000, contributed surplus of $955,000, a provision for its asset retirement obligation of $13,216,000 and a future income tax liability of $37,326,000.

(5) A Canadian chartered bank has provided the Corporation, Real Oil and the Partnership with credit facilities (the "**Credit Facilities**") pursuant to an amended financing commitment dated effective October 22, 2004. The Credit Facilities consist of a $95,000,000 extendible revolving term credit facility, available through bankers' acceptances, Libor borrowings, prime rate loans, U.S. base rate loans, letters of credit and letters of guarantee, and a U.S. $15,000,000 swap facility. Interest under the extendible revolving term credit facility is incurred based on the consolidated debt to cash flow ratio of the Corporation plus applicable margins. The Credit Facilities are secured by floating charge debentures and cross-guarantees from the Corporation, Real Oil and the Partnership.

USE OF PROCEEDS

The estimated net proceeds received by the Corporation, after deducting the estimated expenses of the Offering of $255,000 and the Underwriters' fees of $1,200,001, will be $18,545,011.

All of the proceeds of the Offering, net of expenses of the Offering, will be initially used by the Corporation to reduce indebtedness under the Credit Facilities and thereafter to fund ongoing exploration activities.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of an underwriting agreement (the "**Underwriting Agreement**") dated as of November 30, 2004, among the Corporation and the Underwriters, the Underwriters have agreed to act as, and the Corporation has appointed the Underwriters as, the sole and exclusive agents of the Corporation to offer the Flow-Through Common Shares for sale at a price of $15.75 per Flow-Through Common Share. The Underwriters severally, and not jointly, have agreed that in the event that less than 1,269,842 Flow-Through Common Shares are sold by the Underwriters as agents, the Underwriters shall, subject to the terms of the Underwriting Agreement, purchase from the Corporation, as principals, that number of Flow-Through Common Shares that, together with the number of Flow-Through Common Shares sold by the Underwriters as agents, aggregates 1,269,842. Closing of this Offering is to occur on December 16, 2004, or on such later date as may be agreed upon by the parties (the "**Closing Date**"), but in any event not later than December 31, 2004. In connection with the Offering, the Corporation will pay the Underwriters a fee (the "**Underwriters' Fee**") of $0.945 per Flow-Through Common Share, for an aggregate fee of $1,200,001. The price of the Flow-Through Common Shares offered hereunder was determined by negotiation between the Corporation and the Underwriters. Subscriptions for Flow-Through Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription book at any time without notice. It is expected that definitive certificates for the Flow-Through Common Shares will be available for delivery on the closing of the Offering.

Under the terms of the Underwriting Agreement, the obligations of the Underwriters are several and not joint and may be terminated by the Underwriters, or any of them, at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase its allotment of Flow-Through Common Shares, the remaining Underwriter or Underwriters may, but are not obligated to, purchase the Flow-Through Common Shares not purchased by the Underwriter or Underwriters which fail to purchase. The Underwriters are, however, obligated to take up and pay for all the Flow-Through Common Shares if any are purchased under the Underwriting Agreement.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers du Québec, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. Such exceptions include a bid or purchase permitted under the Universal Market Integrity Rules of Market Regulation Services Inc. relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Common Shares. The Corporation has been advised by the Underwriters that, in connection with the Offering, subject to the foregoing and applicable laws, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Common Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws, and, accordingly, may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

In addition, until 40 days after the commencement of this Offering, any offer or sale of Common Shares within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with available exemptions under the U.S. Securities Act.

The Corporation has agreed that it will not, without the prior consent of GMP Securities Ltd. pursuant to the Underwriting Agreement, which consent may not be unreasonably withheld, offer, or announce the offering of, or make or announce any agreement to issue or sell or exchange any Common Shares or any securities convertible into or exchangeable for Common Shares or announce any intention to effect any of the foregoing (subject to certain exceptions) at any time prior to the date 90 days following the Closing Date.

The Corporation has agreed to indemnify the Underwriters and their affiliates and their respective directors, officers, employees and agents against certain liabilities.

The Corporation has applied to list the Flow-Through Common Shares distributed under this short form prospectus on the TSX. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX.

RENUNCIATION OF CEE

The Flow-Through Common Shares will be issued as "flow-through shares" under the *Income Tax Act* (Canada) (the "**Tax Act**"). The Corporation will incur on or before December 31, 2005, and renounce to each subscriber of Flow-Through Common Shares effective on or before December 31, 2004, CEE in an amount equal to the aggregate purchase price paid by such subscriber. See "Certain Canadian Federal Income Tax Considerations".

Subscriptions for Flow-Through Common Shares will be made pursuant to one or more subscription and renunciation agreements (collectively, the "**Subscription Agreement**") to be made between the Corporation and one or more of the Underwriters or one or more sub-agents of an Underwriter, as agent for, on behalf of and in the name of all subscribers of Flow-Through Common Shares. **Subscribers who place an order to purchase Flow-Through Common Shares with an Underwriter, or any sub-agent of an Underwriter, will be deemed to have authorized any of such Underwriters, or such sub-agents, to execute and deliver, on their behalf, the Subscription Agreement.**

Pursuant to the Subscription Agreement, the Corporation will covenant and agree: (i) to incur on or before December 31, 2005 and renounce to the subscriber effective on or before December 31, 2004, CEE in an amount equal to the aggregate purchase price paid by such subscriber for the Flow-Through Common Shares; and (ii) that if the Corporation does not renounce to such subscriber, effective on or before December 31, 2004, CEE equal to such amount, or if there is a reduction in such amount renounced pursuant to the provisions of the Tax Act, as the sole recourse of such subscriber, the Corporation shall indemnify the subscriber for an amount equal to the amount of any tax payable or that may become payable under the Tax Act (and under any corresponding provincial legislation) by the subscriber as a consequence of such failure or reduction. The Subscription Agreement will contain additional representations, warranties, covenants and agreements by the Corporation in favour of the subscriber of Flow-Through Common Shares which are consistent with and supplement the Corporation's obligations as described in this short form prospectus.

The Subscription Agreement will also provide representations, warranties and agreements of the subscriber, and by its purchase of Flow-Through Common Shares each subscriber of Flow-Through Common Shares offered hereunder will be deemed to have represented, warranted and agreed, for the benefit of the Corporation and the Underwriters that: (i) neither the subscriber nor any beneficial purchaser for whom it is acting is a non-resident of Canada for the purposes of the Tax Act; (ii) the subscriber, and any beneficial purchaser for whom it is acting deals, and until January 1, 2006 will continue to deal, at arm's length with the Corporation for the purposes of the Tax Act; (iii) the subscriber, if an individual, is of the full age of majority and otherwise is legally competent to enter into the Subscription Agreement; (iv) other than as provided herein and in the Subscription Agreement, the subscriber waives any right that it may have to any potential incentive grants, credits and similar or like payments or benefits which accrue as a result of the operations relating to CEE and acknowledges that all such grants, credits, payments or benefits accrue to the benefit of the Corporation; (v) the subscriber has received and reviewed a copy of this short form prospectus; (vi) the liability of the Corporation to renounce CEE shall be limited to the extent specifically stated in this short form prospectus; (vii) neither the subscriber, nor any beneficial purchaser for whom it is acting, has received or expects to receive any financial assistance from the Corporation directly or indirectly in respect of the purchase of the Flow-Through Common Shares; and (viii) neither the subscriber, nor any beneficial purchaser for whom it is acting, will enter into any arrangement with any person, trust or partnership (other than the Corporation) which will cause the Flow-Through Common Shares to become "prescribed shares" within the meaning of section 6202.1 of the Regulations (as defined below).

Notwithstanding the foregoing, the Corporation may enter into one or more subscription and renunciation agreements for Flow-Through Common Shares on such other terms as may be agreed to by the Corporation and the applicable subscriber.

RELATIONSHIP BETWEEN THE CORPORATION'S LENDER AND AN UNDERWRITER

CIBC World Markets Inc. is a wholly-owned subsidiary of a Canadian chartered bank which is a lender to the Corporation pursuant to the Credit Facilities. See Note 5 to the table under "Consolidated Capitalization" for a description of the Credit Facilities. As a result, the Corporation may be considered to be a connected issuer of CIBC World Markets Inc. under applicable Canadian securities laws. As of November 26, 2004, the Corporation was indebted to the lenders under the Credit Facilities in the amount of approximately $57,570,000. The Corporation is in compliance with all material terms of the agreements governing the Credit Facilities. The Credit Facilities are secured by floating charge debentures and cross-guarantees from the Corporation, Real Oil and the Partnership, and the Corporation's financial position has not changed substantially since the indebtedness under the Credit Facilities was incurred.

The decision to distribute the Flow-Through Common Shares offered under this short form prospectus and the determination of the terms of the distribution were made through negotiations between the Corporation and the Underwriters. The bank affiliated with one of the Underwriters did not have any involvement in such decision or determination but has been advised of this issuance and its terms. As a consequence of this Offering, CIBC World Markets Inc. will receive its share of the Underwriters' Fee.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of four classes of preferred shares designated as First Preferred Shares, Second Preferred Shares, Third Preferred Shares and Fourth Preferred Shares, each class issuable in series (collectively, the "**Preferred Shares**"). As at November 26, 2004, there were 27,813,547 Common Shares and no Preferred Shares issued and outstanding.

Common Shares

The holders of Common Shares are entitled to: (i) one vote for each Common Share held at all meetings of shareholders of the Corporation other than meetings of the holders of any class or series of shares meeting as a class or series; (ii) receive any dividends declared by the Corporation on the Common Shares; and (iii) subject to the rights of shares ranking prior to the Common Shares, to receive the remaining property of the Corporation on dissolution, after the payment of all liabilities.

Preferred Shares

The Preferred Shares are issuable in series and the designation of, and the rights or privileges, restrictions and conditions attached to any series of Preferred Shares are to be established by the board of directors of the Corporation prior to the issuance thereof. The Preferred Shares have a preference over the Common Shares and any class of shares of the Corporation ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The holders of First Preferred Shares shall have preference over the Second Preferred Shares, Third Preferred Shares, Fourth Preferred Shares and the Common Shares with respect to the distribution of assets in the event of the liquidation, dissolution, or winding-up of the Corporation. In a like manner, Second Preferred Shares shall have preference over Third Preferred Shares, Fourth Preferred Shares and Common Shares; Third Preferred Shares shall have preference over Fourth Preferred Shares and Common Shares; and Fourth Preferred Shares shall have preference over Common Shares.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and Bennett Jones LLP, counsel to the Underwriters (collectively, "**Counsel**"), the following is a fair and adequate summary of the principal Canadian federal income tax considerations generally relevant to a subscriber who purchases Flow-Through Common Shares pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arms length with the Corporation and holds the Flow-Through Common Shares as capital property. The Flow-

Through Common Shares will generally constitute capital property to a subscriber unless the subscriber holds the Flow-Through Common Shares in the course of carrying on a business of buying and selling securities or acquires the Flow-Through Common Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and Counsels' understanding of the current published administrative practices of the Canada Revenue Agency (the "**CRA**"). Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law or administrative practice, nor does it take into account provincial or territorial tax laws of Canada or the tax laws of any foreign jurisdiction. No assurance can be given that the Proposed Amendments will be enacted as proposed (or at all) or that legislative, judicial or administrative changes will not alter the statements made herein.

This summary does not apply to a subscriber: (i) that is a "principal-business corporation" within the meaning of the Tax Act; (ii) whose business includes trading or dealing in rights, licenses or privileges to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons; (iii) that is a "financial institution" as defined in subsection 142.2(1) of the Tax Act; (iv) an interest in which constitutes a "tax shelter investment" within the meaning of the Tax Act; or (v) that is a partnership.

This summary assumes that the Corporation will make all necessary tax filings in respect of the issuance of the Flow-Through Common Shares and the renunciation of CEE in the manner and within the time required by the Tax Act and the Regulations for the renunciation to be effective as of the dates set out in the Subscription Agreement, that the Corporation will incur sufficient CEE to enable it to renounce to subscribers all of the CEE covenanted to be renounced by the Corporation pursuant to the Subscription Agreement effective on the dates set out therein and that the Underwriters will not acquire as principals any of the Flow-Through Common Shares. This summary assumes that the Corporation will be a "principal-business corporation" at all material times and that the Flow-Through Common Shares, when issued, will not be "prescribed shares", all within the meaning of the Tax Act.

The federal income tax consequences to a particular subscriber of an investment in Flow-Through Common Shares will vary according to a number of factors including the legal status of the subscriber as an individual, a trust, a corporation or a partnership, the province or provinces in which the subscriber resides, carries on business or has a permanent establishment and the amount that would be the subscriber's taxable income but for the investment in the Flow-Through Common Shares and the manner in which the proceeds from the issuance of the Flow-Through Common Shares are expended.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular subscriber. Accordingly, each potential subscriber should obtain independent advice regarding the income tax consequences of investing in the Flow-Through Common Shares with reference to the subscriber's own particular circumstances.

Canadian Exploration Expense

The gross proceeds from the issue of the Flow-Through Common Shares may, in certain circumstances, be renounced by the Corporation to subscribers as CEE to the extent permitted by and in accordance with the Tax Act. Such CEE which is properly renounced to a subscriber will be deemed to be CEE incurred by the subscriber on the effective date of the renunciation. Certain CEE incurred pursuant to a flow-through share agreement and within 12 months after the end of the calendar year in which the flow-through share agreement is made (the "**preceding calendar year**") can be treated as if it was incurred on the last day of the preceding calendar year, provided that the subscription price for the relevant flow-through shares has been paid for in money before the end of the preceding calendar year, the subscriber deals at arm's length with the Corporation throughout that 12 month period and the renunciation has been duly made in January, February or March of the calendar year following the preceding calendar year with an effective date of December 31 of the preceding calendar year. For example, certain CEE incurred by the Corporation between January 1, 2005 and December 31, 2005 and renounced by the Corporation to subscribers by March 31, 2005 with an effective date of December 31, 2004 will, to the extent that the Corporation meets certain qualifications and restrictions, be deemed to be CEE incurred by the subscribers on December 31, 2004. Any expenses not incurred by December 31, 2005 will result in an adjustment of the amount previously renounced, which may result in an income tax reassessment of the subscriber. A subscriber will not be subject to any penalties for any such reassessment and will not be subject to any interest charges for any additional taxes payable if such taxes are paid on or prior to April 30, 2006. A renunciation of CEE is only available to the initial subscriber and the right to deduct CEE is not transferable with the sale of the Flow-Through Common Shares.

Generally speaking, the Corporation will be entitled to renounce CEE incurred by it on or after the date that subscriptions for the Flow-Through Common Shares are accepted and before December 31, 2005, less: (i) any previous renunciations with respect to such expenses; (ii) any portion of those expenses which are prescribed under the Regulations as being "Canadian exploration and development overhead expenses"; (iii) certain seismic expenses; and (iv) any assistance that the Corporation has received, is entitled to receive, or may reasonably be expected to receive at any time which is reasonably related to those expenses. The Corporation may not renounce to subscribers an amount in excess of the amount paid by the subscribers for the Flow-Through Common Shares. The Tax Act also restricts the amount of CEE which the Corporation can renounce to the extent that, but for the renunciation, the Corporation would be entitled to claim a deduction in respect of the CEE so renounced in computing its income for purposes of the Tax Act. The CRA's published administrative position is that this restriction would not apply merely because the Corporation has insufficient income in a particular year to otherwise claim the CEE deduction.

A subscriber for Flow-Through Common Shares to whom the Corporation renounces CEE will have such CEE added to the subscriber's cumulative CEE ("**CCEE**") account. A subscriber may deduct in computing his income from all sources for a taxation year an amount not exceeding 100% of the balance of his CCEE account at the end of that taxation year. Deductions claimed by a subscriber reduce the subscriber's CCEE account. To the extent that a subscriber does not deduct the full balance of his CCEE account at the end of the taxation year, the remaining balance will be carried forward and the subscriber will be entitled to claim deductions in respect thereof in subsequent taxation years in accordance with the provisions of the Tax Act, except as restricted on the acquisition of control and on certain amalgamations and liquidations of a corporate subscriber. If at the end of a taxation year the reductions in calculating a subscriber's CCEE account exceed the additions thereto, the excess must be included in computing the subscriber's income for that year and the account will thereupon have a nil balance. The disposition of Flow-Through Common Shares will not reduce the balance in a subscriber's CCEE account.

If a subscriber of Flow-Through Common Shares is a trust governed by a registered retirement savings plan or other registered plan, the tax benefits of the CEE will not be available for deduction against the income of the annuitant or beneficiary of such plans.

Disposition of Flow-Through Common Shares

A disposition or deemed disposition of a Flow-Through Common Share (other than to the Corporation) will result in the subscriber realizing a capital gain (or a capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the subscriber's adjusted cost base of such Flow-Through Common Share and reasonable costs of the disposition. **The initial cost to a subscriber of the Flow-Through Common Shares is deemed to be nil.** The cost of any Flow-Through Common Shares acquired pursuant to this Offering must be averaged with the adjusted cost base of all other Common Shares held by the subscriber for the purpose of calculating capital gains or capital losses on subsequent dispositions of the Flow-Through Common Shares.

One-half of any such capital gain (a taxable capital gain) must be included in computing the income of the holder in the year of disposition, and one-half of any such capital loss (an allowable capital loss) generally must be deducted against taxable capital gains realized by the subscriber in the year of disposition. Allowable capital losses in excess of taxable capital gains for the year of disposition generally may be deducted by the subscriber against net taxable capital gains realized in any of the three preceding years or in any subsequent year, subject to the detailed provisions of the Tax Act.

Minimum Tax

Pursuant to the alternative minimum tax rules in the Tax Act, the tax otherwise payable under Part I of the Tax Act by an individual (other than certain trusts) will not be less than the minimum amount computed by reference to the individual's "adjusted taxable income" for the year. For these purposes the minimum amount generally means the "aggregate percentage" (currently 16%) of adjusted taxable income in excess of $40,000. In calculating adjusted taxable income for this purpose, certain deductions and credits otherwise available are disallowed and certain amounts otherwise not taxable are included in income. These disallowed items include deductions for CEE to the extent the deductions exceed the individual's resource income before deduction of those amounts, and deductions for carrying charges which relate to an investment in flow-through shares to the extent that such deductions exceed the individual's resource income after deductions for resource expenses, including CEE. Also included in adjusted taxable income are 80% of capital gains. Whether and to what extent a particular subscriber will be subject to minimum tax will depend upon the amount of the subscriber's income, the sources from which it is derived and the nature and amount of any deductions that are claimed. Any additional tax payable for a year resulting from the application of the minimum tax provisions is recoverable to the extent the tax otherwise determined exceeds the minimum amount for any of the following seven taxation years.

Cumulative Net Investment Loss

One half of the amount of CEE renounced to a subscriber will be added to the subscriber's cumulative net investment loss ("**CNIL**") account, as defined in the Tax Act. A subscriber's CNIL account may impact a subscriber's ability to access the $500,000 lifetime capital gain exemption available on the disposition of certain qualified small business corporation shares and farm property.

RISK FACTORS

An investment in the Flow-Through Common Shares is subject to certain risks. Prior to making an investment in the Flow-Through Common Shares, investors should carefully consider the risk factors set forth below and under the heading "Risk Factors" in the AIF, which are incorporated into and form part of this short form prospectus.

Tax Treatment of Flow-Through Common Shares

The tax treatment applicable with respect to oil and gas activities and flow-through shares constitutes a major factor when considering an investment in the Flow-Through Common Shares. There is no guarantee that the taxation laws and regulations and the current administrative practices of both the federal and provincial tax authorities will not be amended or construed in such a way that the tax considerations for a subscriber holding Flow-Through Common Shares will not be altered, and moreover there is no guarantee that there will not be any differences of opinion between the federal and provincial tax authorities with respect to the tax treatment of the Flow-Through Common Shares and the activities contemplated by the Corporation's exploration and development programs. See "Certain Canadian Federal Income Tax Considerations".

The Flow-Through Common Shares are designed for investors whose income is subject to high marginal tax rates. The right to deduct CEE accrues to the initial purchaser of Flow-Through Common Shares and is not transferable. No guarantee can be given that Canadian tax laws will not be amended, that the amendments announced with respect to such laws will be adopted or that the current administrative practices of the tax authorities will not be modified. Consequently, the tax considerations for subscribers holding or selling Flow-Through Common Shares may be fundamentally altered. See "Certain Canadian Federal Income Tax Considerations".

There is no guarantee that an amount equal to the total proceeds of the sale of the Flow-Through Common Shares will be expended on or prior to December 31, 2005 as CEE resulting in the deductions described under "Certain Canadian Federal Income Tax Considerations". **If the Corporation does not expend an amount equal to the proceeds from the sale of the Flow-Through Common Shares prior to December 31, 2005, the Corporation shall restate the amount of expenses that it has renounced in favour of the subscribers and the subscribers will be reassessed and will remit the tax benefits from which they would have benefited.** Subscribers will not be subject to penalties for any such reassessment and no interest will be payable on such additional tax if such tax is paid by April 30,2006.

ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel and subject to the provisions of any particular plan, the Flow-Through Common Shares will, as of the date hereof, be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans under the *Income Tax Act* (Canada) as in effect on the date hereof. If a subscriber of Flow-Through Common Shares is a trust governed by a registered retirement savings plan or other registered plan, the tax benefits of the CEE will not be available for deduction against the income of the annuitant or beneficiary of such plans.

In the opinion of Counsel, subject to compliance with the prudent investment standards or criteria and the general investment provisions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals and, in certain circumstances, the filing of such policies, procedures and goals, the Flow-Through Common Shares offered hereunder are not, at the date hereof, precluded as investments under or by the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Loan and Trust Corporations Act (Alberta)
Insurance Act (Alberta)
Employment Pension Plans Act (Alberta)
Alberta Heritage Savings Trust Fund Act (Alberta)
The Pension Benefits Act, 1992 (Saskatchewan)
The Insurance Act (Manitoba)
The Pension Benefits Act (Manitoba)
Pension Benefits Act (Ontario)
Loan and Trust Corporations Act (Ontario)
an Act respecting insurance (Québec) (for insurers (as defined therein) other than guarantee funds)
an Act respecting trust companies and savings companies (Québec) (for a trust company (as defined therein) investing its own funds and deposits it receives or a savings company which invests its own funds)
Supplemental Pension Plans Act (Québec)

(and where applicable, the regulations or guidelines made under these statutes) would not preclude, subject to compliance with prudent investment standards or criteria, or, if applicable, investment policies, procedures or goals which have been filed where required with the appropriate regulatory authorities and the general investment provisions of such statutes and, if applicable, the regulations or guidelines thereunder, an investment in the Flow-Through Common Shares by companies, corporations, pension plans or persons registered thereunder or governed thereby.

INTERESTS OF EXPERTS

Certain legal matters relating to the securities offered hereunder will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Corporation and Bennett Jones LLP on behalf of the Underwriters. The partners and associates of these firms, each as a group, beneficially own, directly or indirectly, less than 1% of the Common Shares. Dallas L. Droppo Q.C., a director and Corporate Secretary of the Corporation, is a partner of Blake, Cassels & Graydon LLP. Neither Paddock Lindstrom Associates Ltd., which prepared the independent engineering evaluation of the Corporation's oil, natural gas and natural gas liquids referenced in the AIF, nor its officers or directors, beneficially own, directly or indirectly, any Common Shares.

AUDITORS, REGISTRAR AND TRANSFER AGENT OF THE CORPORATION

The auditors of the Corporation are PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta.

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

PURCHASER'S STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of the Corporation dated •, 2004 relating to the issue and sale of 1,269,842 common shares of the Corporation to be issued as "flow-through shares" within the meaning of the *Income Tax Act* (Canada) (the "Prospectus"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2003 and 2002 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. Our report is dated March 5, 2004.

(signed) "•"

Chartered Accountants
Calgary, Alberta

•, 2004

CERTIFICATE OF THE CORPORATION

Dated: November 30, 2004

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(signed) LOWELL E. JACKSON
Director, President and
Chief Executive Officer

(signed) PAMELA J. ORR
Vice President, Finance and
Chief Financial Officer

On behalf of the Board of Directors

(signed) DALLAS L. DROPPO, Q.C.
Director

(signed) FRANS BURGER
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: November 30, 2004

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

GMP SECURITIES LTD.

By: (signed) CHRISTOPHER T. GRAHAM

CIBC WORLD MARKETS INC.

By: (signed) T. TIMOTHY KITCHEN

RAYMOND JAMES LTD.

By: (signed) EDWARD J. BEREZNICKI

ORION SECURITIES INC.

By: (signed) MARILIA COSTA

PETERS & CO. LIMITED

By: (signed) CHRISTOPHER S. POTTER

MAISON PLACEMENTS CANADA INC.

By: (signed) JOHN ING