FORM 51-101F1

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

PREPARATION DATE OF EVALUATION REPORT – OCTOBER 5, 2004

SUMMARY OF PETROLEUM AND NATURAL GAS RESERVES
as at May 31, 2004
(based on constant prices and cost assumptions)

	Reserves							
	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
Reserves Category	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved:								
Developed Producing	15.0	12.2	-	-	16.0	10.4	1.4	0.9
Developed Non-Producing	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-
Total Proved	15.0	12.2	-	-	16.0	10.4	1.4	0.9
Probable	5.5	4.4	-	-	5.8	3.8	0.5	0.3
Total Proved Plus Probable	20.5	16.6	-	-	21.8	14.1	1.9	1.3

NET PRESENT VALUES OF FUTURE NET REVENUE
as at May 31, 2004
(based on constant prices and cost assumptions)

Reserves Category	Before Income Taxes ($000s) Discounted at (%/year)			
	0%	10%	15%	20%
Proved Developed producing	596.0	471.4	427.6	392.0
Proved Developed non-producing	-	-	-	-
Proved Undeveloped	-	-	-	-
Total Proved	596.0	471.4	427.6	392.0
Probable	218.9	124.9	99.5	81.7
Total proved plus probable	814.8	596.2	527.1	473.6

NET PRESENT VALUES OF FUTURE NET REVENUE
as at May 31, 2004
(based on constant prices and cost assumptions)

Reserves Category	After Income Taxes ($000s) Discounted at (%/year)			
	0%	10%	15%	20%
Proved:				
Developed producing	455.3	357.7	323.5	295.7
Developed non-producing	-	-	-	-
Undeveloped	-	-	-	-
Total proved	455.3	357.7	323.5	295.7
Probable	148.7	83.2	65.7	53.5
Total proved plus probable	604.0	440.9	389.2	349.2

TOTAL FUTURE NET REVENUE
(undiscounted)
as at May 31, 2004
(based on constant prices and cost assumptions)

	Reserves Category	
	Proved ($000s)	**Proved Plus Probable ($000s)**
Revenue	929.4	1266.3
Royalty expense	196.3	267.4
Operating costs	129.6	176.7
Exploration and development costs	-	-
Well abandonment costs	7.5	7.5
Alberta Royalty Tax Credits	0.0	0.0
Future net revenue before income taxes	596.0	814.7
Income taxes	140.6	210.8
Future net revenue after income taxes	455.4	603.9

FUTURE NET REVENUE BY PRODUCTION GROUP
as at May 31, 2004
(based on constant prices and cost assumptions)

Reserves Category	**Production Group**	**Future Net Revenue Before Income Taxes Discounted at 10%/year ($000s)**
Proved	Light and Medium Oil (including solution gas and other by-products)	471.4
	Heavy Oil (including solution gas and other by-products)	-
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	-
Proved plus probable	Light and Medium Oil (including solution gas and other by-products)	596.2
	Heavy Oil (including solution gas and other by-products)	-
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	-

SUMMARY OF PETROLEUM AND NATURAL GAS RESERVES
as at May 31, 2004
(based on forecast prices and cost assumptions)

	Reserves							
	Light and Medium Oil		**Heavy Oil**		**Natural Gas**		**Natural Gas Liquids**	
Reserves Category	**Gross (Mbbl)**	**Net (Mbbl)**	**Gross (Mbbl)**	**Net (Mbbl)**	**Gross (MMcf)**	**Net (MMcf)**	**Gross (Mbbl)**	**Net (Mbbl)**
Proved:								
Developed Producing	15.0	12.3	-	-	16.0	10.4	1.4	0.9
Developed Non-Producing	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-
Total Proved	15.0	12.3	-	-	16.0	10.4	1.4	0.9
Probable	5.5	4.5	-	-	5.8	3.8	0.5	0.3
Total Proved Plus Probable	20.5	16.8	-	-	21.8	14.1	1.9	1.3

NET PRESENT VALUES OF FUTURE NET REVENUE
as at May 31, 2004
(based on forecast prices and cost assumptions)

Reserves Category	**Before Income Taxes ($000s) Discounted at (%/year)**			
	0%	10%	15%	20%
Proved Developed producing	408.3	339.0	312.9	291.1
Proved Developed non-producing	-	-	-	-
Proved Undeveloped	-	-	-	-
Total proved	408.3	339.0	312.9	291.1
Probable	138.2	82.9	67.2	55.8
Total proved plus probable	546.5	421.9	380	346.9

NET PRESENT VALUES OF FUTURE NET REVENUE
as at May 31, 2004
(based on forecast prices and cost assumptions)

Reserves Category	**After Income Taxes ($000s) Discounted at (%/year)**			
	0%	10%	15%	20%
Proved:				
Developed producing	329.7	270.4	248.2	229.7
Developed non-producing	-	-	-	-
Undeveloped	-	-	-	-
Total proved	329.7	270.4	248.2	229.7
Probable	96.4	56.2	44.9	36.9
Total proved plus probable	426.0	326.5	293.0	266.6

TOTAL FUTURE NET REVENUE
(undiscounted)
as at May 31, 2004
(based on forecast prices and cost assumptions)

	Reserves Category	
	Proved ($000s)	**Proved Plus Probable ($000s)**
Revenue	707.7	950.6
Royalty expense	148.8	195.9
Operating costs	140.5	197.5
Exploration and development costs	-	-
Well abandonment costs	10.1	10.7
Alberta Royalty Tax Credits	0.0	0.0
Future net revenue before income taxes	408.3	546.5
Income taxes	78.6	120.4
Future net revenue after income taxes	329.7	426.1

FUTURE NET REVENUE BY PRODUCTION GROUP
as at May 31, 2004
(based on forecast prices and cost assumptions)

Reserves Category	Production Group	Future Net Revenue Before Income Taxes Discounted at 10%/year ($000s)
Proved	Light and Medium Oil (including solution gas and other by-products)	339.0
	Heavy Oil (including solution gas and other by-products)	-
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	-
Proved plus probable	Light and Medium Oil (including solution gas and other by-products)	421.9
	Heavy Oil (including solution gas and other by-products)	-
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	-

Notes:
(1) “Gross Reserves” are defined as those reserves accruing to Exxel’s interest before deduction of royalties owned by others, including crown and freehold royalties.
(2) “Net Reserves” are defined as those reserves accruing to Exxel’s interest after deduction of royalties owned by others, including crown and freehold royalties.
(3) “Future Net Revenue” is expressed after giving effect to all royalties, mineral taxes, operating expenses, and capital expenditures but before provision for income taxes and indirect costs, such as overhead and administration expenses.
(4) “Proved Reserves” are defined as those reserves that are estimated as recoverable with a high degree of certainty under current technology and existing economic conditions in the case of constant price and cost analyses and anticipated economic conditions in the case of escalated price and cost analyses, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir.
(5) “Proved Developed Producing Reserves” are defined as those proved reserves that are actually on production and could be recovered from existing wells and facilities or, if facilities have not been installed, that would involve a small investment relative to cash flow. In multi-well pools involving a competitive situation, reserves may be subdivided into producing and non-producing reserves in order to reflect allocation of reserves to specific wells and their respective development status.
(6) “Proved Developed Non-Producing Reserves” are defined as those proved reserves that are not classified as producing.
(7) “Proved Undeveloped Reserves” are defined as those proved reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production.
(8) “Probable Reserves” are defined as those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proved, but where such analysis suggests the likelihood of their existence and future recovery under current technology and existing or anticipated economic conditions. Probable additional reserves to be obtained by the application of enhanced recovery processes will be the increased recovery over and above that estimated in the proved category, which can be realistically estimated for the pool on the basis of enhanced recovery processes, which can be reasonably expected to be instituted in the future.
(9) The estimates of Future Net Revenue do not necessarily reflect fair market value.

PRICING ASSUMPTIONS

Constant Prices used in Estimates
The constant price case was determined by McDaniel and assumes a reference price of oil of Cdn. $52.68 per Bbl and Cdn. $7.11 per Mmbtu for 2004 and thereafter for the life of the properties and no escalation in operating or capital costs due to inflation.

Forecast Prices used in Estimates
The oil and natural gas reference prices used in the forecast price cases were estimated by McDaniel effective June 1, 2004 as detailed in the table below. In the forecast price case, costs are assumed to increase at 2.0% per year.

Year	Crude Oil Edmonton Light Sweet Price (CDN $/bbl)	Natural Gas Average Alberta Field Price (CDN $/Mmbtu)
2004	49.00	7.60
2005	41.60	6.65
2006	37.40	5.60
2007	35.10	4.95
2008	34.90	4.85
2009	35.60	4.90
2010	36.30	5.00
2011	37.10	5.15
2012	37.90	5.25
2013	38.70	5.40
2014	39.40	5.50
2015	40.20	5.55
2016	41.00	5.65
2017	41.80	5.80
2018	42.50	5.90
2019	43.50	6.00
2020	44.40	6.10
2021	45.30	6.25
2022	46.20	6.40
2023	47.10	6.55
Thereafter	47.10	6.55

RECONCILIATION OF CHANGES IN RESERVES

The following table provides the changes in net reserves between Exxel's McDaniel's Reports dated July 1, 2003 and May 31, 2004, based on forecast prices and costs.

Factors	Light and Medium Oil + NGLs			Heavy Oil			Associated and Non-Associated Gas		
	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)
July 1, 2003	22	5	28	-	-	-	129	30	159
Extensions	-	-	-	-	-	-	-	-	-
Improved recovery	-	-	-	-	-	-	-	-	-
Technical revisions	1	1	1	-	-	-	-106	-	-130
Discoveries	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic factors	-	-	-	-	-	-	-	-	-
Production	-7	-	-7	-	-	-	-7	-	-7
May 31, 2004	16	6	22	-	-	-	16	5.8	22

Note: The evaluation as at July 1, 2003 was prepared using National Policy 2-B reserves definitions. Under those definitions, probable reserves were adjusted by a factor to account for the risk associated with their recovery. The Company previously applied a risk factor of 50% in reporting probable reserves. Under current NI 51-101 reserves definitions, estimates are prepared such that the full proved plus probable reserves are estimated to be recoverable (proved plus probable reserves are effectively a "best estimate"). The above reconciliation reflects current probable reserves versus previous risk adjusted (50%) probable reserves reported by the Company.

RECONCILIATION OF CHANGES IN NET PRESENT VALUES OF FUTURE NET REVENUE OF PROVED RESERVES
Discounted at 10% per Year
(based on constant prices and cost assumptions)

PERIOD AND FACTOR	2004 ($000s)
Estimated future net revenue at beginning of year after tax	**456.0**
Oil and gas sales during the period net of royalties and production costs	(302.5)
Changes due to prices	120.7
Actual development costs during the period	-
Changes in future development costs	-
Changes resulting from extensions, infill drilling and improved recovery	-
Changes resulting from discoveries	-
Changes resulting from acquisitions of reserves	-
Changes resulting from dispositions of reserves	-
Accretion of discount	78.8
Other significant factors	596.2
Net changes in income taxes	210.8
Changes resulting from technical reserves revisions plus effects of timing	(719.1)
Estimated future net revenue at end of year after tax	**440.9**

Future Development Costs
The following table sets forth the development costs deducted in the estimation of Exxel's future net revenue.

Constant Prices ($000s)

Year	Proved		Proved Plus Probable	
	No Discount	**10% Discount**	**No Discount**	**10% Discount**
2004	-	-	-	-
Thereafter	-	-	-	-

Forecast Prices ($000s)

Year	Proved		Proved Plus Probable	
	No Discount	**10% Discount**	**No Discount**	**10% Discount**
2004	-	-	-	-
Thereafter	-	-	-	-

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Undeveloped Reserves
Exxel has no proved undeveloped reserves

Future Development Costs
Exxel has no proved undeveloped reserves therefore no future development costs are anticipated and deducted in the estimation of the future net revenues attributable to Exxel's reserves. The conversions of Exxel's undeveloped probable reserves are estimations of improved performance and recoveries not requiring any future development costs.

Oil and Gas Properties and Wells
Exxel has a pooled 25% working interest (0.25 net) in one producing oil well (1.0 gross) located in the Garrington area of west central Alberta. Exxel does not have any other well interests.

No reserves have been assigned to non-producing properties.

Properties With No Attributable Reserves
Exxel has a 50% working interest in 480 undeveloped gross acres (240 net acres) in the Garrington area.

Forward Contracts
Exxel is not party to any forward contracts.

Abandonment and Reclamation Costs
Exxel's future well abandonment cost relating to Exxel's well interest is estimated to be $10,100 (undiscounted), or $2,400 (discounted 10%). No abandonment costs are anticipated in the next three years.

Tax Horizon
The Company has available tax losses of $38,078, which may be offset against future taxable income. These losses expire in 2011. With the current income for the year, the Company expects to pay income taxes in the year 2006.

Costs Incurred during Fiscal Period
Property costs, prior to depletion and accretion and site restoration asset.
Property acquisition costs: $94,652
Exploration costs: $30,285
Development costs: $120,826

Production Estimates
Exxel's 2005 estimated production is 3.5 thousand barrels of oil, 0.3 thousand barrels of natural gas liquids, and 3.7 Mmcf of natural gas.

Production History for Fiscal Period

	Q1[1]	**Q2**	**Q3**	**Q4**
Average Production				
Oil – bpd	27.3	23.7	14.3	15.4
NGL 's -bpd	-	2.7	0.9	1.4
Gas - Mcfpd	9.75	23.7	27.9	15.7
Equivalent - boepd	28.9	30.3	19.8	19.4
Financial Data				
Prices received:				
Oil - $/bbl	41.28	36.89	47.26	48.44
NGL's - $/bbl	-	24.55	29.69	29.21
Gas - $/mcf	9.17	5.56	6.97	7.62
Equivalent - $/boe	42.06	35.34	45.19	46.71
Royalties Paid - $/boe	1.33	2.32	1.37	2.74
Production Costs - $/boe	1.02	3.30	3.33	1.19
Netback - $/boe	39.70	29.72	40.49	43.30

(1) First production commenced July 2003

ABBREVIATIONS

"bbl"	barrel
"bpd	barrel per day
"boe"	barrel of oil equivalent using a conversion ratio of 6 thousand cubic feet gas to one barrel of oil (6 Mcf:1bbl)
"boepd"	barrel of oil equivalent per day
"Mbbl"	thousand barrels
"Mcf"	thousand cubic feet
"Mcfpd"	thousand cubic feet per day
"MMcf"	million cubic feet
"MMBTU"	million British Thermal Units

October 5, 2004

Exxel Energy Corp.
11th Floor, 609 West Hastings Street
Vancouver, British Columbia
V6B 4W4

Attention: The Board of Directors of Exxel Energy Corp.

Re: **Form 51-101F2**
Report on Reserves Data by an Independent Qualified Reserves Evaluator of Exxel Energy Corp. (the "Company")

Dear Sir:

To the Board of Directors of Exxel Energy Corp. (the "Company"):

1. We have evaluated the Company's reserves data as at May 31, 2004. The reserves data consists of the following:

   (a) proved and proved plus probable oil and gas reserves estimated as at May 31, 2004 using forecast prices and costs and the related estimated future net revenue; and

   (b) proved and proved plus probable oil and gas reserves estimated as at May 31, 2004 using constant prices and costs and the related estimated future net revenue.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us, for the year ended May 31, 2004, and identifies the respective portions thereof that we have evaluated, audited and reviewed and reported on to the Company's management:

		Net Present Value of Future Net Revenue $M (before income taxes, 10% discount rate)			
Preparation Date of Evaluation Report	**Location of Reserves**	**Audited**	**Evaluated**	**Reviewed**	**Total**
October 5, 2004	Canada	-	422	-	422

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.

6. We have no responsibility to update our report for events and circumstances occurring after the preparation date.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

"signed by P. A. Welch"

P. A. Welch, P. Eng.
Executive Vice President

Calgary, Alberta

FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of Exxel Energy Corp. ("the Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

(a) (i) proved plus probable reserves estimated as at May 31, 2004 using forecast prices and costs; and
(ii) the related estimated future net revenue; and

(b) (i) proved plus probable reserves estimated as at May 31, 2004 using constant prices and costs; and
(ii) the related estimated future net revenue.

An independent qualified reserves evaluator evaluated the Company's reserves data. The report of the independent qualified reserves evaluator has been filed with securities regulatory authorities concurrently with the Company's audited financials statements.

The Board of Directors and Management have reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities.

The Board of Directors has

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator and has reviewed that information with management;
(b) met with the qualified reserves evaluator to determine whether any restrictions affected the ability of the independent reserves evaluator to report without reservation and, because of the proposal to change the independent reserves evaluator, to inquire whether there had been disputes between the previous independent reserves evaluator and management;
(c) reviewed the reserves data with management and the independent reserves evaluator.

The Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of Directors has approved

(a) the content and filing with securities regulators of the reserves data and other oil and gas information;
(b) the filing of the report of the independent qualified reserves evaluator on the reserves data; and
(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

"John R. Hislop"

John R. Hislop
President, CEO and Director

"Linda James"

Linda James
Chief Financial Officer

"Alistair Palmer"

Alistair Palmer
Director

"Lorne Hanson"

Lorne Hanson
Director

October 18, 2004