

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Alberta, British Columbia, Saskatchewan and Ontario 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.*

**These securities have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "U.S. Securities Act"). Accordingly, these securities may not be offered or sold within the United States of America except pursuant to the Underwriting Agreement in transactions exempt from the registration requirements of the U.S. Securities Act pursuant to Rule 144A thereunder. See "*Plan of Distribution*". This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America.**

PRELIMINARY SHORT FORM PROSPECTUS

*New Issue*

June 23, 2005

**CLEAR ENERGY INC.**

**\$17,632,500**

**1,850,000 Common Shares**

**1,450,000 Flow-Through Common Shares**

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**Price: \$4.75 per Common Share**

**\$6.10 per Flow-Through Common Share**

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Clear Energy Inc. ("**Clear Energy**" or the "**Corporation**") is hereby qualifying for distribution 1,850,000 common shares (the "**Common Shares**") and 1,450,000 common shares of the Corporation to be issued as "flow-through shares" within the meaning of the *Income Tax Act* (Canada) (the "**Flow-Through Common Shares**") (the Common Shares and the Flow-Through Common Shares are collectively, the "**Shares**") at a price of \$4.75 per Common Share and \$6.10 per Flow-Through Common Share.

The Corporation will incur and, effective on or before December 31, 2005, renounce to each subscriber of Flow-Through Common Shares Canadian exploration expense ("**CEE**") in an amount equal to the aggregate purchase price paid by each such subscriber. See "*Renunciation of CEE*" and "*Certain Canadian Federal Income Tax Considerations*".

The outstanding common shares of the Corporation are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the trading symbol "CEN". On June 20, 2005, being the day prior to the announcement of the offering of the Shares, the closing price of the Corporation's common shares on the TSX was \$5.00. On June 22, 2005 being the last day on which the Corporation's common shares traded prior to the date of this short form prospectus, the closing price of the Corporation's common shares on the TSX was \$5.05. The offering price of \$4.75 per Common Share and \$6.10 per Flow-Through Common Share was determined by negotiations between the Corporation and Tristone Capital Inc., FirstEnergy Capital Corp., GMP Securities Ltd., Canaccord Capital Corporation, Salman Partners Inc. and TD Securities Inc. (collectively, the "**Underwriters**").

	<u>Offering Price</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds<sup>(2)</sup></u>
Per Common Share.....	\$4.75	\$0.21	\$4.54
Per Flow-Through Common Share.....	\$6.10	\$0.27	\$5.83
Total <sup>(3)</sup> .....	\$17,632,500	\$793,463	\$16,839,037

**Notes:**

- (1) The Corporation has agreed to pay a fee equal to 4.5% of the gross proceeds of this offering to the Underwriters in connection with the sale of the Shares.
- (2) Before deducting the expenses relating to the issuance of the Shares estimated to be \$100,000.
- (3) The Corporation has granted to the Underwriters an option (the "**Underwriters' Option**") to purchase an additional 250,000 Common Shares and 225,000 Flow-Through Common Shares on the same terms as set forth above, exercisable at any time prior to closing. This short form prospectus also qualifies for distribution the Shares that are issued pursuant to the exercise of the Underwriters' Option. If the Underwriters' Option is exercised in full, the total price to the public, the Underwriters' Fee and the Net Proceeds to the Corporation (before deducting expenses of the offering) will be \$20,192,500, \$908,663 and \$19,283,837, respectively. See "*Plan of Distribution*".

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale if, as and when issued by the Corporation and accepted by the Underwriters, in accordance with the conditions contained in the Underwriting Agreement referred to under the section entitled "*Plan of Distribution*". The Underwriters have also 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. The Underwriters have agreed that in the event that less than 1,450,000 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. This offering is subject to the approval of certain legal matters on behalf of the Corporation by Borden Ladner Gervais LLP, Calgary, Alberta, and on behalf of the Underwriters by Burnet Duckworth & Palmer LLP, Calgary, Alberta. The Underwriters may effect transactions which stabilize or maintain the market price for the Shares at levels other than those which otherwise might prevail in the open market. See "*Plan of Distribution*".

**TD Securities Inc., one of the Underwriters, is a wholly owned subsidiary of a Canadian chartered bank that is a lender to Clear Energy and to which it is presently indebted. Consequently, Clear Energy may be considered to be a connected issuer of TD Securities Inc. under applicable Canadian securities laws. Clear Energy will initially use the net proceeds of this offering to repay a portion of its indebtedness to such bank. See "*Relationship Between Clear Energy and Certain Underwriters*" and "*Use of Proceeds*".**

Subscriptions for Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of this offering will take place on or about July 12, 2005, or such other date as may be agreed to by the Corporation and the Underwriters.

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## ABBREVIATIONS AND DEFINITIONS

In this short form prospectus, the abbreviations set forth below have the following meanings:

"mcf"	1,000 cubic feet	"mcf/d"	one thousand standard cubic feet per day
"mmcf"	1,000,000 cubic feet	"mmcf/d"	one million standard cubic feet per day
"boe"	Barrels of oil equivalent (6 mcf:1bbl)	"Bbls"	Barrels
"mboe"	Thousand barrels of oil equivalent	"mbbls"	1,000 barrels
		"Bbls/d"	Barrels per day

**Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

In this short form prospectus, references to "dollars" and "\$" are to the currency of Canada, unless otherwise indicated.

## FORWARD LOOKING STATEMENTS

Certain statements contained in this short form prospectus and the documents incorporated by reference herein, including estimates of reserves, estimates of future cash flow and estimates of future production as well as other statements about anticipated future events or results are forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements that are contained in this short form prospectus and the documents incorporated by reference herein involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "Risk Factors" in the AIF and under the heading "Risks" in the MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward looking statements are qualified in their entirety by reference to the important factors discussed under the heading "Risk Factors" in the Annual Information Form and under the heading "Risks" in the MD&A and to those that may be discussed as part of particular forward-looking statements.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents of Clear Energy, filed with Canadian securities regulatory authorities in the provinces of Alberta, British Columbia, Saskatchewan and Ontario (the "Filing Provinces"), are specifically incorporated by reference into and form an integral part of this short form prospectus:

1. the Renewal Annual Information Form of Clear Energy dated March 17, 2005 for the fiscal year ended December 31, 2004 (the "AIF");
2. the management's discussion and analysis (the "MD&A") for the year ended December 31, 2004;
3. the audited comparative consolidated financial statements of Clear Energy and notes thereto as at and for the years ended December 31, 2004 and 2003 and the Auditors' Report thereon;
4. the Management Information Circular of Clear Energy dated April 29, 2005 (excluding the sections entitled "Executive Compensation - Report on Executive Compensation", "Executive Compensation - Performance Graph" and "Statement of Corporate Governance Practices" which, pursuant to National Instrument 44-101 of the Canadian securities regulatory authorities, are not required to be incorporated by reference herein) prepared in connection with Clear Energy's special and annual meeting of shareholders held on June 1, 2005;
5. the unaudited comparative interim consolidated financial statements of Clear Energy as at and for the three-month period ended March 31, 2005 and related notes, together with management's discussion and analysis of financial condition and results of operations for the period then ended; and
6. the Business Acquisition Report dated December 8, 2004 with respect to the Corporation's acquisition of Ranchgate Energy Inc.

Any material change reports (except confidential material change reports), comparative interim financial statements, management's discussion and analysis for interim financial periods, comparative financial statements for the most recently completed financial year (together with the accompanying report of the auditor) and any information circular (excluding the portions thereof which, pursuant to National Instrument 44-101 of the Canadian securities regulatory authorities, are not required to be incorporated by reference in a short form prospectus) filed by Clear Energy in the Filing Provinces subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this short form prospectus.

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

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Clear Energy by sending a written request to Suite 2900, 400 - 4th Avenue S.W., Calgary, Alberta, T2P 0J4, by faxing a written request to 403-410-3111, or by calling 403-410-3100. In addition, copies of the documents incorporated herein by reference may be obtained 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](http://www.sedar.com).

**CLEAR ENERGY INC.**

Clear Energy Inc. was incorporated under the *Business Corporations Act* (Alberta) on December 9, 2002.

The head office of Clear Energy is located at Suite 2900, 400 – 4th Avenue S.W., Calgary, Alberta, T2P 0J4 and the registered office is located at 1000, 400-3rd Avenue S.W., Calgary, Alberta T2P 4H2.

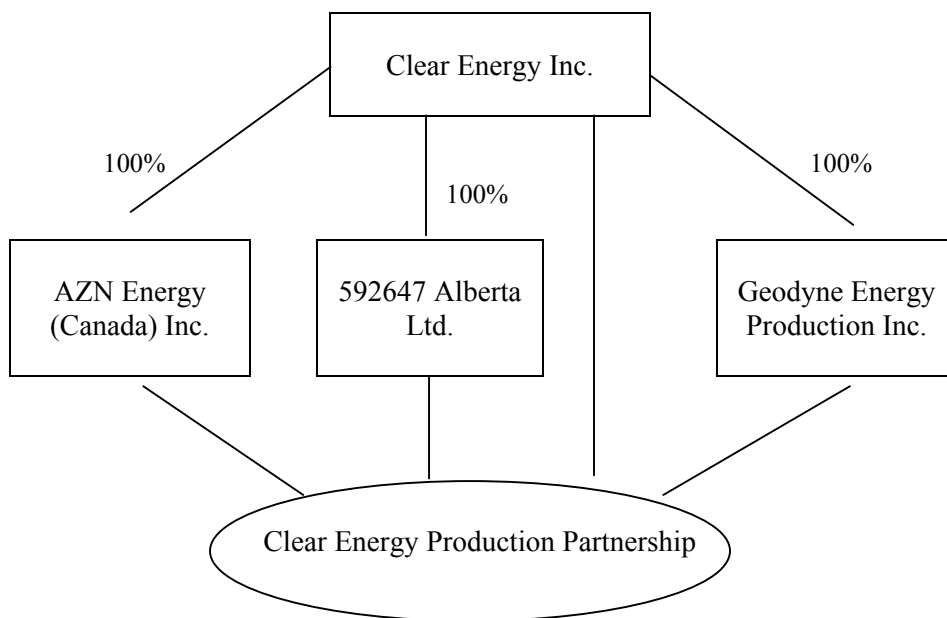
**Inter-Corporate Relationships**

The following table provides the name, the percentage of voting securities owned by the Corporation and the jurisdiction of incorporation or formation of the Corporation’s subsidiaries, either direct or indirect, as at the date hereof.

	<b>Percentage of voting securities (directly or indirectly)</b>	<b>Jurisdiction of Incorporation/Formation</b>
AZN Energy (Canada) Inc.	100%	Alberta
592647 Alberta Ltd.	100%	Alberta
Geodyne Energy Production Inc.	100%	Alberta

**Organizational Structure of the Corporation**

The following diagram sets forth the organizational structure of the Corporation as at the date hereof.



## SUMMARY DESCRIPTION OF THE BUSINESS

Clear Energy was created for the purpose of participating in a plan of arrangement involving Vermilion Resources Ltd. (“**Vermilion**”), Vermilion Acquisitions Ltd., Vermilion Energy Trust and the Corporation (the “**Plan of Arrangement**”). The Plan of Arrangement was effective January 22, 2003 and resulted in the shareholders and option holders of Vermilion becoming unitholders of Vermilion Energy Trust and shareholders of Clear Energy. Shareholders and option holders of Vermilion received 19,160,206 common shares in the capital of Clear Energy pursuant to the Plan of Arrangement. As part of the Plan of Arrangement Clear Energy acquired certain of Vermilion’s production and exploration assets in the Peace River Arch area of Alberta and in Saskatchewan. Upon completion of the Plan of Arrangement certain officers and employees of Vermilion became the management team of Clear Energy. Clear Energy is engaged in the exploration for, development, and production of oil and natural gas in both Alberta and Saskatchewan

## RECENT DEVELOPMENTS

### April Price Forecast Evaluation

Given the significant change in oil and gas prices since the release of the Corporation’s reserves information prepared in accordance with NI 51-101 (the “**GLJ Report**”) and disclosed in the Company’s AIF, which is incorporated by reference into this prospectus, at the request of Clear Energy, Gilbert Lausten Jung & Associates Ltd., Petroleum Consultants (“**GLJ**”) has performed a mechanical update of the Corporation’s reserves using GLJ’s price forecast as of April 1, 2005. The reserves disclosed below have been evaluated as of December 31, 2004 but have been updated to reflect the Corporation’s production to April 1, 2005 and GLJ’s April 1, 2005 price forecast. The reserves information below does not reflect any reserves additions for 2005. The April price forecast, by comparison to the information set forth in the GLJ Report, provides some measure of guidance in respect of the sensitivity of the evaluation to price forecast changes, particularly having regard to the period over which reserves are, pursuant to the evaluation, estimated to be recovered. GLJ otherwise used the same assumptions and definitions as in the GLJ Report. The tables below summarize the April price forecast and the results of such analysis. **The information set forth below is supplemental to the disclosure required by NI 51-101 and is not a substitute therefor.**

**It should not be assumed that the estimates of future net revenue presented in the tables below represent the fair market value of the Corporation’s reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of Clear Energy’s reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.**

**Summary of Oil and Gas Reserves  
(Forecast Prices and Costs)**

<b>Description</b>	<b>Crude Oil mbl</b>		<b>Heavy Oil mbl</b>		<b>Gas mmcf</b>		<b>NGLs mbl</b>		<b>Total mboe</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Proved Producing	260	202	312	280	14,340	11,634	79	56	3,041	2,477
Proved Non-producing	29	27	739	659	6,663	5,197	58	40	1,936	1,592
Proved Undeveloped	25	24	328	294	2,545	2,102	4	3	782	672
Total Proved	313	253	1,379	1,233	23,548	18,933	141	98	5,759	4,740
Probable	227	163	872	774	16,667	13,480	49	34	3,926	3,217
Total Proved Plus Probable	540	416	2,252	2,007	40,215	32,413	190	132	9,685	7,957

**Net Present Value of Future Net Revenue  
(Forecast Prices and Costs)**

<b>Description</b>	<b>Before Tax (\$000s)</b>						
	<b>Discounted at</b>						
	<b>0%</b>	<b>5%</b>	<b>8%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	
Proved Producing		68,576	58,816	54,550	52,148	47,252	43,471
Proved Non-producing		33,815	27,428	24,722	23,227	20,252	18,026
Proved Undeveloped		8,423	7,203	6,487	6,041	5,049	4,227
Total Proved		110,813	93,448	85,759	81,416	72,553	65,724
Probable		71,368	49,050	41,252	37,253	29,831	24,679
Total Proved Plus Probable		182,181	142,498	127,011	118,669	102,384	90,402
<b>Description</b>	<b>After Tax (\$000s)</b>						
	<b>Discounted at</b>						
	<b>0%</b>	<b>5%</b>	<b>8%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	
Proved Producing		68,164	58,428	54,175	51,782	46,906	43,142
Proved Non-producing		27,503	21,636	19,190	17,814	15,232	13,278
Proved Undeveloped		6,876	5,751	5,101	4,736	3,808	3,114
Total Proved		102,543	85,815	78,466	74,332	65,946	59,534
Probable		53,738	35,084	28,802	25,643	19,893	15,997
Total Proved Plus Probable		156,281	120,899	107,268	99,975	85,839	75,531

## GLJ Forecast Pricing Assumptions

Year	Exchange Rate \$US/\$Cdn	AECO-C Spot \$Cdn/mmbtu	WTI	Light, Sweet	Heavy	Alberta Natural Gas Liquids			
			Crude Oil at Oklahoma \$US/bbl	Crude Oil (40° API, 0.3%S) at Edm. \$Cdn/bbl	Oil (12° API) at Hardisty \$Cdn/bbl	Spec Ethane \$Cdn/bbl	Edmonton Propane \$Cdn/bbl	Edmonton Butane \$Cdn/bbl	Edmonton Pentanes \$Cdn/bbl
2005	0.82	7.70	54.00	65.00	33.25	26.00	41.50	48.00	65.75
2006	0.82	7.20	50.00	60.00	33.75	24.25	38.50	44.50	60.75
2007	0.82	6.95	47.50	57.25	33.50	23.25	36.75	42.25	58.00
2008	0.82	6.75	45.00	54.25	33.75	22.50	34.75	40.25	55.00
2009	0.82	6.50	42.00	50.50	32.75	21.75	32.25	37.25	51.00
2010	0.82	6.50	40.00	48.00	31.25	21.75	30.75	35.50	48.50
2011	0.82	6.50	40.00	48.00	31.25	21.75	30.75	35.50	48.50
2012	0.82	6.50	40.00	48.00	31.25	21.75	30.75	35.50	48.50
2013	0.82	6.65	40.50	48.75	31.75	22.25	31.25	36.00	49.25
2014	0.82	6.75	41.25	49.50	32.00	22.50	31.75	36.75	50.00
2015	0.82	6.85	41.75	50.25	32.75	23.00	32.25	37.25	50.75
Thereafter	0.82	+ 2.0%/yr	+ 2.0%/yr	+ 2.0%/yr	+ 2.0%/yr	+ 2.0%/yr	+ 2.0%/yr	+ 2.0%/yr	+ 2.0%/yr

### DETAILS OF THE OFFERING

The offering consists of 1,850,000 Common Shares and 1,450,000 Flow-Through Common Shares at a price of \$4.75 per Common Share and \$6.10 per Flow-Through Common Share. The Corporation has also granted to the Underwriters an option to purchase an additional 250,000 Common Shares and 225,000 Flow-Through Common Shares on the same terms as set forth above, exercisable at any time prior to closing. See "*Plan of Distribution*".

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value. Holders of common shares are entitled to one vote per share at meetings of the shareholders of the Corporation, to receive dividends if, as and when declared by the Board of Directors of the Corporation and to receive pro rata the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to the rights of shares having priority over the common shares.

## CAPITALIZATION

The following table outlines the consolidated capitalization of the Corporation as at March 31, 2005 and December 31, 2004 both before and after giving effect to the offering:

	Authorized	Outstanding as at December 31, 2004 (audited)	Outstanding as at March 31, 2005 before giving effect to the offering (unaudited)	Outstanding as at March 31, 2005 after giving effect to the offering <sup>(3)</sup> (unaudited)
<b>Long-Term Debt</b> <sup>(1)</sup>	-	\$12,011,000	\$28,023,000	\$11,283,963
<b>Share Capital</b>				
Common Shares <sup>(2)</sup>	unlimited	\$122,450,000 (48,892,090 common shares)	\$120,263,000 (48,953,590 common shares)	\$137,002,037 (52,253,590 common shares)

### Notes:

- (1) The Corporation has a \$40,000,000 demand revolving operating credit facility with a Canadian financial institution. The facility provides for Canadian and/or U.S. dollar borrowings. Borrowings bear interest at rates ranging from the bank's prime rate to prime plus 1% per annum based on Clear Energy's earnings before interest, taxes, and depletion, depreciation, and accretion ratio, or with reference to the banker's acceptance rate plus a stamping fee. Security for the indebtedness under this operating facility includes a \$100,000,000 first priority floating charge over all the assets of Clear Energy.
- (2) As at March 31, 2005, there were 3,647,000 stock options outstanding under the Corporation's amended stock option plan.
- (3) Based on the issuance of 3,300,000 Shares for aggregate gross proceeds of \$17,632,500 less the Underwriters' fee of \$793,463 and expenses of the issue estimated to be \$100,000 resulting in net proceeds from this issue estimated to be \$16,739,037. See "*Plan of Distribution*".

## USE OF PROCEEDS

The estimated net proceeds to the Corporation from the sale of the Shares hereunder are \$16,739,037, after deducting the Underwriters' fee of \$793,463 and the expenses of the issuance of the Shares, estimated to be \$100,000. The net proceeds of the offering will be used to reduce bank indebtedness, which may be redrawn and applied to fund general purposes and to fund the Corporation's capital expenditure program.

## PLAN OF DISTRIBUTION

Pursuant to an agreement (the "**Underwriting Agreement**") dated effective June 23, 2005 among the Corporation and the Underwriters, the Corporation has agreed to sell and the Underwriters have agreed to purchase on July 12, 2005, or such other date as the Corporation and the Underwriters agree, subject to the terms and conditions contained therein, 1,850,000 Common Shares at a price of \$4.75 per Common Share and 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 \$6.10 per Flow-Through Common Share. The Underwriters severally, and not jointly, have agreed that in the event that less than 1,450,000 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 1,450,000. The offering price of the Shares was determined by negotiation between the Corporation and the Underwriters. The Underwriting Agreement provides for the Corporation to pay the Underwriters a fee in the aggregate amount of \$793,463 (4.5% or \$0.21 per Common Share and 4.5% or \$0.27 per Flow-Through Common Share).

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated 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 or refuses to purchase its respective allotment of Shares (the "**Defaulting Underwriter**") and that failure constitutes default in its obligations under the Underwriting Agreement, the other Underwriters will each be obligated severally to purchase those Shares. Notwithstanding the foregoing, if the total number of Shares which would otherwise have been purchased by the Defaulting Underwriter exceeds 5% of the total number of Shares offered hereunder, each of the other Underwriters will be entitled to terminate, without liability, its obligations to purchase any Shares but such other Underwriters will have the right, but not the obligation, to purchase all, but not less than all, of the Shares which would otherwise have been purchased by the Defaulting Underwriter.

The Corporation has agreed that it will not, without the prior consent of Tristone Capital Inc., which consent shall not be unreasonably withheld, at any time prior to the date 90 days following the closing of this offering for the issuance of the Shares, directly or indirectly, sell, offer, or announce the offering of, or make or announce any agreement to issue, sell or exchange any Shares or securities exchangeable or convertible into common shares, provided that the Corporation may grant options under its stock option plan and issue common shares pursuant to the exercise of options to officers, directors and employees of the Corporation.

Pursuant to a policy statement of the Ontario Securities Commission, the Underwriters may not, throughout the period of distribution, bid for or purchase common Shares of the Corporation. The foregoing restriction is subject to certain exceptions, including: (i) a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities; and (ii) 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. In connection with this offering and subject to the foregoing, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Corporation's common shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The 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 the securities laws of any state of the United States and, accordingly, may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters to offer and resell the Shares in the United States to certain qualified institutional buyers, provided such offers and sales are made in accordance with Rule 144A under the U.S. Securities Act ("**Rule 144A**") and in transactions that are exempt from registration under any applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act. Each Underwriter has agreed that, except as permitted in the Underwriting Agreement, it will not offer or sell the Shares within the United States.

In addition, until 40 days after the commencement of this offering, any offer or sale of the Common Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless made pursuant to Rule 144A.

The Corporation has granted to the Underwriters an option (the "**Underwriters' Option**") to purchase an additional 250,000 Common Shares and 225,000 Flow-Through Common Shares on the same terms as set forth above, exercisable at any time prior to closing. This short form prospectus also qualifies for distribution the Shares that are issued pursuant to the exercise of the Underwriters' Option. If the Underwriters' Option is exercised in full, the total price to the public, the Underwriters' fee and the net

proceeds to the Corporation (before deducting expenses of the offering) will be \$20,192,500, \$908,663 and \$19,283,838, respectively.

The Corporation has agreed to indemnify the Underwriters, the directors, officers, shareholders and employees of the Underwriters and the affiliates of the Underwriters against certain liabilities.

The Corporation has applied to list the Shares distributed pursuant to the offering on the TSX. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX.

#### **RELATIONSHIP AMONG CLEAR ENERGY AND CERTAIN UNDERWRITERS**

TD Securities Inc. is a wholly owned subsidiary of a Canadian chartered bank that is a lender to Clear Energy. As a result, Clear Energy may be considered to be a connected issuer of TD Securities Inc. under applicable Canadian securities laws. At June 20, 2005, the Corporation was indebted to the bank under the credit facility in the amount of approximately \$27,040,000. Clear Energy is in compliance with all material terms of the agreements governing such credit facility and the bank has not waived any material breach of such agreements since their execution. Neither Clear Energy's financial position nor the value of the security under the credit facility has changed adversely since the indebtedness under the credit facility was incurred.

The net proceeds of the offering will be used to reduce bank indebtedness, which may be redrawn and applied to fund general purposes and to fund the Corporation's capital expenditure program.

The decision to distribute the Shares offered under this prospectus and the determination of the terms of the distribution were made through negotiations between Clear Energy and the Underwriters. The bank affiliated with TD Securities Inc. 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, TD Securities Inc. will receive its share of the Underwriters' fee and the bank affiliated with it will receive certain proceeds of this offering from Clear Energy as a temporary repayment of outstanding indebtedness. See "*Use of Proceeds*".

#### **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, 2006, and renounce to each subscriber of Flow-Through Common Shares effective on or before December 31, 2005, 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, 2006 and renounce to the subscriber effective on or before December 31, 2005, 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, 2005, 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, 2007 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 to the Tax Act.

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.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Burnet Duckworth & Palmer 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 arm's 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 Flow-Through Common 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 on or after the date that subscription for the Flow-Through Common Shares are accepted and December 31, 2005 and renounced by the Corporation to subscribers by March 31, 2006 with an effective date of December 31, 2005 will, to the extent that the Corporation meets certain qualifications and restrictions, be deemed to be CEE incurred by the subscribers on December 31, 2005. Any expenses not incurred by December 31, 2006 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, 2007. 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, 2006, 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.

In the event that the Corporation is subject to an audit performed by the CRA in respect of a taxation year within which the Corporation incurred CEE as required under the Subscription Agreement, and as a result of such audit any portion of the expenditures incurred by the Corporation that were originally characterized as CEE are recharacterized as an expenditure other than CEE, the renunciation of such expenditures may be disallowed with the result that the subscribers of Flow-Through Common Shares may be assessed additional tax. This additional tax may be recoverable against the Corporation pursuant to the terms of the Subscription Agreement.

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 Common 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 Shares is subject to certain risks. Prior to making an investment in the 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 Common 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, 2006 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, 2006, 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, 2007.

#### ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel for the Corporation and Burnet Duckworth & Palmer LLP, counsel for the Underwriters, based on, and in accordance with, the legislation in effect on the date hereof, the provisions of:

*Cooperative Credit Associations Act* (Canada)  
*Insurance Companies Act* (Canada)  
*Trust and Loan Companies Act* (Canada)  
*Pension Benefits Standards Act, 1985* (Canada)  
*Employment Pension Plans Act* (Alberta)

*Loan and Trust Companies Act* (Alberta)  
*Financial Institutions Act* (British Columbia)  
*Pension Benefits Standards Act* (British Columbia)  
*Loan and Trust Corporations Act* (Ontario)  
*Pension Benefits Act* (Ontario)

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

In the opinion of such counsel and based on representations of the Corporation as to certain factual matters, the Shares offered hereby will, on the date of closing, be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans and will not, on the date of closing, be foreign property for the purposes of the *Income Tax Act* (Canada).

#### LEGAL MATTERS

Legal matters in connection with the qualification for distribution of the Common Shares issuable on the exercise or deemed exercise of the Common Shares will be passed upon on behalf of Clear Energy by Borden Ladner Gervais LLP, Calgary, Alberta, and on behalf of the Underwriters by Burnet Duckworth & Palmer LLP, Calgary, Alberta.

#### INTERESTS OF EXPERTS

As at the date hereof, the partners and associates of each of Borden Ladner Gervais LLP and Burnet Duckworth & Palmer LLP, as a group, owned beneficially, directly or indirectly, less than one percent of the outstanding common shares of Clear Energy.

As at the date hereof, the directors, officers and associates of Gilbert Lausten Jung & Associates did not beneficially own any of the outstanding common shares of Clear Energy.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditor of Clear Energy is Deloitte & Touche LLP, Chartered Accountants, 3000 Scotia Centre, 700 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 0S7.

The registrar and transfer agent for the Common Shares is Valiant Trust Company at its principal offices in Calgary, Alberta.

#### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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 adviser.

## AUDITORS' CONSENT

We have read the preliminary short form prospectus of Clear Energy Inc. (the "Corporation") dated June 23, 2005 qualifying for distribution 1,850,000 common shares and 1,450,000 flow-through common shares of the Corporation. 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 above mentioned preliminary short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2004 and 2003 and the consolidated statements of earnings and retained earnings and of cash flows for the years then ended. Our report was dated March 11, 2005.

(signed) "Deloitte & Touche LLP"  
Chartered Accountants  
Calgary, Canada  
June 23, 2005

## AUDITORS' CONSENT

We have read the preliminary short form prospectus of Clear Energy Inc. (the "Corporation") dated June 23, 2005 qualifying for distribution 1,850,000 common shares and 1,450,000 flow-through common shares of the Corporation. 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 above mentioned preliminary short form prospectus of our report to the shareholders of Ranchgate Energy Inc. on the consolidated balance sheets of Ranchgate Energy Inc. as at December 31, 2003 and 2002 and the consolidated statements of earnings and retained earnings and of cash flows for the years then ended by way of the incorporation by reference of the Corporation's Business Acquisition Report dated December 8, 2004 with respect to the Corporation's acquisition of Ranchgate Energy Inc. Our report was dated March 31, 2004 except for Note 15 which is at April 19, 2004.

(signed) "KPMG LLP"  
Chartered Accountants  
Calgary, Canada  
June 23, 2005

## AUDITORS' CONSENT

We have read the preliminary short form prospectus of Clear Energy Inc. (the "Corporation") dated June 23, 2005 qualifying for distribution 1,850,000 common shares and 1,450,000 flow-through common shares of the Corporation. 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 above mentioned preliminary short form prospectus of our report to the directors of Avenir Capital Corporation on the Schedule of Revenues, Royalties and Operating Expenses for the years ended December 31, 2003 and 2002 for the Tweedie Assets that Avenir Capital Corporation acquired as of June 2, 2004 by way of the incorporation by reference of the Corporation's Business Acquisition Report dated December 8, 2004 with respect to the Corporation's acquisition of Ranchgate Energy Inc. Our report was dated August 13, 2004.

(signed) "Ernst & Young LLP"  
Chartered Accountants  
Calgary, Canada  
June 23, 2005

## **CERTIFICATE OF THE CORPORATION**

Dated: June 23, 2005

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 the provinces of Alberta, British Columbia, Saskatchewan and Ontario.

(signed) Jeffrey S. Boyce  
President and Chief Executive Officer

(signed) Stephen E. Bjornson  
Vice President, Finance and CFO

On Behalf Of The Board Of Directors

(signed) Charlie W. Berard  
Director

(signed) W. Peter Comber  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: June 23, 2005

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes in 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 the provinces of Alberta, British Columbia, Saskatchewan and Ontario.

TRISTONE CAPITAL INC.

By: (signed) Tom MacInnis

FIRSTENERGY CAPITAL  
CORP.

By: (signed) Nicholas J. Johnson

GMP SECURITIES LTD.

By: (signed) Christopher T. Graham

CANACCORD CAPITAL  
CORPORATION

By: (signed) Karl B. Staddon

SALMAN PARTNERS INC.

By: (signed) Francesco G. Mele

TD SECURITIES INC.

By: (signed) Gregory B. Saksida