Innova Exploration Ltd.

REVISED INITIAL ANNUAL INFORMATION FORM

2004

March 24, 2005

TABLE OF CONTENTS

Page

GLOSSARY OF TERMS

"ABCA" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"ARTC" means Alberta Royalty Tax Credit;

"Constant prices and costs" means prices and costs used in an estimate that are:

(a) Innova's prices and costs as at the effective date of the estimation, held constant throughout the estimated lives of the properties to which the estimate applies; and

(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which Innova is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

"Development costs" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

"Developed Non-Producing Reserves" are those Reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of Production is unknown.

"Developed Producing Reserves" are those Reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of Production must be known with reasonable certainly.

"Developed Reserves" are those Reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the Reserves on Production.

"Development well" means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"**Economic Assumptions**" are the prices and costs used in the estimate, namely:

(a) constant prices and costs as at the last day of Innova's financial year; and

(b) forecast prices and costs.

"Exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

"Exploration well" means a well that is not a development well, a service well or a stratigraphic test well.

"Forecast Prices and Costs" means future prices and costs that are:

(a) generally acceptable as being a reasonable outlook of the future; and

(b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which Innova is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

"Future income tax expenses" means future income tax expenses estimated (generally, year-by-year):

(a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;

(b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;

(c) taking into account estimated tax credits and allowances (for example, royalty tax credits);

"Gross" means:

(a) in relation to Innova's interest in production and reserves, its "**Corporation gross reserves**", which are Innova's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of Innova;

(b) in relation to wells, the total number of wells in which Innova has an interest; and

(c) in relation to properties, the total area of properties in which Innova has an interest.

"Net" means:

(a) in relation to Innova's interest in production and reserves, its "**Corporation gross reserves**", which are Innova's interest (operating and non-operating) share after deduction of royalty obligations, plus Innova's royalty interest in production or reserves.

(b) in relation to wells, the number of wells obtained by aggregating Innova's working interest in each of its Gross wells; and

(c) in relation to Innova's interest in a property, the total area in which Innova has an interest multiplied by the working interest owned by Innova.

"Proved Reserves" are those Reserves that can be estimated with a high degree of certainty to be recoverable. There is believed to be at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves.

"Probable Reserves" are those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or lesser than the sum of the estimated Proved plus Probable Reserves. There is believed to be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable Reserves.

"Reserves" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

(a) analysis of drilling, geological, geophysical and engineering data;

(b) the use of established technology; and

(c) specified economic conditions which are generally accepted as being reasonable and shall be disclosed.

"Service well" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

"TSX" means the Toronto Stock Exchange; and

"Undeveloped Reserves" are those Reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of Production. They must fully meet the requirements of the reserves classification (Proved, Probable or Possible) to which they are assigned.

In addition, any words or expression used in this AIF and not otherwise defined herein have the meanings attributed to them in NI 51-101 unless otherwise indicated.

All dollar amounts set forth in this annual information form are in Canadian dollars, except where otherwise indicated.

All references herein to a number of Common Shares or Innova Shares takes into account the one for 8.8235 consolidation which occurred in April, 2004.

ABBREVIATIONS

Oil and Natural Gas Liquids		**Natural Gas**	
bbls	barrels	mcf	thousand cubic feet
mbbls	thousand barrels	mmcf	million cubic feet
bbls/d	barrels of oil per day	bcf	billion cubic feet
boe/d	barrels of oil equivalent per day	mcfd	thousand cubic feet per day
mboe	one thousand barrels of oil equivalent	mmcfd	million cubic feet per day
mmbbls	million barrels	m^3	cubic metres
NGLs	natural gas liquids (consisting of any one or more of propane, butane and condensate)	mmbtu	million British Thermal Units
mstb	thousand stock tank barrels of oil		
bpd	barrels of production per day		

Other

API means the measure of the density or gravity of liquid petroleum products derived from a specific gravity.

boe means barrels of oil equivalent. A barrel of oil equivalent is determined by converting a volume of natural gas to barrels using the ratio of six mcf to one barrel. Boes may be misleading, particularly if used in isolation. The boe conversion ration of 6 mcf: 1 bbl is based on an energy equivalency method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

GOR means gross overriding royalty.

WTI means West Texas Intermediate.

CONVERSION

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometers	1.609
kilometers	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
gigajoules	mmbtu	0.95

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form 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. Innova Exploration Ltd. believes 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 this Annual Information Form should not be unduly relied upon. These forward-looking statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

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

The 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 Annual Information Form:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas 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;
- fluctuations in foreign exchange or interest rates and stock market volatility; and
- the other factors discussed under "Risk Factors".

These factors should not be considered exhaustive. Innova Exploration Ltd. undertakes no obligation to publicly update or revise any forward-looking statements.

INNOVA EXPLORATION LTD.

The original predecessor of Innova Exploration Ltd. ("Innova" or the "Corporation") was incorporated on September 23, 1968 under the name "Moncrieff Uranium Mines Limited"; its name was changed to "Tombit Resources Ltd." in 1983, to "Cliff Creek Resources Ltd." in 1984, and to "Cliff Resources Corporation" in 1986. The continuing Corporation resulting from the amalgamation of Cliff Resources Corporation and Canaustra Gold Exploration Limited under the *Business Corporations Act* (Ontario) (the "OBCA") on January 9, 1989 was Cliff Resources Corporation. The Corporation changed its name from Cliff Resources Corporation to "Mineral Resources Corporation" by articles of amendment dated September 6, 1995, to "Minroc Mines Inc." on June 10, 1998, to Cassiar Mines & Metals Inc. on May 21, 1999, to Cassiar Magnesium Inc. on April 25, 2000, to Cassiar Resources Inc. on July 13, 2001 and to Troutline Investments Inc. ("Troutline") on July 7, 2003. Its current name was adopted effective April 16, 2004 following the plans of arrangement (the "Arrangements") with each of Surge Petroleum Inc. ("Surge"), Invader Exploration Inc. ("Invader") and Innova Energy Ltd. ("IEL") which occurred on each of April 14th, 15th and 16th, 2004, respectively. After completion of the Arrangements, the Corporation entered into agreements with each of Surge, Invader and Innova to roll-up assets and obligations of each, with the intent to wind-up each subsidiary.

The Corporation's registered office is Suite 1400, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9 and the executive offices are located at Suite 900, 407 – 2nd Street SW, Calgary, Alberta, T2P 2Y3.

BUSINESS OF THE CORPORATION

Corporate Strategy

Innova is engaged in the exploration for, and the development and production of natural gas, crude oil and natural gas liquids reserves in western Canada. Innova's focus areas are southeast Saskatchewan for light oil and northeast British Columbia for sweet gas. The Corporation has chosen these areas because they have excellent multi-zone potential, projects that are repeatable over larger areas, and prospective reserves of high quality liquids rich sweet gas and light crude oil.

The Corporation will continue to manage technical risk by allocating 30% to 40% of its capital to low to medium-risk projects.

Innova's early strategy was to have a lower interest in high-risk, high-reward projects due to the often high upfront costs of land, seismic and drilling, and the lower probability of success associated with this type of project. Taking a lesser interest in these projects allowed Innova to participate in a number of them throughout the year while maintaining a significant enough interest that success would be meaningful to the Corporation and its shareholders. This strategy was implemented by the Corporation's predecessor companies.

Innova's strategy is now shifting focus on higher working interests, increased operatorship, ownership of infrastructure, and more repeatable project concepts in high-reward projects.

Historical Development

Innova's predecessor by name, Troutline, owned a property for the exploitation of chrysotile and magnesium resources in northern British Columbia. It ceased mining operations at the end of 2000 when a portion of its facilities were destroyed by fire and, in 2001 Troutline received proceeds of $21.5 million from insurance claims arising from the fire. A new management team was put in place for Troutline in mid 2001 and for the remainder of 2001 and in early 2002 management explored the possibility of resuming mining operations, while at the same time carrying out environmental reclamation work at the property.

Troutline's board determined that continuing to exploit mining operations was not in the best interest of the Corporation and determined to diversify investments in the resource sector. In Mid 2003, Troutline sold its mining property to an arm's length third party.

In mid 2002 Troutline invested $4.1 million for approximately 13% interest (11.4% on a fully diluted basis) in Lightening Energy Ltd. ("Lightening"), a Calgary based then private issuer exploring for oil and gas in Alberta and British Columbia. In early 2004 Troutline sold all of its shares of Lightening to third parties for gross proceeds of $8 million dollars.

Throughout 2003 and into 2004, Troutline's management, with the assistance of investment advisors, sought potential business opportunities in the oil and gas sector. In February, 2004, Troutline entered into separate arrangement agreements with each of Surge, Invader and Innova.

Innova Energy Ltd.

IEL was formed and originally financed as a private company in late 2000 and commenced operations in early 2001. IEL, after completing a plan of arrangement with Troutline, is operationally the continuing entity.

In 2002, 1,033,333 IEL shares were issued for aggregate gross proceeds of $508,772 (a negotiated price reflecting historical subscriptions free of any sales commissions) and 4,049,647 flow-through IEL Shares were issued at $0.83 per share.

In January, 2003, IEL completed a take-over of Pilot Petroleum Ltd. ("Pilot") by issuing 1.325 IEL shares for each Pilot share. A total of 7,698,239 IEL Shares were issued pursuant to this $6.4 million acquisition. The two companies were amalgamated under the name "Innova Energy Ltd." on March 31, 2003. The principal oil and natural gas assets acquired by IEL in connection with its acquisition of Pilot were in Parkland, Alberta.

In January, 2004, IEL entered into a purchase and sale agreement with an industry competitor relating to IEL's Fish Lake property, pursuant to which IEL disposed of its interest in this area and associated production of approximately 95 boe/d for consideration of $4.1 million. The effective date of transfer was February 1, 2004.

In February, 2004, IEL entered into an arrangement agreement providing for a business combination with Troutline pursuant to which, among other things, Troutline acquired all of the issued and outstanding securities of Innova on the basis provided therein on April 16, 2004.

IEL rolled-up its assets and obligations into the Corporation on April 16th, and was wound-up on December 30, 2004.

Acquisition of Surge Petroleum by Arrangement

Pursuant to an arrangement with Surge Petroleum Inc. ("Surge"), Innova acquired all of the issued and outstanding common shares of Surge on April 14, 2004, in consideration of the issuance of Innova Shares. Surge optionholders agreed to the cancellation all of the outstanding share purchase options in exchange for Innova Shares representing the aggregate "in the money" value of the acquired options. The aggregate number of Innova Shares issued pursuant to the arrangement was 3,169,500.

The closing of the arrangement with Surge was the first of three, separate and independent acquisition transactions completed by Innova, each by way of plan of arrangement.

The principal oil and gas assets of Surge were located in southeast Saskatchewan (Griffin, Lougheed/Weyburn, Workman and Steelman). Immediately following completion of the arrangement with Surge, all of its assets and liabilities were distributed to and assumed by Innova. Surge will be wound up prior to the end of March, 2005.

Acquisition of Invader Exploration by Arrangement

Pursuant to an arrangement with Invader Exploration Ltd. ("Invader"), Innova acquired all of the issued and outstanding common shares of Invader, in consideration of the issuance of Innova shares. Invader optionholders agreed to the cancellation all of the outstanding share purchase options in exchange for Innova Shares representing the aggregate "in the money" value of the acquired options. The aggregate number of Innova Shares issued pursuant to the arrangement was 3,476,855.

The closing of the arrangement with Invader was the second of three, separate and independent acquisition transactions completed by Innova, each by way of plan of arrangement.

The principal oil and gas assets of Invader were located in southeast Saskatchewan (Forget, Griffin North, Handsworth North, Pheasant South and Wordsworth). Immediately following completion of the arrangement with Invader, all of its assets and liabilities were distributed to and assumed by Innova. Invader will be wound up prior to the end of March, 2005.

Invader's Delaware subsidiary Invader Exploration Corp. remains as a wholly owned subsidiary of Innova, and manages a small non-operated working interests in two Texas natural gas wells.

Reverse Takeover by IEL by Arrangement

Pursuant to an arrangement with IEL, Innova acquired all of the issued and outstanding common shares of IEL, in consideration of the issuance of Innova shares. Innova optionholders agreed to the cancellation of all of the outstanding share purchase options in exchange for Innova Shares representing the aggregate "in the money" value of the acquired options. The aggregate number of Innova shares issued pursuant to the arrangement was 87,982,508.

The closing of the arrangement with IEL was the last of three, separate and independent acquisition transactions completed by Innova, each by way of plan of arrangement.

The principal oil and gas assets of IEL were located in Alberta (Parkland, Chip Lake and Armanda). Immediately following completion of the Arrangement with IEL, all of its assets and liabilities were distributed to and assumed by Innova.

In addition, following completion of the Arrangement with IEL, senior management of IEL assumed management of Innova.

Name Change and Share Consolidation

Following completion of the Arrangement, the Corporation's name was changed to "Innova Exploration Ltd.", and the then outstanding shares were consolidated on a one for 18.8235 basis. The Corporation was also continued under the laws of Alberta from Ontario.

Acquisition of Chowade Energy

Effective May 31, 2004, Innova acquired all of the shares of Chowade Energy Inc. ("Chowade"), a private oil and gas exploration company. Innova issued 1,349,969 Innova Shares to Chowade securityholders in exchange for all of the outstanding Chowade securities. Chowade rolled-up its assets and obligations into the Corporation, and was wound-up on December 21, 2004.

Chowade's principal assets are in the Blair/Chowade area of northeastern British Columbia.

Recent Financings

During September, 2004, the Corporation issued 500,000 flow-through Innova Shares at a price of $3.08 per share for total gross proceeds of $1,540,000 At February 28, 2005, the Corporation had incurred and renounced $ 1,540,000 of qualified expenditures pursuant to the flow-through Innova Shares.

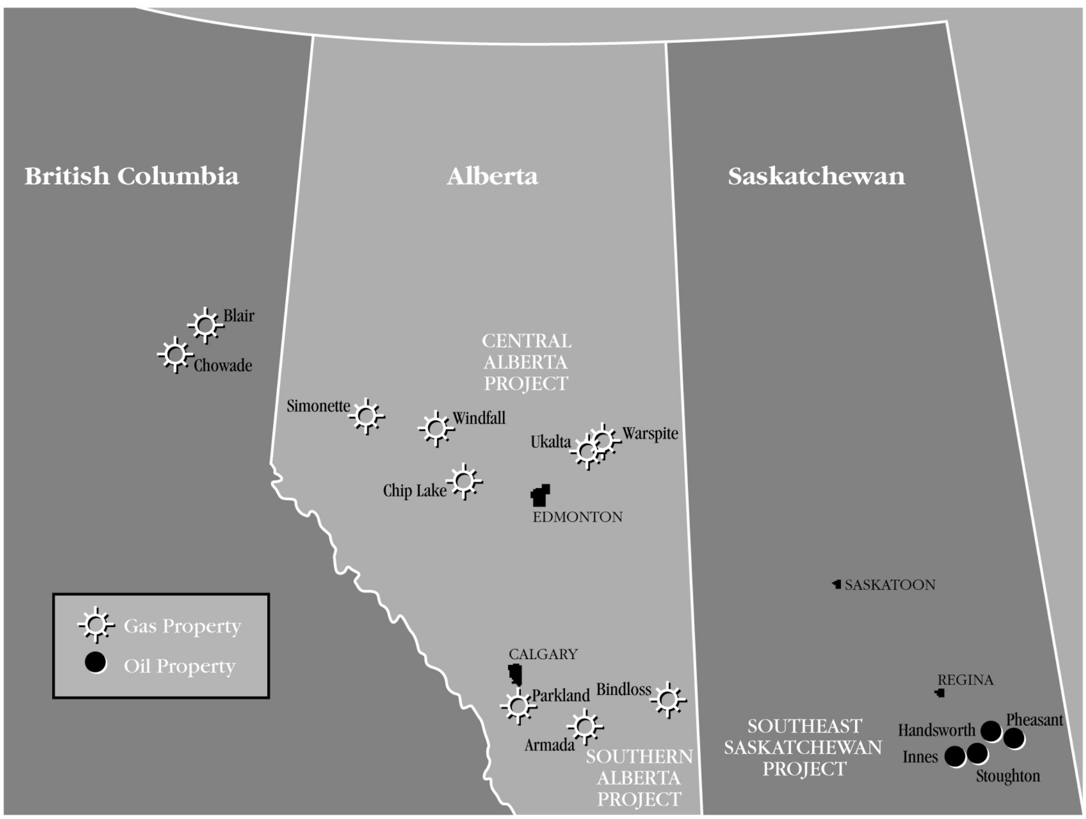
In December 2004, the Corporation issued 1,958,903 Innova Shares at a price of $3.65 per share for total gross proceeds of $7,149,996 and 865,557 Innova flow through Shares at a price of $4.50 per share for total gross proceeds of $3,895,006. At March 4, 2005, the Corporation had renounced $1.6 million of qualified expenditures pursuant to the flow-through Innova Shares and is required to incur the remaining $2.3 million of qualifying expenditures prior to December 31, 2005 to satisfy its obligations pursuant to the flow-through Innova Share financing.

DESCRIPTION OF PROPERTIES

Principal Properties

The following is a description of the Corporation's principal oil and natural gas properties as of December 31, 2004, unless otherwise stated. The term "net", when used to describe the Corporation's share of production, means the total of the Corporation's working interest share before deducting royalties owned by others. Innova's important properties, plants, facilities and installations are not subject to any material statutory or other mandatory relinquishments, surrenders, back-ins or changes in ownership. See "Statement of Reserves Data and Other Oil and Gas Information – Other Oil and Gas Information – Properties with No Attributed Reserves" for information respecting the pending expiration of certain of the Corporation's undeveloped land holdings.

Innova Key Properties



For further information regarding the Corporation's plans in these areas please see discussion below and also refer to Innova's annual report filed on SEDAR at www.sedar.com

Saskatchewan

The Corporation has properties in Handsworth, Innes, Pheasant, Stoughton and other minor areas highlighted on the map above. The Corporation explores for light oil in the Frobisher, Alida, Tilston, and Bakken formations which range from 1,100 to 1,600 meters deep. The Corporation uses horizontal drilling and other modern techniques to develop its properties. No individual property represents more than 20% of 2005 sales estimated in the December 31, 2004 reserve report. As at December 31, 2004 Innova had the following assets in Saskatchewan:

- 56 oil wells (19.7 net) and five suspended (1.8 net) oil wells

- 1 suspended gas well (1.0 net)
- 4 oil batteries (1.1 net)
- 4 disposal wells (1.5 net)
- Proved reserves: 958 mboe light and medium crude oil
- Proved plus probable reserves: 1,350 mboe of light and medium crude oil
- 56,872 (23,680 net) acres of undeveloped land

Southeast Saskatchewan

Southeast Saskatchewan is a major focus area for Innova, with significant opportunity to find and produce new light oil reserves. The area has year round accessibility, multi-zone targets and royalty incentives for horizontally drilled wells. Land acquisition to date is also less competitive than in Alberta. Innova is using regional and detailed geological mapping aided with 3D seismic to identify the targeted Formations including the Mississippian Bakken, Alida and Frobisher. Innova's working interest ranges from 22.5% to 100% with an average of 42%.

In 2004 Innova drilled 14 wells for Frobisher and Alida formations. True vertical drilling depth for these wells is between 1200m to 1400m. Most wells were drilled horizontally to maximize production rates and reserve recovery and to take advantage of royalty reduction for horizontal drilling. Innova plans to follow up on successful 2004 drilling and has budgeted for 20 wells in 2005 targeting these formations.

Innova also participated in 3 new field horizontal wildcat discovery wells in the Bakken formation in 2004. These wells have set up significant offset drilling opportunities with 8 wells budgeted for 2005. The Bakken is at a true vertical depth of between 1400 and 1600 metres in the project area. All three wells are currently on production. Innova has an interest in over 66,000 (26,000 net) acres of undeveloped Bakken rights and continues to accumulate additional lands in the Bakken project.

Innova's current production from Saskatchewan exceeds 1,100 bbls/d of light sweet crude oil, which is an increase of 175% compared to April 2004 when the properties were acquired in the business combination with Troutline.

Pheasant Saskatchewan

In 2004, Innova acquired 3,040 (1,003 net) acres of mineral rights under the Pheasant Rump Nakota First Nation Reservation about 110 kilometers southeast of Regina, Saskatchewan. Innova has an approximate 33% operated working interest in the property. The area is prospective for Alida zone light oil production and the Corporation presently has a single leg horizontal well and a multi-leg horizontal well producing approximately 80 bopd net to Innova. In the fall of 2004, Innova negotiated a surface access agreement with the First Nation Band which allowed the Corporation access to shoot a 3-D seismic survey and to have surface access to drill and produce wells on the property.

Results of the seismic survey show potential for multiple horizontal drilling locations and Innova has initially budgeted to drill a single vertical well and four horizontal wells on the property. Drilling is scheduled to commence in May of 2005 and seismic and geological interpretation suggests that, with successful initial drilling results, up to a total of 13 horizontal wells could be drilled at Pheasant in 2005.

Alberta

The Corporation has properties in Armada, Chip Lake, Craigmyle, Parkland, and other minor areas. The Corporation explores for sweet natural gas in the shallow and medium depth formations which are anywhere from 800 to 2,500 meters deep. No individual property represents more than 20% of 2005 sales estimated in the December 31, 2004 reserve report. As at December 31, 2004 Innova had the following assets in Alberta:

- 160 (29.4 net) gas wells, plus 8 (2.0 net) suspended gas wells
- 4 (1.0 net) gas plants
- 41 (3.8 net) oil wells
- 3 (0.6 net) oil batteries
- Proved reserves: 5.37 bcf natural gas, 44 mboe medium crude, and 56mboe liquids
- Proved plus probable reserves: 7.15 bcf natural gas, 60mboe medium crude, and 80mboe liquids

- 81,850 (30,884 net) acres of undeveloped land

<u>Armada, Alberta – Operated Producing Gas Property</u>

• 2004 Average Production:	370 boed (100% Gas)
• Production Zones:	Bow Island, Belly River, Ostracod
• Strategy:	Production maintenance
• Land Holdings:	4,485 net acres, 43% undeveloped
• Working Interest:	100%
• 2004 Drilling:	1 (1.0 net) wells, 100% success
• 2004 Facilities:	New 5 mmcfd gas plant (70% WI)
• 2005 Plans:	Drill 4 (4 net) wells 2 firm, 2 contingent wells
• Key Features:	Innova's largest producing property Operated, sweet gas, low costs

<u>Parkland, Alberta – Non-Operated Producing Gas Property</u>

• 2004 Average Production:	250boed (96% Gas, 4% NGL)
• Production Zones:	Cutbank, Glauconite
• Strategy:	Production maintenance
• Land Holdings:	2,560 net acres, 15% undeveloped
• Working Interest:	4% - 23%
• 2004 Drilling:	2 (0.4 net) wells, 100% success
• 2005 Plans:	Drill 1 (0.2 net) firm well
• Key Features:	Low operating cost property Low decline sweet gas

<u>Chip Lake, Alberta – Non-Operated Producing Oil and Gas Property</u>

• 2004 Average Production:	270 boed (77% Gas 23% Oil & NGL)
• Production Zone:	Rock Creek
• Strategy:	Production maintenance
• Land Holdings:	3,920 net acres, 75% undeveloped
• Working Interest:	31% - 37.5%
• 2004 Drilling:	6 wells (2.1 net), 50% success
• Farmed out one well:	Dry and abandoned
• 2004 Facilities:	Equipped and flow lined 2 wells
• 2005 Plans:	Drill 2 (0.7 net) contingent wells Tie-in 1 (0.4) well in Q2-2005
• Key Features:	Liquids rich sweet gas Low operating costs

British Columbia

The Corporation has properties in Blair and Chowade. Both of these areas are approximately 130 kms Northwest of Fort St. John. The Corporation explores for sweet natural gas at depths between 1,000 and 1,600 meters. No individual property represents more than 20% of 2005 sales from the December 31, 2004 reserve report. As at December 31, 2004 Innova had the following assets in British Columbia:

- 1 (0.2 net) gas well, plus 3 (0.9 net) suspended gas wells
- Proved reserves: 1.06 bcf natural gas
- Proved plus probable reserves 3.94 bcf natural gas
- 26,685 (21,737 net) acres of undeveloped land

- 27,495 acres of undeveloped farm in lands for which the Corporation plans to earn a 50% working interest subject to a 15% GOR, or a 30% working interest with no GOR depending on casing point election(s).

Blair, British Columbia

In 2004 Innova acquired a significant land base totalling more than 26,000 (21,000 net) acres and participated in recompleting one well and drilling three new field and new pool exploratory discovery gas wells in the Blair area. One well was tied in and on production in late December at over 2.0 mmcfd. The other 3 wells will be tied-in and are expected to be on production at facility restricted rates by the second quarter of 2005. Innova is using detailed and regional geological mapping as well as 2D and 3D seismic to identify drilling targets. The Corporation initiated and is shooting a major 50 square mile 3D seismic program to follow up on its discoveries in this area. The seismic program was started in December of 2004 and is expected to be completed, ready for processing in March of 2005. Thirteen wells are budgeted in the Blair area as follow-ups to the 2004 discoveries. A new 24 mmcfd gas plant is in the planning stage with construction to be completed by September 2005. Innova has nominated for 12 mmcfd of the capacity of this new plant and it is anticipated that the Blair area will be a major growth area for gas production in 2005.

Chowade, British Columbia

In 2004, Innova negotiated a large operated 50% working interest farmin deal totalling more than 27,000 (13,000 net) acres in the Chowade area just south of Blair. Evaluation of the Chowade area will commence with the drilling of 3 budgeted exploratory wells in 2005. These wells are twins of previously drilled wells with bypassed gas zones. Innova has a 50% working interest and is operator of this farmin area.

Texas

The Corporation has non-operated minor properties at Pandura consisting of 2 (0.4 net) natural gas wells held in a wholly-owned subsidiary. The Pandura area has proved natural gas reserves of 0.06 bcf and no probable reserves. The Corporation has no further plans in this area.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below (the "**Statement**") is dated December 31, 2004. The effective date of the Statement is December 31, 2004 and the preparation date of the Statement is March 14, 2005.

Disclosure of Reserves Data

The reserves data set forth below (the "**Reserves Data**") is based upon an evaluation by McDaniel & Associates Ltd. ("**McDaniel**") with an effective date of December 31, 2004 contained in a report of McDaniel dated February 8, 2005 (the "**McDaniel Report**"). The Reserves Data summarizes the oil, liquids and natural gas reserves of the Corporation and the net present values of future net revenue for these reserves using constant prices and costs and forecast prices and costs. The Reserves Data conforms with the requirements of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("**NI 51-101**"). Additional information not required by NI 51-101 has been presented to provide continuity and additional information which we believe is important to the readers of this information. Innova engaged McDaniel to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of the Corporation's reserves are "onshore" and in Canada except de minimis holdings in Texas.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the constant prices and costs assumptions and forecast prices and costs assumptions will be attained and variances could be material.

Reserves Data (Constant Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2004
CONSTANT PRICES AND COSTS
(including ARTC)

	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
PROVED						
Developed Producing	684.8	579.9	4,990.7	3,697.3	53.0	33.5
Developed Non-Producing	64.3	59.7	1,398.9	1,013.9	1.2	0.8
Undeveloped	250.0	190.0	78.0	57.5	0.4	0.3
TOTAL PROVED	991.1	829.5	6,467.5	4,768.6	54.6	34.6
PROBABLE	407.6	335.3	4,656.7	3,529.6	23.8	14.8
TOTAL PROVED PLUS PROBABLE	1,406.7	1,164.8	11,124.3	8,298.2	78.4	49.4

Note:
(1) The Corporation did not have material heavy oil reserves at December 31, 2004.

	NET PRESENT VALUES OF FUTURE NET REVENUE									
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)				
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)
PROVED										
Developed Producing	38.6	34.4	31.2	28.6	26.5	38.6	34.4	31.2	28.6	26.5
Developed Non-Producing	5.9	5.1	4.5	4.0	3.6	5.9	5.1	4.5	4.0	3.6
Undeveloped	1.7	1.1	0.6	0.2	-	1.2	0.7	0.3	-	(0.2)
TOTAL PROVED	46.2	40.6	36.3	32.9	30.1	45.7	40.2	36.0	32.7	30.0
PROBABLE	25.5	19.7	15.8	13.0	10.9	16.9	12.8	10.2	8.3	7.0
TOTAL PROVED PLUS PROBABLE	71.7	60.3	52.0	45.9	41.0	62.6	53.1	46.2	41.0	36.9

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2004
CONSTANT PRICES AND COSTS

RESERVES CATEGORY	REVENUE (MM$)	ROYALTIES, NET OF ARTC (MM$)	OPERATING COSTS (MM$)	DEVELOPMENT COSTS (MM$)	WELL ABANDONMENT COSTS (MM$)	FUTURE NET REVENUE BEFORE INCOME TAXES (MM$)	INCOME TAXES (MM$)	FUTURE NET REVENUE AFTER INCOME TAXES (MM$)
Proved Reserves	87.1	20.7	13.9	4.6	1.8	46.2	0.5	45.7
Proved Plus Probable Reserves	136.8	33.0	21.5	8.8	1.9	71.7	9.1	62.6

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2004
CONSTANT PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (MM$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	13.4
	Heavy Oil (including solution gas and other by-products)	-
	Natural Gas (including by-products but excluding solution gas from oil wells)	21.4
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	18.4
	Heavy Oil (including solution gas and other by-products)	-
	Natural Gas (including by-products but excluding solution gas from oil wells)	31.9

Reserves Data (Forecast Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2004
FORECAST PRICES AND COSTS
(including ARTC)

	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
PROVED						
Developed Producing	686.5	580.9	4,990.6	3,697.4	53.0	33.5
Developed Non-Producing	64.0	59.1	1,404.8	1,017.8	1.2	0.8
Undeveloped	250.0	190.0	78.0	57.5	0.4	0.3
TOTAL PROVED	1,000.5	830.0	6,473.4	4,772.6	54.5	34.6
PROBABLE	407.6	332.1	4,666.6	3,531.9	24.4	14.8
TOTAL PROVED PLUS PROBABLE	1,407.3	1,162.1	11,126.5	8,304.5	78.3	49.4

Note:
(1) The Corporation did not have material heavy oil reserves at December 31, 2004.

	NET PRESENT VALUES OF FUTURE NET REVENUE									
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)				
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)
PROVED										
Developed Producing	36.6	33.1	30.3	28.0	26.1	36.6	33.1	30.3	28.0	26.1
Developed Non-Producing	5.4	4.7	4.2	3.7	3.4	5.4	4.7	4.2	3.7	3.4
Undeveloped	1.4	0.8	0.4	0.1	(0.1)	1.4	0.8	0.4	0.1	(0.1)
TOTAL PROVED	43.3	38.6	34.9	31.9	29.5	43.3	38.6	34.9	31.9	29.5
PROBABLE	22.2	17.3	13.9	11.5	9.7	15.2	11.6	9.2	7.5	6.3
TOTAL PROVED PLUS PROBABLE	65.6	55.9	48.8	43.4	39.2	58.5	50.2	44.1	39.4	35.7

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2004
FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE (MM$)	ROYALTIES (MM$)	OPERATING COSTS (MM$)	DEVELOPMENT COSTS (MM$)	WELL ABANDONMENT COSTS (MM$)	FUTURE NET REVENUE BEFORE INCOME TAXES (MM$)	INCOME TAXES (MM$)	FUTURE NET REVENUE AFTER INCOME TAXES (MM$)
Proved Reserves	85.8	20.4	15.3	4.7	2.2	43.3	-	43.3
Proved Plus Probable Reserves	133.3	32.3	24.2	8.9	2.3	65.6	7.1	58.5

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2004
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (MM$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	13.5
	Heavy Oil (including solution gas and other by-products)	-
	Natural Gas (including by-products but excluding solution gas from oil wells)	20.0
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	18.3
	Heavy Oil (including solution gas and other by-products)	- 0.1
	Natural Gas (including by-products but excluding solution gas from oil wells)	28.9

Pricing Assumptions

The following sets forth the benchmark reference prices, as at December 31, 2004, reflected in the Reserves Data. These price assumptions were provided to the Corporation by McDaniel, the Corporation's independent qualified reserves evaluator.

SUMMARY OF PRICING ASSUMPTIONS
as of December 31, 2004
CONSTANT PRICES AND COSTS

Year	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40° API ($Cdn/bbl)	NATURAL GAS AECO Gas Price ($Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate ($Cdn/BBL)	EXCHANGE RATE[1] ($US/$Cdn)
Historical[2]					
2004	43.45	46.41	6.62	35.3	0.77

Notes:
(1) The exchange rate used to generate the benchmark reference prices in this table.

(2) December 2004 average.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
as of December 31, 2004
FORECAST PRICES AND COSTS

Year	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40° API ($Cdn/bbl)	Cromer Medium 29.3° API ($Cdn/bbl)	NATURAL GAS AECO Gas Price ($Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate ($Cdn/BBL)	INFLATION RATES(1) %/Year	EXCHANGE RATE(2) ($US/$Cdn)
Forecast							
2005	42.00	49.60	43.50	6.45	37.20	2.0	0.830
2006	39.50	46.60	40.90	6.20	35.10	2.0	0.830
2007	37.00	43.50	38.20	6.05	33.00	2.0	0.830
2008	35.00	41.10	36.00	5.80	31.20	2.0	0.830
2009	34.50	40.50	35.50	5.70	30.80	2.0	0.830
Thereafter	34.30 to 45.30	40.20 to 53.10	35.30 to 46.60	5.60 to 7.50	30.50 to 40.40	2.0	0.830

Notes:
(1) Inflation rates for forecasting prices and costs.
(2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by the Corporation for the year ended December 31, 2004 were $7.03/mcf for natural gas, and $ 46.56/bbl for crude oil and natural gas liquids.

Reconciliations of Changes in Reserves and Future Net Revenue

RECONCILIATION OF
CORPORATION NET RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM OIL			NATURAL GAS LIQUIDS			ASSOCIATED AND NON-ASSOCIATED GAS		
FACTORS	Net Proved (Mbbl)	Net Probable (Mbbl) (3)	Net Proved Plus Probable (Mbbl)	Net Proved (Mbbl)	Net Probable (Mbbl)	Net Proved Plus Probable (Mbbl)	Net Proved (MMcf)	Net Probable (MMcf)	Net Proved Plus Probable (MMcf)
December 31, 2003(1) (2)	11.9	3.1	15.0	22.6	7.4	30.0	3933.9	1,314.8	5,248.7
Extensions & Improved Recovery	-	-	-	1.4	0.4	1.8	235.0	100	335.0
Technical Revisions	4.9	8.0	12.9	11.0	(2.2)	8.8	1,115.0	(54.9)	1,060.1
Discoveries	478.0	185.0	663.0	9.0	9.2	18.2	1,125.0	2,195.0	3,320.0
Acquisitions	480.2	136.0	616.2	0.8	0.1	0.9	135.0	25.0	160.0
Dispositions	-	-	-	2.0	0.1	2.1	270.0	35.0	305.0
Economic Factors	-	-	-	1.8	-	-	248.70	(13.0)	235.7
Production	145.0	-	145.0	10.0	-	10.0	1,750.0	-	1,750.0
December 31, 2004(2)	830.0	332.1	1,162.1	34.6	14.8	49.4	4,772.6	3,531.9	8,304.5

Note:
(1) The evaluation as at December 31, 2003 included the McDaniel and Associates evaluation of reverse takeover acquirer's (IEL) properties.
(2) Innova did not have material heavy oil reserves at December 31, 2003 or December 31, 2004.
(3) The opening balance for the Net Probable Light and Medium Oil is less than the Technical Revisions due to a reassessment of certain wells in 2004 resulting in a reserve increase due to improved well performance.

RECONCILIATION OF CHANGES IN
NET PRESENT VALUES OF FUTURE NET REVENUE
DISCOUNTED AT 10% PER YEAR
PROVED RESERVES
CONSTANT PRICES AND COSTS

PERIOD AND FACTOR	2004 (M$)
Estimated Future Net Revenue at Beginning of Year	13,412
Sales and Transfers of Oil and Gas Produced, Net of Production Costs and Royalties	(9,900)
Net Change in Prices, Production Costs and Royalties Related to Future Production	4,422
Changes in Previously Estimated Development Costs Incurred During the Period	17,794
Changes in Estimated Future Development Costs	(21,902)
Extensions and Improved Recovery	925
Discoveries	13,300
Acquisitions of Reserves	9,000
Dispositions of Reserves	(1,000)
Net Change Resulting from Revisions in Quantity Estimates	4,941
Accretion of Discount	1,767
Net Change in Income Taxes	3,250
Miscellaneous Changes	-
Estimated Future Net Revenue at End of Year	36,009

Additional Information Relating to Reserves Data

Undeveloped Reserves

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to the Corporation in the most recent five financial years.

Proved Undeveloped Corporation Gross Remaining Reserves

Year	Light and Medium Oil (Mbbl)	Heavy Oil (Mbbl)	Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	MBOE
2003	-	-	-	-	-
2004	250.0	-	78.0	0.4	263.4

Probable Undeveloped Corporation Gross Remaining Reserves

Year	Light and Medium Oil (Mbbl)	Heavy Oil (Mbbl)	Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	MBOE
2003	-	-	-	-	-
2004	100.0	-	2,125	-	454.2

The Corporation's undeveloped oil reserves are located in Pheasant, Saskatchewan properties, proved undeveloped natural gas reserves are located in Parkland, Alberta, and probable undeveloped natural gas reserves are located in Blair, British Columbia. The Corporation has plans to develop the reserves in 2005 in each of these areas, and the future development costs have been included in the December 31, 2004 reserves report.

Significant Factors or Uncertainties

For details of important economic factors and significant uncertainties that may affect the components of the reserves data disclosed in this Statement, see "Management's Discussion and Analysis", "Industry Conditions" and "Risk Factors".

Future Development Costs

The following table sets forth development costs deducted in the estimation of the Corporation's future net revenue attributable to the reserve categories noted below.

	Forecast Prices and Costs (MM$)				Constant Prices and Costs (MM$)	
Year	Proven Reserves		Proved Plus Probable Reserves		Proved Reserves	
	0%	10%	0%	10%	0%	10%
2005	4.7	4.5	8.9	8.5	4.6	4.4
Thereafter	-	-	-	-	-	-

The Corporation's source of funding for the future development cost of the Corporation's reserves will be derived from a combination of working capital, cash flow, debt and possibly new equity. The Corporation does not anticipate that the cost of funding referenced above will materially affect the Corporation's disclosed reserves and future net revenues or will make the development of any of the Corporation's properties uneconomic.

Other Oil and Gas Information

Oil and Gas Wells

The following table sets forth, as at December 31, 2004, the number and status of wells in which the Corporation owned a working interest which were producing or which the Corporation considered to be capable of producing.

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
British Columbia	-	-	-	-	1	0.2	3	0.9
Alberta	41	3.8	-	-	160	29.4	8	2.0
Saskatchewan	56	19.7	5	1.8	-	-	1	1.0
Texas	-	-	-	-	2	0.4	-	-
Total	97	23.5	5	1.8	163	30.0	12	3.9

The Corporation had 17 (5.7 net) non-producing wells of which 12 (4.3 net) are awaiting disposition or abandonment. The remaining non-productive wells are waiting on surface infrastructure and are expected to produce in 2005 as follows:

- 1 (0.4 net) natural gas well at Chip Lake, Alberta
- 3 (0.9 net) natural gas wells at Blair, British Columbia
- 1 (0.3 net) light oil well at Stoughton, Saskatchewan

Land Holdings

The following table sets out the Corporation's developed and undeveloped land holdings as at December 31, 2004.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
British Columbia	2,122	416	26,865	21,737	28,987	22,153
Alberta	96,495	19,481	81,850	30,884	178,345	50,365
Saskatchewan	9,714	2,846	56,872	23,680	66,586	26,526
Total	108,331	22,743	165,587	76,301	273,918	99,044

There are no material work commitments on the undeveloped land holdings disclosed above.

The Corporation expects that rights to explore, develop and exploit 1,970 net acres of its undeveloped land holdings will expire by December 31, 2005.

In addition to the land listed above, the Corporation has a 27,495 acre farmin agreement with an industry partner at Chowade, British Columbia (the "Chowade Farmin"). Under the terms of the Chowade Farmin, Innova can earn an interest (50% interest, subject to a 15% GOR, or 30% and no GOR, at the election of its partner) by drilling in these lands (two sections for each of the first two wells, and one section for each subsequent well). The Chowade Farmin requires Innova to initiate exploration activity on these lands by August 31, 2005 and has an initial two well commitment, followed by a series of single well commitments.

Forward Contracts

In the normal course of business Innova is obligated to make future payments. These obligations represent contracts and other commitments that are known to the Corporation and that it is typically unable to avoid or cancel.

Payments Due ($000s):

	2005	2006	2007	2008	2009	Future
Mineral lease rentals (gross)	379,606	340,629	325,239	300,361	247,695	247,695
Surface lease rentals (gross)	93,911	93,911	91,094	88,361	85,710	83,139
	473,517	434,540	416,333	388,722	333,405	330,834

Other than as disclosed above, Innova is not bound by any agreement (including any transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for oil and gas. Innova's transportation obligations and commitments for future physical deliveries of oil and gas do not exceed Innova's expected related future production from its proved reserves, estimated using forecast prices and costs.

Additional Information Concerning Abandonment and Reclamation Costs

On January 1, 2004, the Corporation changed its accounting policy with respect to accounting for asset retirement obligations. Canadian Institute of Chartered Accountants Handbook Section 3110, which is essentially the same as the American Financial Accounting Standards Board's Statement No. 143 "Accounting for Asset Retirement Obligations", requires the fair value of asset retirement obligations to be recorded when they are incurred. This requires an estimate to be made of the future costs of retiring the asset at the point in time the asset is acquired, rather than merely accumulating or accruing future estimates of cost over the useful life of the respective assets.

The Corporation, under the current policy, is required to provide for future removal and site restoration costs. The Corporation must estimate these costs based on previous experience of management and in accordance with existing laws, contracts or other policies. These estimated costs are charged to earnings and the appropriate liability account over the expected service life of the asset. When the future removal and site restoration costs cannot be reasonably determined, a contingent liability may exist. Contingent liabilities are charged to earnings when management is able to determine the amount and the likelihood of the future obligation.

As at December 31, 2004, the Corporation expected to incur abandonment and/or reclamation costs on 60.7 net wells. The total amount of such costs expected to be incurred was $3.4 million (undiscounted) and $1.8 (discounted at 10%), which represents the total of such liability, regardless of whether the wells were assigned reserves or not. During the next three years the Corporation expects to pay $0.3 million in abandonment and/or reclamation costs. Of the $1.8 million (discounted at 10%) of abandonment and/or reclamation costs discussed above, $0.6 million was not deducted as abandonment and/or reclamation costs in estimating the future net revenue disclosed elsewhere herein.

Tax Horizon

Innova is not required to pay income taxes for 2004. Based on existing tax pools, a strategy of re-investing fully all internally generated cash flow in an exploration and development program and based on the commodity prices used in the McDaniel Report, Innova estimates that it will not be required to pay income taxes until after 2005.

Costs Incurred

The following tables summarize capital expenditures (net of incentives and net of certain proceeds and including capitalized general and administrative expenses) related to the Corporation's activities for the year ended December 31, 2004:

Property acquisition costs ($ millions)	
Proved properties	0.4
Undeveloped properties	5.8
Exploration costs	14.4
Development costs	6.5
Total	27.1

Exploration and Development Activities

The following table sets forth the gross and net exploratory and development wells in which the Corporation participated during the year ended December 31, 2004:

	Exploratory		Development	
	Gross	Net	Gross	Net
Light and Medium Oil	14	5.9	2	1.0
Natural Gas	17	5.7	1	0.2
Service	-	-	1	0.3
Dry	4	1.6		
Total:	35	13.2	4	1.5

Innova plans to spend approximately 60% to 70% of its 2005 capital budget on higher risk/high reward exploration projects and 30% to 40% on other exploration and low to medium risk development projects. The Corporation prefers to have a lower working interest (less than 50%) in the high risk exploration projects and a higher working interest (50% or greater) in other exploration and low to medium risk development projects. In 2005 much of the Corporation's exploration will be focused on Southeast Saskatchewan light oil and Northeast British Columbia sweet natural gas. Development activities will be undertaken in the all three western Canadian provinces.

Production Estimates

The following table sets out the gross volume of the Corporation's production estimated for the year ended December 31, 2005 which is reflected in the estimate of future net revenue of the proved plus probable reserves disclosed in the tables contained under "- Disclosure of Reserves Data". The Corporation has no fields that account for 20% or more of the Corporation's reserves report 2005 estimated production.

2005	Light and Medium Oil (Bbls/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	BOE (BOE/d)
	695	6900	65	1,910

Note:
(1) The Corporation did not have any material heavy oil reserves at December 31, 2004.

Prices Received And Capital Expenditures

The following tables summarize certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

	Quarter Ended 2004			
	Dec. 31	Sept. 30	June 30	Mar. 31
(6:1)				
Average Daily Production				
Crude Oil and liquids (Bbls/d)	733	627	432	102
Gas (Mmcf/d)	6,215	5,511	5,891	5,284
Combined (BOE/d)	1,769	1,545	1,414	983
Average Price Received				
Crude Oil and liquids ($/Bbls)	44.77	49.32	47.24	39.49
Gas ($/Mcf)	6.86	6.50	7.87	6.86
Combined ($/BOE)	42.67	43.20	47.23	41.01
Royalties				
Crude Oil and liquids ($/Bbls)	8.51	10.01	12.52	14.65
Gas ($/Mcf)	1.94	2.37	1.75	2.69
ARTC ($/BOE)	(0.22)	(0.14)	(2.02)	(2.46)
Combined ($/BOE)	10.16	12.40	9.07	13.53
Operating expenses				
Crude Oil and liquids ($/Bbls)	8.39	6.56	8.48	5.00
Gas ($/Mcf)	0.99	0.76	1.25	0.83
Combined ($/BOE)	6.97	5.35	7.80	5.00
Netback Received				
Crude Oil and liquids ($/Bbls)	27.87	32.75	26.24	19.84
Gas ($/Mcf)	3.93	3.37	4.87	3.34
ARTC ($/BOE)	0.22	0.14	2.02	2.69
Combined ($/BOE)	25.57	25.46	30.34	22.50

Note:
(1) The Corporation did not have any material heavy oil production during 2004.

For the year ended December 31, 2004, approximately 67% of Innova's gross revenue was derived from natural gas production (95% in 2003), 31% of Innova's gross revenue was derived from crude oil production (1% in 2003) and 2% was derived from NGLs (4% in 2003).

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, British Columbia and Saskatchewan, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect Innova's operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and Innova is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing – Oil and Natural Gas

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products, the supply/demand balance and other contractual terms. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "**NEB**"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than 2 years or for a term of 2 to 20 years (in quantities of not more than 30,000 m^3/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

The governments of Alberta, British Columbia and Saskatchewan also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements and market considerations.

The lack of firm pipeline capacity may limit the ability to produce and market natural gas production although pipeline expansions are ongoing. In addition, the prorationing of capacity on the interprovincial pipeline systems may limit oil exports.

Pipeline Capacity

Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market natural gas production. In addition, the pro rationing of capacity on inter-provincial pipeline systems also continues to affect the ability to export oil and natural gas.

The North American Free Trade Agreement

The North American Free Trade Agreement ("**NAFTA**") among the governments of Canada, United States of America and Mexico became effective on January 1, 1994. NAFTA carries forward most of the material energy terms that are contained in the Canada – United States Free Trade Agreement. Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period); (ii) impose an export price higher than the domestic price; or (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum or maximum export or import price requirements except as permitted in enforcement of countervailing and antidumping orders and undertakings.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements, which is important for Canadian natural gas exports.

Provincial Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations that govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are from time to time carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests.

From time to time the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry.

On March 3, 2003 the Department of Finance (Canada) released a technical paper entitled "Improving the Income Taxation of the Resource Sector in Canada" (the "**Technical Paper**"). In November, 2003 the Tax Act was amended to provide the following initiatives applicable to the oil and gas industry to be phased in over a five year period: (i) a reduction of the federal statutory corporate income tax rate on income earned from resource activities from 28% to 21%, beginning with a one percentage point reduction effective January 1, 2003, and (ii) a deduction for federal income tax purposes of actual provincial and other Crown royalties and mining taxes paid and the elimination of the 25% resource allowance. In addition, the percentage of ARTC that the Corporation will be required to include in federal taxable income will be 12.5% in 2004; 17.5% in 2005; 32.5% in 2006; 50% in 2007; 60% in 2008; 70% in 2009; 80% in 2010; 90% in 2011, and 100% in 2012 and beyond.

Alberta

Regulations made pursuant to the *Mines and Minerals Act* (Alberta) provide various incentives for exploring and developing oil reserves in Alberta. Oil produced from horizontal extensions commenced at least 5 years after the well was originally spudded may also qualify for a royalty reduction. A 24-month, 8,000 m^3 exemption is available to production from a reactivated well that has not produced for: (i) a 12-month period, if resuming production in October, November or December of 1992 or January, 1993; or (ii) a 24 month period, if resuming production in February 1993 or later. As well, oil production from eligible new field and new pool wildcat wells and deeper pool test wells spudded or deepened after September 30, 1992 is entitled to a 12-month royalty exemption (to a maximum of $1 million). Oil produced from low productivity wells, enhanced recovery schemes (such as injection wells) and experimental projects is also subject to royalty reductions.

The Alberta government has also introduced a Third Tier Royalty with a base rate of 10% and a rate cap of 25% for oil pools discovered after September 30, 1992. The new oil royalty reserved to the Crown has a base rate of 10% and a rate cap of 30%. The old oil royalty reserved to the Crown has a base rate of 10% and a rate cap of 35%.

In Alberta, the royalty reserved to the Crown in respect of natural gas production, subject to various incentives, is between 15% and 30%, in the case of new natural gas, and between 15% and 35%, in the case of old natural gas, depending upon a prescribed or corporate average reference price. Natural gas produced from qualifying intervals in eligible gas wells spudded or deepened to a depth below 2,500 meters is also subject to a royalty exemption, the amount of which depends on the depth of the well.

In Alberta, a producer of oil or natural gas is entitled to a credit on qualified oil and natural gas production against the royalties payable to the Crown by virtue of the Alberta royalty tax credit ("**ARTC**") program. The ARTC rate is based on a price sensitive formula and the ARTC rate varies between 75% at prices at and below $100 per m^3 and 25% at prices at and above $210 per m^3. In general, the ARTC rate is applied to a maximum of $2,000,000 of Alberta Crown royalties payable for each producer or associated group of producers. Crown royalties on production from producing properties acquired from a Corporation claiming maximum entitlement to ARTC will generally not be eligible for ARTC. The rate is established quarterly based on the average "par price", as determined by the Alberta Department of Energy for the previous quarterly period.

On December 22, 1997, the Alberta government announced that it was conducting a review of the ARTC program with the objective of setting out better targeted objectives for a smaller program and to deal with administrative difficulties. On August 30, 1999, the Alberta government announced that it would not be reducing the size of the program but that it would introduce new rules to reduce the number of persons who qualify for the program. The new rules will preclude companies that pay less than $10,000 in royalties per year and non-corporate entities from qualifying for the program. Such rules will not presently preclude Innova from being eligible for the ARTC program.

Oil and natural gas royalty holidays and royalty reductions for specific wells reduce the amount of Crown royalties paid by the Corporation to the provincial governments. In general, the ARTC program provides a rebate on Alberta Crown royalties paid in respect of eligible producing properties. Both of these incentives have the effect of increasing the net income of producers.

British Columbia

Producers of oil and natural gas in the Province of British Columbia are also required to pay annual rental payments in respect of the Crown Leases and royalties and freehold production and taxes in respect of oil and gas produced from Crown and Freehold Lands, respectively. The amount payable as a royalty in respect of oil depends on the vintage of the oil, the quantity of oil produced in a month and the value of the oil. Oil produced from newly discovered pools may be exempt from the payment of a royalty for the first 36 months of production. The royalty payable on natural gas is determined by a sliding scale based on a reference price which is the greater of the amount obtained by the producer and a prescribed minimum price. Gas produced in association with oil has a minimum royalty of 8%.

On May 30, 2003, the Ministry of Energy and Mines for British Columbia announced an oil and gas development strategy for the Heartlands (the "Strategy"). The Strategy is a comprehensive program to address road infrastructure, targeted royalties, and regulatory reduction and British Columbia service-sector opportunities.

Some of the financial incentives in the Strategy include:

- royalty credits of up to $30 million annually towards the construction, upgrading and maintenance of road infrastructure and support of resources, exploration and development. Funding will be contingent upon an equal contribution from industry.

- changes to provincial royalties, new royalty rates for low-productivity natural gas to enhance marginally economic resources, royalty credits for deep gas exploration to locate new sources of natural gas, and royalty credits for summer drilling to expand the drilling season.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licenses and permits for varying terms from two years and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties.

Environmental legislation in the Province of Alberta has been consolidated into the *Environmental Protection and Enhancement Act* (Alberta) (the "**APEA**"), which came into force on September 1, 1993 and the *Oil and Gas Conservation Act* (Alberta) (the "**OGCA**"). The APEA and OGCA impose stricter environmental standards, require more stringent compliance, reporting and monitoring obligations and significantly increase penalties. Innova is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and an expense nature as a result of the increasingly stringent laws relating to the protection of the environment and will be taking such steps as required to ensure compliance with the APEA and similar legislation in other jurisdictions in which it operates. The Corporation believes that it is in material compliance with applicable environmental laws and regulations. Innova also believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

British Columbia's *Environmental Assessment Act* became effective June 30, 1995. This legislation rolls the previous processes for the review of major energy projects into a single environmental assessment process with public participation in the environmental review process.

Trends

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near future of the business.

The first trend is the volatility of commodity prices. Natural gas is a commodity influenced by factors within North America. The continued tight supply demand balance for natural gas is causing significant elasticity in pricing. Despite record drilling activity, a strong economy, weather, fuel switching and demand for electrical generation there still exists a tight supply causing prices to remain high.

Crude oil is influenced by the world economy and OPEC's ability to adjust supply to world demand. Recently crude oil prices have been kept high by political events causing disruptions in the supply of oil, and concern over potential supply disruptions triggered by unrest in the Middle East. Political events trigger large fluctuations in price levels.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also declines.

A second trend within the Canadian oil and gas industry is recent growth in the number of private and small junior oil and gas companies starting up business. These companies often have experienced management teams from previous industry organizations that have disappeared as a part of the ongoing industry consolidation. Many are able to raise capital and recruit well qualified personnel.

A third trend currently affecting the oil and gas industry is the impact on capital markets caused by investor uncertainty in the North American economy. The capital market volatility in Canada has also been affected by uncertainties surrounding the economic impact that the Kyoto Protocol (ratified by the Government of Canada in 2002) will have on the sector. Generally during the past year, the economic recovery combined with increased commodity prices have caused an increase in new equity financings in the oil and gas industry. The Corporation must compete with the numerous new companies and their new management teams and development plans in its access to capital. The competitive nature of the oil and gas industry will cause opportunities for equity financings to be selective. Some companies will have to rely on internally generated funds to conduct their exploration and developmental programs.

RISK FACTORS

Innova's securities should be considered highly speculative due to the nature of Innova's business. An investor should consider carefully the risk factors set out below. In addition, investors should carefully review and consider all other information contained or incorporated by reference in this Annual Information Form before making an investment

decision. An investment in securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment.

Oil and gas operations involve many risks that even a combination of experience and knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Innova's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The petroleum industry is competitive in all its phases. Innova competes with numerous other participants in the search for the acquisition of oil and natural gas properties and in the marketing of oil and natural gas. Innova's competitors include oil and gas companies that have substantially greater financial resources, staff and facilities than those of Innova. Innova's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. See "Industry Conditions". The Corporation's operations may require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

In December 2002 the Government of Canada ratified and signed the Kyoto Protocol. This protocol calls for Canada to reduce its greenhouse gas emissions to 6% below 1990 levels during the period between 2008 and 2012. Implementation of the Kyoto Protocol is expected to affect the operation of all industries in Canada, including the oil and gas industry. Such effects may include increased operating and capital expenditures and reduction in the production of crude oil and natural gas. As details of the implementation of the Kyoto Protocol have yet to be announced, the effect on Innova cannot be determined at this time.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation 's financial condition, results of operations or prospects. See "Industry Conditions – Environmental Regulation".

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. Innova's ability to market its natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Innova may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Innova's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Innova's reserves. Innova might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Innova's net production revenue causing a reduction in its oil and gas acquisition, development and exploration activities. In addition, bank borrowings available to Innova are in part determined by the Corporation's borrowing base. A sustained material decline in prices from historical average prices could further reduce the Corporation's borrowing base, therefore reducing the bank credit available to Innova, and could require that a portion of the Corporation's bank debt be repaid.

Innova anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Corporation's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on Innova's financial condition, results of operations or prospects.

Innova's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Innova's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to the Corporation.

From time to time Innova may enter into transactions to acquire assets or the shares of other Corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of Innova's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Innova uses the full cost method of accounting for oil and natural gas properties. Under this accounting method, capitalized costs are reviewed for impairment to ensure that the carrying amount of these costs is recoverable based on expected future cash flows. To the extent that such capitalized costs (net of accumulated depreciation and depletion) less future taxes exceed the present value of estimated future net cash flows from the Corporation's proved oil and natural gas reserves, those excess costs would be required to be charged to operations.

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, Innova will not benefit from the fluctuating exchange rate.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although Innova maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Innova could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. To the extent Innova is not the operator of its oil and gas properties, Innova will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Although title reviews will generally be conducted prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat Innova's claim which could result in a reduction of the revenue received by Innova.

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors that are beyond the control of the Corporation. The reserve and cash flow information set forth in this Annual Information Form represent estimates only. McDaniel has independently evaluated the reserves and estimated future net cash flow from the Corporation's properties. This evaluation includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the evaluation was prepared and many of these assumptions are subject to change and are beyond the control of the Corporation. Actual production and cash flows derived therefrom will vary from the evaluation, and such variations could be material. The foregoing evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the evaluation.

Certain directors of Innova are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA. See "Conflicts of Interest".

Innova's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on Innova. Innova does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Innova will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

DESCRIPTION OF CAPITAL STRUCTURE

Innova is authorized to issue an unlimited number of first preferred shares ("**First Preferred Shares**"), an unlimited number of second preferred shares ("**Second Preferred Shares**"), an unlimited number of special shares, issuable in series ("**Special Shares**") of which there has been designated an unlimited number of cumulative, convertible, redeemable, non-voting special shares, series 1 ("**Special Shares, Series 1**"), and an unlimited number of common shares ("**Common Shares**"), each having the rights, privileges, restrictions and conditions described below. A copy of the Corporation's constating documents, including the full text of its share provisions, may be viewed on SEDAR at *www.sedar.com*.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of Innova and to one vote in respect of each Common Share held at all such meetings. Subject to the rights of the holders of the First Preferred Shares and Second Preferred Shares and any other class of shares ranking senior to the Common Shares, the holders of the Common Shares are entitled to receive and participate rateably in any dividends declared by the board of directors of Innova. Subject to the rights of the holders of the First Preferred Shares and the Second Preferred Shares and any other class of shares ranking senior to the Common Shares, in the event of the liquidation, dissolution or winding-up of Innova or other distribution of the assets of Innova among its shareholders for the purposes of winding up its affairs, the holders of the Common Shares shall participate rateably in the distribution of the assets of Innova.

First Preferred Shares

The First Preferred Shares may be issued from time to time in one or more series and the board of directors is authorized to fix, from time to time, for issuance, the number of shares in and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of First Preferred Shares. The First Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of Innova, whether voluntary or involuntary, or any other distribution of the assets of Innova among its shareholders for the purpose of winding-up its affairs, rank on a parity with the First Preferred Shares of every other series and to be entitled to preference over the Second Preferred Shares, the Common Shares and to any other class ranking junior to the First Preferred Shares.

Second Preferred Shares

The Second Preferred Shares may be issued from time to time in one or more series and the board of directors is authorized to fix, from time to time before issuance, the number of shares in and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of Second Preferred Shares. The Second Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of Innova, whether voluntary or involuntary, or any other distribution of the assets of Innova among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Second Preferred Shares of every other series and to be entitled to preference over the Common Shares and to any other class ranking junior to the Second Preferred Shares.

Special Shares

Special Shares may be issued from time to time in one or more series in such number, and having such designation, rights, privileges, restrictions and conditions, including, without limiting the generality of the foregoing, voting rights, the rate or amount of dividends or the method of calculating dividends, whether cumulative or non-cumulative, the date(s) and place(s) of payment thereof, the redemption, purchase for cancellation and/or conversion rights and prices and terms and conditions of redemption, purchase and/or conversion (if any), any share purchase plan or sinking fund or other provisions and the restrictions (if any) respecting payment of dividends on any shares ranking junior to the special shares, as may be determined by the Board of Directors.

If any cumulative dividends, whether or not earned or declared, declared non-cumulative dividends, or amounts payable on the return of capital in respect of a series of special shares are not paid in full, all series of Special Shares shall participate rateably in respect of accumulated cumulative dividends, declared non-cumulative dividends, and amounts payable on return of capital.

In the event of the dissolution, liquidation or winding up of Innova, whether voluntary or involuntary, or any other return of capital or distribution of assets for the purpose of winding up Special Shares of each series will rank on parity with the Special Shares of every other series and be entitled to preference over any other shares of Innova ranking junior to the Special Shares.

Special Shares of any series may be made convertible into Innova Shares.

Special Shares, Series 1

Payment of Dividends

Holders of Special Shares, Series 1 shall be entitled to receive, and Innova shall pay thereon, as and when declared by the Board of Directors out of moneys of Innova properly applicable to the payment of dividends, cumulative preferential cash dividends at a rate of $0.184 per share per annum (8%) payable annually on December 31 in each year (the "Dividend Payment Date") commencing on December 31, 1994.

In any case where dividends are payable in respect of a Special Share, Series 1 for a period (the "Short Payment Period") that ends on a date other than a Dividend Payment Date, a dividend shall be paid in respect of that Special Share, Series 1 for that period in an amount equal to the proportionate period of the year to the date the dividend is declared.

Dividends shall accrue from the date of issue of Special Shares, Series 1 and thereafter shall accrue on a day to day basis. All cumulative dividends which the directors may declare shall be declared and paid in equal amounts per share on all Special Shares, Series 1 at the time outstanding.

Voting Rights

Except as otherwise provided by law, the holders of the Innova Special Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of Innova and shall not be entitled to vote at any such meeting.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of Innova, whether voluntary or involuntary, or any other return of capital or distribution of assets of Innova among its shareholders for the purpose of winding up its affairs, the holders of the Special Shares, Series 1 shall be entitled to receive $2.30 per share together with all accrued and unpaid dividends thereon, whether or not declared, calculated up to but not including the date of payment or distribution before any amount shall be paid to or any property or assets distributed to the holders of any other shares ranking junior to the Special Shares, Series 1. Upon payment to the holders of record of the Special Shares, Series 1 of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of Innova.

Conversion Rights

The Special Shares, Series 1 are convertible into Innova Shares at any time at the option of the holder thereof on the basis of 0.0227 Innova Shares for each Special Share, Series 1 converted.

Redemption

Innova may, at its option, redeem for cash the Special Shares, Series 1 in whole or in part on not less than 30 days' prior notice, at a price of $2.30 per share, plus accrued and unpaid dividends thereon up to but excluding the date of redemption.

Restrictions on Dividends and Retirement of Innova Special Shares

So long as any of the Special Shares, Series 1 are outstanding, Innova shall not, without the prior sanction of the holders thereof given as hereinafter specified:

(a) declare, pay or set aside for payment any dividends on the Innova Shares, or any other shares of Innova ranking junior to the Special Shares, Series 1 (other than stock dividends on any shares of Innova ranking junior to the Special Shares, Series 1 which are dividends paid in the ordinary course);

(b) redeem, purchase or otherwise retire for value or make any capital distribution on, or in respect of, the Innova Shares or any other shares of Innova ranking junior to the Innova Special Shares except out of the net cash proceeds of a substantially concurrent issue of shares of Innova ranking junior to the Innova Special Shares;

(c) redeem or purchase any shares of Innova ranking on a parity with the Innova Special Shares; or

(d) issue any shares ranking in priority to the Innova Special Shares;

unless all dividends up to and including the dividends payable on the last preceding dividend payment date on all Special Shares, Series 1 and all shares ranking on a parity with, or in priority to, the Special Shares, Series 1 with respect to payment of dividends then outstanding, shall have been declared and paid or made available for payment at the date of any such action referred to in the foregoing subclauses (a), (b), (c) and (d).

Modification of Series

The provisions attaching to the Special Shares, Series 1, may be amended only with the prior approval of the holders in addition to such other approval as may be required by the ABCA.

The approval of all amendments to the provisions attaching to the Special Shares, Series 1 may be given by a resolution passed by an affirmative vote of at least 66⅔% of the votes cast by holders of Special Shares, Series 1 at a meeting at which the holders of a majority of the outstanding Special Shares, Series 1 are present or represented by proxy or, if no quorum is present at such meeting, by an affirmative vote of at least 66⅔% of the votes cast by holders of Special Shares, Series 1, at an adjournment thereof.

MARKET FOR SECURITIES

Innova's Common Shares are listed on the TSX under the symbol "IXL". The price ranges and volume traded on the TSX during each month of 2004 is set forth below.

	High	Low	Volume (000s)
2004			
January (1)	3.71	2.16	238
February (1)	3.97	2.47	253
March (1)	3.04	2.56	315
April 1 – 21 (1)	2.91	2.56	775
April 22- 30	2.95	2.55	1,375
May	3.05	2.50	926
June	2.60	2.25	412
July	2.60	2.30	439
August	2.60	2.27	377
September	2.95	2.26	916
October	3.11	2.81	2,322
November	3.80	2.81	2,218
December	4.00	3.35	1,454

Note:
(1) From the beginning of 2004 until April 22, 2004, the Corporation's common shares traded under the name "Troutline Investments Inc.", trading symbol "TXX". On April 22, 2004 the Innova Shares of the Corporation began trading under the Innova name on a consolidated basis (8.8235 old Troutline common shares for each Innova Share).

DIVIDEND POLICY

The Corporation's current policy is to retain profits for future growth. As a result, no dividends have been paid on Innova shares during the three most recently completed financial years. The Corporation's dividend policy is reviewed periodically by the Board of Directors and is subject to change, depending on earnings of the Corporation, financial requirements and other factors, as appropriate. As at the date hereof, the Corporation does not intend to change its dividend policy.

The Corporation is restricted from paying dividends on any of its shares, unless and until it has paid all cumulative dividends up to and including the last year end having been declared and paid on its Special Shares, Series 1 (See "Description of Share Capital, Special Shares, Series 1", above).

SELECTED FINANCIAL INFORMATION

Reference is made to the information under the heading "Summary Highlights" contained at pages 2 and 3 of the Corporation's 2004 Annual Report, filed with the Corporation's audited financial statements for the period ended December 31, 2004, which information is incorporated herein by reference and is available at *www.sedar.com*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation's Management Discussion and Analysis (contained at pages 30 through 53 of the Corporation's 2004 Annual Report), filed with the Corporation's audited consolidated financial statements for the period December 31, 2004, is incorporated herein by reference and is available at *www.sedar.com*.

HUMAN RESOURCES

Innova had 17 full-time employees at December 31, 2004, all of which are located at the Corporation's head office in Calgary.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information in respect of Innova's directors and executive officers.

Name and Municipality of Residence	Positions and Offices Held	Principal Occupations During the Five Preceding Years	Period of Service as Director
Kevin J. Gibson Okotoks, Alberta	President, Chief Executive Officer and Director	President and Chief Executive Officer of Innova since November 2000. Prior thereto, Chairman and President of Western Star Exploration Ltd., a TSX listed oil and gas company.	April, 2004
Daryl S. Fridhandler, Q.C.[(1)] Calgary, Alberta	Chairman of the Board and Director	Partner, Burnet, Duckworth & Palmer LLP, a Calgary based law firm.	April, 2004
Gabor Jellinek[(1)] Westmount, Quebec	Director	President of G.J. Holdings Inc., a private investment company.	April, 2004
Edward S. Sampson[(2)] White Rock, British Columbia	Director	Chairman, President and CEO of Niko Resources Ltd., a TSX listed oil and gas company, since 1996. Also, President of Hummingbird Energy Corp., a private oil and gas company and President of DRS Investments Ltd., a private investment company.	April, 2004
F. Charles Vickers, Jr.[(2)] Dallas, Texas	Director	President of Greyling Investments, Inc. and Trustee of the Nelson Bunker Hunt Trust Estate – Trust B.	July, 2001
Robert R. Hobbs[(1)(2)] Calgary, Alberta	Director	Chief Executive Officer and Chief Financial Officer of Surge since July 1, 2000. Prior thereto, President of Plexus Energy Ltd., a public oil and gas company, from 1999 to July 2000. Also, President of R.R. Hobbs Financial Consultants Ltd. from 1983 to present.	April, 2004
Kelly D. Kerr Calgary, Alberta	Vice-President, Finance, Chief Financial Officer and Secretary	Vice-President, Finance and Chief Financial Officer of Innova since September, 2004. Prior thereto, Vice-President, Finance and Chief Financial Officer of TriQuest Energy Corp., a TSX listed issuer, between September, 2002 and February, 2004; and prior to that, he was a Corporate Finance Associate with Rogers & Partners Securities Inc.	N/A

Name and Municipality of Residence	Positions and Offices Held	Principal Occupations During the Five Preceding Years	Period of Service as Director
Stephen M. Gibson Calgary, Alberta	Vice-President, Operations	Vice-President, Operations of Innova since September 2001. Prior thereto, Vice-President, Operations of Benson Petroleum, a TSX listed company.	N/A
Glen A. Tanaka Calgary, Alberta	Vice-President, Corporate Development and Engineering	Vice-President, Corporate Development and Engineering of Innova since February 2003. Prior thereto, Production Manager of Pilot, a private oil and gas company, since November 2000. Prior thereto, Chief Operating Officer of UTS Energy Corporation, a TSX listed company.	N/A
Patrick R. Ward	Vice-President, Exploration	Vice President, Exploration since May, 2004. Co-founder of Chowade Energy Inc. in 2003. Prior thereto, from 1999 to 2003, Manager, Geology and Geophysics with the NCE Resources Group and Petrofund Energy Trust.	N/A
Edward J. Kalthoff	Vice President, Land	Vice President, Land of Innova since September, 2004. Prior thereto, Vice-President, Land of Progress Energy Ltd., a TSX listed issuer.	N/A
Michael R. Smillie	Controller	Controller of Innova since April, 2004; prior thereto consultant to Surge Petroleum Inc. TSX-V from January to April, 2004; prior thereto Controller of Goldray Inc. TSX-V from August, 2000 to December, 2003 and prior thereto, Controller of LWT Services Inc. TSX-V,	N/A

Notes:
(1) Member of the Audit and Reserves Committee.
(2) Member of the Human Resource and Governance Committee.

As at March 14, 2005, the directors and executive officers as a group, beneficially owned, directly or indirectly, or exercised control or direction over, in the aggregate, approximately 5.7 million Innova Shares, representing approximately 20.6% of the outstanding Innova Shares.

The term of office of each of the directors expires at the next annual meeting of shareholders of the Corporation to be held on May 12, 2005.

AUDIT AND RESERVES COMMITTEE INFORMATION

Audit and Reserves Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of the Audit and Reserves Committee of the Board of Directors is attached hereto as Schedule "C". The members of the Audit and Reserves Committee are Robert R. Hobbs, Gabor Jellinek and Daryl S. Fridhandler.

Composition of the Audit and Reserves Committee

Prior to any meetings of the Audit and Reserves Committee after Innova's Annual and General Meeting on May 12, 2005 (at which time National Instrument 52 110, Audit Committee, will apply to Innova) all members of the Audit and Reserves Committee will be independent and financially literate.

Relevant Education and Experience

Robert R. Hobbs, the Chairman of the Committee, is a Certified Management Accountant having been granted his designation in 1969. He has held numerous senior financial positions in both private and public companies serving as secretary, controller, treasurer, and vice president of finance and chief financial officer. Mr. Hobbs has been directly and indirectly responsible for the preparation of financial and disclosure documents while in these senior capacities. At present, Mr. Hobbs is the Chairman of the audit committee for both Niko Resources Ltd. (TSX) and Innova.

Gabor Jellinek is a retired businessman who serves as a director of a number of private and public companies. He was formerly a Vice-President of the Seagram Company Ltd., a multi-billion dollar Canadian-headquartered company in the beverage, music and entertainment business. He also has completed post-graduate studies in management at McGill University. Currently he sits on the audit committee of two other public companies (Velan Inc. and Cancor Mines Inc.) addition to being on the audit committee of Innova.

Daryl S. Fridhandler, Q.C., is a lawyer practicing in the area of corporate finance who currently sits on the audit committee of two public companies, and has served on a number of public company audit committees over a period of approximately 15 years. By way of formal related education, he has taken several university level accounting courses as well as several tax law courses.

Pre-Approval of Policies and Procedures

The Audit Committee of the Corporation will consider the pre-approval of permitted services to be performed by the external auditor in each of the following broad categories:

- Tax Services, which includes:
  - Compliance Services
  - Canadian and U.S. Tax Planning Services
  - Commodity Tax Services
  - Executive Tax Services
- Other Services, which include:
  - Valuation Services
  - Information Technology Advisory and Risk Management Services
  - Actuarial Services
  - Forensic and Related Services
  - Corporate Recovery Services
  - Transaction Services
  - Corporate Finance Services
  - Project Risk Management Services
  - Operational Advisory and Risk Management Services
  - Regulatory and Compliance Services

Periodically (e.g. annually), the Audit Committee will update the above list of pre-approved services and pre-approve services that are recurring or otherwise reasonably expected to be provided. The Audit Committee will be subsequently informed quarterly of the services on the list for which the auditor has been actually engaged.

Any additional requests for pre-approval will be addressed on a case-by-case specific engagement basis. The employee making the request will submit the request for service to the Vice President, Finance and CFO. The request for service will include a description of the service, the estimated fee, a statement that the service is not a prohibited service and the reason the Corporation's external auditors are being engaged. Where the aggregate fees are estimated to be less than or equal to $30,000, a recommendation will be submitted by the Vice President, Finance and CFO to the Chairman of the Audit Committee for consideration and approval The full Audit Committee will subsequently be informed of the services, at its next meeting. The engagement may commence upon approval from the Chairman of the Audit Committee. Where the aggregate fees are estimated to be greater than $30,000, a recommendation will be submitted by the Vice President, Finance and CFO to the full Audit Committee for consideration and approval, generally at its next meeting or at a special meeting called for the purpose of approving such services. The engagement may commence upon approval of the full Audit Committee.

External Auditor Service Fees

Audit Fees

The aggregate fees billed by the Corporation's external auditor in each of the last two fiscal years for audit services were $48,000 in 2004 and $25,000 in 2003.

Audit – Related Fees

The aggregate fees billed and billable in each of the last two fiscal years for assurance related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements that are not reported under "Audit Fees" above were $145,508 in 2004 and $18,500 in 2003. The fees were for assistance in preparation of the Corporation's March 12^{th} information circular and for review engagements for the Corporation's three interim periods in 2004.

Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the Corporation's external auditor for tax compliance, tax advice and tax planning were $66,000 in 2004 and NIL in 2003. These fees were for income tax planning and compliance services.

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by the Corporation's auditors other than services reported above were NIL in 2004 and NIL in 2003.

CONFLICTS OF INTEREST

Certain directors of the Corporation are associated with other companies, which may give rise to conflicts of interest. In accordance with the ABCA, directors who have a material interest in any person who is a party to a material contract or proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Innova is not aware of any existing or potential material conflicts of interest between Innova and any director or officer of Innova.

INTERESTS OF EXPERTS

Other than McDaniel, Innova's independent engineers, and KPMG LLP, the Corporation's auditors, (the "**Experts**"), no person or corporation is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by Innova during, or relating to, Innova's most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or corporation.

There are no registered or beneficial interests, direct or indirect, in any securities or other property of Innova or of Innova's associates or affiliates (i) held by the Experts when the Experts prepared the statement, report or valuation, (ii) received by the Experts after the time that the Experts prepared the statement, report or valuation, or (iii) to be received by the Experts. In addition, no director, officer or employee of the Experts is or is expected to be elected, appointed or employed as a director, officer or employee of Innova or of any associate or affiliate of Innova.

LEGAL PROCEEDINGS

There are no material legal proceedings to which Innova is a party or of which any of its property is the subject, nor are any such proceedings known to Innova to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of Innova, no person or Corporation that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of Innova's outstanding voting securities, and no associate or affiliate of any of the persons or companies referred to above, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Innova other than:

1. during August 2004, the Corporation received the amount owing on a $270,945 receivable from a company controlled by Mr. George Armoyan, a former Director of IEL; and

2. during July 2004, the corporation concluded the sale of its Kutcho Creek Resources Inc. ("Kutcho Creek") mining subsidiary for a fair value of $127,000 cash proceeds after a competitive bidding process. Kutcho Creek held assets related to Troutline's former mining operations. The purchaser is controlled by F. Charles Vickers, Jr., a Director of the Corporation.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, there are no contracts that are material to Innova and that were entered into within the most recently completed financial year, or before the most recently completed financial year, and which are still in effect.

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company is Innova's transfer agent and registrar. The registers of transfers of Innova's Common Shares are located in Calgary, Alberta and Toronto, Ontario.

ESCROWED SECURITIES

To Innova's knowledge, none of its securities are held in escrow or are subject to a pooling agreement.

PRIOR SALES

There is no class of securities of Innova that is outstanding but not listed or quoted on a marketplace.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Innova's securities and securities authorized for issuance under equity compensation plans is contained in Innova's information circular for its annual and special meeting of shareholders to be held on May 12, 2005. Additional financial information is provided in Innova's financial statements and management's discussion and analysis for the financial year ended December 31, 2004.

Innova shall provide to any person, upon request to the Secretary of Innova:

(a) when the securities of Innova are in the course of a distribution pursuant to a preliminary short form prospectus or a short form prospectus,

   (i) one copy of the Annual Information Form of Innova, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form,

   (ii) one copy of the financial statements of Innova for the most recently completed fiscal year together with the accompanying report of the auditor and one copy of the most recent subsequent interim financial statements,

(iii) one copy of the Information Circular – Proxy Statement of Innova in respect of its most recent annual meeting; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any other documents referred to in (a)(i), (ii) and (iii) above, provided Innova may require the payment of a reasonable charge if the request is made by a person who is not a security holder of Innova.

For additional copies of the Annual Information Form and the materials listed in the preceding paragraphs please contact:

Innova Exploration Ltd.
900, 407 – 2nd Street S.W.
Calgary, Alberta T2P 2Y3

Phone: (403) 274-7767
Fax: (403) 274-5366

Additional information relating to Innova including the materials listed in the preceding paragraphs may be found on SEDAR at *www.sedar.com* or through the Corporation's website at *www.innovaexploration.com*.

SCHEDULE A

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

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

(a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2004 using forecast prices and costs; and

(ii) the related estimated future net revenue; and

(b) (i) proved oil and gas reserves estimated as at December 31, 2004 using constant prices and costs; and

(ii) the related estimated future net revenue.

An independent qualified reserves evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Audit and Reserve Committee of the board of directors of the Corporation has

(c) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;

(d) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(e) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Audit and Reserve Committee of the board of directors has reviewed the Corporation'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, on the recommendation of the Audit and Reserve Committee, approved

(f) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;

(g) the filing of the report of the independent qualified reserves evaluator on the reserves data; and

(h) 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.

(signed) Kevin J. Gibson
Kevin J. Gibson
President and Chief Executive Officer

(signed) Glen A. Tanaka
Glen A. Tanaka
Vice-President, Corporate Development and Engineering

(signed) Robert R. Hobbs
Robert R. Hobbs
Director and Chairman of the Audit and Reserve Committee

(signed) Daryl S. Fridhandler, Q.C.
Daryl S. Fridhandler, Q.C.
Director and Member of the Audit and Reserve Committee

March 24, 2005

SCHEDULE B

REPORT ON RESERVES DATA

February 8, 2005

Innova Exploration Ltd.
Suite 900, 407 – 2nd Street S.W.
Calgary, Alberta
T2P 2Y3

Attention: The Board of Directors of Innova Exploration Ltd.

Re: Form 51-101F2
Report on Reserves Data by an Independent Qualified Reserves Evaluator
of Innova Exploration Ltd. (the "Company")

Dear Sir:

To the Board of Directors of Innova Exploration Ltd. (the "Company"):

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

   (a) proved and proved plus probable oil and gas reserves estimated as at December 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 December 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 December 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**
December 31, 2004	Canada	-	48,810	-	48,810

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

Calgary, Alberta

SCHEDULE C

MANDATE OF THE AUDIT AND RESERVES COMMITTEE

Role and Objective

The Audit and Reserves Committee (the "Committee") is a committee of the Board to which the Board has delegated its responsibility:

(a) in connection with audit and financial matters, oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information;

(b) in connection with oil and gas activities and evaluation reports, the matters set forth herein in respect of certain responsibilities that may be delegated to the Committee in accordance with National Instrument 51-101 ("NI 51-101");

The primary objectives of the Committee are as follows:

1. To assist directors meet their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements and reserve evaluation reports of the Corporation and related matters;

2. To provide better communication between directors and external auditors and independent evaluators;

3. To enhance the external auditor's and independent evaluator's independence;

4. To increase the credibility and objectivity of financial reports and reserve evaluation reports; and

5. To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors and independent evaluators.

Membership of Committee

6. The Committee shall be comprised of at least three (3) directors of the Corporation none of whom are:

   (a) members of management of the Corporation and all of whom are "unrelated directors" (as such term is used in the Report of the Toronto Stock Exchange on Corporate Governance in Canada) and "independent" (as such term is used in Multilateral Instrument 52-110 — Audit Committees ("MI 52-110") unless the Board shall have determined that the exemption contained in Section 3.6 of MI 52-110 is available and has determined to rely thereon; and

   (b) or have been, during the preceding 12 months:

      (i) an officer or employee of the Corporation or of an affiliate of the Corporation;

      (ii) a person who beneficially owns 10% or more of the outstanding voting securities of the Corporation; or

      (iii) a relative of a person referred to in subparagraphs (i) or (ii), residing in the same home as that person; and

      (iv) are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgment.

7. All of the members of the Committee shall be "financially literate" (as defined in MI 52-110) unless the Board shall determine that an exemption under MI 52-110 from such requirement in respect of any particular member is available and has determined to rely thereon in accordance with the provisions of MI 52-110.

8. The Board shall appoint the Committee Chair, who shall be an unrelated director, from among the members and the Chair shall preside at all meetings of the Committee.

Mandate and Responsibilities of Committee

I. Audit Matters

9. It is the responsibility of the Committee to oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting.

10. It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to the Corporation's Internal Control Systems:

    (a) identifying, monitoring and mitigating business risks; and

    (b) ensuring compliance with legal, ethical and regulatory requirements.

11. It is a primary responsibility of the Committee to review the annual and interim financial statements of the Corporation and related management's discussion and analysis ("MD&A") prior to their submission to the Board for approval. The process should include but not be limited to:

    (a) reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;

    (b) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;

    (c) reviewing accounting treatment of unusual or non-recurring transactions;

    (d) ascertaining compliance with covenants under loan agreements;

    (e) reviewing disclosure requirements for commitments and contingencies;

    (f) reviewing adjustments raised by the external auditors, whether or not included in the financial statements;

    (g) reviewing unresolved differences between management and the external auditors; and

    (h) obtain explanations of significant variances with comparative reporting periods.

12. The Committee is to review the financial statements, prospectuses, MD&A, annual information forms ("AIF") and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of all other financial information and shall periodically access the accuracy of those procedures.

13. With respect to the appointment of external auditors by the Board, the Committee shall:

    (a) recommend to the Board the external auditors to be nominated;

    (b) recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee;

(c) on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors' independence;

(d) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and

(e) review and pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre–approve non–audit services, provided that the member report to the Committee at the next scheduled meeting such pre–approval and the member comply with such other procedures as may be established by the Committee from time to time.

14. Review with external auditors (and internal auditor if one is appointed by the Corporation) their assessment of the internal controls of the Corporation, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries.

15. The Committee shall review risk management policies and procedures of the Corporation (i.e. hedging, litigation and insurance).

16. The Committee shall establish a procedure for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

17. The Committee shall review and approve the Corporation's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of the Corporation.

18. The Committee shall have the authority to investigate any financial activity of the Corporation. All employees of the Corporation are to cooperate as requested by the Committee.

II. Reserves Matters

19. It is the responsibility of the Committee to review the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements.

20. It is the responsibility of the Committee to review the Corporation's procedures for providing information to the independent evaluator.

21. The Committee is responsible for meeting, as considered necessary, with management and the independent evaluator, to determine whether any restrictions placed by management affect within the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51 101) (the "Reserves Data") and to review the Reserves Data and the report thereon of the independent evaluator (if such report is provided).

22. It is the responsibility of the Committee to review the appointment of the independent evaluator and, in the case of any proposed change to change the independent evaluator, determine the reason therefor and whether there have been any disputes with management.

23. The Committee is responsible for providing a recommendation to the Board of Directors as to whether to approve the content and/or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith.

24. The Committee is responsible for reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities.

25. The Committee is responsible for generally, reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

Meetings and Administrative Matters

26. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall not be entitled to a second or casting vote.

27. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.

28. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.

29. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee shall be taken. The Chief Financial Officer shall attend meetings of the Committee during which financial statement and audit matters are to be addressed, unless otherwise excused from all or part of any such meeting by the Chairman or the Committee.

30. The Committee shall meet with the external auditor at least once per year in connection with the preparation of the year end financial statements and at such other times as the external auditor and the Committee consider appropriate.

31. The Committee shall meet with the independent evaluator at least once per year in connection with the preparation of the year-end evaluation report and at such other times or the independent evaluator and the Committee consider appropriate.

32. Agendas, approved by the Chairman, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.

33. The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.

34. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.

35. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation without any further approval of the Board.

36. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains.

37. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.

Mandate Review

The Committee shall review at least annually the Committee's Mandate and make recommendations to the Board of any proposed changes.

Approved: April 16, 2004