



**TSX: TSK**  
**November 14, 2005**

**NEWS RELEASE**

**TUSK ENERGY CORPORATION ANNOUNCES SECOND QUARTER RESULTS**

CALGARY, ALBERTA (TSK – TSX) – TUSK Energy Corporation (“**TUSK**” or the "**Company**") is pleased to provide information with respect to operating and financial results for the period ended September 30, 2005. The complete text of the quarterly report, including the MD&A and financial statements, has been filed on SEDAR and may be viewed either on that site ([www.sedar.com](http://www.sedar.com)) or on the Company’s website at [www.tusk-energy.com](http://www.tusk-energy.com).

TUSK was founded on November 2, 2004 upon the re-organization of TUSK Energy Inc. into TUSK and TKE Energy Trust and, as of the date of this report, is a little over one year old. Significant progress has been made on a number of fronts including:

- substantial progress on the development of the Mega/Venus discovery area; and
- an approximately three-fold growth in overall corporate production.

**SECOND QUARTER HIGHLIGHTS**

- purchased farmor’s interest in Mega discovery well and adjacent lands increasing overall interest to 50% with no royalties or reversionary interests;
- added to overall land base in Mega-Venus area, increasing the overall area in which TUSK has an interest to more than 190 square miles;
- continued planning for winter drilling season so that we can “hit the ground running” as soon as weather conditions allow access to the Mega-Venus area
- production averaged 623 boepd for the second quarter ended September 30<sup>th</sup>;
- average daily production volume is 193% higher than the producing rate of 212 boepd during the first reporting period of TUSK ended December 31, 2004.

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**Summary Information**

<b>Product Volumes</b>	<b>September 30, 2005</b>	
	<b><u>Six Months Ended</u></b>	<b><u>Three Months Ended</u></b>
Oil, bpd	241	319
NGL=s, bpd	12	12
Natural Gas, Mcfd	<u>1,651</u>	<u>1,754</u>
<b>BOEPD</b>	<u>528</u>	<u>623</u>

**Summary of Product Prices**

Oil, per Barrel	<u>\$ 66.27</u>	<u>\$ 68.79</u>
NGL=s, per Barrel	<u>\$ 29.47</u>	<u>\$ 31.04</u>
Natural Gas, per Mcf	<u>\$ 8.20</u>	<u>\$ 9.15</u>

## Financial

Funds From Operations	<u>\$ 2,217,454</u>	<u>\$ 1,757,153</u>
Net Income (Loss)	<u>\$( 528,972)</u>	<u>\$ 13,090</u>
Funds From Operations Per Share	<u>\$ 0.06</u>	<u>\$ 0.05</u>
Net Loss Per Share	<u>\$( 0.02)</u>	<u>\$ 0.00</u>
Cash Capital Expenditures	<u>\$18,330,750</u>	<u>\$ 8,709,536</u>

## MANAGEMENT'S DISCUSSION & ANALYSIS

The following analysis and discussion is provided by the management of TUSK Energy Corporation ("TUSK" or the "Company") and should be read in conjunction with the unaudited interim financial statements for the six and three months ended September 30, 2005 and the audited financial statements for the fiscal period ended March 31, 2005 and is dated November 10, 2005.

**Basis of Presentation** – The financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles. The reporting and the measurement currency is the Canadian dollar.

**Non-GAAP Measures** – The Management's Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles as an indicator of the Company's performance. The Company's determination of cash flow from operations may not be comparable to that reported by other companies. Cash flow per share from operations is a measure that is widely used in the oil and gas industry and is used by the Company to determine cash available to fund future growth through capital investment and to repay debt. The reconciliation between net earnings and cash flow from operations can be found in the consolidated statements of cash flows in the unaudited interim consolidated financial statements and the audited consolidated financial statements. The Company also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

**BOE Presentation** – Barrels of oil equivalent may be misleading, particularly if used in isolation. The boe conversion ratio of 6 Mcf: 1 bbl of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this report are derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

## Summary Information Per Boe

	September 30, 2005	
	<u>Six Months Ended</u>	<u>Three Months Ended</u>
	(\$)	(\$)
Gross Revenue	56.58	61.56
Royalties, Net of ARTC	<u>12.45</u>	<u>13.06</u>
Net Revenue	44.13	48.50
Operating Expense	13.40	11.72
Transportation Expense	<u>4.54</u>	<u>2.94</u>
Net Operating Revenue	26.19	33.84
General & Administrative	4.95	3.39
Interest Income	( 1.73)	( 0.24)
Current Income Taxes	<u>-</u>	<u>-</u>
Cash Flow Per BOE	<u>22.97</u>	<u>30.69</u>

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## Oil and Gas Revenues

Oil and gas revenue, before royalties, for the six months ended September 30, 2005 was \$5,461,190. Oil and gas revenue before royalties for the three months ended September 30, 2005 was \$3,525,324. Boe production for the period was 96,529 boe and 57,262 boe for the three months ended September 30, 2005.

	September 30, 2005	
	<u>Six Months Ended</u>	<u>Three Months Ended</u>
Oil and Gas Revenues, Before Royalties	\$5,461,190	\$3,525,324
Oil Production (bbls)	44,082	29,311
Oil Price (\$/bbl)	\$ 66.27	\$ 68.79
NGL Production (bbls)	2,095	1,057
NGL Price (\$/bbl)	\$ 29.47	\$ 31.04
Gas Production (Mcf)	302,114	161,364
Gas Price (\$/Mcf)	\$ 8.20	\$ 9.15
BOE Production	96,529	57,262
BOE per Day	528	623

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## Royalties

Total royalties, net of Alberta Royalty Tax Credit, were \$1,201,691 (\$12.45 per BOE) for the six months ended September 30, 2005. Total royalties, net of Alberta Royalty Tax Credit, were \$747,961 (\$13.06 per BOE) for the three months ended September 30, 2005. Net royalties represented 22% of gross revenues for the six months ended September 30, 2005 and 21% of gross revenues for the three months ended September, 2005.

	September 30, 2005	
	<u>Six Months Ended</u>	<u>Three Months Ended</u>
	(\$)	(\$)
Crown Royalties	816,493	525,027
Freehold Royalties	236,275	170,729
Gross Overriding Royalties	<u>299,627</u>	<u>172,418</u>
	1,352,395	868,174
Alberta Royalty Tax Credit	<u>150,704</u>	<u>120,212</u>
Net Royalties	<u>1,201,691</u>	<u>747,962</u>
Net Royalties per BOE (6:1)	<u>12.45</u>	<u>13.06</u>

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## Operating Expenses

TUSK is a new company in the early stages of its development with essentially all production coming from new pools. In the early stages of production from new pool discoveries, operating costs can be high because of the inherent inefficiencies of single well batteries, trucking and third party handling charges. The use of single well batteries allows for early production and a more complete assessment of the long term productivity of new wells prior to the expenditure of additional capital for pipelines and facilities. TUSK has completed this assessment at Gage and completed a central battery and water disposal facilities for that property in June, 2005. In the Mega-Venus area, TUSK commissioned a new regional pipeline and local well tie-in of three wells in April, 2005. These company-owned facilities should reduce TUSK's operating expenses in the next fiscal year. Operating expenses for the six months ended September 30, 2005 were \$1,293,646 (\$13.40 per BOE) and were \$671,006 (\$11.72 per BOE) for the three months ended September 30, 2005.

## Transportation Expenses

The newly constructed facilities at Mega & Gage reduced transportation expenses, which were \$4.54 per boe for the six months ended September 30, 2005 and \$2.94 per boe for the three months ended September 30, 2005.

## Depletion, Depreciation and Accretion (DD&A)

TUSK is in the early stages of exploration and development at its Mega property which has led to a high DD&A on a BOE basis. Depletion, depreciation and accretion was \$2,085,556 for the six months ended September 30, 2005, which represents a provision of \$21.61 per BOE of production. For the three months ended September 30, 2005 the depletion, depreciation and accretion was \$1,222,572, which represents a provision of \$21.35 per BOE of production.

## General and Administrative

Gross general and administrative costs for the six months ended September 30, 2005 were \$969,085, including \$934,487 charged under the Technical Services Agreement with TKE Energy Trust. For the three months ended September 30, 2005, gross general and administrative costs were \$411,914, including \$418,802 charged under the Technical Services Agreement with TKE Energy Trust.

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	September 30, 2005	
	<u>Six Months Ended</u>	<u>Three Months Ended</u>
	(\$)	(\$)
Gross General and Administrative Overhead Recoveries	969,085 <u>(491,083)</u>	411,914 <u>(217,644)</u>
Net General and Administrative	<u>478,002</u>	<u>194,270</u>
Per BOE	<u>4.95</u>	<u>3.39</u>

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## Provision for Income Taxes

The provision for income taxes for the period ended September 30, 2005 was comprised of a reduction of the future tax asset of \$54,000. For the three months ended September 30, 2005, the provision for income taxes was comprised of a reduction of the future tax asset of \$170,000. At September 30, 2005 the Company had an estimated \$54 million in unclaimed income tax pools.

## Equity

The common shares issued and outstanding for the six and three months ended September 30, 2005 was 35,030,371. As of November 8, 2005 there were 35,030,371 common shares issued and outstanding.

## Capital Expenditures

Capital additions, excluding acquisitions and divestitures, for the six months ended September 30, 2005 were \$18,330,751 and for the three months ended September 30, 2005 were \$8,709,536.

	September 30, 2005	
	<u>Six Months Ended</u>	<u>Three Months Ended</u>
	(\$)	(\$)
Land	4,426,729	4,048,817
Seismic and Exploration	673,056	233,590
Drilling and Completion	9,379,434	3,104,859
Facilities	3,812,543	1,299,004
Corporate	<u>38,989</u>	<u>23,266</u>
Total	<u>18,330,751</u>	<u>8,709,536</u>

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## Liquidity and Capital Resources

TUSK had working capital of \$4,316,345 at September 30, 2005.

The Company has a financing arrangement with a Canadian financial institution whereby the Company was provided a \$4 million revolving production loan of which none was drawn as at September 30, 2005.

On an ongoing basis TUSK will typically utilize three sources of funding to finance its capital expenditure program: internally generated cash flow from operations; debt where deemed appropriate; and new equity issues, if available on favourable terms. When financing corporate acquisitions, TUSK may also assume certain future liabilities. Commodity prices and production volumes have the largest impact on TUSK's ability to generate adequate cash flow to meet all its obligations. A prolonged decrease in commodity prices would negatively affect TUSK's cash flow from operations and would also likely result in a reduction in the amount of bank loan available. If TUSK's capital expenditure program does not result in sufficient additional reserves and/or production it would likely have a negative impact on TUSK's liquidity.

TUSK may adjust its capital expenditure program depending on the commodity price outlook. TUSK believes that internally generated cash flow and incremental bank debt should be sufficient to finance current operations and planned capital spending in the next year.

## **Business Risks**

The marketability and price of products owned or that may be acquired or discovered by TUSK will be affected by numerous factors beyond the Company's control. TUSK must compete in all aspects of its operations with a number of other corporations that have equal or greater technical or financial resources. The ability of the Company to market its natural gas may depend on its ability to acquire space in pipelines that deliver natural gas to commercial markets. The Company is subject to variable weather conditions which may affect the ability to drill, complete and/or produce wells and protracted negotiations with surface land owners may delay access to drilling locations and locations for facilities. The Company is also subject to market fluctuations in the prices of products, exchange rates, uncertainties related to the proximity of its reserves to pipelines and processing facilities and extensive government regulation.

## **Relationship with TKE Energy Trust**

### **Technical Services Agreement**

In conjunction with the Plan of Arrangement, TUSK and TKE Energy Trust entered into a Technical Services Agreement which provides for the shared services required to manage TUSK's activities and govern the allocation of general and administrative expenses between the entities. Under the Technical Services Agreement, TUSK is charged a technical services fee by TKE Energy Trust, on a cost recovery basis, in respect of management, development, exploitation, operations and marketing activities on the basis of relative production and capital expenditures. For the six month and three month period ending September 30, 2005 the technical service fee was \$934,487 and \$418,802. The Technical Services Agreement was cancelled November 2, 2005, as part of the plan of arrangement between TKE Energy Trust and True Energy Inc.

## **Critical Accounting Estimates**

### **Depletion and Depreciation Expense**

The Company uses the full cost method of accounting for exploration and development activities whereby all costs associated with these activities are capitalized, whether successful or not. The aggregate of capitalized costs, net of certain costs related to unproved properties, and estimated future development costs if amortized using the unit-of-production method based on estimated proved reserves. Changes in estimated proven reserves or future development costs have a direct impact on depletion and depreciation expense. Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation, or for impairment, for which any write-down would be charged to depletion and depreciation expense.

### **Full Cost Accounting Ceiling Test**

Oil and gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying value of the oil and gas assets. If the carrying value of the oil and gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of costs and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using the risk-free rate. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment would be charged as additional depletion and depreciation expense.

### **Asset Retirement Obligations**

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost. The total future asset retirement obligation is an estimate based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation is an estimate that is subject to measurement uncertainty and any change would impact the liability.

### **Income Taxes**

The determination of the Company's income and other tax liabilities required interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

### **Quarterly Data**

The following tables set forth selected quarterly financial information for the last three financial quarters.

	<u>September 30, 2005</u>	<u>Three Months Ended June 30, 2005</u>	<u>March 31, 2005</u>
<b>Production per Day</b>			
Oil & NGL'S (bbls)	331	175	195
Natural Gas (Mcf)	1,754	1,538	834
Boe's	623	432	334
Netback per boe (\$)	30.69	15.04	15.23
Petroleum and natural gas sales, net (\$)	2,777,363	1,482,136	1,287,137
Funds from operations (\$)	1,757,153	460,301	379,609
Per Common Share (basic) (\$)	0.05	0.01	0.01
Per Common Share (diluted) (\$)	0.05	0.01	0.01
Net income (loss)	13,090	(542,062)	(1,124,038)
Per Common Share (basic) (\$)	0.00	(0.02)	(0.04)
Per Common Share (diluted) (\$)	0.00	(0.02)	(0.04)

## Balance Sheets

### ASSETS

	<b>September 30 2005</b> (Unaudited) (\$)	<b>March 31 2005</b> (\$)
Current Assets		
Cash and Cash Equivalents	5,091,899	8,304,582
Short-Term Investment	-	19,999,810
Accounts Receivable	5,131,898	15,545,817
Prepaid Expenses	<u>334,569</u>	<u>217,964</u>
	10,558,366	44,068,173
Investment (Note 3)	4,150,643	4,150,643
Property, Plant and Equipment (Note 4)	50,733,764	34,335,331
Future Tax Asset	<u>1,300,000</u>	<u>1,335,000</u>
	<u>66,742,773</u>	<u>83,889,147</u>

### LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Accounts Payable	<u>6,242,021</u>	<u>23,584,108</u>
	6,242,021	23,584,108
Asset Retirement Obligation (Note 2)	<u>542,407</u>	<u>389,168</u>
Shareholders' Equity		
Share Capital (Note 6)	60,508,125	60,543,549
Contributed Surplus (Note 6)	1,891,910	1,285,040
Deficit	<u>(2,441,690)</u>	<u>(1,912,718)</u>
	<u>59,958,345</u>	<u>59,915,871</u>
	<u>66,742,773</u>	<u>83,889,147</u>

See Accompanying Notes

# TUSK ENERGY CORPORATION

## Statements of Operations and Deficit For the Six and Three Months Ended September 30, 2005 (Unaudited)

	September 30, 2005	
	<u>6 Months</u>	<u>3 Months</u>
	(\$)	(\$)
<b>Revenue</b>		
Oil and Gas Revenues	5,461,190	3,525,324
Royalties, Net of Alberta Royalty Tax Credit	<u>1,201,691</u>	<u>747,961</u>
	4,259,499	2,777,363
Interest Income	<u>167,302</u>	<u>13,693</u>
	<u>4,426,801</u>	<u>2,791,056</u>
<b>Expenses</b>		
Oil and Gas Operating	1,293,646	671,006
Transportation	437,699	168,627
General and Administrative	478,002	194,270
Stock-Based Compensation	606,870	351,491
Depreciation, Depletion and Accretion	<u>2,085,556</u>	<u>1,222,572</u>
	<u>4,901,773</u>	<u>2,607,966</u>
Income (Loss) Before Taxes	( 474,972)	183,090
<b>Income Taxes</b>		
Less: Future Tax	<u>54,000</u>	<u>170,000</u>
Income (Loss) for the Period	( 528,972)	13,090
Deficit, Beginning of Period	<u>(1,912,718)</u>	<u>(2,454,780)</u>
Deficit, End of Period	<u>(2,441,690)</u>	<u>(2,441,690)</u>
Net Loss per Share (Basic and Diluted)	<u>(0.02)</u>	<u>0.00</u>

See Accompanying Notes

# TUSK ENERGY CORPORATION

## Statement of Cash Flow For the Six and Three Months Ended September 30, 2005 (Unaudited)

	September 30, 2005	
	<u>6 Months</u>	<u>3 Months</u>
	(\$)	(\$)
<b>Operating Activities</b>		
Net Income (Loss)	(528,972)	13,090
Items not Requiring Cash:		
Stock Based Compensation	606,870	351,491
Depreciation, Depletion and Accretion	2,085,556	1,222,572
Future Tax Expense	<u>54,000</u>	<u>170,000</u>
Funds from Operations	2,217,454	1,757,153
Change in Non-cash Working Capital	( <u>349,788</u> )	( <u>420,927</u> )
Cash Provided by Operating Activities	<u>1,867,666</u>	<u>1,336,226</u>
<b>Financing Activities</b>		
Share Issue Costs	( <u>54,424</u> )	( <u>3,800</u> )
	( <u>54,424</u> )	( <u>3,800</u> )
<b>Investing Activities</b>		
Short-Term Investments	19,999,810	-
Property, Plant and Equipment	( 18,330,750 )	( 8,709,536 )
Change in non-cash working capital	( <u>6,694,985</u> )	<u>10,875,618</u>
	( <u>5,025,925</u> )	<u>2,166,082</u>
Decrease in Cash and Cash Equivalents During the Period	(3,212,683)	3,498,508
Cash and Cash Equivalents, Beginning of Period	<u>8,304,582</u>	<u>1,593,391</u>
Cash and Cash Equivalents, End of Period	<u>5,091,899</u>	<u>5,091,899</u>

See Accompanying Notes

**TUSK ENERGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Six Months Ended September 30, 2005 (Unaudited)**

**Nature of Business and Basis of Presentation**

TUSK Energy Corporation (“TUSK” or the “Company”) was incorporated on September 24, 2004 and commenced commercial operations on November 2, 2004 under a Plan of Arrangement entered into by TUSK Energy Inc., TKE Energy Trust, and TUSK (“Plan of Arrangement”). Under the Plan of Arrangement various assets of TUSK Energy Inc. were transferred to TUSK.

TUSK is involved in the exploration, development and production of petroleum and natural gas in British Columbia, Alberta and Saskatchewan. The financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**Relationship with TKE Energy Trust**

In conjunction with the Plan of Arrangement, TUSK and TKE Energy Trust (“TKE”) entered into Technical Services Agreement which provides for the shared services required to manage TUSK’s activities and govern the allocation of general and administrative expenses between the entities. Under the Technical Services Agreement, TUSK is charged a technical services fee by TKE, on a cost recovery basis, in respect of management, development, exploitation, operations and marketing activities on the basis of relative production and capital expenditures. For the period ended September 30, 2005 (the “period”) the technical services fee was \$934,487. The Technical Services Agreement has no set termination date and will continue until terminated by either party with six months prior written notice to the other party or at some other date as may be mutually agreed. The Technical Services Agreement was cancelled November 2, 2005 as part of the plan of arrangement between TKE and True Energy Inc.

As a result of the Plan of Arrangement, TUSK and TKE have joint interest in certain properties and undeveloped land. These joint interest properties are governed by standard industry agreements.

As at September 30, 2005, accounts receivable and accounts payable included \$2.2 net million due from TKE, which includes standard joint venture amounts, including revenue.

**1. Significant Account Policies**

The interim financial statements of TUSK Energy Corporation (the “Corporation”) have been prepared following the same accounting policies and methods of computation as the financial statements of the Corporation as at March 31, 2005. The disclosures included below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the Corporation’s financial statements and notes thereto for the year ended March 31, 2005.

**2. Asset Retirement Obligations**

The Company’s asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is approximately \$525,000 which will be incurred between 2005 and 2017. A credit-adjusted risk-free rate of 9.84% percent and an inflation rate of 2.0 percent were used to calculate the fair value of the asset retirement obligation.

A reconciliation of the asset retirement obligations is provided below:

	Six Months ended September 30, 2005
Asset retirement obligations	
Balance, beginning of period	389,168
Liabilities incurred in period	130,681
Accretion expense	22,558
Balance, end of period	542,407

### 3. Investment

The Company has invested a total of \$4,150,643 in 11.5 million common shares of Loon Energy Inc. ("Loon"), an oil and gas company which is listed on the TSX Venture Exchange. The investment is carried at cost. Fair value of the investment at September 30, 2005 was approximately \$9.8 million. One officer and director of the Company is an officer and director of Loon. One officer of the Company is a director of Loon.

### 4. Property, Plant and Equipment

September 30, 2005

Petroleum and natural gas properties	53,936,632
Accumulated depletion, depreciation	<u>( 3,202,868)</u>
Net book Value	<u>50,733,764</u>

As at September 30, 2005, the depletion calculation excluded unproved properties of \$10.0 million. Capitalized general and administrative expenses for the quarter were \$195,232 (six months capitalized general and administrative expenses were \$325,784).

### 5. Bank Debt

The Company has a \$4 million demand revolving operating credit facility and a \$2,000,000 non-revolving acquisition/development loan with a Canadian chartered bank and bears interest at the bank's prime lending rate plus three quarters of one per cent. The credit facility is secured by a \$25 million fixed and floating charge debenture on the assets of the Company and a general assignment of book debts. None of the credit facility was drawn at September 30, 2005.

### 6. Share Capital

a) Authorized:  
- an unlimited number of common shares and preferred shares without nominal or par value.

b) Issued  
Common shares were issued as follows:

	<u>September 30, 2005</u>	
	<u>Number</u>	<u>Amount</u>
		(\$)
Balance, beginning of period	35,030,371	60,543,549
Share Issue Costs (net of tax effect of \$19,000)	-	<u>( 35,424)</u>
Balance, end of period	<u>35,030,371</u>	<u>60,508,125</u>

c) Stock Options:

The Company has a stock option plan whereby the Company may grant options to its service providers for up to 10% of its issued and outstanding common shares from time to time. Under this plan, the exercise price of each option equals the market price of the Company's stock on the date of grant. The maximum term of an option is 5 years.

Stock options vest one third immediately and one third on the first and second anniversary from the date of grant.

d) Per Share Amounts

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding for the six and three months ended September 30, 2005 was 35,030,371. For both the three and six month periods, all stock options were anti-dilutive and therefore have been excluded from the diluted weighted average shares outstanding.

e) Stock-based Compensation:

The fair values of all common share options granted are estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average fair market value of options granted during the period ended September 30, 2005 and the assumptions used in their determination are as noted below.

	<u>Period Ended September 30, 2005</u>
Weighted average fair market value per option	2.34
Risk-free interest rate (percent)	2.48%
Volatility (percent)	55
Expected life (years)	5

The Company adopted the fair value based method of accounting for stock-based compensation for its stock option plan. Stock compensation is being recognized in earnings.

f) Stock Options

A summary of the status of the Company's Stock Option plan as of September 30, 2005 and changes during period then ended is presented below:

	<u>2005</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price (\$)</u>
Outstanding at Beginning of Year	2,715,000	2.88
Granted	<u>120,000</u>	<u>4.73</u>
Outstanding and Exercisable at End of Period	<u>2,835,000</u>	<u>2.96</u>

g) Contributed Surplus

The following table reconciles the Company's contributed surplus:

	<u>Period Ended September 30, 2005</u>
Balance, beginning of period	1,285,040
Stock based compensation expense	<u>606,870</u>
Balance, end of period	<u>1,891,910</u>

## 7. Financial Instruments

### a) Credit Risk

The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business and are subject to normal credit risks. To mitigate this risk, the Company sells substantially all of its production to two primary purchasers under normal industry sale and payment terms.

### b) Foreign Currency Exchange Risk

The Company is exposed to foreign currency fluctuations as crude oil prices received are referenced in U.S. dollar denominated prices.

### c) Fair Value of Financial Instruments

The Company's financial instruments recognized in the balance sheet consist of accounts receivable, accounts payable, bank indebtedness and obligations under capital leases. The fair value of these financial instruments approximates their carrying amounts due to their short terms to maturity or the indexed rate of interest on the bank indebtedness.

## 8. Commitments

The Company has made commitments for two drilling rigs as follows:

- 180 day minimum from October 1, 2005 to March 31, 2006, with an obligation of \$5,000/day.
- 220 day/year for 3 years starting at rig delivery in December, 2005, with an obligation of \$6,800/day.

### **Forward Looking Statements**

Certain information regarding TUSK set forth in the document, including management's assessment of TUSK's future plans and operations contain forward looking statements that involve substantial known and unknown risks and uncertainties. These forward looking statements are subject to numerous risks and uncertainties, certain of which are beyond TUSK's control, including the impact of general imprecision of reserve estimates, environmental risks, taxation policies, competition from other producers, the lack of availability of qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal or external sources. TUSK's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurance can be given that any of events anticipated by the forward looking statement will transpire or occur, or if any of them do so, what benefits that TUSK will derive therefrom.

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