



THIRD QUARTER REPORT

February 28, 2005

- ▶ The Company's revenue amounted to \$6.0 million (2004 - \$4.7 million) for the nine month period ended February 28, 2005 and \$1.6 million (2004 - \$1.7 million) for the third quarter.
- ▶ The Company's profit after tax amounted to \$0.240 million (2004 - \$1.37 million loss) for the nine month period ended February 28, 2005 and \$0.9 profit (2004 - \$0.5 profit) for the third quarter.
- ▶ The Company's profit per share was \$0.006 (2004 - \$0.045 loss) for the nine month period ended February 28, 2005 and \$0.025 profit (2004 - \$0.017 profit) for the third quarter.

Tanganyika Oil Company Ltd. is an international Canadian oil and gas exploration and production company with interests in exploration and development properties in Egypt and Syria. The Company is listed on the TSX Venture Exchange at Vancouver, Canada (TYK) and on the Nya Marknaden (The New Market) at Stockholm, Sweden (TYKS)

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TANGANYIKA OIL COMPANY LTD.
CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in Canadian Dollars)

| | February 28 | May 31 |
|---|-----------------------------|-----------------------------|
| | <u>2005</u> | <u>2004</u> |
| ASSETS | | |
| Current Assets: | | |
| Cash and short-term deposits | \$ 7,279,922 | \$ 20,683,843 |
| Restricted cash | 11,142,000 | 2,724,000 |
| Advance relating to exploration commitment | 2,253,160 | 2,478,840 |
| Advances to Contractor | 703,553 | 284,166 |
| Amounts receivable and other assets | 6,818,692 | 1,002,908 |
| Amounts due from joint venture partners | 7,866 | 9,945 |
| Inventory | 1,107,365 | 1,377,261 |
| Prepaid expenses | 150,138 | 215,703 |
| | <u>29,462,696</u> | <u>28,776,666</u> |
| Long Term Assets: | | |
| Oil and gas interests | 23,191,615 | 16,117,872 |
| Property, plant and equipment, net of accumulated depreciation of \$1,033,084 (2004 - \$798,384) | 422,264 | 251,142 |
| | <u>23,613,879</u> | <u>16,369,014</u> |
| | <u><u>\$ 53,076,575</u></u> | <u><u>\$ 45,145,680</u></u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Amounts payable and accrued liabilities | \$ 3,365,055 | \$ 5,147,249 |
| Amounts due to directors | - | 347,889 |
| Loan payable, advances and accrued interest due to shareholder | - | 3,840,998 |
| | <u>3,365,055</u> | <u>9,336,136</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital | \$ 79,520,915 | \$ 66,072,705 |
| Contributed surplus | 6,309,817 | 6,095,846 |
| Deficit | (36,119,212) | (36,359,007) |
| | <u>49,711,520</u> | <u>35,809,544</u> |
| | <u><u>\$ 53,076,575</u></u> | <u><u>\$ 45,145,680</u></u> |

Approved by the Board:

(signed) "John H. Craig"
Director

(signed) "William A. Rand"
Director

TANGANYIKA OIL COMPANY LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in Canadian Dollars)

| <u>February 28, 2005</u> | <u>Share Capital</u> | <u>Contributed Surplus</u> | <u>Deficit</u> | <u>Total</u> |
|---------------------------------|---------------------------------|---------------------------------------|-----------------------|---------------------|
| As on June 1, 2004 | 66,072,705 | 6,095,846 | (36,359,007) | 35,809,544 |
| Issue of shares | 13,448,210 | - | - | 13,448,210 |
| Stock based compensation | - | 213,971 | - | 213,971 |
| Profit for the period | - | - | 239,795 | 239,795 |
| As at February 28, 2005 | 79,520,915 | 6,309,817 | (36,119,212) | 49,711,520 |

| <u>February 29, 2004</u> | <u>Share Capital</u> | <u>Contributed Surplus Restated</u> | <u>Deficit Restated</u> | <u>Total</u> |
|---------------------------------|---------------------------------|--|------------------------------------|---------------------|
| As on June 1, 2003 | 34,687,988 | 5,159,958 | (36,159,666) | 3,688,280 |
| Issue of shares | 12,947,628 | - | - | 12,947,628 |
| Shares to be issued (1) | 18,345,600 | - | - | 18,345,600 |
| Stock based compensation | - | 861,545 | - | 861,545 |
| Loss for the period | - | - | (1,368,586) | (1,368,586) |
| As at February 29, 2004 | 65,981,216 | 6,021,503 | (37,528,252) | 34,474,467 |

Note 1: This amount represents the net proceeds (finding fee of \$554,400) of a private placement of 3,000,000 shares at \$6.30 per share. The 3,000,000 common shares were issued subsequent to the quarter end. The value of 2,927,000 common shares was received in February 2004 and value of 73,000 common shares received in March 2004.

TANGANYIKA OIL COMPANY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited)
(in Canadian Dollars)

| | Three months ended February 28 | | Nine months ended February 28 | |
|--|--------------------------------|--------------------------------|-------------------------------|--------------------------------|
| | <u>2005</u> | <u>2004</u> <u>Restated</u> | <u>2005</u> | <u>2004</u> <u>Restated</u> |
| Revenue: | | | | |
| Sale of oil | \$ 1,533,230 | \$ 1,721,187 | \$ 5,874,011 | \$ 4,677,571 |
| Interest income | 26,418 | 19,778 | 84,438 | 37,605 |
| Service income | 18,068 | 3,523 | 40,396 | 29,291 |
| | <u>1,577,716</u> | <u>1,744,488</u> | <u>5,998,845</u> | <u>4,744,467</u> |
| Cost of oil sold: | | | | |
| Production costs | 267,538 | 351,932 | 838,170 | 1,214,398 |
| Depletion | 343,123 | 393,927 | 975,936 | 1,186,104 |
| | <u>610,661</u> | <u>745,859</u> | <u>1,814,106</u> | <u>2,400,502</u> |
| Expenses: | | | | |
| Salaries and other benefits | 501,593 | 234,446 | 1,157,911 | 567,626 |
| Travel | 15,697 | 29,694 | 145,504 | 65,430 |
| General and administration | 219,798 | 94,516 | 506,539 | 235,374 |
| Management fees | 48,000 | 45,000 | 144,000 | 135,000 |
| Legal and accounting | 133,760 | 43,757 | 154,360 | 62,717 |
| Stock based compensation | - | 10,007 | 213,971 | 861,545 |
| Interest and bank charges | 4,853 | 120,977 | 128,450 | 1,128,533 |
| Shareholder information and transfer agent | 107,223 | 27,484 | 177,052 | 97,582 |
| Listing in Stockholm | - | 96,835 | - | 595,299 |
| Depretiation | 102,151 | 15,159 | 234,700 | 100,987 |
| Foreign exchange loss (gain) | (1,100,885) | (253,532) | 1,082,457 | (137,542) |
| | <u>32,190</u> | <u>464,343</u> | <u>3,944,944</u> | <u>3,712,551</u> |
| Profit (loss) for the period | 934,865 | 534,286 | 239,795 | (1,368,586) |
| Deficit, beginning of period | (37,054,077) | (38,062,538) | (36,359,007) | (36,159,666) |
| Deficit, end of period | \$ (36,119,212) | \$ (37,528,252) | \$ (36,119,212) | \$ (37,528,252) |
| Profit (Loss) per share | | | | |
| Basic | \$ 0.025 | \$ 0.017 | \$ 0.006 | \$ (0.045) |
| Diluted | \$ 0.024 | \$ 0.017 | \$ 0.006 | \$ (0.044) |
| Weighted average number of share outstanding | | | | |
| Basic | 37,785,050 | 30,699,371 | 37,785,050 | 30,699,371 |
| Diluted | 38,549,951 | 31,134,744 | 38,549,951 | 31,134,744 |

TANGANYIKA OIL COMPANY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Canadian Dollars)

| | Three months ended | | Nine months ended February | |
|---|---------------------|----------------------|----------------------------|----------------------|
| | February 28 | | 28 | |
| | <u>2005</u> | <u>2004 Restated</u> | <u>2005</u> | <u>2004 Restated</u> |
| OPERATING ACTIVITIES | | | | |
| Profit (Loss) for the period | \$ 934,865 | \$ 534,286 | \$ 239,795 | \$ (1,368,586) |
| Adjustment for items not affecting cash: | | | | |
| Stock based compensation | - | 10,007 | 213,971 | 861,545 |
| Amortization of deferred finance charge | - | - | - | 532,405 |
| Interest expense | - | 112,684 | 109,325 | 578,835 |
| Depreciation | 102,151 | 15,159 | 234,700 | 100,987 |
| Depletion | 343,123 | 393,927 | 975,936 | 1,186,104 |
| Unrealised foreign exchange loss | 257,862 | (29,965) | 475,132 | 40,375 |
| Cash flow from operating activities | <u>1,638,001</u> | <u>1,036,098</u> | <u>2,248,859</u> | <u>1,931,665</u> |
| Changes in non-cash operating working capital: | | | | |
| (Increase) in amounts receivable and other assets | (3,924,100) | (387,948) | (6,584,511) | (819,193) |
| (Increase) decrease in amounts due from/to joint venture partners | (7,866) | (54,298) | 2,079 | (2,149) |
| (Increase) / decrease in inventory | (275,985) | (558,105) | 244,617 | (566,155) |
| (Increase) / decrease in prepaid expenses | 22,352 | (25,313) | 99,732 | (250,907) |
| Decrease in amount due to directors | - | - | (341,472) | - |
| (Decrease)/increase in amounts payable and accrued liabilities | (386,016) | 1,178,599 | (3,719,048) | (415,162) |
| Net increase (decrease) in non-cash operating working capital | <u>(4,571,615)</u> | <u>152,935</u> | <u>(10,298,603)</u> | <u>(2,053,566)</u> |
| | <u>(2,933,614)</u> | <u>1,189,033</u> | <u>(8,049,744)</u> | <u>(121,901)</u> |
| INVESTING ACTIVITIES | | | | |
| Investment in oil and gas interests | (2,122,277) | (2,624,368) | (11,295,703) | (4,630,220) |
| Release of exploration commitments | (647,932) | - | - | - |
| Investment in property, plant and equipment | (163,675) | (56,505) | (405,822) | (208,476) |
| Pledged deposit for bank guarantee issued | (513,000) | 75,240 | (11,142,000) | 75,240 |
| Partial release of pledged deposit in lieu of guarantee issued. | 393,600 | (2,936) | 2,724,000 | - |
| Cash used in investing activities | <u>(3,053,284)</u> | <u>(2,608,569)</u> | <u>(20,119,525)</u> | <u>(4,763,456)</u> |
| FINANCING ACTIVITIES | | | | |
| Issuance of common shares and special warrants | \$ 47,450 | \$ 18,585,124 | \$ 13,448,210 | \$ 31,293,228 |
| Loan and advance from a shareholder | - | (802,351) | - | - |
| Repayment of loans | - | - | (3,974,231) | (2,772,000) |
| Incidental revenues from Syria – Note 6 | 5,291,369 | - | 5,291,369 | - |
| Cash flow from financing activities | <u>\$ 5,338,819</u> | <u>\$ 17,782,773</u> | <u>\$ 14,765,348</u> | <u>\$ 28,521,228</u> |
| | <u>\$ (648,079)</u> | <u>\$ 16,363,237</u> | <u>\$ (13,403,921)</u> | <u>\$ 23,635,871</u> |
| INCREASE (DECREASE) IN CASH AND SHORT-TERM DEPOSITS DURING THE PERIOD. | | | | |
| Beginning of period | <u>7,928,001</u> | <u>7,797,835</u> | <u>20,683,843</u> | <u>525,201</u> |
| End of period | <u>\$ 7,279,922</u> | <u>\$ 24,161,072</u> | <u>\$ 7,279,922</u> | <u>\$ 24,161,072</u> |

TANGANYIKA OIL COMPANY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2005
(Unaudited)

1. Significant Accounting Policies

The consolidated financial statements of Tanganyika Oil Company Ltd. (the "Company") are prepared in accordance with accounting principles generally accepted in Canada, except as discussed in Note 3 to the Company's consolidated financial statements for the six months ended November 30, 2004 and 2003 and have been prepared on a basis consistent with the last Annual Report.

These consolidated financial statements do not contain all of the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements included in the Company's 2004 Annual Report.

2. Accounting Change

In 2003 the Company elected to apply the fair value method of accounting for stock options granted to directors, Officers and employees on a prospective basis in accordance with the recommendation of the Canadian Institute of Chartered Accountants. Accordingly, effective June 1, 2003 the fair value of all stock options granted is recorded as a charge to operations and a credit to contributed surplus. Options which vest over time are charged to operations over the vesting period. Any consideration paid on the exercise of options, plus a proportionate amount of the contributed surplus recorded on the granting of the options, is credited to share capital. The Company uses the Black-Scholes option value method to determine fair values.

3. Contingencies

The Company is a defendant in a lawsuit filed for non-payment of rent and abandonment of premises in March 1990. This event took place prior to the change in control of the Company and current management believe that the claim is without merit. The amount of the claim is \$ 513,000 including costs.

4. Dividend Policy

The Company has not paid dividend to date on its common shares and has no plan to pay dividends in the near future. The Company dividend policy is to give funding priority to ongoing exploration and development projects and other immediate capital requirements prior to distributing dividends to the shareholder.

The decision to pay dividends will be based on the Company's earnings and financial requirements and other factors that the Company's Board of Directors may consider appropriate in the circumstances.

5. Restricted Cash

At February 28, 2005, restricted cash represents a pledged amount of US\$9,000,000 (\$11,142,000) against the issuance of letter of guarantee in favour of the Syria Petroleum Company ("SPC") on the Tishrin, Sheikh Mansour blocks.

The May 2004 amount of US\$2,000,000 (\$2,724,000) represents a letter of guarantee in favour of SPC on the Oudeh block. During the nine month period this amount was fully released.

6. Incidental Revenues

During the nine months ended February 28, 2005, the Company received in cash US\$ 1,509,000 (\$ 1,868,000) for oil sales in Syria for January 2004 to September 2004. Also, SPC approved the sale invoices for the period from October 2004 to February 2005 in the amount of US\$ 2,766,000 (\$ 3,424,000). According to our accounting policy under Oil and Gas interests, Incidental revenues from the production of oil and gas are offset against capitalized costs of the related cost center until quantities of proven reserves are determined and commercial production has commenced, the total of US\$ 4,275,000 (\$ 5,292,000) was offset against the Syria cost center.

7. Comparative Amounts

Certain comparative amounts have been restated to confirm with the current period and three months presentation.

TANGANYIKA OIL COMPANY LTD
SUPPLEMENTARY INFORMATION

(Unaudited)

1. FOR THE CURRENT FISCAL YEAR-TO-DATE

(a) Oil and Gas Interest

| EGYPT | <u>February 28, 2005</u> | <u>May 31, 2004</u> |
|--|---------------------------------|----------------------------|
| Drilling | 10,213,000 | 9,255,000 |
| Production facilities | 1,698,000 | 1,517,000 |
| Concession Acquisition | 814,000 | 814,000 |
| Seismic Acquisition | 3,185,000 | 3,185,000 |
| Seismic Interpretation and Reprocessing | 513,000 | 363,000 |
| Others | 271,000 | 216,000 |
| | <u>\$ 16,694,000</u> | <u>\$ 15,350,000</u> |
| Less depletion | (9,273,000) | (8,297,000) |
| Write-down/ imperments | (1,305,000) | (1,305,000) |
| Sub-Total | <u>6,116,000</u> | <u>5,748,000</u> |
| SYRIA | | |
| Concession Acquisition | 964,000 | 964,000 |
| Seismic Interpretation and Reprocessing | 112,000 | 20,000 |
| Drilling and work over | 16,000,000 | 9,386,000 |
| Sub-Total | <u>17,076,000</u> | <u>\$ 10,370,000</u> |
| Total | <u>23,192,000</u> | <u>\$ 16,118,000</u> |

(b) General and Administrative Expenses

General and administration expenses comprise the following:

| | <u>Three Months Ended February 28</u> | | <u>Nine Months Ended February 28</u> | |
|-------------------|--|--------------------|---|--------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Rent | 10,130 | 35,048 | 38,932 | 84,349 |
| Telephone & Fax | 23,362 | 12,386 | 104,041 | 32,153 |
| Courier | 1,521 | 1,186 | 4,900 | 4,741 |
| Consultants | 84,025 | 16,633 | 133,956 | 28,694 |
| General off. exp. | 83,201 | 18,770 | 166,802 | 66,062 |
| Vehicle expenses | 17,064 | 10,493 | 57,238 | 17,938 |
| Others | 495 | - | 670 | 1,437 |
| | <u>\$ 219,798</u> | <u>\$ 94,516</u> | <u>\$ 506,539</u> | <u>\$ 235,374</u> |

(c) **Non-Arm's Length Transactions**

During the nine months ended February 28, 2005 the Company incurred administrative service fees of \$ 144,000 with a corporation owned by a director.

2. **Reconciliation of shareholders' equity between CGAAP and IFRS – in Canadian dollars**

| | <u>February 2005</u> | <u>February 2004</u> | <u>May 31, 2004</u> |
|--|--------------------------|--------------------------|--------------------------|
| Shareholders' equity as per CGAAP | 49,711,520 | 34,474,467 | 35,809,544 |
| Adjustments: | | | |
| Equity adjustment (brought forward) | 1,338,747 | 1,650,468 | 1,650,468 |
| Effect of asset impairment | (789,308) | 92,797 | (511,062) |
| Net proceeds from sale of oil | 3,646,957 | - | - |
| Net adjustment | <u>4,196,396</u> | <u>1,743,265</u> | <u>1,139,406</u> |
| Shareholders' equity in accordance with IFRS | <u>53,907,916</u> | <u>36,217,732</u> | <u>36,948,950</u> |

3. **Reconciliation of profit between CGAAP and IFRS – in Canadian dollars**

| | Three months ended | | Nine months ended | | May 31, 2004 |
|--|---------------------------|-----------------------|--------------------------|---------------------------|-------------------------|
| | February 28 | | February 28 | | |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | |
| Profit/ (loss) as per CGAAP | 934,865 | <u>534,286</u> | 239,795 | <u>(1,368,586)</u> | (199,341) |
| Adjustments: | | | | | |
| Effect of asset impairment | (667,516) | 168,151 | (789,308) | 92,797 | (311,721) |
| Net proceeds from sale of oil | - | - | 3,646,957 | - | - |
| Net adjustment | <u>(667,516)</u> | <u>168,151</u> | <u>2,857,649</u> | <u>92,797</u> | <u>(311,721)</u> |
| Net results in accordance with IFRS | <u>267,349</u> | <u>702,437</u> | <u>3,097,444</u> | <u>(1,275,789)</u> | <u>(511,062)</u> |

4. **As at February 28, 2005**

- (a) The authorized share capital of the Company consisted of an unlimited number of common shares without par value of which 39,106,841 were issued and outstanding. As at February 28, 2005, the share capital amounted to \$79,520,915.
- (b) Incentive stock options outstanding and held by directors, officers and employees of the Company are as follows:

| Number of Shares | Exercise Price per Share | Expiry Date |
|-------------------------|---------------------------------|--------------------|
| 15,000 | \$ 3.90 | October 28, 2005 |
| 50,000 | \$ 5.25 | December 11, 2005 |
| 29,000 | \$ 6.50 | April 27, 2006 |
| 65,000 | \$ 7.25 | July 29, 2006 |
| 325,000 | \$ 3.75 | October 8, 2006 |
| 12,500 | \$ 7.2 | October 13, 2006 |
| 40,000 | \$ 3.90 | October 28, 2006 |
| 62,401 | \$ 1.95 | June 24, 2008 |

- (c) The directors of the Company are:

| | |
|-----------------|-----------------|
| Lukas H. Lundin | William A. Rand |
| Mamdouh Nagati | John H. Craig |
| Keith Hill | Bryan Benitz |

The officers of the Company are:

Lukas H. Lundin, Chairman and President & C.E.O
Mamdouh Nagati, Executive Vice President
Hazem Farid, Controller / Treasurer
Jean R. Florendo, Corporate Secretary

5. Segmented Information

Three months ended February 28, 2005

| | Syria \$ | Egypt \$ | Corporate \$ | Total \$ |
|--|----------------|----------------|-----------------|----------------|
| Sale of oil | - | 1,533,230 | - | 1,533,230 |
| Interest income | 1,059 | - | 25,359 | 26,418 |
| Service income | - | 18,068 | - | 18,068 |
| Production cost and depletion | - | 610,661 | - | 610,661 |
| Depreciation | 102,151 | - | - | 102,151 |
| Foreign exchange (gain)/loss | 461,047 | (339,289) | (1,222,643) | (1,100,885) |
| Other expenses | 510,213 | 68,749 | 451,962 | 1,030,924 |
| Segment (profit) loss | \$ 1,072,352 | \$ (1,211,177) | \$ (796,040) | \$ (934,865) |
| Other non-cash items - Interest expense | \$ - | \$ - | \$ - | \$ - |
| Segment assets (Note-6) | \$ (2,707,824) | \$ 412,777 | \$ 915,837 | \$ (1,379,210) |
| <u>Segment expenditures:</u> | | | | |
| Oil and gas interests | \$ 1,313,708 | \$ 808,569 | - | \$ 2,122,277 |
| Property, plant and equipment | \$ 157,897 | 5,778 | - | 163,675 |
| | \$ 1,471,605 | \$ 814,347 | \$ - | \$ 2,285,952 |

Three months ended February 29, 2004

| | Syria \$ | Egypt \$ | Corporate \$ | Total \$ |
|--|--------------|--------------|-----------------|---------------|
| Sale of oil | - | 1,721,187 | - | 1,721,187 |
| Interest income | 966 | - | 18,812 | 19,778 |
| Service income | - | 3,523 | - | 3,523 |
| Production cost and depletion | - | 745,859 | - | 745,859 |
| Depreciation | 15,159 | - | - | 15,159 |
| Foreign exchange (gain)/loss | (13,000) | 52,605 | (293,137) | (253,532) |
| Other expenses | 207,803 | 72,816 | 422,097 | 702,716 |
| Segment (profit) loss | \$ 208,996 | \$ (853,430) | \$ 110,148 | \$ (534,286) |
| Other non-cash items - Interest expense | \$ 828 | \$ - | \$ 111,856 | \$ 112,684 |
| Segment assets | \$ 3,464,403 | \$ 576,090 | \$ 15,795,601 | \$ 19,836,094 |
| <u>Segment expenditures:</u> | | | | |
| Oil and gas interests | \$ 2,677,686 | \$ (53,318) | - | \$ 2,624,368 |
| Property, plant and equipment | \$ 27,752 | \$ 28,753 | - | \$ 56,505 |
| | \$ 2,705,438 | \$ (24,565) | \$ - | \$ 2,680,873 |

Nine months ended February 28, 2005

| | Syria | Egypt | Corporate | Total |
|--|---------------|----------------|------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Sale of oil | - | 5,874,011 | - | 5,874,011 |
| Interest income | 3,099 | - | 81,339 | 84,438 |
| Service income | - | 40,396 | - | 40,396 |
| Production cost and depletion | - | 1,814,106 | - | 1,814,106 |
| Depreciation | 227,171 | 7,529 | - | 234,700 |
| Foreign exchange (gain)/loss | (655,052) | 435,747 | 1,301,762 | 1,082,457 |
| Other expenses | 1,306,213 | 185,828 | 1,135,746 | 2,627,787 |
| Segment (profit) loss | \$ 875,233 | \$ (3,471,197) | \$ 2,356,169 | \$ (239,795) |
| Other non-cash items - Interest expense | \$ - | \$ - | \$ 109,325 | \$ 109,325 |
| Segment assets | \$ 22,791,999 | \$ 14,115,075 | \$ 16,169,501 | \$ 53,076,575 |
| <u>Segment expenditures:</u> | | | | |
| Oil and gas interests | \$ 9,850,112 | \$ 1,445,591 | - | \$ 11,295,703 |
| Property, plant and equipment | \$ 362,722 | 43,100 | - | 405,822 |
| | \$ 10,212,834 | \$ 1,488,691 | \$ - | \$ 11,701,525 |

Nine months ended February 29, 2004

| | Syria | Egypt | Corporate | Total |
|--|--------------|----------------|------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Sale of oil | - | 4,677,571 | - | 4,677,571 |
| Interest income | 966 | - | 36,639 | 37,605 |
| Service income | - | 29,291 | - | 29,291 |
| Production cost and depletion | - | 2,400,502 | - | 2,400,502 |
| Depreciation | 15,159 | 85,828 | - | 100,987 |
| Foreign exchange (gain)/loss | (44,328) | 39,169 | (132,383) | (137,542) |
| Other expenses | 542,657 | 214,481 | 2,991,968 | 3,749,106 |
| Segment (profit) loss | \$ 512,522 | \$ (1,966,882) | \$ 2,822,946 | \$ 1,368,586 |
| Other non-cash items - Interest expense | \$ 115,689 | \$ - | \$ 463,146 | \$ 578,835 |
| Segment assets | \$ 6,195,995 | \$ 9,887,067 | \$ 25,238,368 | \$ 41,321,430 |
| <u>Segment expenditures:</u> | | | | |
| Oil and gas interests | \$ 3,788,652 | \$ 841,568 | - | \$ 4,630,220 |
| Property, plant and equipment | \$ 179,723 | \$ 28,753 | - | \$ 208,476 |
| | \$ 3,968,375 | \$ 870,321 | \$ - | \$ 4,838,696 |

May 31, 2004

| | Tanzania | Syria | Egypt | Corporate | Total |
|-------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Sale of oil | - | - | 6,938,825 | - | 6,938,825 |
| Interest income | - | 1,259 | - | 80,253 | 81,512 |
| Service income | - | - | 21,512 | - | 21,512 |
| Production cost and depletion | - | - | 2,861,772 | - | 2,861,772 |
| Depreciation | - | 78,045 | 76,135 | - | 154,180 |
| Foreign exchange (gain)/loss | (167,130) | (95,835) | (37,619) | (430,763) | (731,347) |
| Other expenses | 8,067 | 1,161,792 | 281,641 | 3,772,043 | 5,223,543 |
| Write back of oil and gas | | | | | |
| Concession interests | (266,958) | - | - | - | (266,958) |
| Segment loss / (profit) | <u>(426,021)</u> | <u>1,142,743</u> | <u>(3,778,408)</u> | <u>3,261,027</u> | <u>199,341</u> |
| Other non-cash items - | | | | | |
| Interest expense | - | - | - | 571,717 | 571,717 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 571,717</u> | <u>\$ 571,717</u> |
| Segment assets | <u>\$ 812</u> | <u>\$ 12,197,591</u> | <u>\$ 12,178,780</u> | <u>\$ 20,768,497</u> | <u>\$ 45,145,680</u> |
| <u>Segment expenditures:</u> | | | | | |
| Oil and gas interests | - | 6,405,551 | 902,168 | - | 7,307,719 |
| Property, plant and equipment | - | 329,187 | 31,754 | - | 360,941 |
| | <u>\$ -</u> | <u>\$ 6,734,738</u> | <u>\$ 933,922</u> | <u>\$ -</u> | <u>\$ 7,668,660</u> |

6. Other Information

- The registered office of the Company is in Vancouver, Canada.
- The corporate number of the Company is 318368-8.
- This report has not been subject to review by the Company's auditors.
- Interim report for the period June 1 – May 31, 2005 will be published on July 29, 2005
- John H. Craig and William A. Rand, directors of the Company, signed these statements on April 15, 2005.

Key Data

| | Three months ended | | Nine months ended | | May 31 |
|---|--------------------|-------------|-------------------|-------------|--------|
| | February 28 | | February 28 | | |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | |
| Return on equity, % ¹ | 2.19% | 2.80% | 0.56% | -7.17% | -1.01% |
| Return on capital employed, % ² | 2.08% | 5% | 0.78% | -1% | 1% |
| Debt/equity ratio, % ³ | 4.213% | 16% | 4.213% | 16% | 12% |
| Equity ratio, % ⁴ | 94% | 83% | 94% | 83% | 79% |
| Share of risk capital, % ⁵ | 94% | 83% | 94% | 83% | 79% |
| Interest of coverage ratio, % ⁶ | 0% | 183% | 319% | -23% | 65% |
| Operating cash flow/interest expenses, % ⁷ | 0% | 213% | 4643% | 314% | 929% |
| Yield, % ⁸ | 0% | 0% | 0% | 0% | 0% |

¹ Return on equity is defined as the Company's net results divided by average shareholders' equity (the average over the financial period).

² Return on capital employed is defined as the Company's profit before tax and minority interest plus interest expenses plus/less exchange differences on financial loans divided by the total average capital employed (the average balance sheet total less non interest-bearing liabilities).

³ Debt/equity ratio is defined as the Company's interest-bearing liabilities in relation to shareholders' equity.

⁴ Equity ratio is defined as the Company's shareholders' equity, including minority interest, in relation to balance sheet total.

⁵ Share of risk capital is defined as the sum of the Company's shareholders' equity and deferred taxes, including minority interest, in relation to balance sheet total.

⁶ Interest coverage ratio is defined as the Company's profit before tax and minority interest plus interest expenses plus/less exchange differences on financial loans divided by interest expenses.

⁷ Operating cash flow/interest ratio is defined by the Company's operating income less production costs and less current taxes divided by the interest charge for the financial period.

⁸ Yield is defined as divided in relation to quoted share price at the end of the financial period.

Data per share

| | Three months ended | | Nine months ended | | May 31 |
|---|--------------------|-------------|-------------------|-------------|------------|
| | February 28 | | February 28 | | |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | |
| Shareholders' equity, CAD ¹ | 1.27 | 0.94 | 1.27 | 0.94 | 0.97 |
| Operating cash flow, CAD ² | 0.03 | 0.04 | 0.13 | 0.11 | 0.16 |
| Cash flow used in operations ³ | (0.08) | 0.04 | (0.21) | -0.0040 | 0.05 |
| Earnings ⁴ | 0.025 | 0.017 | 0.006 | (0.045) | (0.006) |
| Earnings (fully diluted) ⁵ | 0.024 | 0.017 | 0.006 | (0.044) | (0.006) |
| Dividend | 0 | 0 | 0 | 0 | 0 |
| Quoted price at the end of the financial period | 7.35 | 6.5 | 7.35 | 6.5 | 7.05 |
| P/E-ratio ⁶ | 297 | 373 | 1,158 | (146) | (1,141) |
| Number of shares at financial period end | 39,106,841 | 36,869,165 | 39,106,841 | 36,869,165 | 36,891,166 |
| Weighted average number of shares for the financial period ⁷ | 37,785,050 | 30,699,371 | 37,785,050 | 30,699,371 | 32,273,394 |
| Weighted average number of shares for the financial period (fully diluted) ^{5,7} | 38,549,951 | 31,134,744 | 38,549,951 | 31,134,744 | 32,758,199 |

¹ Shareholders' equity per share defined as the Company's equity divided by the number of shares at period end.

² Operating cash flow per share defined as the Company's operating income less production costs and less current taxes divided by the weighted average number of shares for the financial period.

³ Cash flow from operations per share defined as cash flow from operations in accordance with the consolidated summarized cash flow statements divided by the weighted average number of shares for the financial period.

⁴ Earnings per share defined as the Company's net result divided by the weighted average number of shares for the financial period.

⁵ Earnings per share defined as the Company's net result divided by the weighted average number of shares for the financial period after considering the dilution effect of outstanding {options and warrants}.

⁶ P/E-ratio defined as quoted price at the end of the period divided by earnings per share.

⁷ Weighted average number of shares for the financial period is defined as the number of shares at the beginning of the financial period with new issue of shares weighted for the proportion of the period they are in issue.