



Q3

For the nine months ended September 30, 2005

QUARTERLY REPORT

PRESIDENT'S MESSAGE

Midnight enjoyed another solid quarter of drilling results and strong financial results. "The highlight and the focus of our quarter was our strategic acquisition of a new high potential prospect area in the Red Earth area of Alberta," stated Fred Woods, President of Midnight. *"We continued with our 100% drilling success – drilling and casing 12 gross (3.5 net) wells and delivered strong financial results."*

Highlights

The financial and operational highlights are provided for the periods indicated below:

Financial (000's, except for share amounts)	Three months ended			Q3 vs Q2% Change
	September 30, 2005	June 30, 2005	March 31, 2005	
Petroleum and natural gas sales (net of transportation)	\$ 5,992	\$ 5,050	\$ 3,167	19%
Cash flow from operations	3,073	2,374	1,529	29%
Per share – Basic	0.12	0.09	0.06	29%
– Diluted	0.12	0.09	0.06	28%
Net income	\$ 487	\$ 158	\$ 160	258%
Per share – Basic	0.02	0.01	0.01	209%
– Diluted	0.02	0.01	0.01	206%
Additions to capital assets	8,175	\$ 4,482	\$ 8,565	82%
Net debt	11,344	6,242	4,134	82%
Shares outstanding				
Basic	26,327,829	26,327,829	26,327,829	0%
Diluted	29,359,962	29,393,162	28,821,162	0%
Operations				
Average daily production				
Natural gas (mcf/d)	4,885	5,151	3,924	(5)%
NGLs & crude oil (bbls/d)	270	297	135	(9)%
Combined (boe/d)	1,084	1,156	788	(6)%
Average prices received				
Natural gas (\$/mcf)	\$ 9.70	\$ 7.62	\$ 6.92	27%
NGLs & crude oil (\$/bbl)	64.78	53.62	58.71	21%
Combined (\$/boe)	\$ 60.08	\$ 48.01	\$ 44.64	25%
Royalties (\$/boe)	16.82	13.33	9.89	26%
Operating expenses (\$/boe)	9.05	9.20	11.03	(2)%
Netback received (\$/boe)	\$ 34.21	\$ 25.48	\$ 23.72	34%

RED EARTH ACQUISITION EXPANDS PROSPECT INVENTORY AND OPERATIONAL CONTROL

Our strategic light oil acquisition at Red Earth was a significant project during the quarter and a significant highlight for Midnight on a go-forward basis providing an outstanding new core area for solid and predictable future growth. As announced on September 26, 2005, Midnight has entered into an agreement to acquire a large high potential growth prospect in the Red Earth area of Alberta. The acquisition includes a high quality oil and natural gas reserve base and a large undeveloped land base with multiple drill ready high impact locations. This \$46 million acquisition has an effective date of October 1, 2005 and is expected to close on November 30, 2005.

Through this acquisition Midnight acquires a large suite of high-impact drill ready light oil opportunities targeting the multi-zone potential in the Keg River and Granite Wash. The acquisition includes existing production of 600 boe per day of high quality 40° API crude oil and is forecast, based on recent drilling results, to increase to 825 boe per day by closing. In addition, Midnight is acquiring a focused land base of 94,000 (67,700 net) undeveloped acres adjoining and surrounding existing production and over 144 square kilometres of 3-D seismic that, combined with Midnight's detailed geo-technical analysis, is instrumental in locating the Keg River and Granite Wash targets.

This transaction follows a model the Midnight team has used repeatedly in the past with very successful results. There are two components – first a solid, high quality, production base and secondly a large inventory of multi-zone high potential exploration prospects to expand and grow the production base. This acquisition very much matches Midnight's proven technical skills applied to a tremendous opportunity portfolio covering a large and focused undeveloped land base. We have conducted an extensive geo-technical analysis and integrated with our existing seismic have identified a multi-year drill ready and high potential prospect inventory targeting the prolific Keg River and Granite Wash reservoirs.

This winter at Red Earth we have planned a multi-well exploration and development drilling program with 25 gross (15 net) wells and plans to acquire over 20 square kilometres of new 3-D seismic. We are also negotiating additional farm-ins in the area to realize further potential of this prospect area.

This is a very exciting and high potential new core area to add to Midnight's existing prospect portfolio that will augment and complement our high-potential multi-zone gas prospects in the Peace River Arch and the development opportunities in its West Central Alberta core area.

OPERATIONS

The third quarter continued to be a challenge for the industry to conduct operations in the field. After one of the wettest summers on record in Western Canada, Midnight is working on a backlog of well tie-ins that will be required to handle the behind-pipe deliverability developed from our highly successful drilling program. Currently we have approximately 600 boe per day of tested production waiting to be placed on production.

Strong industry demand and unusually wet weather restricted access and severely hampered field operations. This was compounded by a shortage of skilled service company personnel that continue to make it difficult to obtain necessary field services such as drilling rigs, completion services, and construction crews. As a result, year-to-date field activities within our capital program are significantly lagging and well behind budgeted activity levels. Our drilling results continue to be very strong, however capital spending, tie-ins and production levels are lower than forecast.

During the third quarter, Midnight enjoyed excellent results with 10 (2.9 net) natural gas wells and two (0.6 net) oil wells. Since inception in December 2004, we have drilled 30 (7.7 net) wells with 100% success. This is a continuation of our aggressive deep gas drilling program with over 50 percent of

our net wells drilled during the quarter being exploratory tests with an average depth of over 2,000 metres (6,600 feet).

Notwithstanding delays in completions and tie-ins we have, through this successful drilling program, increased our production over 54% from 700 boe per day since Midnight's inception in December 2004 to average over 1,084 boe per day in the third quarter of 2005. During the quarter we reached payout on a successful farm-in well drilled in our Wapiti area, resulting in a subsequent reduction in our working interest and a corresponding decrease in production of approximately 150 boe per day.

Peace River Arch

Midnight's Peace River Arch drilling program continues to be focused on three proven play types: the Deep Basin Cretaceous sweet gas; Halfway gas in the Triassic; and the Cretaceous light oil reservoirs. Midnight continues to expand its land inventory and currently holds over 144,000 gross (74,000 net) acres in its Peace River Arch core area.

In the Deep Basin Cretaceous sweet gas, we target the large reserve multi-zone potential in the Cretaceous which is anchored by the deeper "resource play" potential of the Cadomin formation. This program extends from the Wapiti area up to Cutbank Ridge B.C.

At Cutbank Ridge, Midnight holds over 13,300 gross (9,500 net) acres of land. During the quarter, Midnight (50% W.I.) successfully completed a multi-zone new pool gas discovery. This new pool discovery supported our extension of the Cadomin prospect fairway into a high potential multi-zone area. Potential for the deeper Cadomin play is in the range of 1 to 2 bcf supplemented by shallower zones with similar reserve targets. Midnight has plans to drill additional wells on this trend over the winter to follow up on the successful results.

At Beaverlodge, Midnight holds over 26,300 gross (16,000 net) acres. In this multi-zone high potential area our drilling targets from the Cretaceous light oil targets and sweet gas targets to our deeper Halfway Triassic exploration program. During the third quarter we completed our multi-zone farm-in well (20% W.I.) that flowed at rates of over 3 mmcf per day from both the sweet Cretaceous zone and the Halfway Triassic zone. This well is currently being tied into sweet infrastructure in the area. Midnight has two additional wells to drill under this multi-well farm-in.

During the quarter, a non-operated sour gas plant continued to experience difficulties causing restrictions to third party sour volumes. This has an impact on Midnight volumes in the short term, however we are confident that the plant issues will be corrected shortly. Currently we have approximately 125 boe per day shut in due to the sour gas plant issues.

Despite the frustrations associated with sour gas development related to surface access and access to sour gas processing, Midnight has enjoyed considerable success with this project over the years. These new pool discoveries continue the Midnight led successful 2003 and 2004 programs that resulted in 5 high rate (3-5 mmcf per day) wells being drilled. Midnight has acquired and is planning to shoot additional 3D seismic in the Beaverlodge area to assist in our exploration of the prolific Halfway reservoir.

Also at Beaverlodge, we continue to develop the new pool oil discovery that we made jointly with Daylight Energy in the second quarter. In the third quarter, we drilled five additional wells (1.6 net) on this play with 100% success. We continue to work in the field to complete and tie in these wells.

At Sheldon, Midnight was also successful in the drilling of two gross (1.5 net) sweet gas wells which targeted Cretaceous reservoirs. Several follow up locations have been identified and a 20 kilometre pipeline operation has been planned in order to bring these new found reserves to market. Midnight's

production from this area is estimated to be over 3.0 mmcf per day. Midnight has over 26,400 gross and 22,000 net acres in this area for an average working interest of over 80%.

West Central Alberta

In our West Central area, Midnight's operations are primarily focused on the large joint venture with Daylight Energy. In this area, Midnight holds 335,000 gross acres (87,000 net acres) and has a large multi-year development and exploitation program to augment its exploration program on the Peace River Arch.

At our greater Pine Creek area, we have a multi-well development exploitation program identified in this high potential area. Primary targets of this program are Notikewan, Bluesky, Gething and Nordegg. These wells will produce at rates of 1 to 4 mmcf per day with ultimate recoverable reserves of 2 to 5 bcf gross on a per well basis. This is an excellent multi-well multi-zone project area for Midnight as we have over 90 gross wells in inventory targeting new drilling and re-completion operations ranging from the Belly River to the Leduc.

During the quarter, we drilled 4 gross (0.2 net) gas wells continuing our 100% success rate. Combined with our earlier successful drilling program, tie-in operations are underway for 9 gross (0.8 net) wells drilled and completed over the past three quarters. We have tested and completed behind pipe deliverability of over 11.5 mmcf per day gross (100 boe net to Midnight) in this area.

Still to come, at Pembina, we hold 3,840 gross (1,500 net) acres and plan to participate in our first Nisku well (MOX 37.5% W.I.). This is a high potential exploration well to be drilled jointly with one of the successful operators with existing production on this play. This well continues to be delayed as the operator goes through hearings related to gaining surface access.

OUTLOOK

In the third quarter, we were still unable to resume our level of planned capital projects. In both our core areas field conditions restricted activity and we only conducted about half of our planned program. Investments of \$8.2 million were made during the third quarter, over half of which related to completion activities and facility enhancements from our successful drilling program. As mentioned in our previous outlook, the extreme weather conditions have restricted our planned pace of investment as we were unable to pursue follow-up drilling and tie-ins of our successful drilling program.

Midnight has a tremendous opportunity base and an excellent high end technical team to explore and develop these opportunities. The results of the last two quarters have come from both weather conditions and a lack of operational control in the field. It has always been our stated objective to operate activities and own the related facilities. With the Red Earth acquisition Midnight now has operational control over a larger balanced program where we own 100% W.I. and operate a substantial portion of the program giving us control of the timing and execution. Successful oil wells at Red Earth only require single well batteries and therefore do not have delays in bringing production on-stream. This transaction establishes Midnight as the dominant player in this play over a four township area in the Red Earth area. As a result of our Red Earth acquisition and our expanded program we have two rigs committed to our drilling activities throughout the winter.

In 2005 Midnight has invested total capital to date of \$21.2 million with \$8.8 million remaining in our capital budget of \$30 million. With our Red Earth acquisition we have redirected our planned program such that for the balance of the year we plan to spend approximately 50% of our capital in Red Earth and drill 10 gross (5.3 net) wells. Notwithstanding the delays in our program, we continue to target exiting 2005 at the 2,000 to 2,300 boe per day range.

Looking forward to 2006 Midnight has approved a capital budget of \$50 million that allocates \$20 million for 25 gross (15 net) drilling locations to the Red Earth area and \$20 million for 30 gross (15 net) locations on the Peace River Arch with the remainder of our program dedicated to our West Central area.

The recent announced acquisition of the Red Earth properties with its outstanding upside potential coupled with the Midnight team's demonstrated track record augments our successful exploration in the Peace River Arch/Deep Basin and the vast bread and butter exploitation opportunity base in our West Central area.

We continue to generate excellent drilling results and with our expanded prospect inventory through the acquisition of the Red Earth properties we now have an increased land base of over 587,000 gross acres (238,000 net) to solidify our future potential. We are very optimistic of our potential as a junior oil and gas exploration company. We look forward to the future as we continue to grow and create shareholder value delivering on the excellent potential of Midnight.

Signed: *"Fred Woods"*

Fred Woods
President and Chief Executive Officer

November 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis as provided by the management of Midnight Oil Exploration Ltd. ("Midnight") as of November 2, 2005, should be read in conjunction with the unaudited interim financial statements and accompanying notes for the nine months ended September 30, 2005 and the audited financial statements and accompanying notes for the period ended December 31, 2004. As we commenced operations on November 29, 2004 we have no comparable figures for the three and nine months ended September 30, 2005 and thus the discussion and analysis focuses on the differences between the second and third quarters of 2005.

For selected quarterly information please see the table on page 23 of this report.

Basis of Presentation – The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated.

Non-GAAP Measurements - Within the Management Discussion and Analysis references are made to terms commonly used in the oil and gas industry. Cash flow and cash flow per share are not defined by GAAP in Canada and are referred to as non-GAAP measures. The term cash flow represents funds from operations as detailed in the Statements of Cash Flows before changes in non-cash working capital. The reconciliation between net income and cash flow can be found in the Statements of Cash Flows in the unaudited interim financial statements. Management utilizes cash flow to assess the Company's leverage and operating performance. Cash flow is also used by research analysts to value and compare oil and gas companies and is frequently included in published research when providing investment recommendations. Cash flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Netbacks equal total revenue less royalties and operating costs calculated on a boe basis. Total boes are calculated by multiplying the daily production by the number of days in the period.

Forward Looking Statements - Certain information regarding Midnight Oil Exploration Ltd. set forth in this document, including management's assessment of Midnight's future plans and operations, contains forward looking statements that involve substantial known and unknown risks and uncertainties. By their very nature, these forward looking statements are subject to numerous risks and uncertainties, certain of which are beyond Midnight's control. Actual results could differ materially from those currently anticipated due to any number of factors including such variables as new information regarding recoverable reserves, volatility of commodity prices, competition from other producers, environmental, legislative, regulatory and political changes along with other factors discussed in our annual information form. Accordingly, no assurance can be given that any events anticipated by the forward looking statements will transpire or occur, or if any of them do, what the impact to Midnight will be.

Relationship with Daylight Energy Trust ("Daylight")

In conjunction with the Plan of Arrangement completed on November 30, 2004, Midnight and Daylight entered into an Administrative and Technical Services Agreement which provides for the sharing of services required to manage Midnight's activities and govern the allocation of general and administration expenses between the entities. The Administrative and Technical Services Agreement has no set termination date and will continue until terminated by either party with three months prior written notice. Under this agreement, Daylight receives payment for certain technical and administration services provided to Midnight on a cost recovery basis as well as reimbursement for any costs incurred on Midnight's behalf. Pursuant to the Administrative and Technical Services Agreement, \$711,000 of fees were charged relating to general and administration activities and \$1,053,000 of fees were charged relating to capital expenditures for the nine months ended September 30, 2005.

As a result of this technical services arrangement, the majority of the Company's accounts receivable and accounts payable as at September 30, 2005 are due from (to) Daylight.

Petroleum and Natural Gas Sales

For the three months ended September 30, 2005, petroleum and natural gas sales totaled \$5,997,000 and was comprised of natural gas sales of \$4,360,000, natural gas liquid sales of \$1,055,000, crude oil sales of \$560,000 and royalty income of \$22,000.

Production for the same period was 1,084 boe per day and was comprised of 4,885 mcf per day of natural gas and 190 bbls per day of natural gas liquids and 80 bbls per day of oil, providing a production mix of 75% natural gas, 18% natural gas liquids and 7% light quality crude oil. This mix is consistent with the previous quarter with a 2% slide between oil and liquids.

Midnight's base production is comprised of the assets acquired through the Plan of Arrangement. During the three month period ended September 30, 2005, 563 boe per day or 52% of production was from these assets, focused in the West Central area of Alberta, with the remaining 521 boe per day or 48% coming from new production focused in the Peace River Arch area. This is consistent with the second quarter as very limited production was brought on-stream during the third quarter.

The following tables outline our production sales, volumes, and average sales price for the periods indicated below:

Petroleum and Natural Gas Sales (000's)	Three months ended			Nine months ended September 30, 2005
	September 30, 2005	June 30, 2005	March 31, 2005	
Natural Gas	\$ 4,360	\$ 3,574	\$ 2,444	\$ 10,378
Oil	560	333	332	1,225
Liquids	1,055	1,118	381	2,554
Royalty income	22	25	13	60
Total	\$ 5,997	\$ 5,050	\$ 3,170	\$ 14,217

Production	Three months ended			Nine months ended September 30, 2005
	September 30, 2005	June 30, 2005	March 31, 2005	
Natural Gas (mcf/d)	4,885	5,151	3,924	4,657
Oil (bbls/d)	80	57	55	64
Liquids (bbls/d)	190	240	80	171
Total (boe/d)	1,084	1,156	788	1,011

Prices and Marketing	Three months ended			Nine months ended September 30, 2005
	September 30, 2005	June 30, 2005	March 31, 2005	
Benchmark Prices				
Alberta spot (\$/mcf)	\$ 9.24	\$ 7.23	\$ 6.79	\$ 7.75
WTI oil (\$US/bbl)	63.18	53.11	49.83	55.46
Cdn/US average exchange rate	0.832	0.804	0.816	0.817
Edmonton Par (\$Cdn/bbl)	77.02	65.93	62.20	68.46
Midnight's Average Selling Price, net of transportation				
Natural gas (\$/mcf)	\$ 9.70	\$ 7.62	\$ 6.92	\$ 8.16
Crude oil (\$/bbl)	75.45	64.69	66.87	69.85
NGLs (\$/bbl)	60.30	51.02	53.13	54.83
Combined oil & NGLs (\$bbl)	64.78	53.62	58.71	58.92
Total (\$/boe)	\$ 60.08	\$ 48.01	\$ 44.64	\$ 51.51

Midnight markets its natural gas on a daily spot market basis at various delivery points in Alberta and therefore the average Alberta spot market price in Canadian dollars per mcf is an appropriate benchmark for our gas. We continue to receive a slight premium to the Alberta spot price for our gas sales and expect our future realized price to coincide with the Alberta spot price. Our NGL and crude oil price has decreased as a percentage of the reference price as our second and third quarter liquids production includes more C2 which sells at a larger discount to the reference price. Our first quarter liquids production included more C5+ which sells at a premium to the reference price. This shift in production mix has decreased our realized price for NGLs and crude oil.

Midnight did not buy or sell any commodity or currency hedges during the period.

Royalties

Royalties for the three months ended September 30, 2005 totaled \$1,678,000 representing 28.0% of revenues or \$16.82 per boe. Consistent with the previous quarter, we have production which is subject to gross overriding royalties. Gross overriding royalties account for 19% of our third quarter royalties, 23% of our total royalties for the three months ended June 30, 2005 versus only 4% of the total royalties for the first quarter. We expect our fourth quarter royalty rate to decrease slightly as gross overrides are converted to working interest. During the third quarter, gas royalties averaged 30%, associated liquids averaged 33% and oil averaged 17% of associated product sales.

Royalties (000's)	Three months ended			Nine months ended
	September 30, 2005	June 30, 2005	March 31, 2005	September 30, 2005
Crown	\$ 1,473	\$ 1,226	\$ 703	\$ 3,402
Gross overriding	310	325	29	664
ARTC	(105)	(150)	(30)	(285)
Total	\$ 1,678	\$ 1,401	\$ 702	\$ 3,781
Total (\$/boe)	\$ 16.82	\$ 13.33	\$ 9.89	\$ 13.70
Total (% of revenue)	28.0%	27.8%	22.1%	26.6%

Operating Expenses

Operating costs for the period totaled \$902,000 or \$9.05 per boe. The reduction in operating costs per boe for the three months ended September 30, 2005 was achieved from bringing on new lower cost production than our original asset base, supplemented with the operating cost reduction efforts of Daylight in the West Central area. As per our previous guidance, we expect our per boe cost to decrease to average \$9 to \$10 per boe for 2005. For the nine months ended September 30, 2005 we have already reduced our operating costs to \$9.62 per boe and expect fourth quarter operating costs to be below \$9.00 per boe.

Operating Expenses (000's)	Three months ended			Nine months ended
	September 30, 2005	June 30, 2005	March 31, 2005	September 30, 2005
Operating expenses	\$ 902	\$ 969	\$ 782	\$ 2,653
Total (\$/boe)	\$ 9.05	\$ 9.20	\$ 11.03	\$ 9.62

Other Income- Interest Expense

Other income is comprised of interest income of \$30,000 for the nine months ended September 30, 2005. For the first quarter of 2005 we had a positive cash balance earning interest income. During the second quarter we drew on our bank lines and as a result incurred interest expense of \$16,000 for the three months ended June 30, 2005 and \$58,000 for the three months ended September 30, 2005. We expect to incur interest expense for the remainder of the year.

General and Administration Expenses

During the quarter, net general and administration ("G&A") expenses totaled \$278,000 or \$2.78 per boe and \$711,000 or \$2.58 for the nine months ended September 30, 2005. Midnight's general and administration expenses have been allocated based on the Administrative and Technical Service Agreement with Daylight. This agreement enables Midnight to use the Daylight personnel to manage its operations. Through this agreement, Midnight is able to take advantage of Daylight's low overhead cost structure. Midnight is charged administration for its direct activities and for its proportionate share of overhead based on production and capital spending. Capitalized G&A is derived directly from the capital portion of the Administrative and Technical Service Agreement.

The components of general and administration expense are as follows:

General and Administration Expenses (000's)	Three months ended			Nine months ended
	September 30, 2005	June 30, 2005	March 31, 2005	September 30, 2005
Direct G&A	\$ 90	\$ 128	\$ 35	\$ 253
Technical service fee from Daylight	545	601	529	1,675
Overhead recoveries from Daylight	(49)	(64)	(51)	(164)
Capitalized G&A	(308)	(373)	(372)	(1,053)
Net G&A	\$ 278	\$ 292	\$ 141	\$ 711
Net G&A (\$/boe)	\$ 2.78	\$ 2.78	\$ 1.99	\$ 2.58

For the three months ended September 30, 2005, net general and administration expenses on a boe basis remained constant with the previous quarter at \$2.78 per boe. The overall allocation from the Administrative and Technical Agreement was slightly lower as a result of our relative production levels, however the direct charges were as expected, resulting in a \$14,000 reduction in our net general and administrative expenses for the third quarter.

Consistent with our past guidance, we expect to maintain the annual net general and administrative budget in the \$2 to \$3 per boe range for 2005.

Depletion, Depreciation and Accretion

For the three months ended September 30, 2005, depletion and depreciation of the petroleum and natural gas assets and the accretion of the asset retirement obligation remained comparable at \$1,976,000 versus \$1,940,000 for the second quarter. On a per boe basis, depletion, depreciation and accretion increased to \$19.82 per boe in the third quarter versus \$18.44 per boe for the second quarter. During the third quarter, Midnight's capital expenditures focused on actively drilling but included limited capital for tie-ins and as a result had minimal reserve additions. Following the acquisition of the Red Earth properties, we expect the boe rate for depletion, depreciation and accretion to increase.

Stock-Based Compensation

The Company applies the fair value method for valuing stock option grants and warrants. Under this method, compensation cost attributable to all share options granted and warrants issued are measured at fair value at the grant and issuance date and expensed over the vesting period with a corresponding increase to contributed surplus. Midnight recognized stock-based compensation expense of \$134,000 and \$297,000 for the three months and nine months ended September 30, 2005 respectively. Midnight's unamortized portion of stock-based compensation is \$1,363,000, which will be expensed over the next three years.

Taxes

The future tax expense for the three months ended September 30, 2005, was \$479,000 resulting in an effective tax rate of 50%. For the nine months ended September 30, 2005, the future tax expense was \$874,000 resulting in an effective rate of 52%. The difference in the expected rate of 37.6% and the effective rate is from permanent differences relating to stock-based compensation and the difference between non-deductible crown royalties and the resource allowance.

Midnight has no current income taxes payable and is under the corporate exemption level for Large Corporation's Tax. With the additional equity raised for the Red Earth acquisition, Midnight will not be below the exemption level and will be required to pay Large Corporation's Tax. Midnight does not expect to become taxable on an income tax basis in 2005. The Company has approximately \$49.5 million in tax pools to shelter taxable income in future years.

Cash Flow and Net Income

Cash flow from operations totaled \$3,073,000 for the three months ended September 30, 2005 versus \$2,374,000 for the three months ended June 30, 2005 representing a 29% increase from the second quarter. For the nine months ended September 30, 2005, cash flow from operations totaled \$6,976,000 or \$0.27 per basic share. Cash flow per basic and diluted share was \$0.12 and \$0.09 for the respective third and second quarters. Net income for the three months ended September 30, 2005 totaled \$487,000 versus \$158,000 for the three months ended June 30, 2005 and \$805,000 for the nine months ended September 30, 2005. Net income per share on a basic and diluted basis increased to \$0.02 versus \$0.01 in the previous quarter.

The following table summarizes the netbacks on a barrel of oil equivalent basis for the periods indicated:

(\$/boe)	Three months ended			Nine months ended
	September 30, 2005	June 30, 2005	March 31, 2005	September 30, 2005
Sales price	\$ 60.08	\$ 48.01	\$ 44.64	\$ 51.51
Royalties	16.82	13.33	9.89	13.70
Operating expenses	9.05	9.20	11.03	9.62
Operating netback	\$ 34.21	\$ 25.48	\$ 23.72	\$ 28.19
General and administration	2.78	2.78	1.99	2.58
Interest	0.57	0.05	(0.25)	0.16
Cash flow netback	\$ 30.86	\$ 22.65	\$ 21.98	\$ 25.45
Depletion, depreciation and accretion	19.82	18.44	15.90	18.28
Stock-based compensation	1.35	1.03	0.75	1.08
Future tax	4.80	1.68	3.07	3.17
Net income	\$ 4.89	\$ 1.50	\$ 2.26	\$ 2.92

The following table outlines the factors leading to the change in cash flow and net income for the three months ended September 30, 2005 compared to the three months ended June 30, 2005.

Change in Cash Flow and Net Income (000's)	Cash flow	Net income
Quarter ended June 30, 2005	\$ 2,374	\$ 158
Increase (decrease) in revenue:		
Change in production volumes	(260)	(260)
Change in prices	1,207	1,207
Change in royalties	(277)	(277)
Change in other income	(12)	(12)
(Increase) decrease in expenses:		
Operating	67	67
Transportation	(5)	(5)
Interest	(42)	(42)
General and administration	14	14
Stock-based compensation	-	(36)
Depletion, depreciation and accretion	-	(25)
Future tax	-	(302)
Abandonment expenditures	7	-
Quarter ended September 30, 2005	\$ 3,073	\$ 487

Equity

During the quarter, Midnight granted 34,300 stock options to non-executive employees with an average exercise price of \$3.85 per share and cancelled 67,500 options with an average exercise price of \$3.30 per share. The options vest equally over three years and expire five years from the date of grant. Midnight intends to limit option grants under its Stock Option Plan to 5% of the number of outstanding Midnight shares until December 1, 2005 and to 7.5% of the number of outstanding Midnight shares until December 1, 2006.

Share Information (000's)	Three months ended			Nine months ended
	September 30, 2005	June 30, 2005	March 31, 2005	September 30, 2005
Shares outstanding				
Basic	26,328	26,328	26,328	26,328
Diluted	29,360	29,393	28,821	29,360
Weighted average shares outstanding				
Basic	26,328	26,328	26,328	26,328
Diluted	26,738	26,462	26,714	26,639

As at November 2, 2005 the Company had outstanding 26,327,829 common shares, 948,800 stock options and 2,083,333 warrants.

Capital Expenditures

For the three months ended September 30, 2005, Midnight invested approximately \$8.2 million on capital expenditures concentrating on the drilling and completion of 12 (3.5 net) wells comprised of 10 (2.9 net) natural gas wells and 2 (0.6 net) oil wells with a 100% success rate. For the nine months ended September 30, 2005, Midnight invested approximately \$21.2 million on capital expenditures successfully drilling 25 (6.3 net) wells.

Capital Expenditures (\$000's)	Three months ended			Nine months ended
	September 30, 2005	June 30, 2005	March 31, 2005	September 30, 2005
Land	\$ 615	\$ 1,331	\$ 1,327	\$ 3,273
Geological and geophysical	679	433	374	1,486
Drilling	3,308	1,688	4,363	9,359
Completions	2,638	656	1,780	5,074
Facilities pipelines and equipment	935	365	721	2,021
Petroleum and natural gas expenditures	\$ 8,175	\$ 4,473	\$ 8,565	\$ 21,213
Other fixed assets	-	9	-	9
Total expenditures	\$ 8,175	\$ 4,482	\$ 8,565	\$ 21,222

During the quarter, Midnight concentrated its drilling efforts on the Beaverlodge program. We completed our first two oil wells and drilled three natural gas wells. We evaluated the Tempest acquisition acquiring the Red Earth properties in conjunction with Daylight Energy Trust's acquisition of the company.

Liquidity and Capital Resources

Midnight Oil Exploration Ltd. was listed as a senior producer on the Toronto Stock Exchange on December 2, 2004 trading under the symbol "MOX". The Company's market capitalization at September 30, 2005 was \$115.8 million.

Trading History on the TSX	Three months ended			December 2, 2004 to
	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
High	4.59	\$ 4.05	\$ 4.98	\$ 4.20
Low	3.20	\$ 3.10	\$ 3.06	\$ 3.20
Close	4.40	\$ 3.51	\$ 4.01	\$ 3.40
Volume (000's)	6,871	7,468	7,363	6,559

At September 30, 2005, Midnight had drawn \$6.2 million on its credit facility and had a working capital deficit of \$5.1 million. Subsequent to the quarter end on October 6, 2005, Midnight closed a private placement of 12,000,000 subscription receipts at a price of \$4.00 per subscription receipt for aggregate proceeds of \$48 million to fund the previously announced acquisition of Red Earth properties from Tempest Energy Corp. effective October 1, 2005 for a purchase price of \$46 million (subject to closing adjustments). Each subscription receipt will entitle the holder to receive one common share of Midnight upon the closing of the acquisition. The acquisition will be completed in conjunction with Daylight Energy Trust's acquisition of the outstanding shares of Tempest Energy Corp., which is expected to close on November 30, 2005. Midnight will also be undergoing a borrowing base review with the assets acquired from Tempest and expects to have an increased facility available upon the close of the acquisition. Midnight's current credit facility is \$10.5 million and is available by way of Canadian and US dollar prime rate based loans, bankers' acceptances, Libor borrowings and letters of credit. The facility is available on a revolving basis until June 30, 2006. On this date and at the Company's discretion, the facility is available on a non-revolving basis for a period of 366 days, at which time the facility would be due and payable. Alternatively, the facility may be extended for a further 364-day period at the request of the Company and subject to approval by the bank. The credit facility bears interest at the bank prime rate and is secured by a \$50 million first floating charge debenture and a general securities agreement.

Midnight anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of petroleum and natural gas reserves in the future. To execute its 2006 capital program of \$50 million, the Company will require additional debt or equity financing. Failure to obtain such financing on a timely basis could cause Midnight to delay its capital program

and as a result potentially forfeit its interest in certain properties or miss certain acquisition opportunities. If Midnight's revenues from its production decrease as a result of lower oil and natural gas prices or otherwise, it will affect Midnight's ability to expend the necessary capital to replace its reserves or to maintain its production. If Midnight'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 Midnight.

Contractual Obligations

The contractual obligations for which the Company is responsible are as follows:

Contractual Obligations (000's)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Technical service agreement	\$ 1,250	\$ 1,250	\$ -	\$ -	\$ -
Long-term debt	6,175	-	6,175	-	-
Asset retirement obligations	2,087	70	235	165	1,617
Total Contractual Obligations	\$ 9,512	\$ 1,320	\$ 6,410	\$ 165	\$ 1,617

Midnight enters into many contractual obligations in the course of conducting its day to day business. Material contract obligations consist only of our Administrative and Technical Service Agreement with Daylight and our long-term debt with a major bank. The payment terms on the asset retirement obligation is based on an estimated timing of expenditures to be made in future periods, actual expenditures and when they may occur may differ materially than presented above. Midnight has not entered into any firm transportation commitments to date.

Application of Critical Accounting Estimates

The significant accounting policies used by Midnight are disclosed in note 1 to the audited Financial Statements for the period ended December 31, 2004. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates. The following discussion identifies the critical accounting policies and practices of the Company and helps assess the likelihood of materially different results being reported.

Proved Reserves

Under the National Instrument 51-101 (NI 51-101) "Proved" reserves are defined as those reserves that can be estimated with a high degree of certainty to be recoverable. The level of certainty should result in at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved reserves. It does not mean that there is a 90% probability that the Proved reserves will be recovered; it means there must be at least a 90% probability that the given amount or more will be recovered.

"Proved plus Probable" reserves are the most likely case and are based on a 50 percent certainty that they will equal or exceed the reserves estimated.

These oil and gas reserve estimates are made using all available geological and reservoir data, as well as historical production data. All of the Company's reserves were evaluated and reported on by an independent qualified reserves evaluator. However, revisions can occur as a result of various

factors including: actual reservoir performance, changes in price and cost forecasts or a change in the Company's plans. Reserve changes will impact the financial results as reserves are used in the calculation of depletion and are used to assess whether asset impairment occurs. Reserve changes also affect other Non-GAAP measurements such as finding and development costs, recycle ratios and net asset value calculations.

Depletion

The Company follows the full cost method of accounting for oil and natural gas properties. Under this method, all costs related to the acquisition of, exploration for and development of oil and natural gas reserves are capitalized whether successful or not. Depletion of the capitalized oil and natural gas properties and depreciation of production equipment which includes estimated future development costs less estimated salvage values are calculated using the unit-of-production method, based on production volumes in relation to estimated proven reserves.

An increase in estimated proved reserves would result in a reduction in depletion expense. A decrease in estimated future development costs would also result in a reduction in depletion expense.

Unproved Properties

The cost of acquisition and evaluation of unproved properties are initially excluded from the depletion calculation. An impairment test is performed on these assets to determine whether the carrying value exceeds the fair value. Any excess in carrying value over fair value is an impairment. When proved reserves are assigned or a property is considered to be impaired, the cost of the property or the amount of the impairment will be added to the capitalized costs for the calculation of depletion.

Ceiling Test

The ceiling test is a cost recovery test intended to identify and measure potential impairment of assets. An impairment loss is recorded if the sum of the undiscounted cash flows expected from the production of the proved reserves and the lower of cost and market of unproved properties does not exceed the carrying values of the petroleum and natural gas assets. 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 cost 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 as a result of this ceiling test will be charged to operations 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 petroleum and natural gas assets. The liability is equal to the discounted fair value of the obligation in the period in which the asset is recorded with an equal offset to the carrying amount of the asset. The liability then accretes to its fair value with the passage of time and the accretion is recognized as an expense in the financial statements. The total amount of the 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 amount of the estimated cash flows required to settle the asset retirement obligation, the timing of those cash flows and the discount rate used to calculate the present value of those cash flows are all estimates subject to measurement

uncertainty. Any change in these estimates would impact the asset retirement liability and the accretion expense.

Plan of Arrangement

As disclosed in Note 2 to the Financial Statements, Midnight acquired assets from Vintage Petroleum Canada, Inc. and Midnight Oil & Gas Ltd. and accounted for these acquisitions using the purchase method based on fair values. The determination of fair value involves numerous estimates. The valuation of petroleum and natural gas assets is based on Midnight's estimate of proved plus probable reserves using estimated forecasted prices at the time of acquisition, plus an estimation of unproved properties. Management also estimates the fair value of other assets and liabilities acquired on the acquisition. This valuation could differ materially by altering the various assumptions which would have impacted the composition of the balance sheet.

Income Taxes

The determination of income and other tax liabilities requires interpretation of complex laws and regulations. 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 by management.

Other Estimates

The accrual method of accounting requires management to incorporate certain estimates including estimates of revenues, royalties and operating costs as at a specific reporting date, but for which actual revenues and costs have not yet been received. In addition, estimates are made on capital projects which are in progress or recently completed where actual costs have not been received by the reporting date. The Company obtains the estimates from the individuals with the most knowledge of the activity and from all project documentation received. The estimates are reviewed for reasonableness and compared to past performance to assess the reliability of the estimates. Past estimates are compared to actual results in order to make informed decisions on future estimates.

New Accounting Standards to be Adopted in 2005

All policies adopted on commencement of our operations are compliant with all new applicable accounting standards.

Dated November 2, 2005

MIDNIGHT OIL EXPLORATION LTD.

Balance Sheets

(000's)

	September 30, 2005 (unaudited)	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 5,031
Accounts receivable	1,955	1,132
Deposits and prepaid expenses	80	-
	2,035	6,163
Future taxes	-	145
Petroleum and natural gas assets (note 1)	52,152	35,812
	\$ 54,187	\$ 42,120
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,204	\$ 3,261
Long-term debt (note 2)	6,175	-
Future taxes	729	-
Asset retirement obligations (note 3)	660	542
Shareholders' equity:		
Share capital (note 4)	38,240	38,240
Warrants (note 4)	42	47
Contributed surplus	317	15
Retained earnings	820	15
	39,419	38,317
	\$ 54,187	\$ 42,120

Subsequent events (note 6).
See accompanying notes to financial statements.

On behalf of the Board:

Signed "Tom Medvedic"

Signed "Paul Moynihan"

Director

Director

MIDNIGHT OIL EXPLORATION LTD.

Statements of Income and Retained Earnings

(000's, except per share amounts)

	Three months ended September 30, 2005 (unaudited)	Nine months ended September 30, 2005 (unaudited)
Revenues:		
Petroleum and natural gas sales	\$ 5,997	\$ 14,217
Royalties	(1,678)	(3,781)
Other income	-	30
	4,319	10,466
Expenses:		
Operating	902	2,653
Transportation	5	8
General and administration	278	711
Interest	58	74
Stock-based compensation	134	297
Depletion, depreciation and accretion	1,976	5,044
	3,353	8,787
Income before taxes	966	1,679
Taxes:		
Future	479	874
	479	874
Net income	487	805
Retained earnings, beginning of period	333	15
Retained earnings, end of period	\$ 820	\$ 820
Income per share (note 4(c)):		
Basic	\$ 0.02	\$ 0.03
Diluted	\$ 0.02	\$ 0.03

See accompanying notes to financial statements.

MIDNIGHT OIL EXPLORATION LTD.

Statements of Cash Flows

(000's)

	Three months ended September 30, 2005 (unaudited)	Nine months ended September 30, 2005 (unaudited)
Cash provided by (used in):		
Operations:		
Net income	\$ 487	\$ 805
Items not involving cash:		
Depletion, depreciation and accretion	1,976	5,044
Stock-based compensation	134	297
Future taxes	479	874
Abandonment expenditures	(3)	(44)
Funds from operations	3,073	6,976
Changes in non-cash working capital	147	(945)
	3,220	6,031
Financing:		
Increase in long-term debt	770	6,175
Changes in non-cash working capital	-	138
	770	6,313
Investments:		
Petroleum and natural gas additions	(8,175)	(21,222)
Changes in non-cash working capital	4,185	3,847
	(3,990)	(17,375)
Changes in cash	-	(5,031)
Cash, beginning of period	-	5,031
Cash, end of period	\$ -	\$ -
<hr/>		
Taxes paid	\$ -	\$ -
Interest paid	\$ 55	\$ 66

Cash is defined as cash and cash equivalents.

See accompanying notes to financial statements.

MIDNIGHT OIL EXPLORATION LTD.

Notes to Financial Statements

For the nine months ended September 30, 2005
(Tabular amounts are stated in thousands of dollars except share and per share amounts)
(unaudited)

The interim financial statements for Midnight Oil Exploration Ltd. ("Midnight") have been prepared in accordance with accounting principles generally accepted in Canada, using the same accounting policies and methods of computation as set out in note 1 to the financial statements for the period from November 29, 2004 to December 31, 2004. The disclosures provided below are incremental to those included with the audited financial statements for the period from November 29, 2004 to December 31, 2004. The interim financial statements should be read in conjunction with the audited financial statements for the period from November 29, 2004 to December 31, 2004. As we commenced operations on November 29, 2004 we have no comparable figures for the three and nine months ended September 30, 2005.

1. Petroleum and natural gas assets:

	September 30, 2005	December 31, 2004
Cost	\$ 57,488	\$ 36,138
Accumulated depletion and depreciation	(5,336)	(326)
Net book value	\$ 52,152	\$ 35,812

During the nine month period, the Company capitalized \$1,053,000, of general and administration expenses related to exploration and development activities.

The cost of unproven properties at September 30, 2005 of \$17,268,000 has been excluded from the depletion and depreciation calculation. Future development costs of proven reserves of \$1,887,000 have been included in the depletion and depreciation calculation.

2. Long-term debt:

Midnight has a revolving term credit facility available up to \$10.5 million with a Canadian chartered bank. The facility is available on a revolving basis until June 30, 2006. On June 30, 2006, at the Company's discretion, the facility is available on a non-revolving basis for a period of 366 days, at which time the facility would be due and payable. Alternatively, the facility may be extended for a further 364-day period at the request of the Company and subject to approval by the bank. The credit facility bears interest at the bank prime rate and is secured by a \$50 million first floating charge debenture and a general securities agreement. At September 30, 2005, \$6,175,000 was drawn on this facility. The \$10.5 million borrowing base is subject to a semi-annual and annual review by the bank.

3. 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 flow required to settle its asset retirement obligations is approximately \$2,087,000 which will be incurred from 2005 to 2054. The majority of the costs will be incurred between 2010 and 2020. An inflation factor of 2% has been applied to the estimated asset retirement cost. A credit-adjusted risk-free rate of 8% was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	September 30, 2005	December 31, 2004
Balance, beginning of period	\$ 542	\$ -
Transfer of assets through Plan of Arrangement	-	542
Liabilities incurred	128	2
Liabilities settled	(44)	(5)
Accretion expense	34	3
Net book value	\$ 660	\$ 542

4. Share capital:

(a) Authorized:

The authorized share capital consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of Shares	Amount
Common shares:		
Balance, September 30, 2005 and December 31, 2004	26,327,829	\$ 38,240

(c) Per share amounts:

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding for the three and nine months ended September 30, 2005 were 26,327,829. Diluted per share amounts are calculated based on the diluted weighted average number of shares outstanding. The diluted weighted average shares outstanding for the three and nine months ended September 30, 2005 were 26,737,955 and 26,638,937 respectively, due to the dilutive effect of warrants and stock options.

(d) Stock options:

During the nine months ended September 30, 2005, Midnight granted 1,016,300 options with a weighted average exercise price of \$3.39 per share and cancelled 67,500 options with a weighted average exercise price of \$3.30 per share. The options vest one third per year over three years on the anniversary of the date granted and expire at the end of five years. As of September 30, 2005, Midnight has 948,800 options outstanding at a weighted average exercise price of \$3.40. There were no options exercisable at September 30, 2005.

The fair value of options granted were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	Nine months ended September 30, 2005	
Weighted average fair value of options granted	\$	1.26
Risk free interest		4.25% - 4.50%
Estimated hold period prior to exercise		4 years
Expected volatility		40%
Dividend per share	\$	0.00

(e) Warrants:

	Number of Warrants	Amount
Warrants:		
Balance, December 31, 2004	2,333,333	\$ 47
Cancelled	(250,000)	(5)
Balance, September 30, 2005	2,083,333	\$ 42

Each warrant is exercisable into one common share of the Company at a price of \$3.00 per share, subject to the achievement of certain performance criteria. One third of the warrants will vest on November 29, 2005 and will only be exercisable if the ten day weighted average trading price of Midnight shares is equal to or greater than \$3.00/share. An additional one third of the warrants will vest on November 29, 2006 and will only be exercisable if the ten day weighted average trading price of Midnight shares is equal to or greater than \$3.75/share. The balance of the warrants will vest on November 29, 2007 and will only be exercisable if the ten day weighted average trading price of Midnight shares is equal to or greater than \$4.50/share. The warrants expire on November 29, 2008. There were no warrants exercisable at September 30, 2005.

5. Relationship with Daylight

An Administrative and Technical Services Agreement with Daylight Energy Trust ("Daylight") provides for the shared services required to manage Midnight's activities and govern the allocation of general and administration expenses between the entities. Under this agreement, Daylight receives payment for certain technical and administration services provided to Midnight on a cost recovery basis. The Administrative and Technical Service Agreement has no set termination date and will continue until terminated by either party upon three months prior written notice to the other party. Pursuant to the Administrative and Technical Services Agreement, \$711,000 of fees were charged relating to general and administration activities and \$1,053,000 of fees were charged relating to capital expenditures for the nine months ended September 30, 2005.

As a result of this technical service arrangement, the majority of the Company's accounts receivable and accounts payable as at September 30, 2005 are due from (to) Daylight.

6. Subsequent events

On October 6, 2005, Midnight closed a private placement of 12,000,000 subscription receipts at a price of \$4.00 per subscription receipt for aggregate proceeds of \$48,000,000. Each subscription receipt will entitle the holder to receive one common share of Midnight upon the closing of the acquisition of the Red Earth properties from Tempest Energy Corp. effective October 1, 2005 for a purchase price of \$46,000,000 (subject to closing adjustments). The acquisition will be completed in conjunction with Daylight Energy Trust's acquisition of the outstanding shares of Tempest Energy Corp., which is expected to close on or about November 30, 2005. Funds raised from the private placement will be held in escrow until the closing of the acquisition. If the closing of the acquisition does not take place on or before December 30, 2005, holders of the subscription receipts will be entitled to a return of their full subscription price and pro-rata entitlement to the interest earned on the escrowed funds.

Quarterly Information

Financial (000's, except for share amounts)	Three months ended			November 29, 2004 to
	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Petroleum and natural gas sales (net of transportation)	\$ 5,992	\$ 5,050	\$ 3,167	\$ 976
Royalties	1,678	1,401	702	211
Operating expenses	902	969	782	249
Net backs	\$ 3,417	\$ 2,680	\$ 1,683	\$ 516
Cash flow from operations	3,073	2,374	1,529	397
– Basic	0.12	0.09	0.06	0.02
– Diluted	0.12	0.09	0.06	0.02
Net income	\$ 487	\$ 158	\$ 160	\$ 15
Per share – Basic	0.02	0.01	0.01	0.00
– Diluted	0.02	0.01	0.01	0.00
Additions to capital assets	\$ 8,175	\$ 4,482	\$ 8,565	\$ 2,680
Net debt	11,344	6,242	4,134	(2,902)
Total assets	54,187	47,350	45,106	42,120
Shares outstanding				
Basic	26,327,829	26,327,829	26,327,829	26,327,829
Diluted	29,359,962	29,393,162	28,821,162	28,661,162
Operations				
Average daily production				
Natural gas (mcf/d)	4,885	5,151	3,924	3,549
NGLs & crude oil (bbls/d)	270	297	135	132
Combined (boe/d)	1,084	1,156	788	723
Average prices received				
Natural gas (\$/mcf)	\$ 9.70	\$ 7.62	\$ 6.92	\$ 7.00
NGLs & crude oil (\$/bbl)	64.78	53.62	58.71	50.75
Combined (\$/boe)	\$ 60.08	\$ 48.01	\$ 44.64	\$ 43.58
Royalties (\$/boe)	16.82	13.33	9.89	9.40
Operating expenses (\$/boe)	9.05	9.20	11.03	11.14
Netback received (\$/boe)	\$ 34.21	\$ 25.48	\$ 23.72	\$ 23.04

Abbreviations

/d	per day	mboe	thousand barrels of oil equivalent
bbl(s)	barrel(s)	mmbtu	millions of British thermal units
mbbls	thousand barrels	ARTC	Alberta Royalty Tax Credit
mcf	thousand cubic feet	WTI	West Texas Intermediate crude oil
mmcf	million cubic feet	NGLs	natural gas liquids
bcf	billion cubic feet	Cdn	Canadian
boe	barrels of oil equivalent	US	United States



CORPORATE INFORMATION

DIRECTORS

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Managing Director and Partner
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Jay D. Squiers^{1, 2, 3}
Managing Director
Fortress Investment Group LLC
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Tom J. Medvedic^{1, 2, 3}
Vice President, Finance and Chief Financial Officer
Calfrac Well Services Ltd.
Calgary, Alberta

Frederick N. Woods
President and Chief Executive Officer
Midnight Oil Exploration Ltd.
Calgary, Alberta

Anthony M. Lambert
President and Chief Executive Officer
Daylight Energy
Calgary, Alberta

Members of the following Committees

¹ Audit

² Compensation

³ Reserves

OFFICERS

Frederick N. Woods
President and Chief Executive Officer

W. Randy Ford
Vice-President, Operations

Thomas F. Moslow
Vice-President, Exploration

Judith A. Stripling
Vice-President, Finance and Chief Financial Officer

Andrew D. Weldon
Vice-President, Land

Chris von Vegesack, Corporate Secretary
Partner
Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Banker
Canadian Imperial Bank of Commerce
Calgary, Alberta

Legal Counsel
Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Auditors
KPMG LLP
Chartered Accountants
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