



Marauder Resources East Coast Inc.

2004 Annual Report

April 27, 2005

President's Message

As President I am pleased to report operating and financial results for Marauder Resources East Coast Inc. ("Marauder" or the "Company") for the year ended December 31, 2004.

The major developments for 2004 involve a significant restructuring of the Company and the closing of a major financing. On December 7, 2004 Marauder announced a farm in arrangement with EnCana Corporation ("EnCana") in the drilling of an exploration well offshore Nova Scotia. Marauder will earn a 35% working interest in Exploration License No. 2357 after the drilling of the well. It is anticipated that this well will be drilled in the third quarter of 2005. Shareholders' approval for the Plan of Arrangement amongst Marauder Resources Corp. ("MRC"), Endless Energy Corp. ("Endless") and 1153845 Nova Scotia Limited ("NSRL") was received on June 28, 2004. As a result of this Plan of Arrangement Endless has acquired all of the Scotian Shelf assets of NSRL and has disposed of its Western Canadian Properties. On August 10, 2004 Endless changed its name to Marauder Resources East Coast Inc ("Marauder"). Effective August 30, 2004, Marauder commenced trading under the symbol "MES" on the TSX Venture Exchange.

Marauder owns a 50% working interest in 18,414 acres which includes shallow rights at Panuke and Cohasset and all rights in the Balmoral block under Nova Scotia Production Licenses PL-2901 and PL-2902. In addition, the Company currently holds a 0.25% royalty interest in 110,000 acres covering two offshore exploration licenses.

On August 10, 2004, 8,750,000 flow-through common shares were issued to Dundee Securities Corporation and Loewen & Partners Corporate Services Inc. (collectively, the "Agents") at a price of \$1.90 per share for gross proceeds of \$16,625,000. The Agents received 612,500 broker warrants exercisable at \$1.90 per share until August 9, 2006.

On October 15, 2004, Ron Murphy was appointed Chief Financial Officer of the Company replacing Larry Martin. On September 20, 2004, Ali Bhojani and Dean Prodan were appointed as Directors by the Company's Board of Directors replacing Michael Meighen who resigned effective August 10, 2004 and Charles Loewen who resigned effective September 20, 2004.

Marauder currently estimates that approximately \$30 million will be required to drill on Exploration License No. 2357. Additional equity is being raised to meet this obligation.

On behalf of the Board of Directors,

Robert V. Shields
President
Marauder Resources East Coast Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion & Analysis (“MD&A”) for Marauder Resources East Coast Inc. (“Marauder” or the “Company”) for the year ended December 31, 2004 should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2004 and 2003. The financial statements for the year ended December 31, 2003 were issued under the name of Endless Energy Corp (“Endless”). The financial results for the period ended December 31, 2004 are issued under the name of Marauder and are the consolidated operations of Marauder and 1153845 Nova Scotia Limited (“NSRL”). The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The reporting currency in the consolidated financial statements and in this MD&A is the Canadian dollar, unless otherwise stated.

This MD&A is dated April 27, 2005.

OVERVIEW

During the year the Company was reorganized and renamed from Endless Energy Corp. to Marauder Resources East Coast Inc. Effective August 30, 2004, Marauder commenced trading under the symbol “MES” on the TSX Venture Exchange.

On December 7, 2004 Marauder announced that it had executed an agreement with EnCana Corporation (“EnCana”) to participate in the drilling of an exploration well offshore Nova Scotia located on Exploration License No. 2357 (Grand Pre). EnCana is the operator on Grand Pre and anticipates commencing of drilling in the third quarter of 2005. Marauder will earn a 35% working interest in the Exploration No. 2357 after drilling of the well.

Shareholders’ approval for the Plan of Arrangement amongst Endless, Marauder Resources Corp. (“MRC”) and NSRL was received on June 28, 2004. Under the Plan of Arrangement, Endless acquired MRC’s 51% equity interest in NSRL in exchange for 19,361,510 shares of Endless. This provided Endless with a 100% equity interest in NSRL. As part of the Plan of Arrangement, effective July 1, 2004, Endless completed the sale of the Western Canadian properties, to two directors of the Company, based on a third party fairness opinion. The sale included Western Canadian properties and the associated assets liabilities, contractual obligations and business operations (the “Western Canadian Properties”). The purchase price of \$965,000 was settled through the tendering of 606,918 common shares of Endless. On August 10, 2004, those common shares were cancelled. The results of operations, cash flows, assets and liabilities from the Western Canadian Properties have been accounted for as discontinued operations. A \$16,625,000 financing, comprising a bought deal for the sale of 8.75 million flow-through common shares of Marauder at \$1.90 per share, was completed on August 10, 2004 to satisfy the financing condition required to make the Plan of Arrangement effective. Marauder is currently working with an agent on a best efforts basis to raise an additional \$26 million through a private placement issue of flow through shares and units with each unit consisting of one common share and one half common share purchase warrant. A closing date for this funding has not been determined at this point.

As of December 31, 2004, after giving effect to the Plan of Arrangement, the \$16,625,000 financing, the share cancellation and the issuance and exercise of options, total shares outstanding are 45,723,744 basic and 50,326,245 fully diluted.

COMPARISON OF 2004 AND 2003 FINANCIAL INFORMATION

All Western Canadian Properties held in the second quarter of 2004 were sold effective July 1, 2004, so there is no longer producing income within Marauder. Financial results for 2004 and 2003 have been adjusted to reflect the Western Canadian Properties as discontinued operations.

SELECTED COMPARATIVE FINANCIAL INFORMATION

Annual & Quarterly Information of Continuing Operations

2004	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenues	\$ -	\$ -	\$ 33,975	\$ 77,934	\$ 111,909
Operating Costs	\$ -	\$ -	\$ -	\$ -	\$ -
General & Admin	\$ 279,586	\$ 173,136	\$ 434,983	\$ 295,169	\$ 1,182,874
Cash From /(Used in) Continuing Operations	\$ (107,973)	\$ (148,844)	\$ (497,113)	\$ 426,090	\$ (327,840)
Loss from Continuing Operations	\$ (279,586)	\$ (173,136)	\$ (2,926,941)	\$ (212,056)	\$ (3,591,719)
Per share basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.09)	\$ -	\$ (0.13)

Annual & Quarterly Information of Continuing Operations

2003	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Petroleum and Natural Gas Revenues ⁽¹⁾	\$ -	\$ 1,381	\$ 16,916	\$ (899)	\$ 17,398
Operating Costs	\$ -	\$ -	\$ -	\$ -	\$ -
General & Admin	\$ 167,204	\$ 171,284	\$ 117,163	\$ 217,369	\$ 673,020
Cash From /(Used in) Continuing Operations	\$ (140,426)	\$ 49,243	\$ (900,023)	\$ (950,445)	\$ (1,941,651)
Loss from Continuing Operations	\$ (167,204)	\$ (169,903)	\$ (100,247)	\$ (1,238,172)	\$ (1,675,526)
Per share basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.09)	\$ (0.13)

REVENUE

The Company's Western Canadian Properties were sold with an effective date of July 1, 2004 and associated revenue is recorded as discontinued operations. Therefore, for 2004 and 2003 the Company had no oil and gas revenue relating to continuing operations. Other revenue for 2004 was interest income of \$111,909 compared to \$17,398 for 2003.

OPERATING COSTS

Operating costs were \$0 for 2004 and 2003.

STOCK COMPENSATION EXPENSE

The fair value of options issued in 2004 was recorded as an expense due to a change in accounting standards effective January 1, 2003. For the year ended December 31, 2004 stock compensation expense relating to continuing operations was \$2,520,754.

GENERAL AND ADMINISTRATIVE

General and administrative expenses for 2004 were \$1,182,874, compared with \$673,020 in 2003. Administrative costs related to the Plan of Arrangement, primarily legal fees, were the main factors contributing to the increase of this expense in 2004.

DISPOSITIONS OF OIL AND GAS ASSETS

Effective July 1, 2004, the Western Canadian Properties were sold to two Directors of Endless based on a third party fairness opinion. This transaction was approved by the shareholders as part of the Plan of Arrangement and was completed through the tendering of 606,918 common shares of Endless as payment for the properties. There were no asset sales in 2004 and 2003 related to continuing operations.

ACQUISITIONS AND OTHER CAPITAL EXPENDITURES

In 2003 the Company acquired 49% of NSRL and acquired the remaining 51% in 2004 as part of the Plan of Arrangement. For 2004 additional capital expenditures totaled \$266,719 versus \$30,037 for 2003.

INCOME TAXES

No income taxes were payable at December 31, 2004, or December 31, 2003.

CASH FLOW AND EARNINGS

Cash flow from operations is not a recognized measure under GAAP. Management believes that, in addition to other financial indicators such as net income, cash flow is a useful supplemental measure to assess the Company's financial performance. Cash flow should not be construed as an alternative to net income determined in accordance with GAAP. Marauder's determination of cash flow from operations may not be comparable to similar measures used by other companies. Cash used in continuing operations for 2004 was \$327,840 compared to \$1,941,651 for 2003.

For the year ended December 31, 2004, the Company had a loss from continuing operations of \$3,591,719, compared to a loss of \$1,675,526 for the year ended December 31, 2003.

The loss in 2004 was mainly attributable to the adoption of new accounting standards for stock based compensation effective January 1, 2004 which requires the booking of stock compensation expenses, a non cash item.

SITE RESTORATION

The Company has no production and is currently not providing for any future estimated costs of site restoration and abandonment. Previous year to date amounts were transferred with the disposal of the Western Canadian Properties. Asset retirement obligations were provided for in the amount of \$81,273 at December 31, 2003.

PROPERTY ACQUISITIONS

Under the Plan of Arrangement the Company acquired a 50% working interest in 18,414 acres which includes shallow rights at Panuke and Cohasset and all rights in the Balmoral block under Nova Scotia Production Licenses PL-2901 and PL-2902. In addition, the Company currently holds a 0.25% royalty interest in 110,000 acres covering two offshore exploration licenses.

RESERVES

Present Worth Before Income Tax Report dated May 26, 2004

The following are summaries of the Martin & Brusset Associates reports. The estimated present values of net production revenue from Marauder, effective January 1, 2005, using January 1, 2005 escalated prices (less royalties, mineral taxes, estimated future capital and operating costs and well abandonment costs net of salvage), are as follows:

**Present Worth Before Income Tax
Report dated April 20, 2005**

	Escalated Price Probable Undeveloped (\$ 000)		
	10%	12%	15%
Abenaki Gas	49,015	43,203	35,835
Balmoral Oil	31,062	27,164	22,199
Cohasset Oil	32,566	28,508	23,339
Panuke Oil	20,753	17,891	14,258
Total	133,396	116,766	95,631

	Escalated Price Probable Plus Possible (\$ 000)		
	10%	12%	15%
Abenaki Gas	119,383	102,647	82,368
Balmoral Oil	121,278	105,880	86,828
Cohasset Oil	124,069	108,257	88,711
Panuke Oil	102,263	89,650	73,904
Total	466,993	406,434	331,811

**Reserves Summary
Report dated April 20, 2005**

	Probable Undeveloped		Capital Expenditures (\$000)
	Gross	Net	
Abenaki Gas (MMCF)	81,725	79,658	42,448
Balmoral Oil (MBBLS)	5,015	4,914	63,672
Cohasset Oil (MBBLS)	5,125	5,020	63,672
Panuke Oil (MBBLS)	4,308	4,222	63,672

These reports were prepared using the following escalating price assumptions in Canadian dollars: Escalating gas prices are those assumed by Martin & Brusset Associates.

Year	Gas Price Escalating ⁽¹⁾	Oil Price Escalating ⁽²⁾
2006	na	na
2007	na	na
2008	na	na
2009	\$5.77	\$40.00
2010	\$5.89	\$40.00
2011	\$6.00	\$40.00
2012	\$6.12	\$40.00
2013	\$6.25	\$40.70
2014	\$6.38	\$41.51

Notes:

¹ Boston City Gate C\$/Mcf

² Edmonton Light Street 40 ° C\$/Bbl

The estimated values shown may not necessarily represent the fair market value or the market value of these reserves.

For complete details of the engineering reports and the information circular for the proposed Plan of Arrangement, please go to www.sedar.com for viewing.

LIQUIDITY AND CAPITAL RESOURCES

On August 10, 2004, the Company issued 8,750,000 flow through shares at a price of \$1.90 per share for gross proceeds of \$16,625,000. Common shares issued under this financing had a four month hold period. The Agents were paid fees and expenses of \$1,204,581 and were issued 612,500 broker warrants exercisable at \$1.90 per share until August 9, 2006.

The Company ended 2004 with \$14,938,538 in cash, compared to \$930,031 in cash at December 31, 2003. This increase in cash is a result of the August 10, 2004 financing mentioned above.

The Company has no borrowing facilities in place.

BUSINESS ENVIRONMENT AND RISKS COMMENTARY

The Company is involved in the exploration and development of petroleum and natural gas, currently focusing on the Scotian Shelf offshore Nova Scotia. The Company's activities involve a number of risks and uncertainties inherent in the oil and gas industry. As the Company has no current production or exploration activity, these risks are more related to future activity.

Several risks relating to exploration and development are:

Commodity Price Risk – Marauder's future earnings and cash flow can be significantly affected by fluctuations in oil and natural gas prices. Commodity prices have been, and are expected to continue to be, volatile due to a number of factors beyond Marauder's control.

Foreign Exchange Risk – Marauder's future cash flow can be affected by the exchange rate between the Canadian and U.S. dollars. If the Company's planned drilling is successful most of its revenues will be received from the sale of oil and natural gas commodities that receive prices determined by reference to U.S. benchmark prices. A decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the revenues received from the sale of oil and natural gas commodities and, correspondingly, an increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and natural gas commodities. Most of Marauder's expenditures are expected to be in Canadian dollars.

Operational Risk – Exploration risk arising from the uncertainty of finding new reserves will be mitigated by using experienced technical personnel to evaluate exploration opportunities. In addition, a major oil and gas company will operate on behalf of the Company and it is fully anticipated that this operator will employ prudent safety programs and risk management practices, including insurance coverage. Future access to markets for oil and gas production from the Scotian Shelf may be restricted by lack of access to pipelines or facilities.

Regulatory Risk – The petroleum industry is subject to extensive controls, regulatory policies and income and resource taxes imposed by various levels of government. These regulations, controls and taxation policies are amended from time to time. The Company has no control over the level of government intervention or taxation in the petroleum and natural gas industry. Changes to existing regulations or implementation of new regulations could have an adverse effect on Marauder's financial condition and results from operations. The Company operates in such a manner to ensure compliance with all applicable regulations and an ability to respond to changes as they occur.

Scotian Shelf activities are subject to stringent environmental regulation standards. The Company is not aware of any current impediment related to environmental issues that can reasonably be expected to delay the Company's Scotian Shelf development programs.

Financial Market Risk - In order to maintain a steady future rate of growth, Marauder intends to continue drilling for petroleum and natural gas reserves. An important source of funding is obtained through the issuance of equity since none of our existing oil and gas assets generate revenues at this time. If the Company is not able to access the equity markets due to unfavorable market conditions for an extended period of time, this may adversely impact its ability to proceed with Scotian Shelf projects.

MANAGEMENT STRATEGY

Marauder will continue to pursue its business plan which is expected to increase its prospects and generate production and additional reserves in the Scotian Shelf area through strategic alliances and joint interest drilling activity.

CONTRACTUAL OBLIGATIONS

The Company has no material contractual commitments as at December 31, 2004 other than its farm in agreement.

OFF BALANCE SHEET ARRANGEMENTS

Marauder does not currently utilize any off-balance-sheet-arrangements with unconsolidated entities to enhance liquidity and capital resource positions or for any other purpose.

RELATED PARTY TRANSACTIONS

As part of the Plan of Arrangement, effective July 1, 2004, Endless completed the sale of the Western Canadian Properties to two directors of the Company based on a third party fairness opinion. The purchase price of \$965,000 was settled through the tendering of 606,918 common shares of Endless. On August 10, 2004, those common shares were cancelled.

FINANCIAL AND DERIVATIVE INSTRUMENTS

The Company has not entered into any financial derivative transactions in 2004 or 2003.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies used by Marauder are disclosed in note 3 to the consolidated financial statements. 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. The following discusses such accounting policies and is included in the MD&A to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. Marauder reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

The following assessment of significant accounting policies is not meant to be exhaustive. The Company might realize different results from the application of new accounting standards instituted by various accounting bodies.

WITHHELD COSTS

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 and any impairment is transferred to the costs being depleted or, if the properties are located in a cost center where there is no reserve base, the impairment is charged directly to earnings.

IMPAIRMENT OF LONG LIVED ASSETS

The Company is required to review the carrying value of all property, plant and equipment, including the carrying value of oil and natural gas assets, for potential impairment. Impairment is indicated if the carrying value of the long-lived asset or oil and natural gas cost centre is not recoverable by the future undiscounted cash flows. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long-lived asset is charged to earnings.

ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2004, the Company retroactively adopted the new Canadian accounting standard for asset retirement obligations.

Under this new standard, 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, which is depleted on a unit-of production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability and any remaining difference is recognized as a gain or loss to earnings in the period in which the settlement occurs.

The Company currently does not have any asset retirement obligations.

LEGAL, ENVIRONMENTAL REMEDIATION AND OTHER CONTINGENT MATTERS

The Company is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined it is charged to earnings. The Company's management must continually monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by circumstance.

INCOME TAX ACCOUNTING

The determination of the Company's income and other tax liabilities requires 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 by management.

STOCK BASED COMPENSATION PLANS

Effective January 1, 2004 CICA Section 3870, "Stock –based Compensation and Other Stock-based Payments", will require all public companies to expense all stock-based compensation. This standard provides for the retroactive adoption of fair value accounting effective January 1, 2003. After January 1, 2004 the fair value of stock-based compensation and other transactions will be recognized as an expense in the financial statements.

The fair value of options issued in 2004 was recorded as an expense.

OIL AND GAS FULL COST ACCOUNTING

In July 2003 the AcSB issued Accounting Guideline 16, "Oil and Gas Accounting – Full Cost" ("AcG-16"), replacing AcG-5. AcG-16 provides for methodology consistent with CICA Section 3063, "Impairment of Long-lived Assets", and CICA Section 3475, "Disposal of Long-lived Assets and Discontinued Operations".

The new standards prescribe the recognition of impairment only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and measure the impairment amount as the difference between the carrying amount and the fair value. In addition, discontinued operations disclosure will be required upon the disposition of a component or cost centre of the entity rather than an entire business segment.

DEPLETION EXPENSE

The Company uses the full cost method of accounting for exploration and development activities. In accordance with this method of accounting, all costs associated with exploration and development, whether successful or not, are capitalized. The aggregate of net capitalized costs and estimated future development costs less estimated salvage value is amortized using the unit-of-production method based on estimated proved oil and natural gas reserves.

An increase in estimated proved oil and natural gas reserves would result in a corresponding reduction depletion expense.

CONTINUOUS DISCLOSURE OBLIGATIONS

Effective March 31, 2004 the Company and all reporting issuers in Canada will be subject to new disclosure requirements as per National Instrument 51-102 "Continuous Disclosure Obligations". TSX Venture issuers will be exempt from certain of these requirements. This new instrument is effective for fiscal years beginning on or after January 1, 2004. The instrument proposes shorter reporting requirements for filing of annual and interim financial statements, MD&A and the Annual Information Form ("AIF"). The instrument also proposes enhanced disclosure in the annual and interim financial statements, MD&A and AIF. Under this new instrument, it will no longer be mandatory for the Company to mail annual and interim financial statements and MD&A to shareholders, but rather these documents will be provided on an "as requested" basis. All relevant documents will continue to be available on the SEDAR website as currently required.

NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain information regarding Marauder set forth in this document, including management's assessment of Marauder's plans and future operations, contains 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 Marauder's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of availability of qualified personnel or management, stock market volatility and ability to access capital from internal and external sources. Marauder's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Marauder will derive therefrom. The Company undertakes no responsibility to update the information provided herein.

Consolidated Financial Statements of

**MARAUDER RESOURCES
EAST COAST INC.**

Year ended December 31, 2004

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Marauder Resources East Coast Inc. as at December 31, 2004 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2003 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 20, 2004.

KPMG LLP

Chartered Accountants

Calgary, Canada
April 28, 2005

MARAUDER RESOURCES EAST COAST INC.

Consolidated Balance Sheets

December 31, 2004 and 2003

	2004	2003
		(restated – note 4)
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,938,538	\$ 930,031
Accounts receivable	102,598	313,872
Prepaid expenses	33,807	45,460
	<u>15,074,943</u>	<u>1,289,363</u>
Property and equipment (note 6)	23,770,944	320,099
Investment	–	52,596
Deposit	–	118,625
	<u>\$ 38,845,887</u>	<u>\$ 1,780,683</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 199,089	\$ 1,051,956
Asset retirement obligations (note 4)	–	81,273
Shareholders' equity:		
Share capital (note 7)	43,592,272	3,958,752
Contributed surplus (note 7)	3,218,193	–
Deficit	<u>(8,163,667)</u>	<u>(3,311,298)</u>
	38,646,798	647,454
Future operations (note 2)		
Commitment (note 7(b))		
Subsequent event (note 10)		
	<u>\$ 38,845,887</u>	<u>\$ 1,780,683</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Director

_____ Director

MARAUDER RESOURCES EAST COAST INC.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2004 and 2003

	2004	2003
		(restated – note 4)
Revenue:		
Interest income	\$ 111,909	\$ 17,398
Expenses:		
General and administration	1,182,874	673,020
Stock-based compensation (note 7)	2,520,754	–
Cost of failed acquisition (note 12)	–	1,019,904
	<u>3,703,628</u>	<u>1,692,924</u>
Loss from continuing operations	3,591,719	1,675,526
Discontinued operations:		
Gain on disposal of discontinued operations (note 5(b))	(147,108)	–
Loss (gain) from discontinued operations (note 5(b))	607,749	(864,004)
	<u>460,641</u>	<u>(864,004)</u>
Net loss	4,052,360	811,522
Deficit, beginning of year, as previously reported	3,294,542	2,483,020
Change in accounting policy (note 4)	16,756	16,756
Deficit, beginning of year, as restated	<u>3,311,298</u>	<u>2,499,776</u>
Redemption of shares pursuant to business combination (note 5)	800,009	–
Deficit, end of year	<u>\$ 8,163,667</u>	<u>\$ 3,311,298</u>
Per share amounts (note 7(d)):		
Basic and diluted – continuing operations	\$ 0.13	\$ 0.13
Basic and diluted – net loss	\$ 0.14	\$ 0.06

See accompanying notes to consolidated financial statements.

MARAUDER RESOURCES EAST COAST INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003

	2004	2003
		(restated – note 4)
Cash provided by (used in):		
Operations:		
Loss from continuing operations	\$ (3,591,719)	\$(1,675,526)
Items not involving cash:		
Depletion and depreciation	–	176,773
Stock-based compensation	2,520,754	–
Property and equipment written-off	52,596	–
Change in non-cash operating working capital of continuing operations	690,529	(442,898)
	(327,840)	(1,941,651)
Discontinued operations:		
Gain (loss) from discontinued operations	(607,749)	169,910
Change in non-cash working capital of discontinued operations	(108,489)	944,245
	(1,044,078)	(827,496)
Financing:		
Issue of share capital	17,710,944	1,188,774
Share issue costs	(1,264,983)	(170,063)
	16,445,961	1,018,711
Investments:		
Business acquisition (note 5)	(630,010)	(52,596)
Expenditures on property and equipment	(723,958)	–
Disposition of business (note 5)	(69,408)	–
Proceeds on sale of property and equipment	30,000	694,094
	(1,393,376)	641,498
Increase in and cash equivalents	14,008,507	832,713
Cash and cash equivalents, beginning of year	930,031	97,318
Cash and cash equivalents, end of year	\$ 14,938,538	\$ 930,031
Interest income received	\$ 111,909	\$ 17,398

See accompanying notes to consolidated financial statements.

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

1. Nature of operations:

Marauder Resources East Costs Inc. ("the Company") is incorporated under the Business Corporations Act (Alberta). The Company's principle business was the exploration for and the production of petroleum and natural gas reserves in Western Canada until the Plan of Arrangement was approved in June 2004. The Company changed its name from Endless Energy Corp. and all Western Canadian interests were disposed of and future exploration and production is planned to be East Coast related.

2. Future operations:

During 2004, the Company incurred a loss from continuing and discontinued operations of \$4,052,360 (2003 – \$811,522).

The Company's ability to continue as a going concern is dependent on its ability to attain profitable operations and to obtain additional financing to continue the development of the Company's properties.

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company be unable to continue in existence.

3. Significant accounting policies:

The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary.

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2004 and 2003

3. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include bank balances and highly liquid temporary money market instruments with original maturities of three months or less.

(c) Property and equipment:

The Company follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas properties and related reserves are capitalized. Capitalized costs include land acquisition costs, cost of drilling both productive and non-productive wells, and geological and geophysical expenses and related overhead.

Capitalized costs, excluding costs relating to unproven properties, are depleted using the unit-of-production method based on estimated proven reserves of oil and gas before royalties as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on relative energy content of six thousand cubic feet of gas to one barrel of oil. Costs of acquiring and evaluating unproven properties are excluded from costs subject to depletion until it is determined whether proven reserves are attributable to the properties or impairment occurs.

Proceeds from disposal of properties are deducted from the full cost pool without recognition of a gain or loss unless such a sale would alter the rate of depletion and depreciation by in excess of 20%.

Effective January 1, 2004, the Company adopted the new Canadian accounting guideline for oil and gas accounting using the full cost method. Under this new guideline, 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 cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using a risk-free rate. The adoption of the new guideline had no impact on the Company's consolidated financial statements.

Office furniture and equipment are recorded at cost and are depreciated on the declining balance basis using rates varying from 20% to 30%.

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2004 and 2003

3. Significant accounting policies (continued):

(d) Interest in joint ventures:

Certain of the Company's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the consolidated financial statements reflect only the Company's proportionate interest in such activities.

(e) Asset retirement obligations:

Effective January 1, 2004, the Company retroactively adopted the new Canadian accounting standard for asset retirement obligations. Under this new standard, 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, which is depleted on a unit-of production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability and any remaining difference is recognized as a gain or loss to earnings in the period in which the settlement occurs. The impact of the adoption of the new standard is described in note 4.

(f) Revenue recognition:

Revenue from sale of products is recognized when title passes to customers, which is generally at the time goods are shipped.

(g) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2004 and 2003

3. Significant accounting policies (continued):

(h) Stock-based compensation:

Effective January 1, 2003, the Company prospectively adopted the amended Canadian accounting standard for stock-based compensation. Under this method, compensation cost attributable to stock options is measured at fair market value at the grant date and expensed over the vesting period, with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(i) Per share information:

Basic per share information is calculated on the basis of the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options and warrants assuming the proceeds would be used to repurchase shares at average market prices for the year. Anti-dilutive options and warrants are not included in the calculation.

(j) Flow-through shares:

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Future income tax liabilities are increased and share capital is reduced by the estimated tax cost when the expenditures are renounced.

4. Change in accounting policies:

Asset retirement obligations:

Effective January 1, 2004, the Company retroactively adopted the new Canadian accounting standard for asset retirement obligations as outlined in note 3. The effect of this change in accounting policy has been recorded retroactively with restatement of prior periods. The effect of the adoption is presented below as net increases (decreases):

Balance Sheet as at December 31, 2003

Asset retirement costs, included in property and equipment	\$	64,517
Asset retirement obligations		81,273
Future removal and site restoration liability		(98,225)
Deficit		16,756

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2004 and 2003

4. Change in accounting policies (continued):

Change in consolidated statements of operations and deficit:

Statement of Operations for the year ended December 31, 2003

Accretion expense	\$	–
Depletion and depreciation on asset retirement costs		6,020
Net loss impact		6,020
Net loss per share – basic		–
Net loss per share – diluted		–

There is no impact on net loss, net loss per share, deficit, or asset retirement obligations on the 2004 amounts as a result of adoption of this accounting policy.

The Company's asset retirement obligations resulted from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company has no asset retirement obligations at present. A credit-adjusted risk-free rate of 6.5% was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the Company's asset retirement obligations is provided below:

	2004	2003
Balance, beginning of year	\$ 81,273	\$ 75,253
Accretion expense	–	6,020
Liabilities acquired	323,125	–
Liabilities disposed	(404,398)	–
Balance, end of year	\$ –	\$ 81,273

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 6

Years ended December 31, 2004 and 2003

5. Business combination:

- (a) On February 6, 2004, the Company acquired 100% of the common shares of Mistahiya Resources Ltd. ("Mistahiya"). The acquisition was financed by cash and a note payable. The note payable was redeemed for cash immediately after the closing of the acquisition. The acquisition has been accounted for using the purchase method.

The fair value of the net assets acquired by the Company are as follows:

Assets acquired and liabilities assumed:	
Current assets	\$ 1,265,372
Petroleum and natural gas properties	610,787
Well abandonment deposits	251,307
Current liabilities	(61,830)
Asset retirement obligations	(323,126)
	<hr/>
	\$ 1,742,510
<hr/>	
Consideration paid:	
Cash	\$ 630,010
Note payable	1,112,500
	<hr/>
	\$ 1,742,510

- (b) On June 30, 2004, the Company transferred all its Western Canadian assets to Mistahiya. On July 1, 2004, the Company sold 100% of the common shares of Mistahiya to two directors of the Company (and companies related to the directors). The fair value of the net assets sold and the consideration received by the Company were as follows:

Assets sold and liabilities disposed:	
Current assets (including cash of \$69,408)	\$ 304,466
Petroleum and natural gas properties	1,249,004
Well abandonment deposits	251,712
Current liabilities	(435,784)
Asset retirement obligations	(404,398)
	<hr/>
	\$ 965,000
<hr/>	
Consideration received:	
Shares in the Company returned to treasury	\$ 965,000
	<hr/>
	\$ 965,000

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 7

Years ended December 31, 2004 and 2003

5. Business combination (continued):

This transaction resulted in the disposition of all of the Company's Western Canadian oil and gas properties and consequently has been presented as discontinued operations in these consolidated financial statements.

The following table provides additional information with respect to the amounts included in the results of discontinued operations:

	2004	2003
Revenues:		
Petroleum and natural gas, net of royalties	\$ 310,055	\$ 603,184
Miscellaneous income	37,986	—
	<u>348,041</u>	<u>603,184</u>
Expense:		
Operating expense	(144,012)	(184,900)
Selling, general and administrative	(105,990)	(71,601)
Depletion	(83,227)	(122,248)
Site restoration	—	(54,525)
Stock-based compensation	(622,561)	—
	<u>(955,790)</u>	<u>(433,274)</u>
Proceeds on sale of petroleum and natural gas properties	—	694,094
Gain (loss) from discontinued operations	<u>\$ (607,749)</u>	<u>\$ 864,004</u>

- (c) Pursuant to a Plan of Arrangement, the Company acquired the remaining 51% of the common shares in 1153845 Nova Scotia Ltd. ("NSL") from Marauder Resources Corp in exchange for 19,361,510 shares of the Company.

The transaction has been accounted for by the purchase method and the fair value of the net assets acquired by the Company are as follows:

Assets acquired:	
Petroleum and natural gas properties	\$ 23,718,348
Consideration given:	
Common shares	\$ 23,427,427
Transaction costs	290,921
	<u>\$ 23,718,348</u>

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 8

Years ended December 31, 2004 and 2003

6. Property and equipment:

	Cost	Accumulated depletion and depreciation	Net book value
2004			
Petroleum and natural gas properties	\$ 23,765,164	\$ –	\$ 23,765,164
Office furniture and equipment	5,780	–	5,780
	<u>\$ 23,770,944</u>	<u>\$ –</u>	<u>\$ 23,770,944</u>
2003 (restated – note 4)			
Petroleum and natural gas properties	\$ 2,830,813	\$ 2,532,830	\$ 297,983
Office furniture and equipment	37,473	15,357	22,116
	<u>\$ 2,868,286</u>	<u>\$ 2,548,187</u>	<u>\$ 320,099</u>

Costs amounting to \$23,765,164 at December 31, 2004 (2003 - \$200,000) have been excluded from the depletion calculation. General and administrative expenses capitalized in 2004 amounted to \$nil (2003 - \$52,596).

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 9

Years ended December 31, 2004 and 2003

7. Share capital:

(a) Authorized:

Unlimited number of common voting shares

Unlimited number of preferred shares, issuable in series, of which none have been issued

(b) Issued:

	Number	Amount
Balance, December 31, 2002	22,301,349	\$ 7,815,041
Escrowed shares returned along with cash	(9,750,000)	(4,875,000)
Flow-through shares issued	1,060,000	530,000
Private placements, net of share issue costs of \$170,063	1,093,476	225,204
Convertible debentures issued and converted	500,000	220,000
Broker warrants exercised	155,381	43,507
Balance, December 31, 2003	15,360,206	3,958,752
Issued for 51% of shares of NSL	19,361,510	23,427,427
Flow-through shares issued for cash, net of share issue costs of \$1,204,581	8,750,000	15,420,419
Private placements, net of share issue costs of \$421,937	1,582,717	241,018
Shares tendered and cancelled (note 5)	(606,918)	(164,991)
Issued on exercise of broker warrants	536,229	232,990
Transfer from contributed surplus on exercise of warrants	–	17,101
Issued on exercise of options	740,000	369,000
Transfer from contributed surplus on exercise of options	–	269,556
	45,723,744	43,771,272
Share purchase loan	–	(179,000)
Balance, December 31, 2004	45,723,744	\$ 43,592,272

The Company is obligated to incur qualifying expenditures of approximately \$16,625,000 pursuant to the flow through financing, prior to December 31, 2005.

Pursuant to an escrow agreement dated November 1, 2002, 9,750,000 common shares were being held in escrow with the condition they were to be released on the completion of a share purchase agreement. During the year ended December 31, 2003, it was determined that the share purchase agreement could not be completed and the Company cancelled the shares and refunded the cash received, which was held in trust.

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 10

Years ended December 31, 2004 and 2003

7. Share capital (continued):

(c) Stock options:

The Company has a stock option plan which allows for the issuance of options to purchase shares at specific prices for a specific period of time. The maximum number of shares issuable pursuant to options granted under the plan are limited to 10% of the total issued and outstanding common shares subject to shareholder approval. All directors, officers and certain employees and consultants are eligible to participate in the Plan. All options under the plan vest immediately. The option price under the plan will not be less than the market price of the common shares on the date of grant. The expiry date for each option will be set by the Board of Directors at the time of issue of the option but in any event will not be more than five years after the date of grant.

During the year ended December 31, 2004, the Company issued 4,010,000 stock options (2003 - nil) to employees, consultants and directors. The fair value of the options granted was \$3,143,315 using the assumptions of a risk-free rate of 4.5%, an expected options life of five (5) years, an expected volatility of 60% and expected dividends of \$Nil. This amount was charged to expenses (\$622,561 to discontinued operations and \$2,520,754 to continuing operations) and credited to contributed surplus.

Details of the stock options at December 31, 2004 and 2003 are as follows:

	2004		2003	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Stock options outstanding, beginning of year	720,000	\$ 0.30	870,000	\$ 0.30
Granted	4,010,000	1.29	–	–
Exercised	(740,000)	0.50	–	–
Cancelled	–	–	(150,000)	(0.30)
Stock options outstanding, end of year	3,990,000	\$ 1.26	720,000	\$ 0.30
Exercisable at year-end	3,990,000	\$ 1.26	720,000	\$ 0.30

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 11

Years ended December 31, 2004 and 2003

7. Share capital (continued):

(c) Stock options (continued):

Information related to the share options outstanding and exercisable at December 31, 2004 is presented below:

	Number	Weighted remaining contractual life (years)	Exercise price
Issued	400,000	0.03	\$ 0.30
Issued	550,000	0.40	0.65
Issued	40,000	0.04	1.30
Issued	3,000,000	3.55	1.50
	3,990,000	1.52	\$ 1.26

Contributed surplus consists of the following:

	2004	2003
Balance, beginning of year	\$ -	\$ -
Stock-based compensation	3,143,315	-
Fair value of broker warrants	361,535	-
Transfer to share capital on exercise of options	(269,556)	-
Transfer to share capital on exercise of warrants	(17,101)	-
Balance, end of year	\$ 3,218,193	\$ -

(d) Per share amounts:

The basic weighted average number of common shares outstanding during the year ended December 31, 2004 was 28,059,017 (2003 – 12,683,518).

(e) Warrants:

During 2004, 125,926 warrants at a price of \$0.54 were issued and exercised. They had an expiry date of December 31, 2004. (2003 – 284,021 at prices of \$0.42 and \$0.50). In addition, 612,500 broker warrants at a price of \$1.90 were issued during 2004 and expire on August 9, 2006.

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 12

Years ended December 31, 2004 and 2003

7. Share capital (continued):

(f) Share cancellation:

During 2004, 606,918 common shares (valued at \$965,000) were returned to treasury in full settlement of the amount receivable from the sale of the Company's western Canadian assets. The shares had an average cost base of \$164,991 and the balance was recorded to deficit.

8. Income taxes:

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 38.62% (2003 – 40.62%) to the loss for the years as follows:

	2004	2003
Loss from continuing operations	\$ 3,591,719	\$ 1,675,526
Anticipated income tax recovery	\$ 1,387,122	\$ 680,599
Non-deductible portion of capital loss	–	(207,143)
Non-deductible expenses	(975,049)	–
Valuation allowance	(412,073)	(473,456)
Provision for income taxes	\$ –	\$ --

The Company has approximately \$90,800,000 of non-capital losses available to reduce future taxable income, the benefit of which has not been recognized in the consolidated financial statements, which expire commencing in 2005.

The components of the future income tax balance are as follows:

	2004	2003
Future income tax asset:		
Non-capital loss carry-forwards	\$ 34,167,361	\$ 116,619
Petroleum and natural gas properties	–	211,682
Share issue costs	417,839	84,381
Capital loss carryforward	286,121	290,830
Asset retirement obligations	–	37,934
Other	73,177	(1,830)
Future income tax liability:		
Petroleum and natural gas properties	(7,410,994)	–
	27,533,504	739,616
Valuation allowance	(27,533,504)	(739,616)
	\$ –	\$ –

MARAUDER RESOURCES EAST COAST INC.

Notes to Consolidated Financial Statements, Page 13

Years ended December 31, 2004 and 2003

9. Related party transactions:

As part of a plan of arrangement, the Company decided to divest itself of Western Canadian properties (Mistahiyá) and the associated assets and liabilities. A third party fairness opinion was obtained as a valuation of those assets. The properties were then sold to directors of the Company (and companies associated with them) for \$965,000.

10. Subsequent event:

In March 2005, a settlement was reached with an agent who had filed claims against the Company for \$4,480,000. The Company settled the suit for a total cost of \$150,000 which is included in accounts payable and accrued liabilities as at December 31, 2004.

11. Financial instruments:

(a) Fair values:

The carrying values of the financial assets and the financial liabilities approximate their fair value due to the short periods to maturity of the instruments.

(b) Foreign currency exchange risk:

The Company was exposed to foreign currency fluctuations as crude oil and natural gas prices are referenced to U.S. dollar denominated prices.

(c) Credit risk:

The Company's accounts receivable were primarily with customers in the oil and gas industry and are subject to normal industry credit risks.

(d) Interest rate risk:

The Company earns interest income on its cash and cash equivalents at interest rates that will be subject to variation.

12. Costs of failed acquisition:

During the year ended December 31, 2002, the Company entered into a share purchase agreement requiring the payment of a non-refundable deposit of \$400,000. The Company was unable to complete the share purchase agreement within a specified time period and consequently forfeited the deposit. Also incurred were legal and accounting fees of \$116,209 for a total loss of \$516,209. During the year ended December 31, 2003, the Company was unable to satisfy the new agreement, resulting in a further loss of \$1,019,904. On November 28, 2003, the Company was able to successfully affect the share purchase of NSL.

Corporate Information

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Royal Bank of Canada

Calgary, Alberta

Engineers

Martin & Brusset Associates

Calgary, Alberta

Registrar & Transfer Agent

Computershare Investor Services Inc.

Calgary, Alberta

Stock Exchange Listing

TSX Venture Exchange

Symbol: MES

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