

## WAVEFORM ENERGY ANNOUNCES SECOND QUARTER INCREASES IN PRODUCTION

CALGARY, ALBERTA, – August 29, 2005. WaveForm Energy Ltd. ("WaveForm" or the "Company") announces successful drilling in the second quarter. Some of the highlights of the capital activity and results during the second quarter, and up until August 25, 2005 are as follows:

### HIGHLIGHTS

- Completion of the first two Bakken horizontal wells
- Drilling of a vertical test well which was then completed horizontally in the Midale Evaporite
- Currently 270 bbls/d of production from three wells when they produce at their average rates
- Began drilling another Bakken well in the summer at a 100% carried interest to the Company
- Negotiated a bought deal financing with Tristone Capital for \$10.2 million gross proceeds

### 2005 SECOND QUARTER FINANCIAL AND OPERATING STATISTICS

	Three months ended June 30, 2005	Six months, or period ended June 30, 2005
Average daily production	22 bbls/d	22 bbls/d
Average price received per barrel	\$67.00	\$67.00
Production revenue	\$64,988	\$64,988
Net loss	\$(269,406)	\$(429,036)
Net loss per share – basic and diluted	\$(0.01)	\$(0.02)
Total assets		\$16,499,046
Working capital		\$2,264,963

WaveForm's complete Management's Discussion and Analysis as well as the Financial Statements will be available on WaveForm's website at [www.waveformenergy.com](http://www.waveformenergy.com) and [www.sedar.com](http://www.sedar.com).

### CORPORATE DEVELOPMENT

At the beginning of 2004, WaveForm was a recently formed petroleum and natural gas company that was operating as WaveForm Energy Limited Partnership 1 ("the Partnership"), and WaveForm License Holdings Inc. On July 26, 2004, the Partnership entered into a joint venture agreement to obtain pre-owned lands, and to acquire additional lands in the area, of which WaveForm would own 65 percent, and would operate the joint venture lands. Throughout 2004, the Partnership raised gross proceeds of \$4,000,000 from the sale of partnership units. It became clear to the management team that the Company would require additional resources to adequately develop the land acreage it had acquired. Therefore, in September of 2004, WaveForm initiated its initial public offering to obtain the necessary capital and WaveForm Energy Ltd. was created through a name change of WaveForm License Holdings Inc. Throughout the fourth quarter of 2004 the Company recruited the necessary team to explore and develop its land base and acquired additional lands in the area. On December 22, 2004, management had the first closing on the initial public offering and the net assets of the Partnership were acquired by WaveForm. Upon final closing of the initial public offering, the financing was over allotted raising total gross proceeds of \$10,632,000. At the end of 2004, WaveForm had the people, the technology, the land base, and the capital to effectively begin the exploration and development of its core area at Tableland Saskatchewan.

During the first quarter of 2005, WaveForm drilled two wells into the Middle Bakken zone on its southeast Saskatchewan properties. Both wells were logged and tested with initial results corresponding to those anticipated by WaveForm. The oil produced during the testing was light, sweet crude with an API of 42.5°. The two wells had horizontal legs of 1,200 and 1,145 metres respectively, with both wells encountering oil saturated sandstone and siltstone throughout the horizontal drilling. The geological data gathered throughout the drilling process has been consistent with the Company's expectations, which are based on geological data from existing successful wells of this type in the United States where operators are drilling successful horizontal Bakken wells in a similar overpressured formation. During the last week of April, both horizontal wells were stimulated with large staged fracture treatments. Subsequent to the fracture stimulation, both wells have had high water cuts which have been gradually decreasing over time. The Company remains uncertain at this time of specific production rates the first two wells will ultimately achieve.

In June, the Company began drilling a vertical test well, the third well, that tested the Midale Evaporite Formation, cored the entire Bakken Formation (including the Upper Bakken Shale, the Middle Sand Unit, and the Lower Bakken Shale) and drilled down to deeper formations to test the Birdbear and Duperow Formations. The drill stem test of the Midale Evaporite showed this was a productive zone with potential for horizontal drilling. The core of the Bakken Formation has helped the Company further refine its geological model and drilling and completion techniques. No hydrocarbon zones were encountered when drilling into the deeper formations.

This vertical well was then plugged off and the well was drilled and completed into the Midale Evaporite with a 707 meter horizontal leg. The well initially flowed at an equivalent rate of 330 bbls/d over a two hour test period. The Company then shut in the well for production testing over a four day period in order to record bottom hole pressure readings to determine the overall reservoir characteristics, and deliverability of the well. Based on this pressure information, and the information from offsetting wells in the immediate area, management believes the well will have a long reserve life with strong sustained production. The Midale Evaporite well is currently producing at a rate of 240 bbls/d, which has been the average production rate over the first eight days the well has been on pump. Management has elected to produce the well at controlled rates to minimize potential formation damage. The ultimate sustainable production rate is still uncertain.

In July, the Company began drilling its fourth well which is targeting the Bakken Formation with its joint venture partner who is funding 100 percent of the cost to receive a 50 percent working interest after payout. The drilling is being operated by WaveForm, and the information from the Bakken core recovered and production data from WaveForm's first two wells has been used to refine the drilling and completion techniques used. The well is currently finishing drilling, and further information will be released when results are known.

In late August, the Company commenced drilling a Midale Evaporite development location and will continue with its capital program. The Company was approached by Tristone Capital Inc. during the summer and offered a bought deal private placement financing. The financing is for gross proceeds \$10.2 million and is expected to close on or around August 30, 2005. This financing and cash flow from operations, will be used to fund the capital program for the remainder of 2005 which is expected to be \$9 to \$11 million.

Management is excited about the Midale Evaporite discovery and the production capability and long life reserves expected from this formation. The geological mapping indicates this formation extends across the majority of the Company's land base which has the potential to provide significant production for the Company. The development of the Midale Evaporite formation will achieve immediate cash flow that will allow the Company to continue to evaluate the large reserve potential of the Bakken Formation. The bought deal private placement from a respected brokerage firm such as Tristone has allowed the Company to maintain its capital program and continue to develop its land base of 39,000 gross acres of land in Southeast Saskatchewan.

## PETROLEUM SALES

	Q2 2005	Q1 2005
Daily petroleum production (bbls/d)	22	Nil
Average price received	\$67.00	n/a
Revenue	\$64,988	Nil

Production began from the first two wells on May 17, 2005 when they were placed on pump. The price obtained for May production was \$57.01 and for June production was \$70.01. The oil being produced is a light 42 degree API oil, which is reflected in the premium prices obtained. The associated natural gas being produced is currently being used as fuel to operate the production equipment.

The Company's current production rate is 270 bbls/d of oil when all the wells are producing at their average rates. Of the total production, 240 bbls/d of 30 degree API oil is coming from the Midale Evaporite well which began producing on August 14, 2005.

## ROYALTIES

The royalty expense for the second quarter was \$1,853, or 2.85 percent of revenue. The Saskatchewan royalty regime includes incentives where deep horizontal wells qualify for a royalty incentive on the first 100,000 bbls of production. This incentive reduces the royalty rate to approximately 2.5 percent with miscellaneous other charges representing the remaining balance of the 2.85 percent actually incurred. This royalty incentive is a significant economic benefit that will allow for high netbacks, and strong initial cash flow from wells drilled in Southeast Saskatchewan. The Midale Evaporite wells also qualify for this incentive.

## OPERATING EXPENSES

The operating expenses for the second quarter were \$84,738. The operating costs are high due to the disposal costs of the water that is associated with the current production on the first two wells. As the water cut decreases the overall operating costs will decrease. Management believes oil production on the first two wells will continue to increase based on the production rates, and pressure test data obtained over the production life to date.

## DEPLETION AND DEPRECIATION EXPENSE

Depletion and depreciation expense consists of:

	Q2 2005	Q1 2005	Total
Depreciation of office equipment	2,277	883	3,160
Depletion of petroleum and natural gas properties	16,747	Nil	16,747
Depreciation of technology license	50,820	16,940	67,760
	69,844	17,823	87,667

The depreciation of office equipment has increased in proportion to the increase in office equipment. The depletion expense was recorded for the first time in the second quarter due to petroleum production commencing in May 2005. The technology license value is being amortized over a period of five years, or \$16,940 per month. Depreciation of the technology license has increased in the second quarter as the license began to be depreciated in March 2005 and the second quarter includes three months of depreciation.

## GENERAL AND ADMINISTRATIVE EXPENSE

The general and administrative expenses were \$587,935 for the six months ended June 30, 2005 compared to \$21 for the six month period ended June 30, 2004 when the Company did not have active operations. As the capital activity increases, the Company is bringing on additional resources including people, software, equipment and other resources required to effectively operate a drilling program. Compared to the first quarter of 2005, general and administrative costs remained consistent with a 0.2 percent increase.

## NET LOSS AND CASH FLOW USED IN OPERATIONS

The net loss and the negative cash flow from operations consist of the general and administrative costs, offset by residual interest income. The production on the first two wells drilled has had high water cuts and associated high operating costs during the second quarter which has contributed to the overall loss position. The Company's production profile changed significantly with the Midale Evaporite discovery which occurred in August of 2005. This increased production and continuing development of our land base is expected to improve the profitability and cash flow for the remainder of the year.

## CAPITAL EXPENDITURES

During the first six months the Company incurred \$8,484,223 in capital expenditures compared to \$4,725,206 during the first quarter of 2005. During the second quarter the Company completed the first two wells drilled in the first quarter, and was drilling a third test well that was completed in the Midale Evaporite subsequent to the quarter end.

Three months ended

Six months ended

	June 30, 2005	June 30, 2005
Land acquisition, net of disposals	\$126,673	\$165,559
Geological and geophysical	53,271	107,093
Drilling and completion	3,441,230	7,852,898
Equipment and facilities	128,547	343,610
Other	9,296	15,063
	<u>\$3,759,017</u>	<u>\$8,484,223</u>

## LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, the Company had \$3,921,387 in cash and cash equivalents and \$2,264,963 in net working capital. Management expects the capital program for the remainder of 2005 to consist of 10 additional wells, which will result in additional capital expenditures of approximately \$9 to \$11 million. Subsequent to period end, the Company has entered into a bought deal financing with Tristone Capital for gross proceeds of \$10,260,000. This new equity in conjunction with the cash flow operations will provide funding for the capital program. The Company has no long-term debt or bank debt.

## EQUITY

As at June 30, 2005 the Company had 19,627,085 Class A common shares, 935,616 Class B shares, 1,574,166 options at a weighted average exercise price of \$0.49 per common share, and 759,710 broker warrants with an exercise price of \$0.20 per common share issued and outstanding.

The authorized share capital consists of an unlimited number of Class A and B voting shares. The Class B shares are convertible into Class A shares based on a formula equal to \$10 divided by the greater of \$1 and the then market price of the Class A shares. The Class B shares are convertible at the option of the Company at any time after January 21, 2008 and before January 31, 2010. The Class B shares are convertible at the option of the shareholder, at any time after February 1, 2010 and before March 1, 2010. Any Class B shares not previously converted will automatically convert to Class A shares on March 1, 2010.

## SUBSEQUENT EVENTS

On August 8, 2005, WaveForm entered into an agreement with Tristone Capital Inc. for an underwritten private placement of 4,300,000 Class A common shares at a price of \$1.90 per share for gross proceeds of \$8,170,000. The Corporation also granted an underwriter's option, exercisable prior to closing, to increase the financing by up to 1,100,000 Class A common shares at a price of \$1.90 per share for total gross proceeds of \$10,260,000. The private placement has been fully subscribed, including the underwriter's option, and is expected to close on or around August 30, 2005.

### About WaveForm

WaveForm is a junior oil and gas company focused on the acquisition, exploration and development of oil and natural gas in Western Canada with a particular emphasis on exploration in the Tableland area of Southeastern Saskatchewan. The WaveForm joint venture currently has an undeveloped land base of approximately 39,000 gross acres which provides more than 100 potential drilling locations in each of the Midale Evaporite, the Upper Bakken Shale and the Lower Bakken Shale.

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***based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the underlying risks of the oil and gas industry (i.e. operational risks in development, exploration and production; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses, adequate available financing and health, safety and environmental factors), commodity price and exchange rate fluctuation and uncertainties.***

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