

## GEOCAN Increases Cashflow 245%, Production Rate by 109% As Compared To Six Month Period Last Year

GEOCAN Energy Inc. (the "Company") is pleased to report its six month interim results highlighted by a production rate of 898 boepd, an increase of 109% compared to the second quarter last year and a 37% increase over last quarters exit rates. Cashflow to the end of the second quarter was \$1,640,783 (\$0.14/basic share), a 245% increase over the same period last year. After six months the Company remained on target with its planned 25-30 well program. A total of ten wells have been drilled and four re-completed to date with an overall success rate of 86%. Three of the seven wells drilled during the quarter did not contribute to cashflow by quarter end. These wells are now tied in and producing.

During the quarter, GEOCAN received additional analyst coverage. Investors traded 527,370 shares during the second quarter, equating to 51% of last years total volume. Subsequent to quarter end, trading volume increased in October with the month's trading volume equating to 98% of all last year's volume.

The higher Canadian dollar negatively effected all Canadian producers during the quarter and GEOCAN was no exception. The Canadian dollar averaged US\$0.724 during the quarter and it climbed to US\$0.742 in September, GEOCAN's most productive month. Coinciding with the negative effect of the stronger Canadian dollar, West Texas Intermediate (WTI) hit its lowest point In September (US\$28.31/barrel) since early in the year and heavy oil differentials hit their widest point for the quarter in September (US\$8.09/barrel). The combined effect reduced anticipated revenues for September. While the Canadian dollar continued to rise in October it was more than offset by the rising price for WTI, averaging US\$30.35 for the month. The trend continues into November. Natural gas prices were negatively impacted during the second quarter as well. The natural gas prices fell 16% from an average C\$7.19/mcf for the first quarter to an average C\$6.04/mcf in this second quarter.

### Second Quarter Highlights

	<u>Three months to Sept 30</u>			<u>Six Months to Sept 30</u>		
	2003	2002	% Change	2003	2002	% Change
<u>Financial</u>						
(\$ Except where indicated)						
Gross Revenues	2,017,005	1,025,637	+97%	3,972,774	1,940,496	+105%
Net Revenues	1,687,561	870,433	+94%	3,302,077	1,628,591	+103%
Production Expenses	570,807	362,157		973,700	689,465	
Per unit (\$/boe)	8.72	10.82	-19%	8.13	10.97	-26%
Depletion Expense	519,704	293,614		825,392	548,760	
	7.94	8.77	-10%	6.89	8.73	-21%
G&A expenses	358,893	256,619		609,386	377,820	
Per unit (\$/boe)	5.49	7.67	-28%	5.09	6.01	-15%
Cashflow	730,677	209,162	+249%	1,640,783	476,356	+245%
Per share (basic)	0.05	0.02		0.14	0.05	
Per share (diluted)	0.05	0.02		0.13	0.05	
Before Tax Net Income	210,973	(84,452)		815,391	(72,404)	
Per share (basic)	0.07	0.00		0.07	0.00	
Per share (diluted)	0.06	0.00		0.06	0.00	
After Tax Net Income	137,133	(54,752)		530,005	(42,704)	
Per share (basic)	0.05	0.00		0.05	0.00	
Per share (diluted)	0.04	0.00		0.04	0.00	
Capital Expenditures	2,864,076	1,099,212	+161%	3,901,078	1,466,420	+166%
Total Assets				17,324,746	11,852,443	+46%
Bank Debt				2,180,000	3,135,000	-30%
Common shares outstanding						
End of period basic				12,937,761	9,639,993	+34%
End of period diluted				14,150,086	10,603,996	+33%
<u>Operations</u>						
Quarter 2 Exit Production						
Gas (mcf/d)				1,309	488	+168%
Crude oil (bbls/d)				680	349	+95%
Equivalent (boe/d)				898	430	+109%

Average Production						
Gas (mcf/d)	925	610	+52%	951	647	+47%
Crude oil (bbls/d)	<u>562</u>	<u>260</u>	+116%	<u>499</u>	<u>237</u>	+111%
Equivalent (boe/d)	716	362	+98%	658	345	+91%
Before Tax Netback (\$/boe)						
Operating netback	\$17.08	\$15.18	+13%	\$19.44	\$14.95	+30%
Cashflow netback	\$11.59	\$7.51	+54%	\$14.35	\$8.94	+61%

### Operations

Drilling Activity	<u>Three months to September 30</u>		<u>Six Months to September 30</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Exploratory				
Gas	1	1	3	1.4
Oil	0	0	0	0
Dry	1	1	2	2
	<u>2</u>	<u>2</u>	<u>5</u>	<u>3.4</u>
Development				
Gas	0	0	2	1.25
Oil	5	5	7	7
Dry	0	0	0	0
	<u>5</u>	<u>5</u>	<u>9</u>	<u>8.25</u>
Total	<u>7</u>	<u>7</u>	<u>14</u>	<u>11.65</u>

The third quarter continued to be an active one for GEOCAN. The Company has a good balanced inventory of gas, light/medium oil and heavy oil prospects which allows GEOCAN a great deal of flexibility with regard to ranking and high-grading prospect development. During the quarter GEOCAN achieved an 86% success rate on the drilling or reactivation of seven gross (net) wells in Alberta and Saskatchewan. Over the six month period the Company also achieved an 86 % success rate on the drilling or reactivation of 14 gross (11.65 net) operated and non-operated wells in Alberta and Saskatchewan. Details are presented in the above drilling activity table. Operating costs were up slightly in the second quarter versus the first from \$7.42/boe to \$8.72/boe because of a higher incidence of workovers including a repair of an electrical submersible pump at Carrot Creek. Water trucking and disposal costs have also recently increased.

### **Central Alberta Area (medium and light oil, gas)**

Central Alberta comprises light oil and gas producing properties at Tomahawk, Carrot Creek, Judy Creek, Deer Mountain and Peco. The two gross (0.5 net) wells completed at Manola last quarter were being tied in at quarter-end and were placed on production October 7. These wells are currently producing approximately 2.0 mmcf/d gross (500 mcf/d net). At Judy Creek, two recompletions were undertaken in the Notikewan formation, targeting bypass gas pay, unfortunately both zones produced water. These recompletions were one-third of the cost of a new drill therefore were a cost-effective way to test these new zones. Also in the Judy Creek area, GEOCAN has secured a five section farm-in with a major industry partner and will drill a deeper 50% working interest Nordegg/Pekisko test in December. At Tomahawk, a high water rate gas well was reactivated at a rate of 40 mcf/d. This well is a three-month test project to de-water the zone and positive results may lead to other reactivations in the area.

### **Lloydminster Alberta/Saskatchewan Area (heavy oil, gas)**

The Lloydminster area originally consisted of heavy oil producing properties. More recently, GEOCAN has discovered gas reserves and the area is developing into both a gas and heavy oil producing region. A dual zone (Sparky and Colony) gas well (0.8 net) at Staplehurst was tied in and is currently producing at a facility restricted rate of 300 mcf/d gross (221 mcf/d net). A second gas well was drilled, completed and tested and is expected to be on production in January 2004 at a rate of 500 mcf/d gross (net) through a separate facility. Four 100% gross (net) heavy oil producers were drilled in the quarter and placed on production and one well was recompleted in a higher more productive interval. The success rate in the Lloydminster area for the last six months has been 100%, achieved by careful seismic and production analysis.

### **East Central Alberta Area (gas)**

This region is predominantly a multi-zone gas prone area located in and around Oyen, Alberta. GEOCAN drilled its first well in the area, a 100% working interest well during the second quarter. While the Viking horizon was tested and produced water, a shallower Belly River horizon was subsequently successfully tested and plans are underway to tie the well in at a rate of 100-200 mcf/d. GEOCAN has acquired 10,080 gross (net) acres in this area so far this fiscal year and currently has a total of 17,440 gross (net) acres across the area. GEOCAN has quality inspected over 150 miles of third party seismic information and is working on evaluating 13 separate geologic leads across Company lands. These evaluations should lead to several drilling locations toward the end of the fiscal year and into fiscal 2005.

### **Canadian Land Acquisitions (acres)**

	<u>Three months to September 30</u>		<u>Six Months to September 30</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Opening Balance	31,873	25,165	29,153	22,445
Alberta	8,880	8,880	11,600	11,600
Saskatchewan	320	320	320	320
Closing Balance	<u>41,073</u>	<u>34,365</u>	<u>41,073</u>	<u>34,365</u>

## Year To Date Financials

Revenue & Production - The Company exited the quarter at 898 boepd, distributed 76% toward oil and 24% natural gas and liquids. This was up 109% from exit volumes for the same period last year. Production volumes averaged 716 boepd during the second quarter up 98% as compared to the second quarter last year. On a six month basis production averaged 658 boepd up 91% from the 345 boepd for the six month period last year.

Total Company revenues of \$3,972,774 for the six months were up 105% over the six month period last year based on six month average prices of \$6.56/mcf for natural gas, \$37.53/bbl for light oil and \$26.77/bbl for heavy oil.

Royalty Expense - Royalty's (net of ARTC) for the six months were \$670,697 (\$5.60/boe) compared to \$311,905 (\$4.96/boe) last year. This is a 13% increase on a boe basis period over period, a reflection of higher gross overriding royalty and freehold burdens, higher gas prices and the sale of the ARTC eligible Carson Creek property in September last year.

Production Expense - Operating expenses for the six months were \$973,700 (\$8.13/boe) compared to \$689,465 (\$10.97/boe) for the same period last year. This is a reduction of 26% on a boe basis, the result of more productive wells being drilled and fixed costs being allocated over higher overall volumes.

General and Administrative Expense - Non-capitalized general and administration costs were down 15% on a boe basis at \$609,386 (\$5.09/boe), versus \$377,820 (\$6.01/boe) for the same period last year.

Depletion, Amortization and Site Restoration Expense – DD&A expense was \$825,392 for the six month period versus \$548,760 for the same period last year. On a boe basis, this was down 21% from \$8.73/boe for the first six months last year to \$6.89/boe for the same period this year.

### Capital Resources and Liquidity

The Company credit facility of \$3,600,000 has been drawn down by \$2,180,000 at September 30, 2003. Capital expenditures for the six month period were up 166% at \$3,901,078 versus \$1,466,420 for the same period last year. Expenditures were focused primarily on drilling operations, reactivation activities, new facilities and land acquisitions.

### Cashflow and Earnings

Cashflow from operating activities for the six month period were up 245% to \$1,640,783 versus \$476,356 last year. This translates to \$0.14 per share (basic) versus \$0.05 per share (basic) for the six month period last year. Before tax earnings were \$815,391 or \$0.07 per share (basic) for the period, up from (\$72,404) for the six months period last year.

### Normal Course Issuers Bid

On December 3, 2002 GEOCAN undertook a Normal Course Issuers Bid to re-purchase up to 5% or 482,000 Common Shares of the Company. This issuers bid expires on December 2, 2003. At this time the Company had not re-purchased any Common Shares.

## Outlook

GEOCAN is approaching the 1,000 boepd level with an increased weighting toward gas. Of the 14 wells drilled or reactivated to the end of the second quarter, two remain to be tied in as gas wells and it is estimated that they will add a further 100 boepd combined. The Company is on track to attain its drilling/reactivation target of 25-30 wells by March 31, 2004. Our 100% working interest land inventory will continue to feed our prospect list as the Company systematically back-fills completed projects with new prospects.

Interest in GEOCAN Energy Inc. accelerated during the second quarter as the Company continues to offer incremental value to the investor. GEOCAN management and directors continue to be optimistic in both the Company's short and long term prospects and anticipate our best results are yet to come.



### Consolidated Balance Sheet as at

(Unaudited)	September 30 2003	March 31 2003
<b>Assets</b>		
Current		
Cash	\$ 0	\$ 0
Accounts receivable	1,250,991	565,710
Prepaid expenses	426,838	153,316
	<u>1,677,829</u>	<u>719,026</u>
Capital assets - net of depletion	15,646,917	12,545,231

	\$ 17,324,746	\$ 13,264,257
<b>Liabilities</b>		
Current		
Bank indebtedness	\$ 395,589	\$ 171,020
Accounts payable	3,007,725	2,135,385
Income tax payable	99,369	99,116
Revolving production loan	2,180,000	3,135,000
	5,682,683	5,540,521
Site restoration provision	290,835	264,835
Future income taxes	3,367,462	3,082,076
	9,340,980	8,887,432
<b>Shareholders' Equity</b>		
Share capital	7,209,911	4,132,975
Retained earnings	773,855	243,850
	7,983,766	4,376,825
	\$ 17,324,746	\$ 13,264,257



Statement of Income and Retained Earnings

(Unaudited)	For the six months ended September 30,		For the three months ended September 30,	
	2003	2002	2003	2002
<b>Revenue:</b>				
Oil and gas sales	\$ 3,972,774	\$ 1,940,496	\$ 2,017,005	\$ 1,025,637
Less: Royalties (net of ARTC)	670,697	311,905	329,444	155,204
	3,302,077	1,628,591	1,687,561	870,433
<b>Expenses:</b>				
Operating	973,700	689,465	570,807	362,157
General and administration	609,386	377,820	358,893	256,619
Interest on long-term debt	78,208	84,950	27,184	42,495
Depletion, depreciation and site restoration	825,392	548,760	519,704	293,614
	2,486,686	1,700,995	1,476,588	954,885
<b>Income before income taxes</b>	815,391	(72,404)	210,973	(84,452)
Provision for income taxes (recovery)				
Current	-			
Future	285,386	(29,700)	73,840	(29,700)
<b>Net income for the period</b>	530,005	(42,704)	137,133	(54,752)
Retained earnings, beginning of period	243,850	(180,296)	636,722	(168,248)
Retained earnings, end of period	\$ 773,855	\$ (223,000)	\$ 773,855	\$ (223,000)
Net after tax earnings per share				
Basic	\$0.05	\$0.00	\$0.05	\$0.00
Diluted	\$0.04	\$0.00	\$0.04	\$0.00



Statement of Cash Flows

(Unaudited)	For the six months ended September 30,		For the three months ended September 30,	
	2003	2002	2003	2002
<b>Operating activities:</b>				
Net income for the period	\$ 530,005	\$ (42,704)	\$ 137,133	\$ (54,752)
Adjustments to reconcile income from Operations to net cash provided:				
Depletion, depreciation and site restoration	825,392	548,760	519,704	293,614
Future income taxes	285,386	(29,700)	73,840	(29,700)
	1,640,783	476,356	730,677	209,162
Change in operating assets and liabilities	(86,210)	666,072	413,384	296,992
Cash flows from operating activities	1,554,573	1,142,428	1,144,061	506,154
<b>Investing:</b>				
Additions of capital assets	(3,901,078)	(1,466,420)	(2,864,076)	(1,099,212)
Proceeds on disposition of capital assets	0	0	0	0
Cash flows used in investing activities	(3,901,078)	(1,466,420)	(2,864,076)	(1,099,212)
<b>Financing:</b>				
Revolving production loan	(955,000)	98,505	1,250,000	25,000
Issuance of common shares	3,076,936	560,253	(6,143)	568,383
Cash flows from financing activities	2,121,936	658,758	1,243,857	593,383
Increase (decrease) in cash and cash equivalents	(224,569)	334,766	(476,158)	325
Cash and cash equivalents, beginning of period	(171,020)	(339,697)	80,569	(5,256)
Cash and cash equivalents, end of period	\$ (395,589)	\$ (4,931)	\$ (395,589)	\$ (4,931)

The officers of GEOCAN who may be contacted for further information are:

Wayne S. Wadley, President and Chief Executive Officer  
 Brad J.S. Farris, VP Finance and Chief Financial Officer  
 GEOCAN Energy Inc.  
 1100, 717 - 7<sup>th</sup> Avenue S.W.  
 Calgary, Alberta T2P 0Z3  
 Telephone: (403) 261-3851  
 Fax No. (403) 261-3834  
 E-mail: bfarris @geocan.com  
 Website: www.geocan.com

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.