



DRIVEN BY GROWTH

2005 FINANCIAL RESULTS

crew
energy inc.

Crew Energy Inc. ("Crew") is a growth-oriented junior oil and natural gas producer. Crew's activities are concentrated in central Alberta and northeast British Columbia and focus on the development and expansion of its core natural gas and light oil producing areas and exploration of its large, undeveloped land base. Crew's experienced management team is committed to the pursuit of sustainable per share growth through a balanced mix of financially responsible exploration and development, complemented by strategic acquisitions.

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ANNUAL MEETING

The Annual Meeting of Shareholders of Crew Energy Inc. will be held at 3:00 p.m. (MDT) on Thursday, May 25, 2006 in the Northcote Room of Bow Valley Square, + 30 level, 255 – 5th Avenue S.W., Calgary, Alberta.

Highlights

Years ended	2005	2004	% Chg
FINANCE (\$ thousands, except per share amounts)			
Petroleum and natural gas sales	87,532	37,702	132
Funds from operations ⁽¹⁾	59,491	24,076	147
Per share – basic	2.11	0.97	118
– diluted	1.86	0.84	121
Net income	24,641	8,948	175
Per share – basic	0.87	0.36	142
– diluted	0.77	0.31	148
Exploration and development expenditures	101,698	55,181	84
Working capital deficiency	6,575	3,882	
Weighted average shares (thousands)			
Basic	28,196	24,946	13
Diluted	31,956	28,675	11
OPERATIONS			
Daily production			
Light oil and ngl (bbl/d)	802	569	41
Natural gas (mcf/d)	20,511	11,248	82
Oil equivalent (boe/d @ 6:1)	4,221	2,444	73
Average prices (excluding transportation)			
Light oil and ngl (\$/bbl)	60.65	47.47	28
Natural gas (\$/mcf)	9.32	6.75	38
Oil equivalent (\$/boe)	56.81	42.15	35
Operating expenses			
Light oil and ngl (\$/bbl)	4.70	3.84	22
Natural gas (\$/mcf)	0.74	0.67	10
Oil equivalent (\$/boe @ 6:1)	4.48	3.96	13
Operating netback (\$/boe) ⁽²⁾	39.74	27.57	44
G&A and other cash items (\$/boe)	1.13	0.66	71
Funds from operations (\$/boe)	38.61	26.91	43
Drilling Activity			
Gross wells	60	39	54
Working interest wells	52.9	32.2	64
Success rate, net wells	87%	91%	

Notes :

⁽¹⁾ Funds from operations is calculated as cash provided by operating activities from the statement of cash flows, adding change in non-cash working capital and asset retirement expenditures. Funds from operations is used to analyze the Company's operating performance and leverage. Funds from operations does not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

⁽²⁾ Netback – equal total revenue less royalties and operating costs calculated on a boe basis. Netback does not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

Management's Discussion and Analysis

Management's Discussion and Analysis is the Company's explanation of its financial performance for the period covered by the financial statements along with an analysis of the Company's financial position. It should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2005 and December 31, 2004. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. All boe conversions in this report are derived by converting natural gas to oil in the ratio of six thousand cubic feet ("mcf") of gas to one barrel ("bbl") of oil. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Certain financial values are presented on a per boe basis. Such measurements may not be consistent with those used by other companies.

Crew evaluates performance based on net income and funds from operations. Funds from operations is a measure that is not based on GAAP and is commonly used in the oil and gas industry. It represents cash provided by operating activities before changes in non-cash working capital and asset retirement expenditures. The Company considers it a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. In addition, management uses netback, a non-GAAP term to analyze operating performance and leverage. Netback equals total revenue less royalties and operating costs calculated on a boe basis.

Certain of the statements set forth under "Management's Discussion and Analysis" including statements which may contain words such as "could", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts, are forward-looking and are based upon the Company's current belief as to the outcome and timing of such future events. There are numerous risks and uncertainties that can affect the outcome and timing of such events, including many factors beyond the control of the Company. These factors include, but are not limited to, the matters described under the heading "Risk and Risk Management". Should one or more of these events occur, or should any of the underlying assumptions prove incorrect, the Company's actual results and plans for 2006 and beyond could differ materially from those expressed in the forward-looking statements. These forward-looking statements may not be updated by the Company, except as may be required by applicable securities law. Such forward-looking statements should be read in conjunction with the Company's disclosures under the heading: "CAUTIONARY STATEMENT" on page 25.

PRODUCTION Production for 2005 averaged 4,221 boe per day, an increase of 73% over the 2,444 boe/d average for 2004. Production increased throughout 2005 as a result of the Company's successful drilling program. Natural gas volumes increased 83% to 20.5 mmcf per day as a result of added production from new wells at Edson, Plain Lake and Viking Kinsella in Alberta. Liquid sales increased 41% to 802 bbl per day in 2005 as a result of added light oil production from Laprise in northeastern British Columbia and increased ngl production at Edson.

OPERATING REVENUE AND EXPENSE Revenue in 2005 totalled \$87.5 million comprised of \$69.8 million in natural gas sales and \$17.7 million in oil and ngl sales. This compares to revenue of \$37.7 million in 2004 comprised of \$27.8 million in natural gas sales and \$9.9 million in oil and ngl sales. Crew's revenue increased throughout the year due to increased production and continued strong commodity prices. The Company's oil and ngl price averaged \$60.65 per bbl in 2005 representing an increase of 28% over the \$47.47 realized in 2004. Average natural gas prices increased 38% to \$9.32 in 2005 compared to \$6.75 realized during 2004.

Royalties for 2005 totalled \$18.1 million, before Alberta Royalty Tax Credit (ARTC) of \$476,000, in 2005 or 20.6% of revenue compared to \$8.9 million, before ARTC of \$480,000, or 23.7% of revenue in 2004. Royalty rates as a percentage of revenue decreased in 2005 due to new Edson, Alberta deep gas wells receiving royalty holiday status, gas cost allowance credits, and government programs reducing oil royalties in the northeastern B.C. area.

Operating costs totalled \$6.9 million or \$4.48 per boe in 2005. During 2004, the Company incurred total operating costs of \$3.5 million or \$3.96 per boe. Operating costs per unit have increased in 2005 as a result of inflationary pressures and increased production of sour gas.

Transportation costs remained consistent on a boe basis totalling \$1.8 million or \$1.17 per boe in 2005 compared to \$1.0 million or \$1.17 per boe in 2004.

GENERAL AND ADMINISTRATIVE General and administrative expenses for the year ended December 31, 2005 totalled \$1.3 million or \$0.82 per boe and for the same period in 2004 totalled \$0.8 million or \$0.89 per boe. Total general and administrative expenses increased in 2005 as a result of the addition of new staff to handle the Company's increased activity. General and administrative costs per boe have decreased in 2005 as a result of the Company's production increase. Crew follows the full cost method of accounting for its petroleum and natural gas operations under which \$1.3 million (2004 – \$0.8 million) of corporate expenses were capitalized during the year.

<i>(\$ thousands)</i>	2005	2004
Gross costs	4,266	2,823
Operator's recoveries	(1,735)	(1,222)
Capitalized costs	(1,265)	(800)
General and administrative expenses	\$1,266	\$801

INTEREST Interest expense totalled \$437,000 or \$0.28 per boe for the year ended December 31, 2005 compared to no interest expense incurred in 2004. Throughout most of 2004, the Company did not draw on its available credit facility as expenditures were funded through cash flow from operations and capital raised through the issuance of equity. In 2005, the Company did draw on its credit facility to aid in financing the 2005 capital program and in addition recorded \$155,000 of interest relating to the timing of expenditures on its 2004 flow through obligation.

STOCK-BASED COMPENSATION Crew accounts for its stock-based compensation programs, including the performance shares and stock options, using the fair value method. Under this method, a portion of the compensation expense related to these programs are recorded in the consolidated statement of operations over the vesting period and a portion of the expense is capitalized to the Company's full cost pool over the vesting period. During 2005, stock-based compensation expense of \$1.0 million (2004 – \$0.3 million) was recorded in the income statement and \$1.0 million (2004 – \$0.3 million) was capitalized to the Company's full cost pool. The increase in stock-based compensation in 2005 is due to an increase in employees hired in 2005.

DEPLETION, DEPRECIATION AND ACCRETION The provision for depletion, depreciation and accretion for the year ended December 31, 2005 was \$19.7 million or \$12.78 per boe compared to 2004 when the Company recorded depletion, depreciation and accretion expense of \$9.6 million or \$10.78 per boe. Per unit depletion has increased in 2005 due to an increase in the average cost of proved reserves added resulting from inflationary pressures experienced throughout the industry as well as increased expenditures on land and facilities.

TAXES The Company's current tax expense for 2005 increased to \$156,000 from the 2004 amount of \$33,000. This increase is primarily due to the increase in retained earnings and share capital in the year which are both components of the Company's Large Corporation Tax expense calculation.

A summary of the Company's estimated income tax pools at year end is outlined below:

<i>(\$ thousands)</i>	2005	2004
Cumulative Canadian Exploration Expense	8,165	2,109
Cumulative Canadian Development Expense	25,132	23,195
Cumulative Canadian Oil and Gas Property Expense	28,853	19,747
Undepreciated Capital Cost	36,233	18,188
Share issue costs	2,398	1,137
Non-capital loss	630	-
	101,411	64,376

FUNDS FROM OPERATIONS AND NET INCOME Funds from operations for the year totalled \$59.5 million or \$2.11 per basic share and \$1.86 per diluted share, while net income totalled \$24.6 million for the year or \$0.87 per basic share and \$0.77 per diluted share. These amounts compare to \$24.1 million or \$0.97 per basic share and \$0.84 per diluted share of funds from operations and \$8.9 million or \$0.36 per basic share and \$0.31 per diluted share of net income earned in 2004. The Company's increase in funds from operations and net income was the result of increased production and higher commodity prices in 2005.

NETBACKS The Company's netbacks per unit are outlined below:

For the year ended December 31, 2005:

	Light oil & ngl	Natural gas	Total
	<i>(\$/bbl)</i>	<i>(\$/mcf)</i>	<i>(\$/boe)</i>
Revenue	60.65	9.32	56.81
Royalties	(11.04)	(1.98)	(11.73)
ARTC			0.31
	49.61	7.34	45.39
Operating	(4.70)	(0.74)	(4.48)
Transportation	(2.62)	(0.14)	(1.17)
Operating netbacks	42.29	6.46	39.74
General and administrative			(0.82)
Interest and other income			(0.21)
Current taxes			(0.10)
Funds from operations			38.61
Depletion, depreciation and accretion			(12.96)
Stock-based compensation			(0.65)
Future taxes			(9.13)
Net Income			15.87

For the year ended December 31, 2004:

	Light oil & NGL	Natural gas	Total
	(\$/bbl)	(\$/mcf)	(\$/boe)
Revenue	47.47	6.75	42.15
Royalties	(8.77)	(1.73)	(9.99)
ARTC			0.54
	38.70	5.02	32.70
Operating	(3.84)	(0.67)	(3.96)
Transportation	(2.31)	(0.14)	(1.17)
Operating netbacks	32.55	4.21	27.57
General and administrative			(0.89)
Interest and other income			0.27
Current taxes			(0.04)
Funds from operations			26.91
Depletion, depreciation and accretion			(10.78)
Stock-based compensation			(0.31)
Future taxes			(5.83)
Net Income			9.99

CAPITAL EXPENDITURES In 2005, Crew drilled a total of 60 (52.9 net) wells resulting in 50 (42.9 net) gas wells, 3 (3.0 net) oil wells, and 7 (7.0 net) dry and abandoned wells representing a success rate of 88% (87% net). In addition, the Company continued to follow its strategy of, where possible, owning and controlling its own processing and gathering facilities. The Company spent 24% of its total capital expenditures in 2005 on the construction of gas processing and compression equipment at Edson, Ferrier and Inga as well as adding extensive gas gathering systems at Edson, Plain Lake and Viking-Kinsella. In addition, 14% of the Company's expenditures were directed to the acquisition of mineral leases primarily through Crown land sales. This compares to 11% of expenditures on mineral leases in 2004.

Total exploration and development expenditures for 2005 were \$101.7 million compared to \$55.2 million for 2004. The expenditures are detailed below:

(\$ thousands)	2005	2004
Land	13,849	6,298
Seismic	5,091	1,812
Drilling and completions	56,791	32,102
Equipment and facilities	24,412	13,933
Other	1,555	1,036
	101,698	55,181

LIQUIDITY AND CAPITAL RESOURCES At December 31, 2005 Crew had a net working capital deficiency of \$6.6 million including cash and short-term investments of \$16.3 million. This compared to a working capital deficiency of \$3.9 million with cash and short-term investments of \$7.1 million in 2004.

The Company currently has a \$90 million credit facility with a Canadian chartered bank. At year-end there were no borrowings against this facility. The demand operating facility bears interest at the bank's prime lending rate, bankers' acceptance rates plus scheduled margins and is allowed to revolve at the Company's discretion. The Company draws on its bank facility periodically throughout the year to finance operating and investing activities. These amounts are repaid as funds are received from operating activities and other sources of financing.

During 2005, the Company issued 1,790,600 Common Shares for gross proceeds of \$35.0 million. Of the shares issued, 416,700 shares were issued on a flow-through basis under which the Company has committed to renounce \$10.0 million of certain Canadian tax deductions to the purchasers. The capital expenditures related to these tax deductions will be incurred throughout 2006.

Looking forward, Crew will continue to focus on maintaining a strong financial position. The Company will fund its 2006 capital expenditure program through a combination of its existing bank facility and the Company's cash flow from on-going operations and management will endeavor not to exceed a total debt to forward cash flow ratio of one time.

As at March 13, 2006, 33,284,882 Common Shares and 787,000 Class C performance shares of the Company were outstanding along with 1,844,500 options to acquire Common Shares of the Company.

COMMITMENTS Throughout the course of its on-going business, the Company enters into various contractual obligations such as purchase of services, royalty agreements, operating agreements, processing agreements, right of way agreements and lease obligations for office space and automotive equipment. All such contractual obligations reflect market conditions prevailing at the time of contract and none are with related parties. The Company believes it has adequate sources of capital to adequately fund all contractual obligations as they come due. The following table lists the Company's obligations with a fixed term.

Payments due (<i>\$ thousands</i>)	Total	Less than 1 year	1 to 3 years
Operating Leases	511	437	74
Firm transportation agreements	214	153	61
Exploration and development	10,000	10,000	-
Facility and reserve acquisition	11,200	11,200	-
Total	21,925	21,790	135

The exploration and development commitment relates to the Company's obligation under its 2005 flow-through share issue. The facility and reserve acquisition relates to a commitment the Company made in December 2005 to acquire a working interest in a natural gas processing facility and related reserves. This acquisition subsequently closed in early 2006.

FOURTH QUARTER & ANNUAL REVIEW The Company has added to its production since its inception through development oil and natural gas drilling on its core properties as well as exploration drilling on existing and newly acquired undeveloped lands. This drilling has resulted in the Company's production growing consistently over the past two years. Production averaged 4,730 boe per day in the fourth quarter of 2005, a 52% increase over the fourth quarter of 2004's average of 3,112 boe per day. This increased production combined with strengthening

commodity prices throughout the year has resulted in revenue and net income increasing substantially over the past year.

	Three months ended Dec. 31, 2005	Three months ended Dec. 31, 2004	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004
<i>(\$ thousands, except per share amounts)</i>				
Petroleum and natural gas sales	30,520	12,721	87,532	37,702
Funds from operations	21,084	8,330	59,491	24,076
Per share – basic	0.69	0.33	2.11	0.97
– diluted	0.65	0.28	1.86	0.84
Net income	8,746	3,358	24,641	8,948
Per share – basic	0.28	0.13	0.87	0.36
– diluted	0.27	0.11	0.77	0.31
Daily production (boe/d)	4,730	3,112	4,221	2,444
Crew average sales price (\$/boe)	70.14	44.42	56.81	42.15
Total assets			197,604	95,538
Working capital deficiency			6,575	3,882
Total other long-term liabilities			26,359	7,659

QUARTERLY ANALYSIS The following table summarizes Crew's key quarterly financial results in 2004 and 2005.

	Three Months Ended							
	Dec. 31, 2005	Sep. 30, 2005	Jun. 30, 2005	Mar. 31, 2005	Dec. 31, 2004	Sep. 30, 2004	Jun. 30, 2004	Mar. 31, 2004
<i>(\$ thousands, except per share amounts)</i>								
Petroleum and natural gas sales	30,520	22,304	18,673	16,035	12,721	9,194	8,328	7,459
Funds from operations	21,084	15,423	12,521	10,463	8,330	5,906	5,171	4,669
Per share – basic	0.69	0.56	0.47	0.39	0.33	0.23	0.21	0.20
– diluted	0.65	0.48	0.40	0.33	0.28	0.20	0.18	0.18
Net income	8,746	6,328	5,279	4,288	3,358	2,064	1,840	1,686
Per share – basic	0.28	0.23	0.20	0.16	0.13	0.08	0.07	0.07
– diluted	0.27	0.20	0.17	0.14	0.11	0.07	0.07	0.06
Total daily production (boe/d)	4,730	4,093	4,217	3,833	3,112	2,428	2,160	2,068

Significant factors and trends that have impacted the Company's results during the above periods include:

- Revenue is directly impacted by the Company's ability to replace existing declining production and add incremental production through its on-going capital expenditure program.
- Production is impacted in the second quarter of every year by the limited ability to transport oil and ngl production to market during spring break-up. The Company's Laprise production is shut-in for eight to ten weeks during this period.
- Revenue and royalties are significantly impacted by underlying commodity prices. To date the Company has not used derivative contracts or forward sales contracts to reduce the exposure to commodity price fluctuations.
- The Company's operating costs and capital expenditures have been subject to inflationary pressures brought on by increasing demand for services and supplies within the Canadian oil and gas industry.

FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT The Accounting Standards Board has issued three sections on financial instruments; Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, and Section 3865, Hedges. These three sections will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. They will require the following:

- All trading financial instruments will be recognized on the balance sheet and will be fair valued through the income statement;
- All remaining financial assets will be recorded at cost and amortized through the financial statements;
- A new statement for comprehensive income that will include certain gains and losses on translation of assets and liabilities; and
- An update to Accounting Guideline 13 to incorporate the fair value changes currently recorded in the income statement to be recorded through the comprehensive income statement.

The Company has not assessed the future impact on the financial statements at this time.

RISK AND RISK MANAGEMENT The exploration for and the development, production and marketing of petroleum and natural gas involves a wide range of business and financial risks, some of which are beyond the Company's control. Included in these risks are the uncertainty of finding new economically recoverable reserves, the fluctuation of commodity prices, the volatile nature of interest and foreign exchange rates, and the possibility of changes to royalty, tax and environmental regulations. The petroleum industry is highly competitive and Crew competes with a number of other companies, many of which have greater financial and personnel resources.

The business risks facing Crew are mitigated in a number of ways. Geological, geophysical, engineering, environmental and financial analyses are performed on new exploration prospects, development projects and potential acquisitions to ensure a balance between risk and reward. Crew's ability to increase its production, revenues and cash flow depends on its success in not only developing its existing properties, but also in acquiring, exploring for and developing new reserves and production and managing those assets in an efficient manner.

Despite best practice analysis being conducted on all projects, there are numerous uncertainties inherent in estimating quantities of proved petroleum and natural gas reserves, including future oil and natural gas prices, engineering data, projected future rates of production and the timing of future expenditures. The process of estimating petroleum and natural gas reserves requires substantial judgment, resulting in imprecise determinations, particularly for new discoveries. An independent engineering firm evaluates Crew's properties annually to determine a fair estimate of reserves. A Reserve Committee of the Board of Directors assists the Board in their annual review of the Company's reserve estimates.

The Company's financial results can be significantly affected by the prices received for petroleum and natural gas production as commodity prices fluctuate in response to changing market forces. This pricing volatility is expected to continue. As a result, Crew may fix the price of oil and natural gas on a percentage of the Company's total expected production using derivative instruments on fixed price physical delivery contracts. The objective is to lock in prices on a portion of the Company's future production to decrease exposure to market volatility and ensure the Company's ability to finance its capital program. The use of derivative instruments and physical delivery contracts is governed under formal policies and subject to limits established by the Board of Directors. Derivative instruments are not used for speculative or trading purposes.

Crew's financial results are also impacted by fluctuations in the exchange rate between the Canadian dollar and the US dollar. Crude oil prices and, to some extent, natural gas prices are based on reference prices denominated in US dollars, while the majority of expenses are denominated in Canadian dollars.

Crew may be exposed to changes in interest rates as the Company's banking facilities are based on its lenders' prime lending rate and short-term bankers' acceptance rates.

A substantial portion of the Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas industry and are subject to normal industry credit risk.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES Crew's significant accounting policies are disclosed in note 1 to the consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumption that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. Crew's management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimate amounts that differ materially from current estimates.

The following assessment of significant accounting policies and associated estimates is not meant to be exhaustive. The Company might realize different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

Proved Oil and Gas Reserves Proved oil and gas reserves, as defined by the Canadian Securities Administrators in National Instrument 51-101 with reference to the Canadian Oil and Gas Evaluation Handbook, are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

An independent reserve evaluator using all available geological and reservoir data as well as historical production data has prepared Crew's oil and gas reserve estimate. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's development plans. The effect of changes in proved oil and gas reserves on the financial results and position of the Company is described below under the heading "Full-Cost Accounting and Full-Cost Accounting Ceiling Test".

Full-Cost Accounting The Company follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized. The capitalized costs are depleted and depreciated using the unit-of-production method based on estimated proved reserves. Reserve estimates can have a significant impact on earnings, as they are a key component in the calculation of depletion and depreciation. A downward revision in a reserve estimate could result in a higher depletion and depreciation charge to earnings. In addition, if net capitalized costs are determined to be in excess of the calculated ceiling, which is based largely on reserve estimates (see Full-Cost Accounting Ceiling Test), the excess must be written off as an expense charged against earnings. In the event of property disposition, proceeds are normally deducted from the full cost pool without recognition of gain or loss unless there is a change in the depletion rate of 20 percent or greater.

Unproved Properties Certain costs related to unproved properties are 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.

Full Cost Accounting Ceiling Test Petroleum and natural gas assets are evaluated in each reporting period to determine that the carrying amount in a cost centre is recoverable and does not exceed the fair value of the properties in the cost centre.

The carrying amounts are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects of the cost centre. The cash flows are estimated using forecast product prices and costs and are discounted using a risk-free interest rate. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment loss would be charged as additional depletion and depreciation expense.

Asset Retirement Obligations The fair value of an asset's retirement obligation must be recognized in the period in which it is incurred if a reasonable estimate of the fair value can be made. The present value of the estimated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset. The depreciation of the capitalized asset retirement cost is determined on a basis consistent with depletion and depreciation. With the passage of time, accretion will increase the carrying amount of the asset retirement obligation. The actual cost and timing of the Company's asset retirement expenditures may vary significantly from management's current estimates.

Income Taxes 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 from that estimated and recorded by management.

DISCLOSURE CONTROLS AND PROCEDURES Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures as of the end of such period are effective to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to them by others within those entities. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

2006 OUTLOOK Crew's plans for 2006 will include the continued pursuit of production growth in its key development areas of Edson, Ferrier, Viking-Kinsella and Drumheller-Wimborne Alberta along with Laprise and Inga in northeast B.C. In addition the Company has plans to drill up to fifteen exploration focused wells in new and existing areas in an effort to expose the Company to higher impact production and reserves targets.

The Company's Board of Directors has approved a total 2006 exploration and development budget of \$100 million. This capital budget is expected to result in the Company drilling or completing a total of 45 to 55 wells. This drilling activity is expected to result in an average 2006 production rate of between 6,500 to 7,000 boe per day and a 2006 exit rate in excess of 7,500 boe per day.

Additional information relating to Crew, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com.

(signed)

Dale O. Shwed
President and CEO

March 13, 2006

(signed)

John G. Leach
Vice-President, Finance and CFO

Management's Report

Management, in accordance with Canadian generally accepted accounting principles, has prepared the accompanying consolidated financial statements of Crew Energy Inc. Financial and operating information presented throughout this report is consistent with that shown in the consolidated financial statements.

Management is responsible for the integrity of the financial information. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

KPMG LLP were appointed by the Company's Board of Directors to conduct an audit of the consolidated financial statements. Their examination included a review and evaluation of Crew's internal control systems and included such test and procedures, as they considered necessary, to provide a reasonable assurance that the consolidated financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee, with assistance from the Reserve Committee regarding the annual evaluation of our petroleum and natural gas reserves. The Audit Committee meets regularly with management and the independent auditors to ensure that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to the Board of Directors for approval. The Audit Committee also considers the independence of the external auditors and reviews their fees. The external auditors have access to the Audit Committee without the presence of management.

(signed)
Dale O. Shwed
President and CEO

(signed)
John G. Leach
Vice-President, Finance and CFO

March 13, 2006

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Crew Energy Inc. as at December 31, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the years 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 audits.

We conducted our audits 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, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed)
KPMG LLP
Chartered Accountants

Calgary, Canada
March 13, 2006

Consolidated Balance Sheets

<i>(thousands)</i>		
As at December 31,	2005	2004
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,302	\$ 7,069
Accounts receivable	18,874	11,346
	35,176	18,415
Property, plant and equipment (note 2)	162,428	77,123
	\$ 197,604	\$ 95,538
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 41,751	\$ 22,297
Asset retirement obligations (note 3)	7,182	4,984
Future income taxes (note 6)	19,177	2,675
SHAREHOLDERS' EQUITY		
Share capital (note 5)	92,653	54,382
Contributed surplus (note 5)	1,687	687
Retained earnings	35,154	10,513
	129,494	65,582
Commitments (note 7)		
	\$ 197,604	\$ 95,538
<i>See accompanying notes to the consolidated financial statements.</i>		
On Behalf of the Board of Directors:		
(signed) Raymond Chan Director	(signed) Dennis Nerland Director	

Consolidated Statements of Operations and Retained Earnings

<i>(thousands, except per share amounts)</i>		
Years ended December 31,	2005	2004
Revenue		
Petroleum and natural gas sales	\$ 87,532	\$ 37,702
Royalties (net of Alberta Royalty Tax Credit)	(17,594)	(8,455)
Other	115	243
	70,053	29,490
Expenses		
Operating	6,895	3,538
Transportation	1,808	1,042
General and administrative	1,266	801
Stock-based compensation	998	274
Interest	437	–
Depletion, depreciation and accretion	19,688	9,641
	31,092	15,296
Income before taxes	38,961	14,194
Taxes (note 6)		
Current	156	33
Future	14,164	5,213
	14,320	5,246
Net income	24,641	8,948
Retained earnings, beginning of year	10,513	1,565
Retained earnings, end of year	\$ 35,154	\$ 10,513
Net income per share (note 5(e))		
Basic	\$ 0.87	\$ 0.36
Diluted	\$ 0.77	\$ 0.31

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

<i>(thousands)</i>		
Years ended December 31,	2005	2004
Cash provided by (used in):		
Operating activities:		
Net income	\$ 24,641	\$ 8,948
Items not involving cash:		
Depletion, depreciation & accretion	19,688	9,641
Stock-based compensation	998	274
Future income taxes	14,164	5,213
Asset retirement expenditures	(99)	(72)
Change in non-cash working capital	(2,342)	1,561
	57,050	25,565
Financing activities:		
Issue of common shares	41,594	24,850
Share issue costs	(1,940)	(1,421)
Re-purchase of common shares	(41)	(74)
	39,613	23,355
Investing activities:		
Exploration and development	(101,698)	(55,181)
Change in non-cash working capital	14,268	5,609
	(87,430)	(49,572)
Change in cash and cash equivalents	9,233	(652)
Cash and cash equivalents, beginning of year	7,069	7,721
Cash and cash equivalents, end of year	\$ 16,302	\$ 7,069
<i>See accompanying notes to the consolidated financial statements.</i>		

Notes to Consolidated Financial Statements

For the years ended December 31, 2005 and December 31, 2004

(Tabular amounts in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES:

Crew Energy Inc. ("Crew" or the "Company") was incorporated on May 12, 2003 and commenced operations on September 2, 2003 when certain assets of Baytex Energy Ltd. ("Baytex") were transferred into Crew under a Plan of Arrangement.

The consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. Since the determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these financial statements requires the use of estimates and assumptions, which have been made with careful judgement. Specifically, the amounts recorded for depletion and depreciation of property, plant and equipment and the provision for asset retirement obligations and abandonment costs are based on estimates. The ceiling test is based on estimates of reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of such changes in such estimates in future periods could be significant. In the opinion of management, these financial statements have been properly prepared in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Crew Resources Inc. and a partnership, Crew Energy Partnership.

(b) Cash and cash equivalents:

Cash and cash equivalents include monies on deposit and highly liquid short-term investments accounted for at cost and having a maturity date of not more than 90 days.

(c) Petroleum and natural gas properties:

The Company follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized. Capitalized costs include land acquisition costs, geological and geophysical expenses, cost of drilling both productive and non productive wells, production facilities, the fair value of asset retirement obligations and related overhead expenses.

Capitalized costs, excluding costs relating to unproved properties, are depleted using the unit of production method based on estimated proved reserves of petroleum and natural gas before royalties determined using forecast product prices and 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. Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized unless such a sale would alter depletion by more than 20%.

The cost of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically for impairment. When proved reserves are assigned or the property is considered impaired the costs of the property or the amount of impairment is added to the costs subject to depletion.

Petroleum and natural gas assets are evaluated in each reporting period to determine that the carrying amount in a cost centre is recoverable and does not exceed the fair value of the properties in the cost centre. The carrying amounts are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects of the cost centre. The cash flows are estimated using forecast product prices and costs and are discounted using a risk-free interest rate.

(d) Interest in joint ventures:

A portion of the Company's petroleum and natural gas exploration and development activity is conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

(e) Asset retirement obligations:

The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, discounted to its present value using Crew's credit adjusted risk-free interest rate and the corresponding amount is recognized by increasing the carrying amount of the related long-lived asset. The liability is accreted each period, and the capitalized cost is depreciated over the useful life of the related asset. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost would result in an increase or decrease to the asset retirement obligation. Actual costs incurred upon settlement of the asset retirement obligation are charged against the asset retirement obligation.

(f) Revenue recognition:

Revenue from the sale of petroleum and natural gas is recorded when title passes to a third party.

(g) Financial instruments:

From time to time, Crew may use swap agreements or other financial instruments to hedge its exposure to fluctuations in petroleum and natural gas prices. Financial instruments are not used for speculative purposes. When Crew enters into a hedge, it formally assesses whether the derivatives that are used in the hedging transactions are sufficiently effective in offsetting changes in fair value or cash flows of the hedged item both at the hedge's inception and on an ongoing basis. These derivative contracts, accounted for as hedges, are not recognized on the balance sheet. Realized gains and losses on these contracts are recognized in petroleum and natural gas sales and cash flows in the same period in which the revenues associated with the hedged transactions are recognized. Premiums paid or received are deferred and amortized to earnings over the term of the contract. Financial instruments that do not qualify as a hedge are recorded on a mark-to-market basis with the resulting gains or losses taken into income.

(h) Flow-through shares:

Flow-through shares are issued at a fixed price and the proceeds are used to fund qualifying exploration expenditures within a defined period. The expenditures funded by flow-through arrangements are renounced to investors in accordance with tax legislation. Share capital is reduced and future tax liability is increased by the total estimated future income tax costs of the renounced tax deductions in the period of renouncement.

(i) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method,

which assumes that any proceeds obtained on exercise of options, warrants and performance shares would be used to purchase common shares at the average market price. The weighted average number of shares outstanding is then adjusted by the net change.

(j) Stock-based compensation plans:

The Company accounts for its stock-based compensation programs including stock options, warrants and performance shares, using the fair value method. Under this method, compensation expense related to these programs is recorded in the consolidated statement of operations over the vesting period with a corresponding increase in contributed surplus. Consideration paid on exercise of stock options is credited to share capital.

(k) Income taxes:

The Company uses the asset and liability method of accounting for future income taxes. The future tax asset or liability is calculated assuming the financial assets and liabilities will be settled at their carrying amount. This amount is compared to the tax assets and the difference is multiplied by the substantively enacted tax rate when the temporary differences are expected to reverse.

**2. PROPERTY, PLANT
AND EQUIPMENT:**

December 31, 2005	Cost	Accumulated depletion & depreciation	Net book value
Petroleum and natural gas properties and equipment	\$ 192,573	\$ 30,145	\$ 162,428

December 31, 2004	Cost	Accumulated depletion & depreciation	Net book value
Petroleum and natural gas properties and equipment	\$ 88,054	\$ 10,931	\$ 77,123

The cost of unproved properties at December 31, 2005 of \$21,570,000 (2004 – \$10,067,000) was excluded from the depletion calculation. Future development costs of proved reserves of \$12,054,000 (2004 – \$8,353,000) have been included in the depletion calculation.

During the year ended December 31, 2005, \$2,264,000 (2004 – \$1,074,000) of corporate expenses related to exploration and development activities were capitalized.

Crew performed a ceiling test as at December 31, 2005. Based on the calculation, the carrying values are less than the sum of the undiscounted cash flows of the proved reserves based on the following benchmark and Company prices.

	WTI Oil (\$US/Bbl)	F/X Rate (\$Cdn/\$US)	Edmonton Oil (\$/bbl)	Company Liquids (\$/bbl)	AECO Gas (\$/mmbtu)	Company Gas (\$/mcf)
2006	\$ 57.00	0.85	\$ 66.25	\$ 55.63	\$ 10.60	\$ 10.63
2007	\$ 55.00	0.85	\$ 64.00	\$ 53.79	\$ 9.25	\$ 9.25
2008	\$ 51.00	0.85	\$ 59.25	\$ 49.47	\$ 8.00	\$ 7.94
2009	\$ 48.00	0.85	\$ 55.75	\$ 46.31	\$ 7.50	\$ 7.43
2010	\$ 46.50	0.85	\$ 54.00	\$ 44.70	\$ 7.20	\$ 7.13
2011	\$ 45.00	0.85	\$ 52.25	\$ 43.12	\$ 6.90	\$ 6.83
2012	\$ 45.00	0.85	\$ 52.25	\$ 42.98	\$ 6.90	\$ 6.84
2013	\$ 46.00	0.85	\$ 53.25	\$ 43.73	\$ 7.05	\$ 7.00
2014	\$ 46.75	0.85	\$ 54.25	\$ 44.53	\$ 7.20	\$ 7.17
2015	\$ 47.75	0.85	\$ 55.50	\$ 45.58	\$ 7.40	\$ 7.37
2016	\$ 48.75	0.85	\$ 56.50	\$ 46.78	\$ 7.55	\$ 7.49

Annual escalation thereafter +2.0%/yr.

3. ASSET RETIREMENT OBLIGATIONS:

Total future asset retirement obligations were determined by management and were based on Crew's net ownership interest, the estimated future costs to reclaim and abandon the wells and facilities and the estimated timing of when the costs will be incurred. Crew estimated the net present value of its total asset retirement obligations as at December 31, 2005 to be \$7,182,000 (2004 – \$4,984,000) based on a total future liability of \$13,414,000 (2004 – \$9,810,000). These payments are expected to be made over the next 40 years. An 8% (2004 – 8%) credit adjusted risk free discount rate and 2% (2004 – 2%) inflation rate were used to calculate the present value of the asset retirement obligation.

The following table reconciles Crew's asset retirement obligations:

	2005	2004
Carrying amount, beginning of year	\$ 4,984	\$ 3,896
Liabilities incurred	1,581	1,228
Accretion expense	474	390
Change in estimate	242	(458)
Liabilities settled	(99)	(72)
Carrying amount, end of year	\$ 7,182	\$ 4,984

4. BANK FACILITY:

Crew has a \$90 million demand operating facility with a Canadian chartered bank, which is available by way of prime rate based loans or bankers acceptances. Advances under the facility bear interest at the bank's prime lending rate, bankers' acceptance rates plus scheduled margins. The facility revolves at the Company's discretion, is repayable on demand of the bank and is secured by a first floating charge debenture over all of Crew's oil and gas assets.

Cash interest expense paid during the year ended December 31, 2005 totalled \$238,000 (2004 – nil).

5. SHARE CAPITAL:

(a) Authorized:

Unlimited number of Common Shares

1,881,000 Class C non-voting performance shares ("performance shares")

(b) Common Shares:

	Number of shares	Amount
Common Shares, December 31, 2003	22,981	\$ 30,505
Private placement issued for cash	3,000	16,050
Flow-through shares issued for cash	800	8,800
Exercise of Class C performance shares	9	6
Buy-back of Common Shares	(9)	(74)
Share issue costs, net of tax of \$497		(924)
Common Shares, December 31, 2004	26,781	54,363
Public offering issued for cash	1,374	25,005
Flow-through shares issued for cash	417	10,001
Exercise of warrants	3,635	5,998
Exercise of Class C performance shares	981	11
Exercise of stock options	98	590
Buy-back of Common Shares	(4)	(8)
Stock-based compensation		963
Share issue costs, net of tax of \$661		(1,279)
Flow through shares tax adjustment		(2,999)
Common Shares, December 31, 2005	33,282	\$ 92,645

On May 13, 2004, the Company completed a bought-deal private placement of 3,000,000 Common Shares at a price of \$5.35 per share for gross proceeds of \$16,050,000.

On December 2, 2004, the Company completed a bought-deal private placement of 800,000 flow-through Common Shares at \$11.00 per shares for gross proceeds of \$8,800,000. Under the terms of the sale of the flow-through shares the Company committed to renounce to the purchasers of the flow-through shares certain Canadian tax deductions totalling \$8,800,000. At December 31, 2005, the Company had incurred and renounced all expenditures required under this flow-through offering.

On December 20, 2005, the Company closed a public offering in which 1,790,600 shares were issued for gross proceeds of \$35,006,000. Of the shares issued, 416,700 shares were issued on a flow-through basis in which the Company has committed to renounce to the purchasers certain Canadian tax deductions totalling \$10,000,800. At December 31, 2005, the Company had not incurred any qualifying expenditures required under the terms of this flow-through offering.

(c) Contributed Surplus:

	Amount
Contributed surplus, December 31, 2003	\$ 146
Stock-based compensation	547
Conversion of Class C performance shares	(6)
Contributed surplus, December 31, 2004	687
Stock-based compensation	1,996
Conversion of Class C performance shares and stock options	(963)
Buy-back of Common Shares	(33)
Contributed surplus, December 31, 2005	\$ 1,687

(d) Stock-based compensation:

The Company measures compensation costs associated with stock-based compensation using the fair market value method and the cost is recognized over the vesting period of the underlying security. The fair value of each performance share and stock option is determined at each issue or grant date using the Black-Scholes model with the following weighted average assumptions: risk free interest rate 3.22% (2004 – 4.50%), expected life 4 years (2004 – 4 years), volatility 45% (2004 – 45%), and an expected dividend of nil (2004 – nil).

During 2005 the Company recorded \$1,996,000, (2004 – \$547,000) of compensation expense related to the performance shares and stock options, of which \$998,000 (2004 – \$273,000) was capitalized in accordance with the Company's full cost accounting policy.

(i) Performance shares

On September 1, 2003 the Company issued 1,881,000 performance shares to employees, officers and directors at a price of \$0.01 per share. Each performance share is convertible into a fraction of a Common Share over a three-year period with the conversion rights expiring on September 1, 2007 after which, if the shares have not been converted, they are redeemed by the Company at \$0.01 per share. On conversion, each performance share converts at the rate determined by subtracting \$1.65 from the current market price of the Company's Common Shares and dividing the result by the current market price of the Company's Common Shares. The fair value of the performance shares at the date of issue, as calculated by the Black-Scholes method, was \$0.67 per share.

	Number of shares	Amount
Class C, performance shares, December 31, 2003	1,881	\$ 19
Converted to Common Shares	(12)	–
Class C, performance shares, December 31, 2004	1,869	19
Converted to Common Shares	(1,082)	(11)
Class C, performance shares, December 31, 2005	787	\$ 8

(ii) Stock options

The Company has a floating stock option plan in which the Company may grant options to its employees, directors and consultants for up to 10% of its outstanding Common Shares. Under this plan, the exercise price of each option equals the market price of the Company's Common Shares on the date of grant. All granted options vest over a three-year period and have a four-year term. Stock options are granted periodically throughout the year. The fair value of the stock options granted during the year as calculated by the Black-Scholes method was \$6.74 (2004 – \$2.79) per option.

	Number of options	Weighted average exercise price
Balance, December 31, 2003	156	\$ 3.70
Granted	328	6.84
Cancelled	(120)	3.75
Balance December 31, 2004	364	6.51
Granted	1,672	16.63
Exercised	(98)	6.02
Cancelled	(90)	7.25
Balance December 31, 2005	1,848	\$ 15.65

The following table summarizes information about the stock options outstanding at December 31, 2005:

	Outstanding at December 31, 2005	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at December 31, 2005	Weighted average exercise price
\$3.50 to \$6.50	80	2.45	\$ 5.22	3	\$ 3.60
\$6.51 to \$9.50	132	2.89	\$ 7.66	2	\$ 7.44
\$9.51 to \$12.50	90	3.34	\$ 10.43	–	–
\$12.51 to \$15.50	216	3.48	\$ 13.93	–	–
\$15.51 to \$18.75	1,330	3.41	\$ 17.71	–	–
	1,848	3.34	\$ 15.65	5	\$ 5.14

(iii) Warrants

As at December 31, 2005 all of the outstanding warrants entitling the holders to acquire one Common Share of the Company had been converted to Common Shares. The conversion of these warrants resulted in 3,635,000 Common Shares being issued for proceeds of \$5,998,000.

(e) Per share amounts:

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding for the year ended December 31, 2005 was 28,196,000 (December 31, 2004 – 24,946,000).

In computing diluted earnings per share for the year ended December 31, 2005, 3,760,000 (December 31, 2004 – 3,729,000) shares were added to the weighted average number of Common Shares outstanding for the dilution added by the warrants, performance shares and stock options.

6. INCOME TAXES:

(a) Income tax provision:

The provision for income taxes in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial tax rate to the Company's earnings before income taxes. This difference results from the following items:

	2005	2004
Earnings before income taxes	\$ 38,961	\$ 14,194
Combined federal and provincial tax rate	37.65%	38.73%
Computed "expected" income tax expense	\$ 14,669	\$ 5,497
Increase (decrease) in income taxes resulting from:		
Non-deductible crown charges	2,033	2,044
Resource allowance	(2,388)	(1,794)
Non-taxable provincial royalty credits	(117)	(139)
Attributed Canadian royalty income	-	(124)
Stock-based compensation	752	213
Benefits relating to change in income tax rates	(857)	(307)
Other	72	(177)
Future income taxes	14,164	5,213
Current taxes	156	33
Income taxes	\$ 14,320	\$ 5,246

Cash taxes paid during the year were \$34,000.

(b) Future income tax:

The components of the Company's future income tax liability are as follows:

	2005	2004
Future income tax:		
Property, plant and equipment	\$ 22,774	\$ 4,868
Asset retirement obligation	(2,434)	(1,668)
Share issue costs	(821)	(401)
Non-capital loss	(225)	-
Other	(117)	(124)
Future income tax liability	\$ 19,177	\$ 2,675

The non-capital loss expires in 2011.

7. COMMITMENTS:

The Company has the following fixed term commitments related to its on-going business:

	Total	Less than 1 year	1 to 3 years
Operating Leases	511	437	74
Firm transportation agreements	214	153	61
Exploration and development	10,000	10,000	–
Facility and reserve acquisition	11,200	11,200	–
Total	21,925	21,790	135

The exploration and development commitment relates to the Company's obligation under its 2005 flow-through share issue. (see note 5(b))

The facility and reserve acquisition relates to a commitment the Company made in December 2005 to acquire a working interest in a natural gas processing facility and related reserves. This acquisition subsequently closed in early 2006.

8. FINANCIAL INSTRUMENTS:

(a) Commodity price risk management:

At December 31, 2005, the Company had no fixed price contracts or financial instruments associated with future production.

(b) Credit Risk

Crew's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing production to several purchasers under normal industry sale and payment terms. Crew routinely assesses the financial strength of its customers.

(c) Fair value of financial instruments

The fair values of the financial instruments on the Company's balance sheet approximate their carrying values due to their short term to maturity.

Corporate Information

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KPMG LLP

BANKERS

The Toronto-Dominion Bank

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

RESERVE ENGINEERS

GLJ Petroleum Consultants

TRANSFER AGENT

Valiant Trust Company

EXCHANGE LISTING

Toronto Stock Exchange
Stock Symbol: CR

BOARD OF DIRECTORS

John A. Brussa
Partner, Burnet, Duckworth & Palmer LLP

Raymond T. Chan
President, Baytex Energy Trust

Fred C. Coles
Independent Businessman

Gary J. Drummond
Independent Businessman

Dennis L. Nerland
Partner, Shea Nerland Calnan

Dale O. Shwed
President, Crew Energy Inc.

OFFICERS

Dale O. Shwed
President and Chief Executive Officer

Ryan K. Chong
Vice-President, Production

Daniel B. Horner, LLB
Vice-President, Land

John G. Leach, CA
Vice-President, Finance and
Chief Financial Officer

S. Dale McAuley
Vice-President, Operations

Garry J. Wasylcyia
Vice-President, Exploration

Michael D. Sandrelli
Secretary
Partner, Burnet, Duckworth & Palmer LLP

ABBREVIATIONS

bbl	barrels
bbl/d	barrels per day
bcf	billion cubic feet
boe	barrels of oil equivalent (6 mcf: 1 bbl)
bopd	barrels of oil per day
mmbtu	million British thermal units
mboe	thousand barrels of oil equivalent (6 mcf: 1 bbl)
mmboe	million barrels of oil equivalent (6 mcf: 1 bbl)
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
ngl	natural gas liquids

Cautionary Statement

This report contains forward-looking statements relating to Management's approach to operations, amount and timing of capital projects, Company production, cash flow and debt levels. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by Crew at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; fluctuations in oil and gas prices; the ability to produce and transport crude oil and natural gas to markets; the result of exploration and development drilling and related activities; fluctuation in foreign currency exchange rates; the imprecision of reserve estimates; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; decisions or approvals of administrative tribunals; change in environmental and other regulations; risks associated with oil and gas operations; the weather in the Company's areas of operations; and other factors, many of which are beyond the control of the Company. There is no representation by Crew that actual results achieved during the forecast period will be the same in whole or in part as those forecast.



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