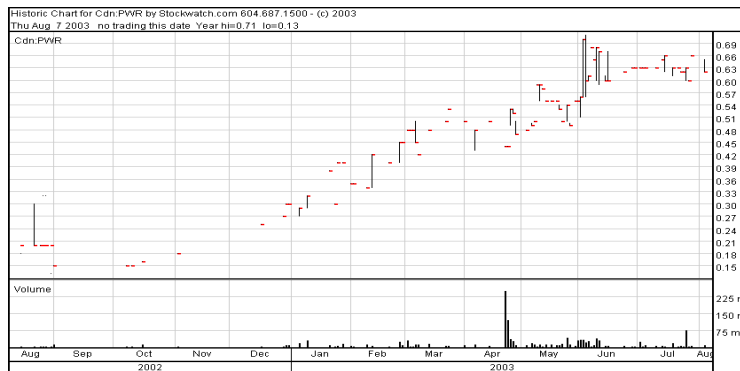


Powermax Energy Inc.

MANAGEMENT

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Powermax Energy is an emerging company engaged in the exploration, development, and production of petroleum and natural gas in western Canada. Powermax has demonstrated tremendous growth in the past 12 months, going from a corporation burdened with debt and generating negative cash flow and earnings, to a company with no debt, significant financial growth, and numerous projects. The company added significantly to its land position during 2002 and the first half of 2003, and now has three main producing regions and two exploration projects in Alberta, and two large exploration plays in Saskatchewan.

During the first quarter of 2003, Powermax tied-in a new well and recompleted and reactivated 2 gas wells resulting in an average production rate of 334 barrels of oil equivalent per day during the period. The company is presently producing approximately 350 boepd comprised of 75% natural gas and 25% oil and liquids. Powermax plans to drill up to 6 wells during the balance of 2003, and is forecasting an exit rate for the year of 500 barrels of oil equivalent per day.

The company has a 93% average working interest at Galahad, Alberta, which is characterized by multi-zone natural gas targets. Powermax operates a complete pipeline system in the area and is preparing to commence a five well development drilling program. This drilling is expected to add in excess of 1,000 mcf/d of natural gas. Another three wells in the area are categorized as ideal recompletion candidates. The company is presently producing approximately 250 barrels of oil equivalent per day at Galahad.

Powermax has a 100% interest in the Eagle Butte area of Alberta which is characterized by offset production and multiple prospective zones for both oil and natural gas. The company is conducting seismic and geological work in the region and plans to undergo a phased development program during 2004 and 2005.

Powermax's Peace River Arch property has the potential for significant oil and natural gas additions along with the added benefit of accessibility to infrastructure. The company has acquired 10 sections of land in the area including a wellbore which was drilled in the early 1900's and blew out at rates approaching 10 mmcf/d of natural gas. As the original well was targeting oil, the wellbore was plugged and abandoned. Powermax plans to participate with a 50% interest in the twinning of this high-impact well in the next few months.

In early March 2003, the company entered into an agreement with Western Petrochemicals Corp. to explore and develop a shale bed methane gas play in the Paskwa Hills region of eastern Saskatchewan. Powermax can earn a 100% working interest (subject to a 3% royalty) in 188,000 acres in exchange for completing a \$625,000 work program over a period of 30 months. In addition to completing the work obligations, the corporation made an initial payment of \$50,000, and will issue 50,000 common shares to the vendor. The company is seeking an industry partner to drill 4 low cost shallow wells to evaluate the resource potential of these lands as well as for further development in the area. A significant amount of field and scientific data has been collected indicating the potential viability of this project.

In mid-April 2003, Powermax acquired a 50% interest in exploration permits covering a contiguous 106,000 acre parcel of land in the Moose Jaw region of Saskatchewan. The area is prospective for natural gas and a number of exploration targets have already been identified on the property.

The company also has several low working interest properties including Strachan and Leo, Alberta, which presently account for about 30% of corporate production. In addition, Powermax has several high risk, high reward exploration opportunities which are currently being reviewed for the purpose of being farmed out to industry partners.

The company's oil and gas reserves were evaluated as at April 1, 2003, by McDaniels and Associates. Established reserves totaled 521,617 barrels of oil equivalent including 83,800 barrels of oil, 26,100 barrels of liquids, and 2,470 mmcf of natural gas. Proven reserves alone were estimated to be 420,033 barrels of oil equivalent. As at April 1, 2003, Powermax had a net asset value of \$10.9 million or \$1.30 per share (\$1.01 fully-diluted) using a 10% discount rate.

In January 2003, Powermax won a ruling against Cequel Energy Inc. (CQL:TSX) relating to the recovery of production revenue from the Red Willow property in central Alberta. Powermax was awarded \$483,295 plus interest and costs. Proceeds from this ruling resulted in the elimination of all debt held by the company.

Powermax recently entered into an agreement with two private investment funds to place 900,000 flow-through shares at \$0.68 per share and 300,000 common shares at \$0.60 per share for gross proceeds of \$792,000.

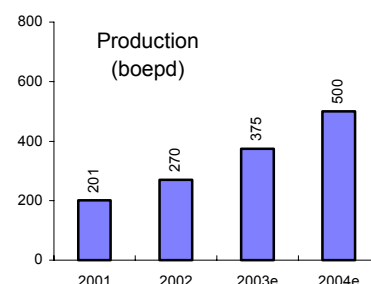
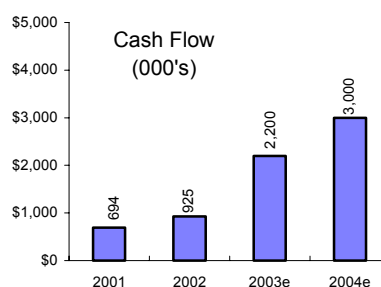
FINANCIAL POSITION & OPERATING RESULTS

	3 Months Ended March 31		Year Ended December 31	
	2003	2002	2002	2001
FINANCIAL				
Revenues (net of royalties)	\$ 1,000,794	\$ 408,632	\$ 2,279,978	\$ 2,033,193
Cash Flow	632,556	(13,742)	924,907	693,625
Cash Flow per Share	\$ 0.075	\$ (0.002)	\$ 0.143	\$ 0.114
Earnings	430,403	(177,742)	64,675	146,103
Earnings per Share	\$ 0.051	\$ (0.028)	\$ 0.010	\$ 0.024
PRODUCTION				
Oil and NGL's (bbls/d)	1,600	636	998	719
Natural Gas (mcf/d)	73	124	103	81
Barrels of Oil Equivalent (boepd)	334	229	270	201

BALANCE SHEET

(as at March 31, 2003)

Current Assets	\$ 1,352,662
Total Assets	4,240,789
Current Liabilities	1,349,881
Long-term Debt	nil
Shareholders' Equity	2,775,914



Powermax is presently completing a private placement of 900,000 flow-through shares at \$0.68 per share and 300,000 common shares at \$0.60 per share for gross proceeds of \$792,000.

SHARES**Issued**

Management & Insiders	- Escrow	0
	- Free-trading	2,860,020
Public	- Restricted	0
	- Free-trading	5,545,080
	*	8,405,100
Fully-Diluted	*	11,402,900

Trading Symbol & Exchange

PWR : TSX-V

52 Week Price Range

\$0.15 - \$0.71

Current Price (August 7, 2003)

\$0.62

3-Month Average Daily Trading Volume

8,221 shares

Market Capitalization

\$ 5.2 million

* Investors should take note that the official number of common shares (9,722,300) is presently subject to revision. This total includes 1,047,200 shares which are subject to performance escrow. The position of Powermax is that the conditions for release of these shares were not satisfied and that the share certificate evidencing their issue should be cancelled. The company is currently taking steps to effect this cancellation. In addition, 270,000 common shares purchased pursuant to an issuer bid are also subject to cancellation at this time.

CONCLUSION

Powermax has demonstrated improved financial stability and dramatically higher financial results over the past two quarters. With the scheduled drilling program during the remainder of 2003, the company appears poised for continued financial and production growth. Cash flow for 2003 is expected to be approximately \$2.0 to \$2.5 million or \$0.25 to \$0.30 per share. An expected increase of 43% in the company's production by year-end should also establish a solid base for continued cash flow growth in 2004. Powermax is presently debt free and is trading at just over 2 times anticipated cash flow for this year. The company may also be an attractive takeover target due to

its financial position, share structure, and numerous development and exploration prospects. Powermax is beginning to be recognized by industry analysts and will likely continue to attract attention as new production is added. As a smaller producer, success in one or more of the company's high-impact exploration wells could have a material impact on Powermax's net worth. The company presently has an untapped \$2.1 million line of credit as well as a \$1 million acquisition line of credit which can be utilized for acquisitions or to increase capital expenditures on development or exploration projects.

