

**FORTRESS**



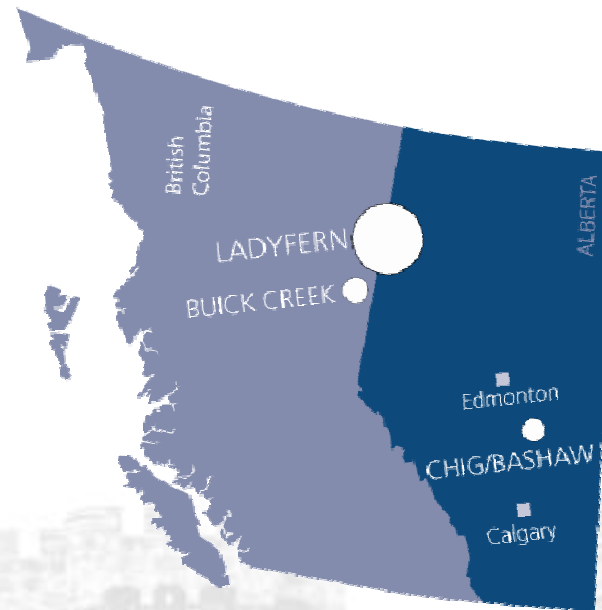
**ENERGY**

**CEEPIC Presentation**

Opportunity in North American Natural Gas

October, 2009

## What We Do.....



- We are an **EXPLORATION & PRODUCTION** Company
- Focused on **NATURAL GAS** for the North American market
- Our Business Strategy is **ACQUIRE** and **EXPLOIT**
- TSX Listed Company since 1999.
- Commenced oil and gas operations in January 2004.

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# Fortress Energy..... Snap Shot Today

Shares Outstanding (basic)	55.3 million
Estimated Q3 2009 Net Debt	\$21.5 million
Recent Share Price (September 3, 2009)	\$0.37
Enterprise Value	\$41.5 million
Approximate Current Production (pro forma Acquisition)	1,650 boe/d
Production Voluntarily Shut-in	630 boe/d
Product Mix	99% Natural Gas
Reserves (Proven plus Probable April 1, 2009)	7.2 mmboe
Net Asset Value (Proven plus Probable April 1, 2009)	\$67.9 million
Net Asset Value per Share (basic)	\$1.25

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# Who We Are - Management Team.....

## J. Cameron Bailey - CFA

- President and CEO , 2004 to present
- 26 years experience in energy investment banking and corporate management.
- Director Phoenix Technology Income Fund, Africa Oil Inc.

## Robert D'Adamo

- Vice President - Land
- Senior Land Negotiator for EnCana Corporation.
- Vice President, Business Development, Land and Marketing at NAV Energy Trust.
- From 1997 to 2003 Mr. D'Adamo was Manager, Land Negotiations PetroCanada
- 20 years experience in Petroleum land

## Jamie Jeffs – CA

- Chief Financial Officer 2005 – present
- 20 years experience in energy accounting and auditing

## Jeff Shaw – P. Eng.

- Vice President – Engineering
- Vice President Technical Resources for A & D Firm
- Manager S.E. Saskatchewan Business Unit APF Energy Trust
- Corporate Development and A & D
- 23 years Experience – Exploitation, Reservoir and Evaluation and Project Management

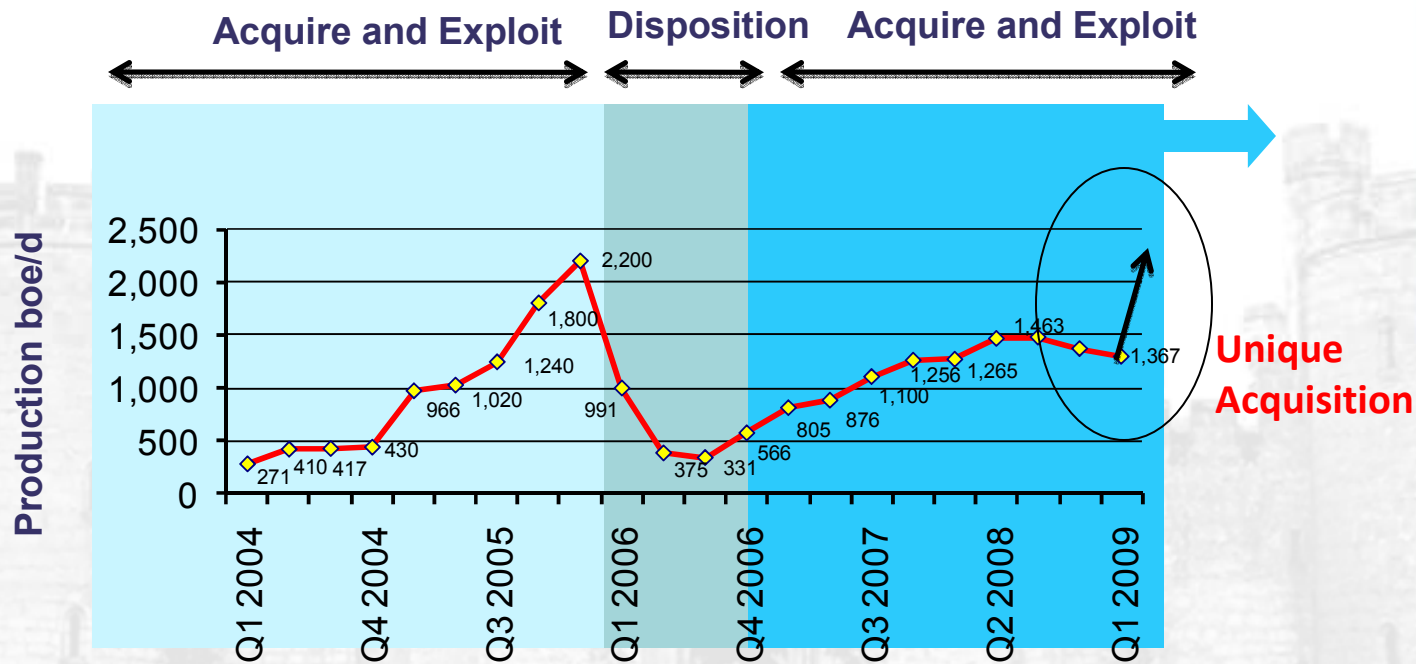
## Gerry O'Reilly – P. Geol

- 31 year experience
- Formerly VP Exploration Marauder Resources West Cost Ltd
- Extensive experience Ladyfern area

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# What Have We Done Lately..... **Production Growth**

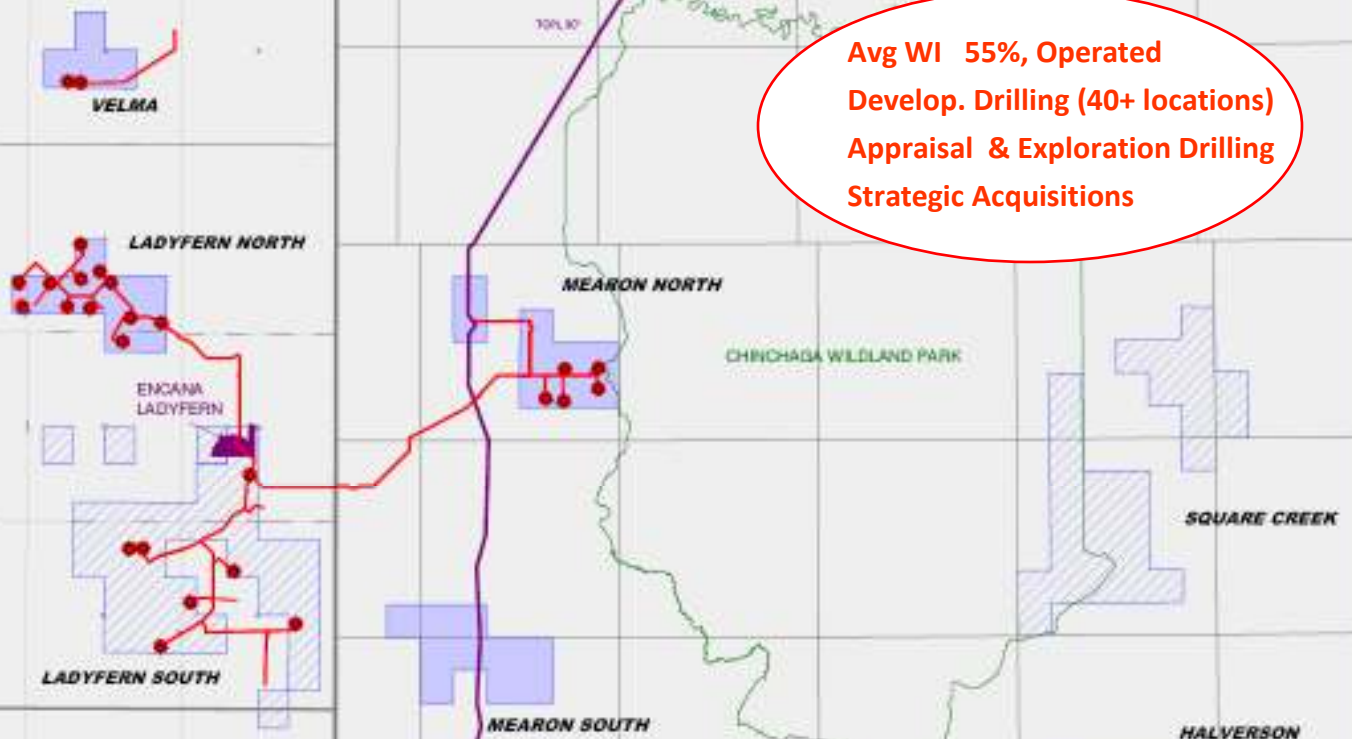


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# Ladyfern Area: Q4/2006..... Acquisition

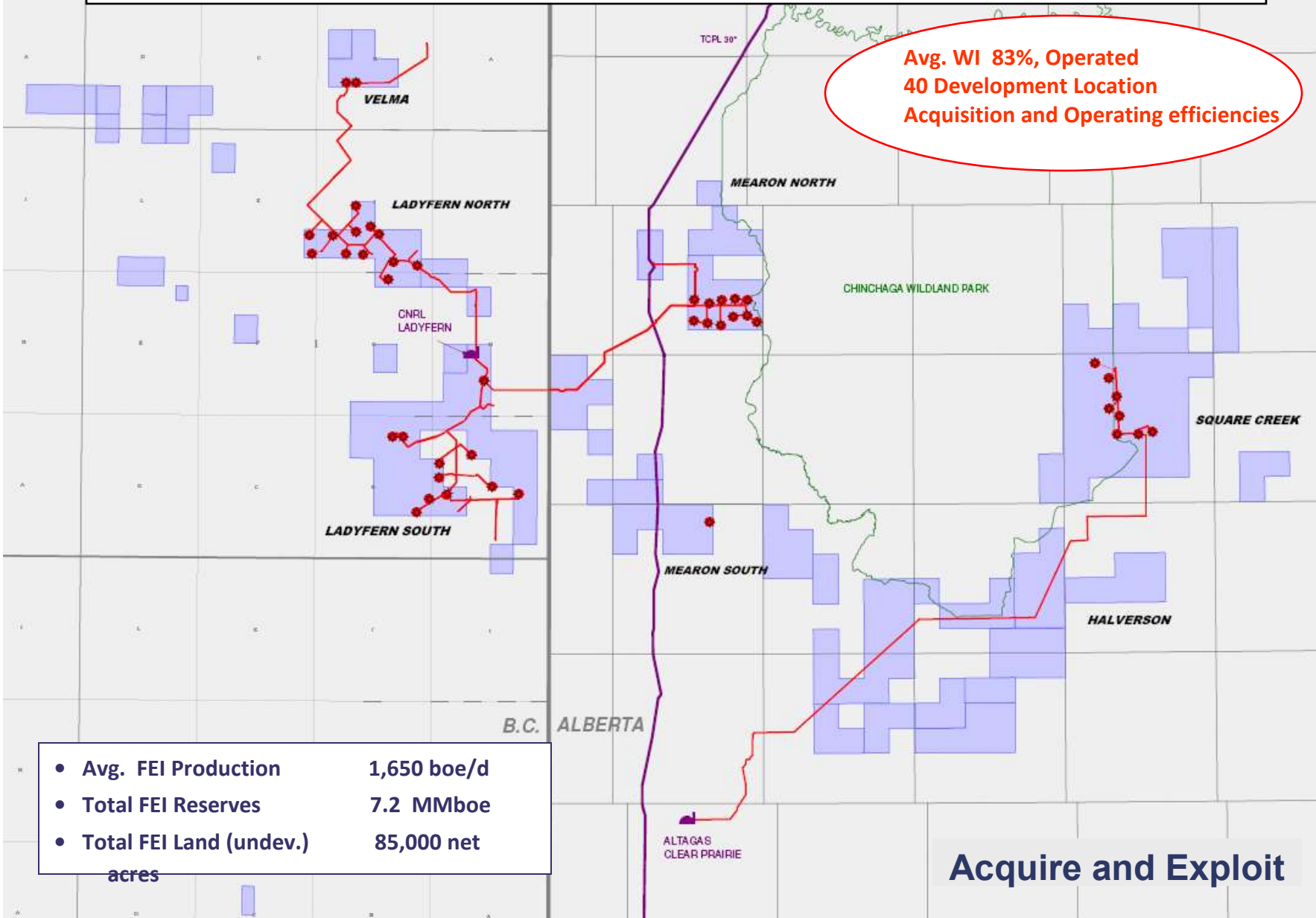


Avg WI 55%, Operated  
Develop. Drilling (40+ locations)  
Appraisal & Exploration Drilling  
Strategic Acquisitions

• Avg. FEI Production	522 boe/d
• Total FEI Reserves	4.3 MMboe
• Total FEI Land (undev.)	22,159 Net ac.

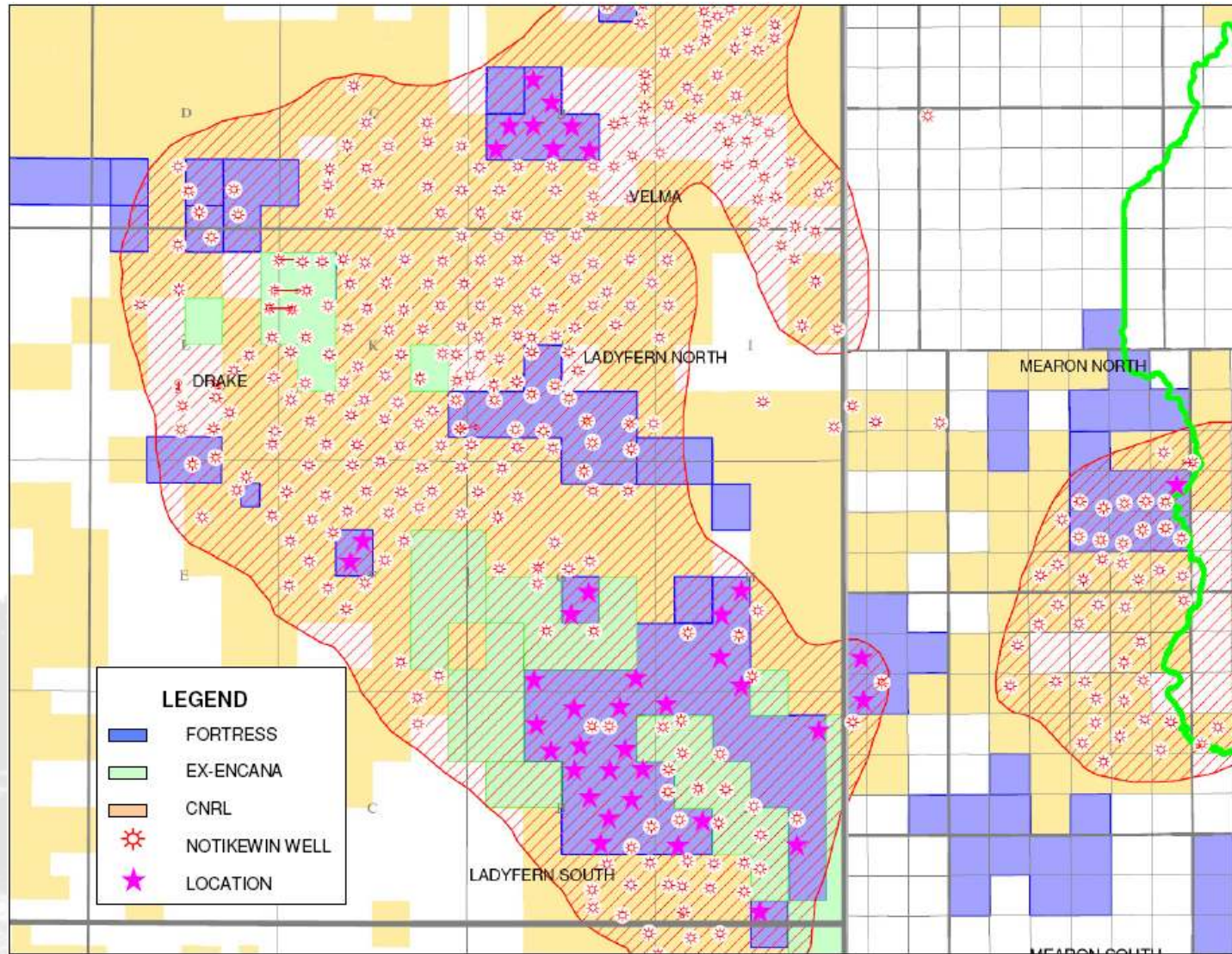
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# Ladyfern Area Today ..... Exploitation & Exploration



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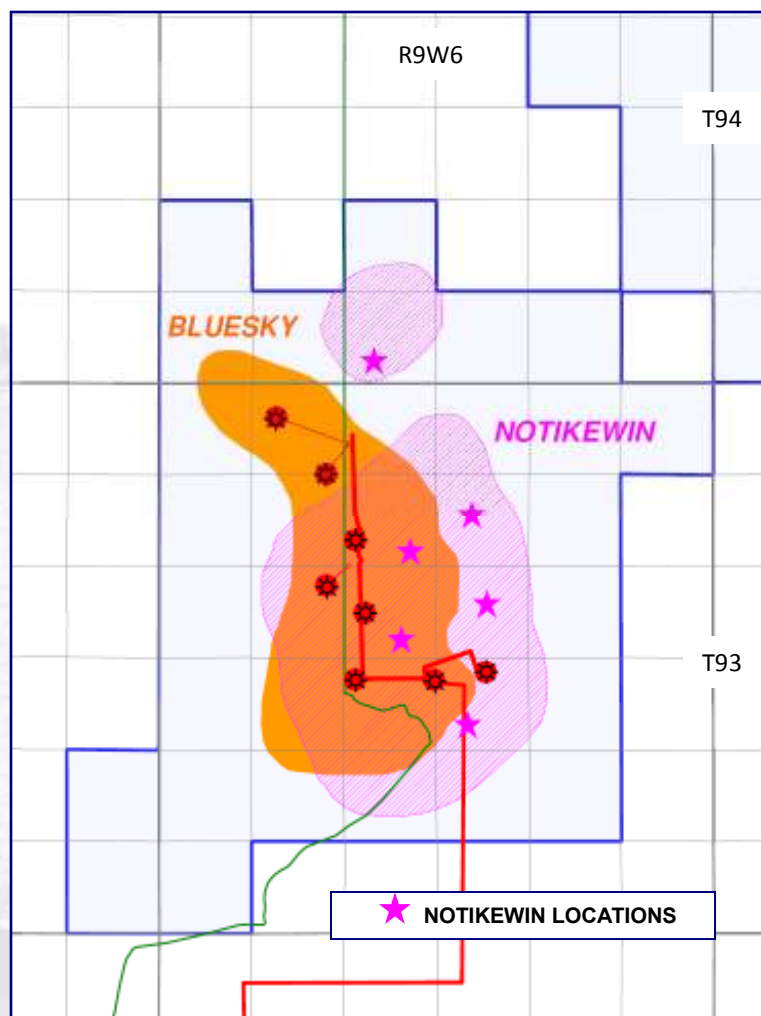
# Ladyfern – 40 Development Locations



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# Square Creek – Exploration & Development



- 50% WI Fortress Operated
- 50% WI Acquisition closing mid October
- Discovered by Fortress in 2007
- Developed and on-stream in 2008/09
- Restricted take-away capacity of 7.5- 9.0mmcf/d
- Optional Expansion of 6mmcf/d
- Gross Production  
Current – 5.4mmcf/d  
Well Capability – >9.0 mmcf/d
- Six additional Notikewin development locations
- Additional Exploration

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# Square Creek - Full Cycle Results – Pro-forma Acquisition

	Current	Acquisition	Pro-forma Acquisition
Total Capital (\$000)	\$16,400	\$7,000	\$23,400
Discovered/Acquired Reserves			
mmcf	8,300	7,200	15,500
mboe	1,450	1,200	2,650
Finding and Development Cost			
per mcf	\$1.98	\$0.97	\$1.51
per boe	\$11.31	\$5.83	\$8.83

Largest Bluesky pool discovered in the past seven years – OGIP 17 bcf

#### Notes

1. Proven and Probable Reserves estimate by Sproule Associates Ltd

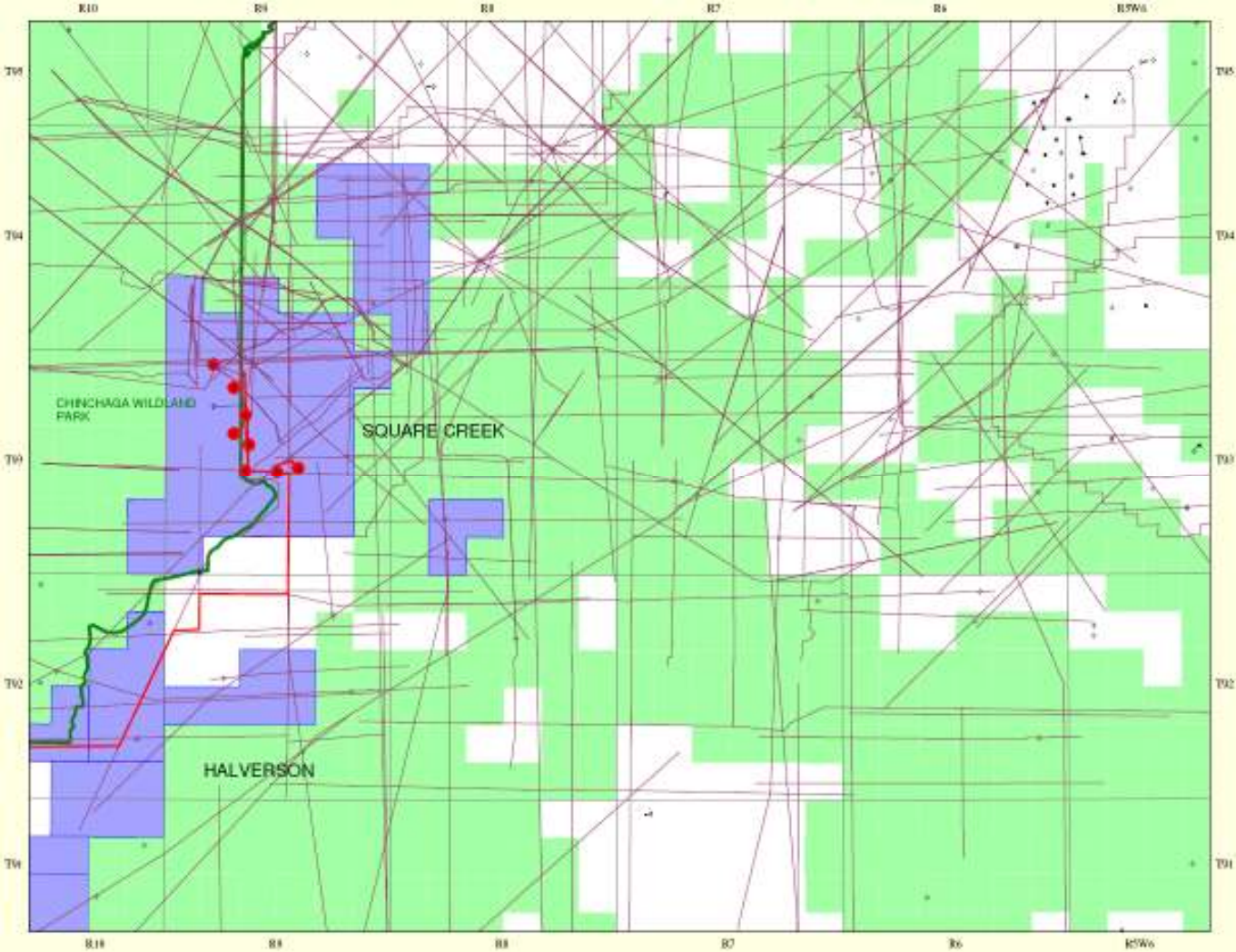
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# Square Creek Exploration Potential

## Seismic and Undeveloped Land



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## Cash Flow Security – Forward Sale Contracts

- 60% of Current Production (4.6 mmcf/d) sold forward.
- 2009 Average Price - \$8.29 per mcf
- 2010 Q1 Average Price - \$8.30 per mcf

	GJ/d		Current Price	Contract Value
	Volume	Price		
Q3 2009	5,105	\$ 7.20	\$ 3.19	\$ 1,842,431
Q4 2009	5,105	\$ 7.20	\$ 4.45	\$ 1,263,512
Q1 2010	5,105	\$ 7.60	\$ 4.94	\$ 1,222,161
			<b>Total</b>	<b>\$ 4,328,104</b>

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# Asset Value..... Results

	Basic		Fully Diluted
Sroule Pricing Assumption	31-Dec-08	1-Apr-09	1-Apr-09
Effective Date	1-Apr-09	1-Apr-09	1-Apr-09
Net Present Value of Proven and Probable Reserves	\$105,277	\$ 70,245	\$70,245
Estimated Value of Undeveloped Land	\$15,244	\$15,244	\$15,244
Other Asset	\$3,400	\$3,400	\$3,400
Estimate of 2007 Bank Debt and Working Capital	\$21,000	\$21,000	\$9,022
Net Asset Value	\$102,921	\$67,889	\$79,867
Shares Outstanding	55,294	55,294	77,073
Net Asset Value Per Share	\$1.86	\$1.23	\$1.04

1. DCF @ 10% Pre Tax Based on Sroule Associates Ltd reserve evaluation
2. Undeveloped Land Value based on evaluation performed by Independent Land Evaluations Inc dated December 31, 2008
3. Net Debt at the end of Q2
4. Other Asset – Contingent Tax Refund Receivable

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# What are we worth..... Valuation Metrics

	Basic	Fully Diluted
Shares Outstanding (000)	55,294	77,073
Share Price (\$ per share)	\$0.37	\$ 0.37
Market Capitalization (\$000)	\$20,459	\$28,517
Net Debt (\$000)	\$21,500	\$9,022
Enterprise Value (\$000)	\$41,459	\$37,539
EV per BOE (\$/boe)	\$5.76	\$5.21
EV per BOE/d of Production (\$/boe/d)		
Current (1,650 boe/d)	\$ 24,388	\$ 22,082
Optimized (2,300 boe/d)	\$18,026	\$16,321

Note:

1. Based on Sproule estimated 7,220 mboe of reserves
2. Proforma Square Creek Acquisition

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# Square Creek - Exploitation - Annualized Cash Flow

	2008 Cost Structure	2010 Optimized Cost Structure	Production Capacity Optimized
Production mcf/d	5,400	5,400	9,000
Price \$/mcf	\$6.00	\$6.00	\$6.00
Revenue	\$11,826,000	\$11,826,000	\$19,710,000
Total Operating Cost	\$5,350,000	\$3,048,650	\$3,081,500
Per MCF	\$2.71	\$1.55	\$0.94
Per BOE	\$16.29	\$9.28	\$5.63
Royalties	\$4,375,620	\$4,375,620	\$7,292,700
Operating Cash Flow	\$2,100,380	\$4,401,730	\$9,335,800
Net Back per MCF	\$1.07	\$2.23	\$2.84
Net Back per BOE	\$6.39	\$13.40	\$17.05

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# Fortress – Economies of Scale

## Operating Cost Efficiencies

	Current	Optimized Operating Costs	Optimized Production and Operating Costs
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Production (mcf/d)	7,800	10,500	13,800
Total Operating Cost	\$7,579,182	\$7,952,832	\$7,985,682
Per MCF	\$2.66	\$2.08	\$1.59
Per BOE	\$15.97	\$12.45	\$9.51
General & Admin	\$3,000,000	\$3,000,000	\$3,000,000
Per MCF	\$1.05	\$0.78	\$0.60
Per BOE	\$6.32	\$4.70	\$3.57

Note:

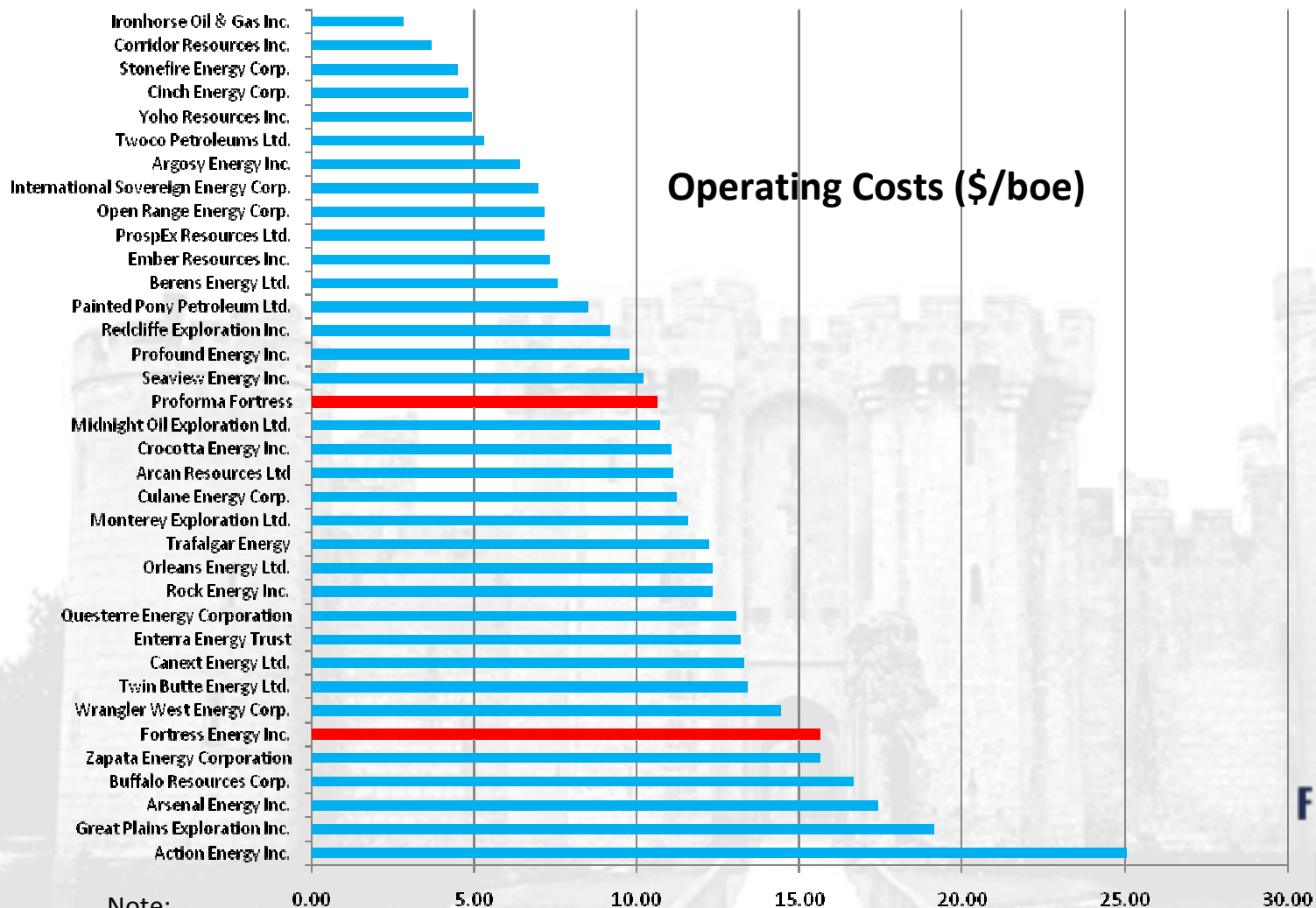
1. The table assumes the Square Creek acquisition based on the terms of the Letter of Intent.
2. The table assumes a number of initiatives to reduce operating costs that have been completed and some yet to implement.

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# Fortress - Operational Efficiencies



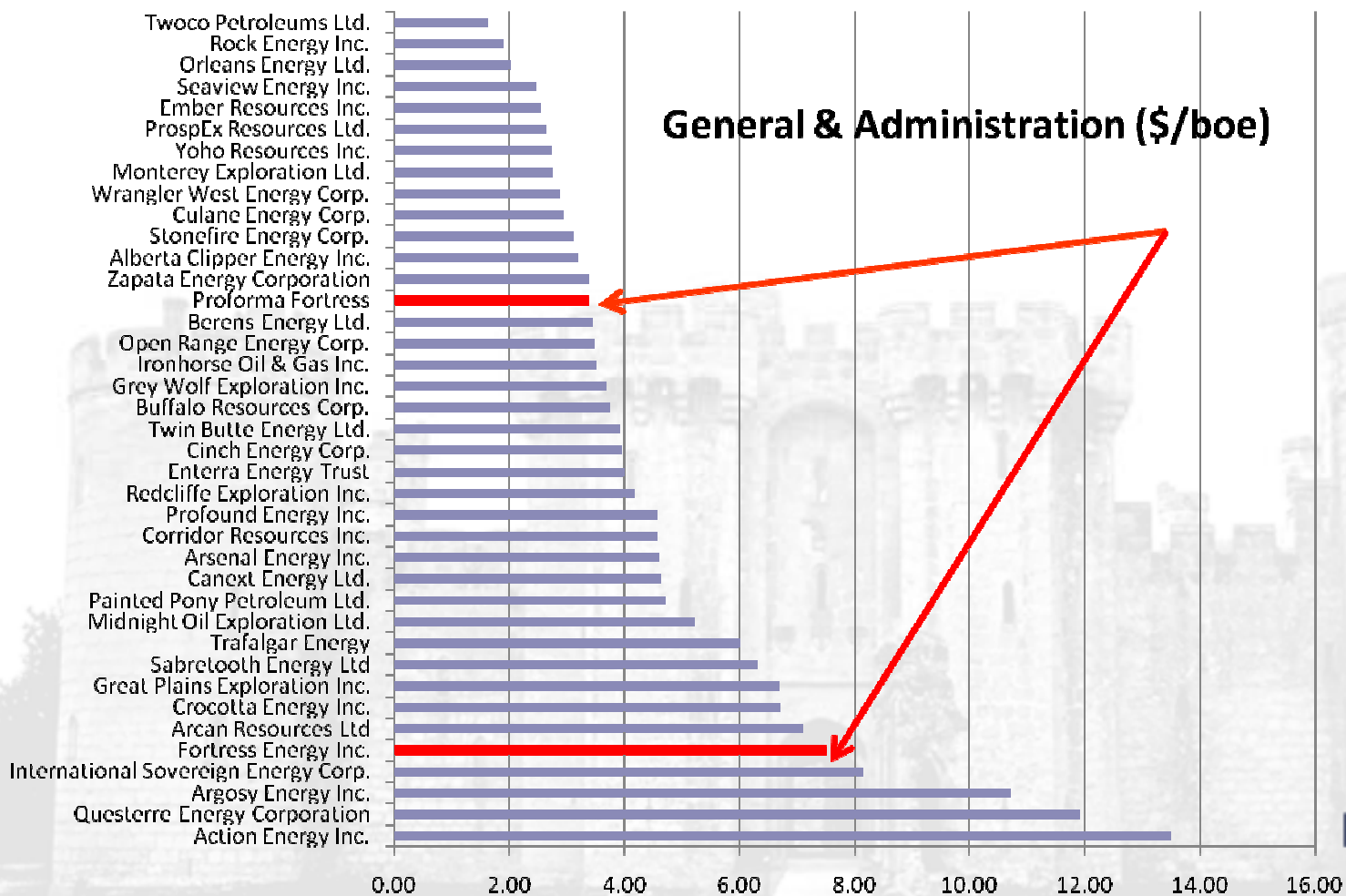
Note:

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3. Source: Canoil

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# Fortress – Economies of Scale



**Note:**

1. The table assumes the Square Creek acquisition based on the terms of the Letter of Intent.
2. The table assumes a number of initiatives to reduce operating costs that have been completed and some yet to implemented.
3. Source: Canoils



## Board of Directors – Experience - Corporate Governance

**George Watson**, P.Eng, MBA, Calgary – Former President and CEO of TransCanada Pipelines.

**Joel Dryer** – BSBA, MBA, Chicago, Management Consultant, formerly President CEO of MWave Inc.

**Don Leitch** LLB, Calgary, Senior Partner Carscallen Leitch

**J. Cameron Bailey**, B.Comm, CFA, Calgary – President and CEO of Fortress Energy Inc.

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# Corporate Information

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