



LEADER ENERGY SERVICES ANNOUNCES SECOND QUARTER RESULTS

August 29, 2005, Calgary, Alberta (TSX Venture: LEE) – Leader Energy Services Ltd. ("Leader" or the "Company") today announced financial results for the three and six-month periods ended June 30, 2005.

Income Statement	3 months Ended		6 months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Revenue	\$1,845,513	\$720,254	\$8,083,036	\$3,898,501
Net income (loss)	(1,181,393)	(760,326)	624,422	294,359
Earnings per share (basic)	(0.055)	(0.111)	0.031	0.043
Earnings per share (diluted)	(0.055)	(0.111)	0.029	0.043
Cash flow from operations ⁽¹⁾	(1,029,636)	(604,811)	1,544,168	565,474
Cash flow from operations per share (basic)	(0.047)	(0.088)	0.077	0.082
Cash flow from operations per share (diluted)	(0.047)	(0.088)	0.071	0.082
Weighted average shares outstanding (basic)	21,687,720	6,875,001	20,004,158	6,875,001
Weighted average shares outstanding (diluted)	21,687,720	6,875,001	21,821,619	6,875,001

Balance Sheet	June 30, 2005	December 31, 2004
Total assets	\$23,976,240	\$16,339,224
Long-term debt ⁽²⁾	3,277,741	5,077,365
Shareholders' equity	18,488,411	8,804,351
Shares issued and outstanding	22,284,584	14,097,546

(1) Cash flow is defined as "cash provided by operating activities before changes in non-cash working capital". Cash flow and cash flow per share are measures that provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Cash flow and cash flow per share are not measures that have any standardized meaning prescribed by Canadian GAAP, and accordingly may not be comparable to similar measures used by other companies.

(2) Includes current portion of long term debt.

The second quarter began as a typical spring breakup as the winter thaw brought about road bans which curtailed operating activities in the foothills west of Red Deer, northwestern Alberta and northeastern BC. In spite of spring breakup, warm weather in April and our ability to operate equipment on 75% road bans enabled the Company to meet and exceed activity expectations in the core business lines of nitrogen pumping and coiled tubing services. In May and June this was not the case.

As counties began to ease road bans restrictions mid to late May, the central and southern areas of Alberta experienced record levels of precipitation which made lease locations inaccessible during what would usually be the start of summer service programs. Although the Company primarily works in northern Alberta and northeastern BC during the first quarter of the year, like other service contractors during the second quarter, the Company would have normally begun

the process of relocating pieces of equipment into central Alberta where the road ban season is typically shorter. The combination of poor weather conditions and delays in retrofitting some of the existing coiled tubing equipment that would typically move into the foothills area curtailed operating activities during the second quarter. Even though there is little that can be done about weather conditions, the Company's equipment issues will diminish with the completion of our 2005 capital expenditure program and the establishment of a permanent facility in Red Deer by mid-2006.

During the quarter, staff levels increased by 15%, which was earlier than originally anticipated. A lack of qualified personnel, especially at the field level, prompted the Company to escalate its hiring program in order to meet staffing requirements by the start of the fourth quarter. This decision, intended to secure key personnel, enhance training and integration of new staff well in advance of equipment deployment, consequently placed additional pressure on the operating results and cash flow of the Company during the quarter.

General and administrative (G&A) expenses totalled \$0.8 million for the quarter or 41% of revenues versus \$0.3 million and 38% relative to the same period last year. The first half of 2005 saw G&A expenses approach \$1.7 million or 21% of revenues compared to the first six months of 2004 G&A expense were \$0.7 million or 17% of revenues. The increase in G&A this year over last is attributed not only to an increase in staff levels in order to keep up with the demands of growing operations but also an increase in expenses associated with being a public company. The predecessor company for accounting purposes was privately owned prior to October 2004.

As a result, the Company recorded a net loss of \$1,181,393 or \$0.055 per share during the second quarter versus a net loss of \$760,326 or \$0.111 a year earlier. For the six months ended June 30, 2005 the Company recorded net income of \$624,422 or \$0.029 per share (diluted) relative to \$294,359 or \$0.043 per share last year. The earnings per share amounts for 2005 reflect the dilutive impact of the \$12 million in equity raised between December 2004 and February 2005. Earnings and cash flow per share will not see the benefit of the funding until the Company has taken delivery of its new nitrogen and coiled tubing equipment at the start of the fourth quarter. Some of the improvement in annual performance is reflective of the business combination that took place in late 2004, which added three nitrogen pumping units to the fleet. In addition the Company effected a rate increase on January 1, 2005. Net income for the interim period ending June 30, 2005 includes non-cash transactions relating to a future tax recovery of \$249,000 (\$Nil year to date) and stock compensation expense of \$132,295 (\$387,579 year to date). The results from the previous year do not reflect such expenses or recoveries as Leader (formerly Leader Energy Services Corp.) was a privately held company without profitable operations historically.

Liquidity, Capital Resources and Use of Funds

At June 30, 2005 the Company held cash and cash equivalents of \$7,269,049 and had a positive working capital position of \$6,679,746. The entire amount of cash and cash equivalents held at the end of the period were held in marketable securities representing proceeds from the \$12 million equity financing completed during the first quarter of this year and will be used to fund

the 2005 capital expansion program. During the second quarter the Company invested \$3.5 million in equipment of which \$2.9 million related to the new equipment scheduled to be delivered by the start of the fourth quarter. Year to date these amounts are \$4.8 million and \$4.1 million respectively.

The Company meets short term financing requirements with an operating line with its bank of \$1.5 million of which \$1,204,354 was still available to the Company at June 30, 2005. The bank loan is a demand operating facility, bearing interest at 1.25% (December 31, 2004 – 1.5%) above the prime lending rate. The effective rate at June 30, 2005 is 5.50% (December 31, 2004 – 5.50%). As part of the equity financing, subordinated debentures and a shareholder loan totalling \$1,443,126 and carrying per annum interest rates of 10% to 15% were retired on March 25, 2005. Interest of \$440,232 accrued since January 2003 formed part of the final payment totalling \$1,883,358. Interest charges have been reduced by \$16,304 per month, and additional cash flow of \$195,648 is now available to the Company. Term debt, net of current portion, totalled \$2.4 million at the end of the quarter.

Outlook

Operating activities during the second quarter were curtailed significantly due to inclement weather and many of the projects scheduled for completion during the quarter have been delayed until the last half of the year. Demand for the Company's services remains strong and given the current commodity environment this demand is expected to continue for at least the next two years. The Petroleum Services Association of Canada updated their 2005 Drilling Activity forecast in July and now estimates the well count at 23,825 wells, representing a new record for the Western Canadian Sedimentary Basin. The weather related issues that impacted activity levels during the second quarter will have a positive effect on activity levels during the third and fourth quarters of 2005 as oil and gas producers try to achieve their 2005 production targets. This should prove timely for the Company as a surge in demand for services and a lack of equipment capacity in the industry coincides with the delivery of the Company's new nitrogen pumping and coiled tubing units, thereby allowing Leader to capitalize on spot market work in the industry.

The 2005 capital expansion program is progressing as planned. Equipment deliveries are expected to be on time with the exception of the high rate nitrogen pumping unit which should be operating by the end of the third week in October. Additionally, an increase in the price of the Company's stock over the last several months has encouraged some holders of broker and private placement warrants to exercise these instruments early, which carry a strike price between \$1.20 and \$1.70. As of the date hereof there have been 1.7 million out of 6.4 million warrants exercised for total proceeds of \$2.5 million, with just under half being exercised since the end of the second quarter. With these funds becoming available sooner than expected the Company has accelerated its strategic growth plan. Leader will add one more trailered coiled tubing unit and one nitrogen transport unit to the fleet this year and accelerate the Company's 2006 capital expansion program by three months.

On August 11, 2005 the Company announced it would be expanding its range of services to include well cementing. To facilitate this expansion, Leader entered into a financing agreement to issue 6,557,400 common shares on a "bought deal" basis through a syndicate of underwriters

led by Westwind Partners Inc. with an option to purchase up to an additional 1,639,400 common shares, exercisable prior to the closing of the financing on August 30, 2005. The common shares are to be issued on a private placement basis at a price of \$3.05 per common share. The option to purchase the additional common shares was exercised on August 16, 2005, bringing gross proceeds on the issue to \$25,000,240.

Proceeds from the issue plus the addition of \$9 million in term debt will be used to fund the construction of 12 new cementing units, 18 bulk trailers, three permanent batch plants, one portable batch plant, field cement bins and auxiliary equipment. These units will be operated out of three locations throughout Alberta in Grande Prairie, Red Deer and Brooks. The strategic growth of the Company over the next 12 months includes the construction of new facilities in each of these locations. The Company has been able to secure building sites and is currently in the process of completing architectural drawings for the new facilities which are being designed to handle future expansion. Construction is expected to begin by the end of the third quarter with the expectation that the facilities will be operational by June 30, 2006.

The catalyst for growth in 2005 was the \$12 million in equity raised between December 2004 and February of this year. With the monies raised, equipment capacity for well stimulation services will double by the start of the fourth quarter with most of the revenue growth coming from nitrogen services. With this larger fleet we will be able to expand operations geographically, especially into the Alberta foothills area where the Company is currently working to expand its presence.

The Company continues to aggressively seek new applications for flameless technology beyond its current applications. The Company is currently working on a pilot project with a major customer involving the disposal of facility waste water via a flameless evaporation system. The Company expects to complete its field testing of this new system by the end of third quarter. This system, if successful, could generate substantial savings for the end user by lowering waste water disposal costs. This system is currently in a patent pending status.

As a result of the recently announced financing, the Company wishes to provide updated earnings guidance for 2005. Leader expects diluted earnings per share to range between 12 and 17 cents for the fiscal period ending December 31, 2005. Leader will not be issuing further revenue or earnings guidance as a number of analysts currently provide research coverage and estimates of corporate performance.

Leader Energy Services provides essential field services for oil and gas well stimulation from three locations in Grande Prairie, Red Deer and Hinton, Alberta. Leader supplies coiled tubing and flameless nitrogen pumping services as well as other flameless equipment and services. Further information on Leader can be found under the Company's listing at www.sedar.com and on the Company's website at www.leaderenergy.com.

Certain statements contained in this press release, including statements which may contain words such as "could", "should", "expect", "estimate", "believe", "likely", "will", or estimates of business activity, and similar expressions and statements relating to matters that are not historical facts, are forward looking statements. Such statements involve known and unknown risks and

uncertainties that may cause the actual results, performance or achievements of Leader to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors include commodity prices, demand for oil and gas related products and service, competition, political and economic conditions, demand and acceptance of new products and ways of doing business, changes in laws and regulations to which Leader is subject, and the ability to attract and retain key personnel.

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