



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2008

March 18, 2009

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ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Mbbbls	thousand barrels
MMbbbls	million barrels
Mstb	1,000 stock tank barrels
Bbls/d	barrels per day
BOPD	barrels of oil per day
NGLs	natural gas liquids
STB	stock tank barrels

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMbtu	million British Thermal Units
Bcf	billion cubic feet
GJ	gigajoule
MM	Million

Other

AECO	the natural gas storage facility located at Suffield, Alberta.
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale.
BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 Mcf of natural gas
BOE/d	barrel of oil equivalent per day
m ³	cubic metres
MBOE	1,000 barrels of oil equivalent
Mcf	thousand cubic feet of gas equivalent
\$000s	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

Disclosure provided herein in respect of BOEs or Mcfes may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 Bbl and an Mcfe conversion ratio of 1 Bbl:6 Mcf are based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CONVERSIONS

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres (Alberta)	Hectares	0.400
Hectares (Alberta)	Acres	2.500
Acres (British Columbia)	Hectares	0.405
Hectares (British Columbia)	Acres	2.471

CERTAIN DEFINITIONS

In this Annual Information Form, the following words and phrases have the following meanings, unless the context otherwise requires:

"**ABCA**" means *Business Corporations Act* (Alberta);

"**Administration Agreement**" means the administration agreement dated September 27, 2004, as amended and restated as of May 21, 2008, between the Trustee and True Energy pursuant to which True Energy provides certain administrative and advisory services in connection with the Trust;

"**2004 Arrangement**" means the plan of arrangement involving, *inter alia*, TKE Energy Inc., TUSK Energy Corporation and the Trust completed on November 2, 2004 under the ABCA pursuant to which, among other things, the Trust acquired all of the issued and outstanding common shares of TKE Energy Inc.;

"**2005 Arrangement**" means the plan of arrangement involving, *inter alia*, the Trust, True Energy Inc., TKE Energy Inc and Vero Energy Inc. completed on November 2, 2005 under the ABCA pursuant to which, among other things, the Trust acquired all of the issued and outstanding common shares of True Energy Inc.;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"**Common Shares**" means the common shares in the capital of True Energy;

"**Current Market Price of a Trust Unit**" means, in respect of a Trust Unit on any date, the weighted average trading price of the Trust Units on the TSX on that date and the five (5) trading days preceding that date, or, if the Trust Units are not then listed on the TSX, on such other stock exchange or automated quotation system on which the Trust Units are listed or quoted, as the case may be, as may be selected by the board of directors of True Energy for such purpose; provided, however, that if in the opinion of the board of directors of True Energy the public distribution or trading activity of Trust Units does not result in a weighted average trading price which reflects the fair market value of a Trust Unit, then the Current Market Price of a Trust Unit shall be determined by the board of directors of True Energy, in good faith and in its sole discretion, and provided further that any such selection, opinion or determination by such board of directors shall be conclusive and binding;

"**Debenture Indenture**" means the trust indenture dated June 15, 2006 among the Trust, True Energy and the Debenture Trustee governing the terms of the Trust Debentures;

"**Debenture Trustee**" means Computershare Trust Company of Canada or its successor as Trustee under the Debenture Indenture;

"**Distributable Cash**" means all amounts available for distribution during any applicable period to holders of Trust Units;

"**Distribution**" means a distribution paid by the Trust in respect of the Trust Units, expressed as an amount per Trust Unit;

"**Distribution Payment Date**" means any date that Distributable Cash is distributed to Unitholders, generally being the 15th day of the calendar month following any Distribution Record Date (or if such day is not a Business Day, on the next Business Day thereafter);

"**Distribution Record Date**" means the last day of each calendar month or such other date as may be determined from time to time by the Trustee, except that December 31 shall in all cases be a Distribution Record Date;

"**Exchange Ratio**" means the ratio at which Exchangeable Shares may be converted to Trust Units;

"Exchange Rights" means the exchange rights as defined pursuant to the voting and exchange trust agreement;

"Exchangeable Shareholders" means holders from time to time of Exchangeable Shares;

"Exchangeable Shares" means the series A exchangeable shares in the capital of True Energy which are exchangeable for Trust Units;

"Exchangeable Share Provisions" means the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares;

"GLJ" means GLJ Petroleum Consultants Ltd.;

"GLJ Report" means the report of GLJ dated February 5, 2009 evaluating our crude oil, natural gas liquids and natural gas reserves as at December 31, 2008;

"gross" means:

- (a) in relation to our interest in production and reserves, our "company gross" reserves, which are our working interest (operating and non-operating) share before deduction of royalties and without including any of our royalty interests;
- (b) in relation to wells, the total number of wells in which we have an interest; and
- (c) in relation to properties, the total area of properties in which we have an interest.

"Income Tax Act" or **"Tax Act"** means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1. (5th Supp), as amended, including the regulations promulgated thereunder;

"net" means:

- (a) in relation to our interest in production and reserves, our interest (operating and non-operating) share after deduction of royalties obligations, plus our royalty interest in production or reserves.
- (b) in relation to wells, the number of wells obtained by aggregating our working interest in each of our gross wells; and
- (c) in relation to our interest in a property, the total area in which we have an interest multiplied by the working interest we own.

"NI 51-101" means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

"Notes" means, collectively, the unsecured, subordinated promissory notes issued by True Energy and held by the Trust;

"Note Indentures" means, collectively, the note indentures, as amended and supplemented from time to time, relating to the issuance of the Notes;

"NPI" means, collectively, the net profits interests granted under the NPI Agreements;

"NPI Agreements" means, collectively, the True Energy NPI Agreement and the True Oil & Gas NPI Agreement;

"NRF" means the New Royalty Framework in Alberta effective January 1, 2009;

"Securityholders" means collectively, the Unitholders and the Exchangeable Shareholders;

"Special Voting Rights" means the special voting rights of the Trust, issued and certified under the Trust Indenture for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

"Support Agreement" means the support agreement dated November 2, 2004 between the Trust and True Energy;

"True, we, us, our or Trust" means True Energy Trust, a trust established under the laws of Alberta pursuant to the Trust Indenture and, where the context requires, all its controlled entities on a consolidated basis;

"True Energy" or the **"Corporation"** or the **"Administrator"** means True Energy Inc., a corporation amalgamated pursuant to the ABCA and the administrator of the Trust;

"True Energy NPI Agreement" means the net profits agreement between the Trustee, True Energy Inc. and TKE Partnership dated November 2, 2005;

"True Oil & Gas NPI Agreement" means the net profits agreement between the Trustee and True Energy Inc., as successor by amalgamation to True Oil & Gas Ltd. dated June 23, 2006;

"Trustee" means Computershare Trust Company of Canada, the initial trustee of the Trust, or such other trustee, from time to time, of the Trust;

"Trust Debentures" means the 7.50% convertible unsecured subordinated debentures of the Trust issued pursuant to the Debenture Indenture;

"Trust Indenture" means the trust indenture dated as of September 27, 2004, as amended as of November 2, 2005 and as amended and restated as of May 21, 2008, between Computershare Trust Company of Canada and True Energy, as amended from time to time;

"Trust Unit" or **"Unit"** means a unit of the Trust;

"Trust Unitholders" or **"Unitholders"** means holders from time to time of Trust Units;

"TSX" means the Toronto Stock Exchange;

"TUSK" means TUSK Energy Inc., a corporation incorporated under the ABCA that changed its name to TKE Energy Inc. on December 14, 2004 and amalgamated with True Energy Inc. pursuant to the 2005 Arrangement and continued under the name True Energy Inc.;

"Voting and Exchange Trust Agreement" means the voting and exchange trust agreement dated November 2, 2004 between the Trust, True Energy and the Trustee; and

"Voting and Exchange Agreement Trustee" means Computershare Trust Company of Canada, the initial trustee under the Voting and Exchange Trust Agreement, or such other trustee, from time to time appointed thereunder.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

Unless otherwise specified, information in this Annual Information Form is as at the end of the Trust's most recently completed financial year, being December 31, 2008.

All dollar amounts herein are in Canadian dollars, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

Certain of the statements contained herein including, without limitation, financial and business prospects and financial outlook, reserve and production estimates, drilling and re-completion plans, timing of drilling, re-completion and tie-in of wells, productive capacity of wells, plans and timing for development of undeveloped and probable reserves and capital expenditures and the timing thereof, the effect of government announcements, proposals and legislation, plans regarding hedging, wells to be drilled, expected or anticipated production rates, timing of expected production increases, the weighting of production between different commodities, expected commodity prices, exchange rates, production expenses, transportation costs and other costs and expenses, planned disposition of Saskatchewan assets and use of proceeds and timing thereof, maintenance of productive capacity and capital expenditures and the nature of capital expenditures and the timing and method of financing thereof, may be forward-looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" and elsewhere herein. The recovery and reserve estimates of True's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although True believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because True can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which True operates; the timely receipt of any required regulatory approvals; the ability of True to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which True has an interest in to operate the field in a safe, efficient and effective manner; the ability of True to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of True to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which True operates; and the ability of True to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list of factors is not exhausted. Additional information on these and other factors that could effect True's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), at True's website (www.trueenergy.ab.ca). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and True assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements and other information contained herein concerning the oil and gas industry and True's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which True believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance

characteristics. While True is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

TRUE ENERGY TRUST

General

We are an open-ended investment trust created on November 2, 2004 under the laws of the Province of Alberta pursuant to the Trust Indenture. Computershare Trust Company of Canada has been appointed as trustee under the Trust Indenture. The beneficiaries of the Trust are holders of the Trust Units. Our principal and head office is located at 2300, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

We commenced operations on November 2, 2004 following completion of the 2004 Arrangement under which TUSK Energy Inc. was reorganized into an income trust.

The Trust Units and the Trust Debentures trade on the TSX under the symbols "TUI.UN" and "TUI.DB", respectively.

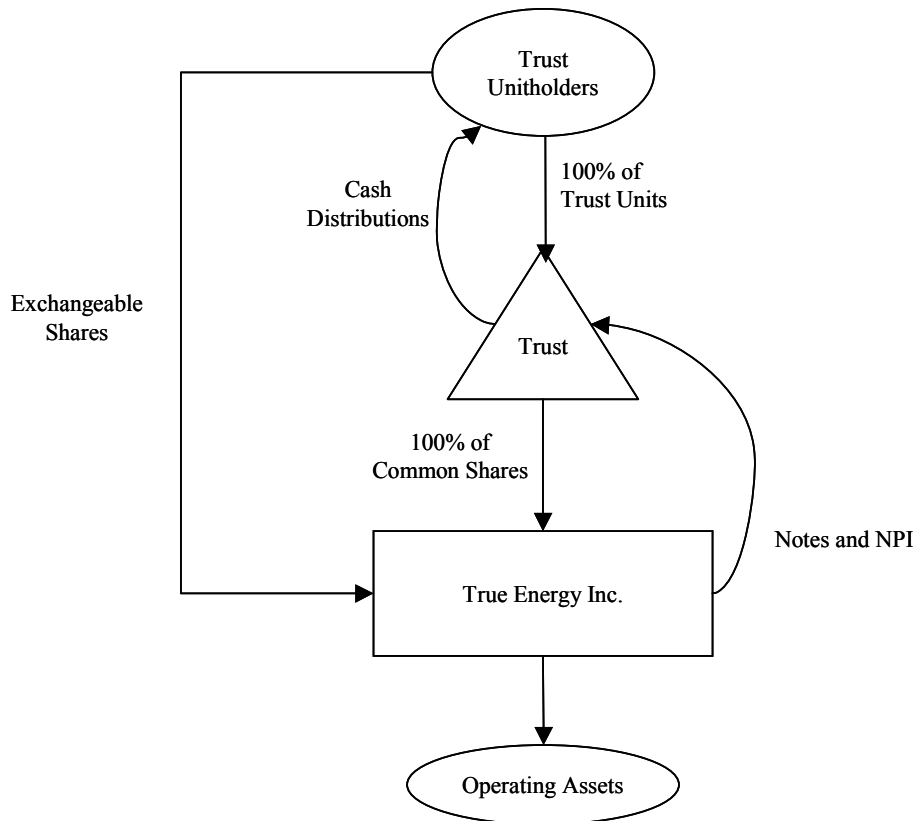
Inter-Corporate Relationships

The following is the name, the percentage of voting securities that we own and the jurisdiction of incorporation, continuance or formation of our material subsidiary as at December 31, 2008.

	Percentage of voting securities (directly or indirectly)	Nature of Entity	Jurisdiction of Incorporation/ Formation
True Energy Inc.	100%	Corporation	Alberta

Our Organization Structure

The following diagram describes the inter-corporate relationships among us and our material subsidiaries.



Notes:

- (1) Unitholders own 100% of our Trust Units.
- (2) True Energy had a total of 294,026 Exchangeable Shares issued and outstanding as at December 31, 2008, which, as at December 31, 2008 were exchangeable for 300,433 Trust Units.
- (3) If declared, cash distributions are made on a monthly basis to Unitholders based upon our cash flow. Our primary sources of cash flow are payments from True Energy pursuant to interest on the principal amount of the Notes and income earned under the NPI Agreements. In addition to such amounts, prepayments in respect of principal on the Notes and other intercorporate notes may be made from time to time by True Energy before maturity of such Notes.

DESCRIPTION OF THE BUSINESS OF THE TRUST

Business of the Trust

Our principal undertaking is to issue Trust Units and other securities and to acquire and hold securities of subsidiaries, trusts and partnerships, net profits interests, royalties, notes and other interests. Our subsidiary, True Energy, carries on the business of acquiring, developing, exploiting and holding interests in petroleum and natural gas properties and assets related thereto. Cash flow from the properties is flowed from True Energy to the Trust by way of interest payments and principal repayments on the Notes and income earned under the NPI Agreements.

Unitholders receive monthly distributions of the cash flow generated by True Energy to the extent that such cash flow flows up to the Trust. The Trust employs a strategy to: (i) provide that our assets are maintained efficiently; (ii) enable the Trust to continue to expand its business through development and acquisition opportunities that will provide stable cash flows and be accretive to Unitholders; and (iii) if cash flow is available, to provide Unitholders with an annual cash on cash yield by making monthly cash distributions to such Unitholders.

If declared, cash distributions are made on or about the 15th day of each month to Unitholders of record on or about the last calendar day of the immediately preceding month. The board of directors of True Energy reviews the Trust's distribution policy from time to time. The actual amount distributed is dependent on various factors including the commodity price environment and is at the discretion of the board of directors of True Energy. As a result of the continued deterioration in economic conditions, including the significant decline in crude oil prices, a weakening outlook for natural gas demand and a heightened risk in the credit markets at the start of 2009, True has deemed it prudent to suspend distributions to maintain corporate liquidity during the current financial turmoil and prevailing commodity price environment. Accordingly, no distributions will be paid in March or April 2009 to Unitholders. The board of directors of True Energy will continue to review the distribution policy in light of commodity prices and other such factors as it deems appropriate. Distributions will remain suspended until such time as the board of directors of True Energy determines otherwise and Unitholders will be advised at such a time as distributions are reinstated.

True Energy Inc.

True Energy, a corporation amalgamated and subsisting pursuant to the laws of the province of Alberta, is actively engaged in the business of oil and natural gas exploitation, development, acquisition and production in western Canada. True Energy is the administrator and carries on the business of the Trust.

True Energy and its wholly owned subsidiaries, Marengo Exploration Ltd. and True Oil & Gas Ltd. were amalgamated effective December 31, 2007 pursuant to the ABCA under the name "True Energy Inc."

The Trust is the sole holder of Common Shares of True Energy. The Exchangeable Shares are owned by the public.

The head office of True Energy is located at Suite 2300, 530 - 8th Avenue S.W., Calgary, Alberta T2P 3S8 and its registered office is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9.

Business Strategy

Our objective is to grow as an exploration and production oil and gas trust. In order to do so, we have pursued an integrated growth strategy including development drilling within our core areas and, where appropriate, focused acquisitions. We focus on cost effective operations and the development of our property base.

The Trust is managed by True Energy. This structure enables the Trust to leverage the technical skill of the staff responsible for the historical finding and development of True Energy's assets and to realize the full potential of those assets through continued development.

GENERAL DEVELOPMENT OF OUR BUSINESS

The 2005 Arrangement

General

On November 2, 2005, the 2005 Arrangement was completed pursuant to which (i) all of the outstanding Common Shares of True Energy were acquired by the Trust, (ii) the name of the Trust was changed from "TKE Energy Trust" to "True Energy Trust" and (iii) the outstanding Trust Units were consolidated on a one for two basis. The 2005 Arrangement also resulted in the creation of Vero Energy Inc., a junior oil and natural gas exploration and development company which acquired approximately 10% of True Energy's oil and natural gas assets and certain undeveloped lands.

Under the 2005 Arrangement, former shareholders of True Energy received (i) 0.25 of a Trust Unit (on a post-consolidation basis), (ii) 0.10 of a common share of Vero, and (iii) one common share purchase warrant of Vero which entitled the holder to acquire 0.0655 of a common share of Vero for a period of thirty days following the effective date of the 2005 Arrangement.

Upon completion of the 2005 Arrangement, True Energy and TKE Energy Inc. were amalgamated under the ABCA under the name "True Energy Inc."

History of the TKE Energy Trust

The TKE Energy Trust was created on November 2, 2004 pursuant to the 2004 Arrangement which resulted in the conversion of TUSK into the TKE Energy Trust, a new oil and natural gas energy trust that acquired approximately 95% of TUSK's then existing producing assets (based on production rates) and the creation of TUSK Energy Corporation, a junior oil and natural gas exploration and development company which acquired the balance of TUSK's oil and natural gas assets and certain undeveloped lands.

Under the 2004 Arrangement, shareholders of TUSK received, at their election, either 0.5 of one Trust Unit or 0.5 of one Exchangeable Share, and 0.5 of a common share of TUSK Energy Corporation, for each outstanding common share of TUSK held.

History of True Energy Inc.

True Energy Inc. was originally formed on the amalgamation (the "**Original Amalgamation**") of Sundance Resources Inc. ("**Sundance**"), 887733 Alberta Ltd. ("**Holdco**") and 851431 Alberta Ltd. ("**Newco**") pursuant to the ABCA effective August 31, 2000. Prior to the Original Amalgamation, Sundance was a junior capital pool company that completed its initial public offering and commenced trading on the Alberta Stock Exchange on July 3, 1996. Holdco and Newco were private corporations incorporated under the ABCA with limited operations prior to the Original Amalgamation. Upon completion of the Original Amalgamation, the Common Shares commenced trading on the Canadian Venture Exchange ("**CDNX**") on September 13, 2000. On February 13, 2001, the Common Shares ceased trading on the CDNX and commenced trading on the TSX and were de-listed from the CDNX.

Prior to the 2005 Arrangement, True Energy made a number of acquisitions. Pursuant to an offer dated February 6, 2001 and subsequent compulsory acquisition, True Energy acquired all of the outstanding Class A Shares and Class B Shares of Marengo Exploration Ltd., a CDNX listed oil and gas company, in consideration for an aggregate of 947,251 Common Shares and \$15,000,545 in cash. Pursuant to a plan of arrangement, True Energy acquired all of the issued and outstanding shares of Gresham Resources Inc., a TSX Venture Exchange listed oil and gas company, effective July 31, 2002, on the basis of 1.4 Common Shares of True for each outstanding common share of Gresham, for an aggregate of 12,232,654 Common Shares. Pursuant to an offer dated February 7, 2005 and subsequent compulsory acquisition, True Energy acquired all of the issued and outstanding shares of Meridian Energy Corporation, a TSX Venture Exchange listed oil and gas company, in consideration of an aggregate of \$619,742.20 in cash and 35,749,930 Common Shares.

Post 2005 Arrangement

Public Offering of 7.50% Convertible Unsecured Subordinated Debentures

On June 15, 2006 the Trust completed a public offering of Trust Debentures by way of short form prospectus for aggregate gross proceeds of \$86.25 million. The Trust Debentures have a face value of \$1,000 per Trust Debenture, a coupon of 7.50%, a maturity date of June 30, 2011 and are convertible into Trust Units at a price of \$16.00 per Trust Unit. The Trust Debentures pay interest semi-annually on June 30 and December 31. The Trust Debentures trade on the TSX under the symbol "TUI.DB".

Acquisition of Shellbridge Oil & Gas, Inc.

Shellbridge Oil & Gas, Inc. ("**Shellbridge**") was incorporated pursuant to the ABCA on July 7, 2005. Shellbridge was in the business of exploration, development and production of petroleum and natural gas in western Canada. The common shares of Shellbridge previously traded on the TSX under the trading symbol "SHB". Pursuant to a plan of arrangement Under the ABCA, True, through its wholly-owned subsidiary True Oil & Gas, acquired all of the outstanding common shares of Shellbridge effective June 23, 2006 on the basis of 0.14 of a Trust Unit for each one common share of Shellbridge held. Under the plan of arrangement, True Oil & Gas and Shellbridge were amalgamated effective June 23, 2006 pursuant to the ABCA under the name "True Oil & Gas Ltd.".

Acquisition of Prairie Schooner Petroleum Ltd.

Prairie Schooner Petroleum Ltd. ("**Prairie Schooner**") was incorporated pursuant to the ABCA on December 22, 1997 under the name 769015 Alberta Ltd. On December 14, 1998 the company's name was changed to "Piper Energy Inc." and on December 21, 2004, the company changed its name to "Prairie Schooner Petroleum Ltd.". Prairie Schooner was in the business of exploration, development and production of petroleum and natural gas in western Canada. The common shares of Prairie Schooner traded on the TSX under the trading symbol "PSL". Pursuant to a plan of arrangement under the ABCA, True, through True Energy, acquired all of the outstanding common shares of Prairie Schooner effective September 22, 2006 on the basis of 1.22 Trust Units for each one common share of Prairie Schooner held. Under the plan of arrangement, True Energy and Prairie Schooner were amalgamated effective September 22, 2006 pursuant to the ABCA under the name "True Energy Inc.".

Public Offering of Trust Units

On May 31, 2007 the Trust completed a public offering of an aggregate of 9,430,000 Trust Units at \$6.10 per Trust Unit for aggregate gross proceeds of \$57,523,000.

Normal Course Issuer Bids

The Trust commenced a normal course issuer bid on August 28, 2007 pursuant to which the Trust could, from time to time, purchase for cancellation up to a maximum of 7,846,240 Trust Units through the open market. The bid expired on August 27, 2008. For the period from the commencement of the bid through August 27, 2008, the Trust purchased an aggregate of 699,200 Trust Units at an average purchase price of \$3.54 per Trust Unit.

The Trust renewed its normal course issuer bid on August 28, 2008 pursuant to which the Trust may, from time to time, purchase for cancellation up to a maximum of 7,811,950 Trust Units through the open market. The bid will expire on August 27, 2009 or such earlier time as the Trust may determine in its discretion. The period from commencement of the bid renewal through December 31, 2008, the Trust purchased an aggregate of an additional 615,100 Trust Units at an average purchase price of \$2.74 per Trust Unit.

The Trust commenced a normal course issuer bid on December 1, 2008 pursuant to which the Trust may, from time to time, purchase for cancellation up to \$8.625 million principal amount of outstanding Trust Debentures through the open market. The bid will expire on November 30, 2009 or such earlier time as the Trust may determine in its discretion. For the period from commencement of the bid through December 31, 2008, the Trust has not purchased any Trust Debentures.

Asset Divestitures and Acquisitions

On December 17, 2007, True announced its intention to divest of its Saskatchewan assets. On April 30, 2008, True announced it had completed the sale of its Dodsland-Stranraer property in Saskatchewan, effective March 1, 2008, for net proceeds of \$38.5 million. True also announced at that time that it was not intending to sell any further Saskatchewan assets pursuant to the divestiture program. During the first quarter of 2008, True was also successful in completing the divestiture of a non-core property in North East Alberta for proceeds of \$5.8 million. Total net proceeds from the sale of properties in 2008 were \$44.3 million, which were used to reduce True's bank indebtedness.

On October 1, 2008, True closed the purchase of further working interests in the Mantario, Saskatchewan area for \$4.3 million in cash after adjustments, which acquisition added, at the date of acquisition, approximately 225 bbls/d of heavy oil production.

Credit Facilities

As at December 31, 2008, True's credit facilities consisted of a \$15 million demand operating facility and \$137 million extendible revolving term syndicated credit facility for a total available amount of \$152 million, of which \$132.4 million was drawn as at December 31, 2008. \$12.5 million of the syndicated facility is with a US bank which may be required to be repaid or reallocated to one or more of the other four current members of the syndicate or a new member on June 28, 2009. The borrowing base was renewed effective September 30, 2008 and is scheduled for renewal on March 31, 2009. The new level of the borrowing base will be subject to the lending syndicate's determination which is based upon the latest reserves information, their internal commodity price decks and other factors. In the event the borrowing base is lowered below the drawn credit facility at that time, this shortfall would be required to be repaid within 60 days of notification, or as otherwise agreed by the lending syndicate, and this funding would currently be expected to come from available sources of debt or equity financing or the proceeds from asset dispositions, as available. See "Borrowings".

Distributions

As a result of the continued deterioration in economic conditions, including the significant decline in crude oil prices, a weakening outlook for natural gas demand and a heightened risk in the credit markets at the start of 2009, True has deemed it prudent to suspend distributions to maintain corporate liquidity during the current financial turmoil and prevailing commodity price environment. Accordingly, no distributions will be paid in March or April 2009 to Unitholders. The board of directors of True Energy will continue to review the distribution policy in light of commodity prices and other such factors as it deems appropriate. Distributions will remain suspended until such time as the board of directors of True Energy determines otherwise and Unitholders will be advised at such a time as distributions are reinstated.

Joint Venture Agreement

True entered into a royalty and technology license and joint venture agreement (the "Agreement") with Petrobank Energy and Resources Ltd. ("Petrobank") to apply Petrobank's patented heavy oil recovery technology on a portion of True's Kerrobert heavy oil property in Saskatchewan.

Under the Agreement, Petrobank will initially earn a 50% working interest in three sections of land in the Kerrobert Mannville heavy oil pool. Subject to regulatory approval, Petrobank and True will develop a two well project to demonstrate the Petrobank technology in the 10+ metre thick Mannville conventional heavy oil channel reservoir. Petrobank will earn an additional ten percent gross overriding technology royalty on True's share of all production following a threshold reserve recovery.

Petrobank is also entitled to earn a 50% working interest in ten additional sections of True lands upon the expansion of the initial heavy oil recovery project or development of another project on these lands, which Petrobank and True would jointly develop. In addition, Petrobank and True have established an area of mutual interest over thirty additional sections of land in the Kerrobert area to jointly develop additional heavy oil projects.

Disposition of Working Interest in Block 126 Peru

True and Petrominerales Ltd., a 76.4% owned subsidiary of Petrobank, have entered into an agreement whereby Petrominerales will acquire True's 10% working interest and will be designated the operator of Block 126 located in the Ucayali Basin of east central Peru. A wholly-owned subsidiary of True held the 10% working interest and is the operator in a partnership with Veraz Petroleum Ltd. ("Veraz"). The transaction is subject to the consent of Perupetro S.A, the Private Law State Company responsible for promoting the investment of hydrocarbon exploration and exploitation activities in Peru. True continues to have a minor investment in Veraz.

Significant Acquisitions

We did not complete any significant acquisitions during our most recently completed financial year for which disclosure is required under Part 8 of NI 51-102.

Recent Developments

The Trust continues to evaluate potential acquisitions of all types of petroleum and natural gas assets and other forms of business combinations as part of its ongoing acquisition program. The Trust is normally in the process of evaluating several potential acquisitions and other forms of business combinations at any one time which individually or together could be material. In conjunction with this process, the Trust, from time to time, enters into confidentiality agreements with third parties in respect of possible transactions. As of the date hereof, the Trust has not reached agreement on the price or terms of any potential material acquisitions or business combinations. The Trust cannot predict whether any current or future opportunities will result in one or more acquisitions or business combinations for the Trust.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below (the "**Statement**") is dated March 18, 2009. The effective date of the Statement is December 31, 2008 and the preparation date of the Statement is February 3, 2009.

Disclosure of Reserves Data

The reserves data set forth below (the "**Reserves Data**") is based upon an evaluation by GLJ with an effective date of December 31, 2008 contained in the GLJ Report. The Reserves Data summarizes our crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs. The Reserves Data conforms with the requirements of NI 51-101. We engaged GLJ to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves. All of our reserves are in Canada in the provinces of Alberta, British Columbia and Saskatchewan. Field inspections were not conducted.

The Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 and the Report on Reserves Data by our independent qualified reserves evaluators in Form 51-101F2 are attached as Schedule "A" and Schedule "B" respectively, hereto.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of the crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided herein.

Reserves Data (Forecast Prices and Costs)

**SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
AS OF DECEMBER 31, 2008
FORECAST PRICES AND COSTS**

Reserves Category	Light And Medium Oil		Heavy Oil		Natural Gas ⁽¹⁾		Natural Gas Liquids	
	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)	Gross (MMcf)	Net (MMcf)	Gross (Mbbls)	Net (Mbbls)
Proved Developed Producing	1,235	1,095	4,529	3,825	62,776	52,001	1,110	690
Proved Developed Non-Producing	43	32	0	0	8,795	6,994	53	33
Proved Undeveloped	211	178	2,505	2,112	9,053	6,953	182	110
Total Proved	1,490	1,305	7,035	5,937	80,624	65,948	1,344	834
Probable	791	649	6,165	5,244	48,358	38,540	957	599
Total Proved Plus Probable	2,280	1,954	13,200	11,181	128,982	104,488	2,301	1,432

Note:

- (1) Includes 1,656 gross (1,415 net) MMcf of total proved and 2,090 gross (1,783 net) MMcf total proved plus probable reserves assigned to coal bed methane.

Reserves Category	Net Present Values of Future Net Revenue						
	Before Income Taxes Discounted At (%/year)					Unit Value Before Income Tax Discounted at 10% Year⁽¹⁾	
	0 (\$000s)	5 (\$000s)	10 (\$000s)	15 (\$000s)	20 (\$000s)	(\$/Boe)	(\$/Mcf)
Proved Developed Producing	443,070	362,767	307,748	267,973	237,980	21.56	3.59
Proved Developed Non-Producing	47,071	30,619	21,894	16,756	13,441	17.78	2.96
Proved Undeveloped	68,758	48,569	34,807	25,092	18,030	9.78	1.63
Total Proved	558,899	441,956	364,450	309,822	269,451	19.11	3.19
Probable	432,446	282,549	199,936	149,147	115,436	15.48	2.58
Total Proved Plus Probable	991,345	724,505	564,385	458,969	384,887	17.65	2.94

Note:

- (1) Unit values are based upon Net Reserves.

The following table provides an estimate of the net present value of future net revenue on an after-tax basis assuming that True would be subject to the equivalent of corporate income tax on its income beginning in 2011, that True distributes all of its trust-level income to the Unitholders and that True continues to operate in its current structure. It should be noted that this estimate does not take into account any corporate tax deductions such as interest and general and administrative expenses or any tax pools generated by capital expenditures beyond those that exist in the GLJ forecast.

Reserves Category	After Income Taxes Discounted at (%/year)				
	0 (\$000s)	5 (\$000s)	10 (\$000s)	15 (\$000s)	20 (\$000s)
Proved Developed Producing	443,070	362,767	307,748	267,973	237,980
Proved Developed Non-Producing	47,071	30,619	21,894	16,756	13,441
Proved Undeveloped	68,758	48,569	34,807	25,092	18,030
Total Proved	558,899	441,956	364,450	309,822	269,451
Probable	347,509	232,423	167,609	126,966	99,520
Total Proved Plus Probable	906,408	674,379	532,058	436,788	368,971

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2008
FORECAST PRICES AND COSTS**

Reserves Category	Revenue (\$000s)	Royalties (\$000s)	Operating Costs (\$000s)	Capital Development Costs (\$000s)	Abandonment Costs (\$000s)	Future	Income	Future
						Net Revenue Before Income Taxes (\$000s)	Tax (\$000s)	Net Revenue After Income Taxes (\$000s)
Proved Reserves	1,379,707	246,551	484,898	62,759	26,601	558,899	0	558,899
Proved Plus Probable	2,457,261	452,763	848,586	131,578	32,989	991,345	84,937	906,408

**FUTURE NET REVENUE
BY PRODUCTION GROUP
AS OF DECEMBER 31, 2008
FORECAST PRICES AND COSTS**

<u>Reserves Category</u>	<u>Production Group</u>	<u>Future Net Revenue Before Income Taxes (discounted at 10%/year) (\$000s)</u>	<u>Unit Value⁽²⁾ Before Income Tax (discounted at 10%/year) (\$/Boe)</u>
Proved	Light and Medium Crude Oil (including solution gas and other by-products)	24,152	18.42
	Heavy Oil (including solution gas and other by-products)	92,268	15.19
	Natural Gas (including by-products but excluding solution gas from oil wells)	241,613	21.11
	Non-conventional oil and gas activities	6,417	27.22
	Total	364,450	19.12
Proved Plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	37,105	18.91
	Heavy Oil (including solution gas and other by-products)	173,657	15.27
	Natural Gas (including by-products but excluding solution gas from oil wells)	346,283	18.87
	Non-conventional oil and gas activities	7,340	24.70
	Total	564,385	17.65

Notes:

- (1) Other company revenue and costs not related to a specific production group have been allocated proportionately to production groups.
- (2) Unit values are based on Net Reserves.

Notes to Reserves Data Tables:

1. Columns may not add due to rounding.
2. The crude oil, natural gas liquids and natural gas reserve estimates presented in the GLJ Report are based on the definitions and guidelines contained in the COGE Handbook. A summary of those definitions are set forth below.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

- (a) **Proved reserves** 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.
- (b) **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- (a) **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
 - (i) **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
 - (ii) **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- (b) **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

3. Forecast Prices and Costs

Forecast prices and costs are those:

- (a) generally acceptable as being a reasonable outlook of the future; and
- (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which we are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized by GLJ in the GLJ Report were an average of forecast prices and costs published by GLJ, Sproule Associates Limited and McDaniel & Associates Consultants Ltd. as at January 1, 2009, which were as follows:

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS FORECAST PRICES AND COSTS

Year	OIL			NATURAL GAS AECO Price (\$Cdn/MMBtu)	NATURAL GAS LIQUIDS at Edmonton (\$Cdn/Bbl)	INFLATION RATES ⁽¹⁾ %/Year	EXCHANGE RATE ⁽²⁾ (\$US/\$Cdn)
	WTI Cushing Oklahoma (\$US/Bbl)	Edmonton Par Price 40° API (\$Cdn/Bbl)	Hardisty Heavy 12° API (\$Cdn/Bbl)				
Forecast							
2009	57.08	67.85	45.72	7.27	69.50	2	0.825
2010	67.60	78.24	53.48	7.83	80.02	2	0.850
2011	75.58	84.96	58.70	8.21	86.86	2	0.875
2012	84.93	90.46	63.59	8.63	92.47	2	0.925
2013	93.81	95.73	67.41	9.07	97.86	2	0.967
2014	95.70	97.68	68.80	9.27	99.84	2	0.967
2015	97.62	99.66	70.34	9.47	101.88	2	0.967
2016	99.56	101.66	71.77	9.66	103.92	2	0.967
2017	101.53	103.66	73.23	9.87	105.94	2	0.967
2018	103.59	105.78	74.70	10.07	108.13	2	0.967
2019	105.65	107.90	76.21	10.28	110.27	2	0.967
2020	107.76	110.06	77.74	10.49	112.51	2	0.967
2021	109.90	112.23	79.28	10.69	114.70	2	0.967
2022	112.11	114.49	80.85	10.90	117.03	2	0.967
2023	114.37	116.81	82.51	11.13	119.38	2	0.967
Thereafter	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	2	0.967

Notes:

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.
- (3) Natural Gas Liquids is represented by the pentanes plus price.

Weighted average historical prices realized by True before hedging for the year ended December 31, 2008, were \$8.50/Mcf for natural gas, \$104.70/Bbl for light and medium gravity crude oil, \$70.96/Bbl for heavy oil and \$52.64/Bbl for natural gas liquids.

4. Estimated future abandonment costs related to a property have been taken into account by GLJ in determining reserves that should be attributed to a property and in determining the aggregate future net revenue therefrom, there was deducted the reasonable estimated future well abandonment costs for wells to which reserves were

assigned. No allowance was made, however, for reclamation of wellsites or the abandonment and reclamation of any facilities.

5. The impact of the optional Transitional Royalty Rate ("TRR") (announced by the Alberta Government on November 19, 2008) was not taken into account in the above calculations of future net revenue; however, GLJ did run a sensitivity analysis with respect to TRR and found that it would not have a material effect on the Trust's future net revenue. The impact of the short term incentive program announced by the Government of Alberta on March 3, 2009 was not included or considered in the calculation of reserves and future net revenue. See "Industry Conditions – Provincial Royalties and Incentives – Alberta".

Reconciliation of Changes in Reserves

The following table sets out the reconciliation of our gross reserves as at December 31, 2008 compared to December 31, 2007 based on forecast prices and costs by principal product type:

FACTORS	LIGHT AND MEDIUM OIL			HEAVY OIL			CONVENTIONAL NATURAL GAS		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2007	1,721	885	2,606	7,601	6,191	13,792	99,036	57,830	156,866
Discoveries	2	1	3	0	0	0	0	0	0
Extensions	36	17	53	245	(7)	238	2,369	675	3,044
Infill Drilling	13	4	17	0	0	0	1,685	849	2,534
Improved Recovery	0	0	0	4	2	6	81	106	187
Technical Revisions	9	(112)	(102)	(81)	(171)	(252)	4,200	(7,156)	(2,956)
Acquisitions	0	0	0	257	120	377	23	13	36
Dispositions	(79)	(18)	(97)	0	0	0	(12,901)	(4,846)	(17,747)
Economic Factors	35	14	49	67	31	98	633	453	1,086
Production	(248)	0	(248)	(1,058)	0	(1,058)	(16,157)	0	(16,157)
December 31, 2008	<u>1,490</u>	<u>791</u>	<u>2,280</u>	<u>7,035</u>	<u>6,165</u>	<u>13,200</u>	<u>78,969</u>	<u>47,923</u>	<u>126,892</u>

FACTORS	NATURAL GAS LIQUIDS			COAL BED METHANE		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2007	1,456	1,007	2,464	1,812	586	2,398
Discoveries	0	0	0	52	32	84
Extensions	44	24	68	0	0	0
Infill Drilling	30	9	39	0	0	0
Improved Recovery	4	7	11	0	0	0
Technical Revisions	172	(68)	104	41	(183)	(142)
Acquisitions	0	0	0	0	0	0
Dispositions	(96)	(30)	(126)	0	0	0
Economic Factors	9	8	16	0	0	0
Production	(274)	0	(274)	(249)	0	(249)
December 31, 2008	<u>1,344</u>	<u>957</u>	<u>2,301</u>	<u>1,656</u>	<u>435</u>	<u>2,090</u>

Note:

- (1) Gross Reserves in the tables above are the Trust's interest share before deduction of royalties and without including any royalty interests of the Trust.

Additional Information Relating to Reserves Data

The following tables set forth the proved undeveloped gross reserves and the probable undeveloped gross reserves, each by product type, attributed to True's assets for the years ended December 31, 2008, 2007 and 2006 and, in the aggregate, before that time based on forecast prices and costs.

Proved Undeveloped Reserves

Year	Light and Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Natural Gas ⁽¹⁾ (MMcf)		NGLs (Mbbbl)	
	First	At Year End	First	At Year End	First	At Year End	First	At Year End
	Attributed		Attributed		Attributed		Attributed	
Prior thereto	334	334	489	489	6,205	6,205	122	122
2006	143	248	3,608	3,914	1,620	5,405	35	66
2007	38	249	434	1,411	2,621	7,384	93	135
2008	-	211	1,419	2,505	1,979	9,053	37	182

Note:

- (1) Includes 52 MMcf of coal bed methane reserves which was first attributed to proved undeveloped reserves in 2008.

Probable Undeveloped Reserves

Year	Light and Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Natural Gas ⁽¹⁾ (MMcf)		NGLs (Mbbbl)	
	First	At Year End	First	At Year End	First	At Year End	First	At Year End
	Attributed		Attributed		Attributed		Attributed	
Prior thereto	317	317	1,172	1,172	19,773	19,773	230	230
2006	120	497	2,711	3,543	5,275	17,588	165	331
2007	13	380	1,491	2,515	6,168	18,238	208	391
2008	0	367	624	4,706	1,519	17,553	36	423

Note:

- (1) Includes 32 MMcf of coal bed methane reserves which was first attributed to probable undeveloped reserves in 2008.

Proved Undeveloped Reserves

A total of 9,053 MMcf of natural gas, 2,716 Mbbbl of oil and 182 Mbbbl of NGLs were assigned as proved undeveloped reserves as at December 31, 2008, representing approximately 19% of our total proved reserves. In estimating future net revenue GLJ reviewed True's future development plans in order to estimate and deduct future development costs. Therefore the future development costs as set under "Future Development Costs" are consistent with True's future development plans. Much of the proved undeveloped reserves are generally associated with infill/development drilling locations supported by offset well data. The largest portion of the capital associated with developing proved undeveloped reserves is expected to be spent in 2010 with carryover into 2011. Under the GLJ Report approximately 76% of the capital is scheduled to be spent over the next two years and 88% is scheduled to be spent over the next three years.

The west central region of Alberta is a significant producing and development area for True. Development drilling in both the proved and probable cases is anticipated for both shallow and moderate depth gas in Pembina, Brazeau, Ferrier and Willesden Green. The majority, 55%, of the proved activity is expected in the next two years and over 90% is expected in the next three. The programs are staged as part of sound development practices. A seven well Cardium oil well infill drilling program is forecast in Pembina in early 2010. The timing considers good engineering practice and waterflood injection capacity. A similar program is expected in the probable reserve case.

Heavy oil development of the proved undeveloped reserves in Kerrobert is expected with drilling in 2010 and 2011. Timing considers optimizing injectors and use of the steam generation facilities as current producers' steam requirements decrease.

An infill drilling program and enhanced recovery project is anticipated by GLJ in the proved case for Mantario; a heavy oil property in western Saskatchewan. Ninety percent of these expenditures occur over 2009 to 2010.

Southeast Alberta shallow gas assets have infill drilling activity forecast from late 2009 to early 2011, considering infrastructure capacity and the forecast for rising prices.

The Two Hills property has infill wells forecast to be drilled next year to capture gas that would otherwise be stranded due to water encroachment in existing wells. In the probable case an additional well is also forecast in 2010.

Although True expects the development of its proved undeveloped reserves to be consistent with that set out above, current industry conditions and other uncertainties as indicated under "Risk Factors" herein could result in development of True's proved undeveloped reserves on a different schedule than set out above.

Probable Undeveloped Reserves

A total of 17,553 MMcf of natural gas, 5,073 Mbbbl of oil and 427 Mbbbl of NGLs were assigned as gross probable undeveloped reserves in 2008, representing approximately 53% of our total probable reserves or 21% of total proved plus probable reserves.

A number of the projects in this category are timed to follow projects from the proved undeveloped program and therefore carryover into 2011 and 2012. 44% of the capital to develop probable undeveloped reserves is scheduled to be spent over the next two years and 87% is scheduled to be spent over the next three years.

Much of these reserves are associated with infill/development drilling locations supported by offset well data. This category also includes an additional probable component for some wells with reserves assigned as Proved Undeveloped.

As was the case with proved undeveloped, the west central Alberta region has significant probable undeveloped reserves. Additional drilling and completion reserves have been assigned in Brazeau, Ferrier, Pembina and Willesden Green areas. These expenditures are scheduled by GLJ primarily in the 2009 to 2011 time frame.

At the Kerrobert thermal recovery project, development drilling of two SAGD well pairs is projected in 2013. Enhanced recovery by implementation of cyclic steam injection is forecast for 2012; the timing is influenced by optimizing use of steam generation facilities.

Although True expects the development of its probable undeveloped reserves to be consistent with that set out above, current industry conditions and other uncertainties as indicated under "Risk Factors" herein could result in development of True's probable undeveloped reserves on a different schedule than set out above.

Significant Factors or Uncertainties

While we do not anticipate any significant economic factors or significant uncertainties will affect any particular components of the reserves data, the reserves can be affected significantly by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes and well performance that are beyond our control (see "Risk Factors").

Future Development Costs

The following table sets forth development costs deducted in the estimation of our future net revenue attributable to the reserve categories noted below:

<u>Year</u>	<u>Proved Reserves (\$000s)</u>	<u>Proved Plus Probable Reserves (\$000s)</u>
2009	9,499	13,348
2010	36,494	64,291
2011	12,088	23,031
2012	1,096	15,802
2013	1,607	9,536
Thereafter	1,975	5,570
Total: Undiscounted	62,759	131,578

We expect to be able to fund our capital expenditure program, including estimated future development costs, using cash flow from operations and available credit facilities. Equity financing may also be used to fund operations. If cash flows are other than projected, capital expenditure levels will be adjusted. Our practice of continually monitoring spending opportunities in comparison to expected cash flow levels allows for adjustments to the capital program as required.

We do not expect that the costs of funding our capital expenditures will have a material effect on the economics of the programs.

Other Oil and Gas Information

Principal Properties

The Trust's properties are located onshore within the Western Canadian Sedimentary Basin. Our principal properties are described below as at December 31, 2008. Production stated is average annual sales volumes for the year ended December 31, 2008 received in respect of our company share, including minor royalty volumes received and before deduction of royalties. Unless otherwise specified, gross and net acres are as at December 31, 2008.

ALBERTA

Willesden Green

The Willesden Green area is located approximately forty five kilometres north of Rocky Mountain House, Alberta. This property produces liquids-rich natural gas from four deep zones (1,800 to 2,800 metres), including the Cardium, Notikewin, Ellerslie and Rock Creek, and sweet dry natural gas from five shallower horizons (300 to 1,200 metres), including the Paskapoo, Ardley, Horseshoe Canyon, Edmonton and Belly River. True has 26,080 gross (13,769 net) acres of developed land and 12,000 gross (7,636 net) acres of undeveloped land. A Cardium gas development well is planned for 2009 along a prolific conglomerate trend.

Nine new Edmonton Sand gas wells have been drilled on True lands, five of which were drilled in Q1 of 2009. The wells are currently on production or being tied in.

True owns interests in and operates three compressor stations in the area. This liquids rich gas is processed to pipeline specification at third party plants.

Production from this area averaged 1,560 BOE/d, 97% natural gas and gas products and 3% light oil, the majority of which is operated by True.

Ferrier

Located 35 kilometres northwest of Rocky Mountain House, Alberta, the Ferrier area produces gas and natural gas liquids from the Belly River, Notekewin/Fahler, and Rock Creek zones at depths ranging from 1,800 to 2,700 metres. Two of three wells drilled in 2008 encountered gas in four zones. Area production averaged 835 BOE/d, 78% natural gas, the remainder natural gas products. The gas is processed at third party facilities. Land holdings are 16,640 gross (10,224 net) acres of developed land and 23,816 gross (10,081 net) acres of undeveloped land.

Pembina

Pembina is located about 25 kilometres west of Drayton Valley, Alberta. Reserves occur in several horizons down to the Rock Creek at approximately 2,500 metres. In 2008, production averaged 993 BOE/d, 63% gas, 26% light oil and 11% natural gas liquids. This is processed at third party gas plants. True holds 21,217 gross (10,116 net) acres of developed land and 12,240 gross (5,858 net) acres of undeveloped land in this area. Five wells drilled in this area in 2008 yielded one light oil discovery and four gas discoveries in the Cretaceous and Jurassic units.

Brazeau

The Brazeau area, located approximately 50 kilometres southwest of Drayton Valley, Alberta, had a Notikewin gas discovery drilled in 2008 that flow tested 3 MMcf/d; the well has been tied in. Land holdings are 11,360 gross (5,986 net) acres of developed land and 10,720 gross (6,818 net) acres of undeveloped land. In 2008, production averaged 543 BOE/d, 23% light oil, 11% natural gas liquids and 66% natural gas. Principal formations are the Rock Creek and Notikewin Zones at depths of 2,700 metres and 2,450 metres respectively. Production is routed to existing third party facilities in the area for processing.

Rattlesnake

This is the largest of four natural gas producing areas in southeast Alberta, located approximately 40 kilometres southwest of Medicine Hat. In 2008, production averaged 513 BOE/d from shallow gas. Land holdings averaged 51,607 gross (27,779 net) acres of developed land and 13,833 gross (13,673 net) acres of undeveloped land. The Second White Specks is the key producing horizon at Rattlesnake but the Medicine Hat and Milk River formations also significantly contribute to production. True operates booster compression in this area which delivers gas to a joint interest non-operated processing facility.

Saddle Lake and Whitefish Lake

This natural gas property is located in the vicinity of St. Paul, Alberta, on the Saddle Lake First Nation and the Whitefish Lake First Nation northeast of Edmonton in two blocks about 30 kilometres apart. True holds a 50% interest in a joint venture with Keyano Pimee Exploration Company Ltd., a company that is owned by the Saddle Lake and Whitefish Lake First Nations. The leases on the joint venture lands provide for payment of royalties to Indian Oil and Gas Canada ("IOGC"). The royalties payable to IOGC are Alberta Crown equivalent, calculated using the rules and regulations applicable to Alberta Crown royalties. True cased five of six wells drilled in 2008; two have been tied in and put on production in January 2009 with combined production of 1 MMcf/d to True.

In 2008, production averaged 3.8 MMcf/d (629 BOE/d) from wells ranging in depth from 550 to 700 metres. The area features multiple productive horizons that include some non-producing reserves which will be deferred until lower zones in existing wells are depleted. True operates all the wells and three compressor/dehydrator stations. The property is comprised of 30,085 gross (14,914 net) acres of developed land and 30,234 gross (15,757 net) acres of undeveloped land.

Doris

This property is located 160 kilometres northwest of Edmonton, Alberta. In 2008, production averaged 453 BOE/d primarily consisting of natural gas. Doris is prospective in multiple zones including coal bed methane which is offsetting a major company's development project at Corbett Creek. True is conducting a technical evaluation of the coal bed methane potential in the Mannville Coals. Production is compressed at one True owned compressor for delivery to a gas processing plant in which True owns an interest. True's land holdings are 33,760 gross (29,338 net) acres of developed land and 64,960 gross (49,737 net) acres of undeveloped land in this area.

SASKATCHEWAN

Kerrobot

Kerrobot is located approximately 40 kilometres north of the town of Kindersley, Saskatchewan. The property consists of 6,285 gross (4,695 net) developed acres and 13,379 gross (13,035 net) undeveloped acres of land. Kerrobot production averaged 1,856 Bbls/d of heavy oil from the McLaren (Waseca) channel, 71 Bbls/d of light oil from the Viking zone and a small amount of gas for a total of 1,936 BOE/d in 2008.

In 2007 True completed the expansion of the SAGD thermal enhanced recovery project to Section 1-33-24W3M including an expansion of the existing steam facility. This property is considered important for continued development of enhanced recovery including the implementation of a cyclic steam stimulation project. Timing will be based on oil prices and optimizing the use of steam generation capacity. In another area of the McLaren channel reservoir on existing land holdings True has entered into a joint venture agreement with Petrobank that will test the THAI™ (Toe to Heel Air Injection) in-situ combustion technology for enhanced oil recovery. See "General Development of Our Business – Post 2005 Arrangement – Joint Venture Agreement".

True drilled three horizontal light oil wells in 2008 collectively encountering 2,900 metres of Viking oil pay. Production was effected by mechanical problems encountered during the multi stage stimulation completions. True currently plans additional drilling of up to three additional horizontal wells the first of which could spud in Q4 2009.

Mantario

Mantario is located 45 kilometres southeast of Kindersley, Saskatchewan near the Alberta border. In 2008, production averaged 653 BOE/d of which about 95% is heavy oil and 5% is natural gas. The Rex formation at approximately 850 metres depth is the principal producing zone. In 2008 True acquired the interests of a partner in this property. Two wells were drilled in 2008; one is producing in excess of 100 BOPD (100% working interest) and the other was abandoned. Mantario consists of 1,606 gross (1,485 net) acres of developed land and 7,373 gross (7,373 net) acres of undeveloped land and includes an oil treatment facility and compression/dehydration station owned and operated by True.

Smiley

The Smiley property, located about 35 kilometres northwest of Kindersley, Saskatchewan, produces natural gas, light and heavy oil. The property consists of 13,184 gross (9,396 net) acres of developed land and 18,248 gross (16,400 net) acres of undeveloped land. Productive formations in the Smiley area include the Viking, Colony, Waseca, Detrital and Bakken at depths of 700 to 900 metres.

True owns and operates the main facility for compressing, dehydrating and sweetening natural gas and solution gas in the Smiley area. In addition True owns and operates a heavy oil processing facility to which the majority of the oil production is delivered via flow lines. In 2008, production averaged 576 BOE/d of which 55% is heavy oil and 45% is natural gas.

Coleville

The Coleville area, located approximately 25 kilometres northwest of Kindersley, Saskatchewan, produces primarily natural gas from shallow 700 to 825 metre Bakken and Mannville zones. Production averaged 5.3 MMcf/d of natural gas and 9 Bbl/d of heavy oil for a total of 893 BOE/d. The property consists of 22,321 gross (18,748 net) acres of developed land and 23,966 gross (17,736 net) acres of undeveloped land. Coleville facilities include a wholly owned and operated natural gas compressor station with dehydration and sweetening capabilities.

Oil and Gas Wells

The following table sets forth the number and status of oil wells and gas wells in which we have a working interest as at December 31, 2008.

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Saskatchewan	223	121.77	91	62.12	49	33.62	74	59.47
Alberta	294	72.75	127	30.47	953	490.72	203	131.15
British Columbia	0	0.00	0	0.00	19	5.33	13	5.10
Total	517	194.52	218	92.59	1,021	529.67	290	195.71

Developed and Undeveloped Lands

The following table sets out our developed and undeveloped land holdings as at December 31, 2008.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	407,882	230,501	333,664	228,537	741,545	459,039
British Columbia	21,265	8,199	152,190	63,335	173,455	71,534
Saskatchewan	75,145	60,753	100,234	85,891	175,379	146,644
Total	504,292	299,453	586,088	377,763	1,090,379	677,216

Note:

- (1) May not add due to rounding.

We presently have no material work commitments in respect of our undeveloped land holdings.

We expect that rights to explore, develop and exploit 48,745 net acres of our undeveloped land holdings may expire by December 31, 2009. We plan to drill or submit application to continue selected portions of this acreage.

Forward Contracts and Marketing

Our commodity marketing strategy is to sell production in the spot market, complemented from time to time by price risk management instruments.

True Energy periodically hedges the price on a portion of our crude oil and natural gas production. True Energy hedged an average of 46% of total crude oil and natural gas liquids production and an average of 47% of total natural gas production during the twelve months ended December 31, 2008.

As at December 31, 2008, the Trust had entered into commodity price risk management arrangements as follows.

The following are the physical fixed price natural gas contracts outstanding at December 31, 2008.

Type	Period	Volume	Price Floor	Price Ceiling	Index
Fixed	July 01, 2009 to September 30, 2009	5,275 GJ/day	\$ 7.29 CDN	\$ 7.29 CDN	AECO
Fixed	October 1, 2009 to December 31, 2009	5,275 GJ/day	\$ 7.90 CDN	\$ 7.90 CDN	AECO

Subsequent to December 31, 2008 and prior to the date hereof, the Trust entered into a financial crude oil contract as follows.

Type	Period	Volume	Price Floor	Price Ceiling	Index
Collar	March 01, 2009 to December 31, 2009	500 bbl/d	\$ 42.50 US	\$ 65.60 US	WTI

The following are the financial natural gas contracts outstanding at December 31, 2008.

Type	Period	Volume	Price Floor	Price Ceiling	Index
Fixed	Jan. 01, 2009 to March 31, 2009	5,275 GJ/day	\$ 7.61 CDN	\$ 7.61 CDN	AECO
Fixed	Jan. 01, 2009 to March 31, 2009	5,275 GJ/day	\$ 7.86 CDN	\$ 7.86 CDN	AECO
Fixed	April 01, 2009 to June 30, 2009	5,275 GJ/day	\$ 7.01 CDN	\$ 7.01 CDN	AECO
Fixed	April 01, 2009 to June 30, 2009	5,275 GJ/day	\$ 7.015 CDN	\$ 7.015 CDN	AECO
Fixed	July 01, 2009 to Sept. 30, 2009	5,000 GJ/day	\$7.49 CDN	\$7.49 CDN	AECO
Fixed	Oct. 01, 2009 to Dec. 31, 2009	5,000 GJ/day	\$8.09 CDN	\$8.09 CDN	AECO
Fixed	Jan. 01, 2010 to March 31, 2010	5,000 GJ/day	\$ 8.00 CDN	\$ 8.00 CDN	AECO

Subsequent to December 31, 2008 and prior to the date hereof, the Trust entered into additional financial natural gas price risk management contracts as follows.

Type	Period	Volume	Price Floor	Price Ceiling	Index
Fixed	March 01, 2009 to Sept. 30, 2009	4,500 GJ/day	\$ 5.00 CDN	\$ 5.00 CDN	AECO
Fixed	March 01, 2009 to June 30, 2009	5,000 GJ/day	\$ 4.89 CDN	\$ 4.89 CDN	AECO
Fixed ⁽¹⁾	March 01, 2009 to Dec. 31, 2009	5,000 GJ/day	\$ 5.90 CDN	\$5.90 CDN	AECO
Fixed	July 01, 2009 to Sep. 30, 2009	5,000 GJ/day	\$ 5.41 CDN	\$ 5.41 CDN	AECO
Fixed	Oct 01, 2009 to Dec. 31, 2009	5,000 GJ/day	\$ 6.26 CDN	\$ 6.26 CDN	AECO
Fixed	Jan. 01, 2010 to March 31, 2010	5,000 GJ/day	\$ 7.16 CDN	\$ 7.16 CDN	AECO
Fixed	April 01, 2010 to June 30, 2010	5,000 GJ/day	\$ 6.59 CDN	\$ 6.59 CDN	AECO

Note:

- (1) True Energy sold a call to fund this Fixed Price Swap for the term of January 01, 2010 to December 31, 2010 on a volume of 5,000 GJ/day with a strike price of \$8.05 CDN/GJ.

Additional Information Concerning Abandonment and Reclamation Costs

We have included the estimated future well abandonment costs for existing and future reserves wells in the economic forecasts. We use our historical cost information on an area by area basis as the means for estimating the future abandonment costs. When this information is not available, the estimate is determined with reference to appropriate regulatory standards and requirements. Additional abandonment and reclamation costs associated with non-reserves wells, reclamation costs for wells with reserves and facility abandonment and reclamation expenses have not been included in the reserve report analysis.

In the GLJ Report, the number of existing and future net oil and gas wells for which revenues and costs are forecast, including future well abandonment costs, varies by year depending on when wells commence and end production. In the calculation of future net revenue from proved and proved plus probable reserves, GLJ deducted the abandonment costs associated with 642 and 692 net producing wells, respectively in the proved and proved plus probable forecasts. The total amount of such costs, all of which is deducted in the calculation of future net revenue from proved and proved plus probable reserves report is \$26.719 million (\$9.243 million discounted at 10%) and \$33.407 million (\$8.958 million discounted at 10%), respectively. In the next three financial years, these costs are as follows:

Year	Total Proved (\$000's)	Total Proved Plus Probable (\$000's)
2009	956	857
2010	585	503
2011	1,125	694
Subtotal	2,666	2,054
Remainder	24,053	31,353
Total (Undiscounted)	26,719	33,407
Total, discounted at 10%	9,243	8,958

We currently have 1,189 net wells for which we expect to incur abandonment and reclamation costs, which includes some wells which have not been included in GLJ's calculation of abandonment costs as no reserves are attributable to such wells. At December 31, 2008, the estimated total undiscounted amount required to settle the asset retirement obligations (being abandonment and reclamation costs for net producing and shut-in wells and facilities) of the Trust is approximately \$77.6 million, of which \$33.7 million has been recorded. The incremental costs for future site restoration for surface leases and pipelines, reduced by the estimated salvage values for all included wells and facilities, is estimated to be nominal.

Tax Horizon

The Trust is a taxable entity under the Tax Act and is taxable only on income that is not distributed or distributable to the Unitholders. As the Trust distributes all of its taxable income to the Unitholders pursuant to the Trust Indenture and currently satisfies the requirements of the Tax Act applicable to the Trust, the Trust does not expect to pay income taxes until the earlier of January 1, 2011 or if and when it ceases to be a trust. The SIFT Tax will not impose a tax on distributions from entities, such as the Trust, until January 1, 2011 as long as that the Trust experiences only "normal growth" as set out in the Guidelines (as defined under "Risk Factors – Federal Tax Changes"). Commencing in January 2011, the Trust will be liable for tax on all distributions of income paid or payable to Unitholders, which distributions the Trust will no longer be able to deduct in computing its taxable income. See "Risk Factors – Federal Tax Changes". The Trust currently has significant tax pools and expects to continue to increase its tax pool base until 2011. Accordingly, it is expected that the Trust will be able to shelter income for a period of time after the application of the SIFT Tax.

In March 2009, the Trust suspended distributions to Unitholders. As such, income earned by True Energy will not be flowed to the Trust. However, we do not expect True Energy to pay income tax for the 2009 financial year as True Energy's tax pools are expected to be sufficient to shelter any such income.

Capital Expenditures

The following table summarizes capital expenditures (excludes non-cash expenditures relating to asset retirement obligations and capitalized unit based compensation) related to our assets and activities for the year ended December 31, 2008:

	\$000s
Property acquisition costs	
Proved properties	5,714
Undeveloped properties	1,244
Exploration costs	318
Development costs	35,137
Dispositions	(44,340)
Corporate Assets	589
Total	\$ (1,338)

Exploration and Development Activities

The following table sets forth the gross and net exploratory and development wells in which True Energy has an interest that were drilled during the year ended December 31, 2008.

	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Light and Medium Oil	-	-	4	4.00
Natural Gas	8	2.96	19	4.09
Heavy Oil	1	0.75	-	-
Service	-	-	1	1.00
Dry	2	1.50	3	2.75
Total	11	5.21	27	11.84

The following table sets forth the gross and net exploratory wells, included in the table above, in which True did not incur any capital expenditures; True has a royalty interest in eight wells. On one of such wells, True has no obligation for any capital expenditures associated with such well prior to the commencement of production. Details are as follows:

Natural Gas Wells

	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Non Convertible Gross Over Riding				
Royalty Interest Wells	1	-	7	-
Carried on Capital Cost	-	-	1	0.20
Total	1	0.00	8	0.20

For details on the important current and likely exploration and development activities during 2008, see "Statement of Reserves Data and Other Oil and Gas Information – Other Oil and Gas Information – Principal Properties".

Production Estimates

The following table sets out the volume of our production estimated for the year ended December 31, 2009, which is reflected in the estimate of gross proved reserves and gross proved plus probable reserves disclosed in the tables contained under "Disclosure of Reserves Data" above.

Reserves Category	Light And Medium Oil (Bbls/d)	Heavy Oil (Bbls/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	Total (BOE/d)
Total Proved	530	2,705	37,002	601	10,003
Total Proved Plus Probable	578	2,872	39,937	629	10,735

No individual property accounts for more than 20% of the estimated production disclosed.

Production History

The following tables summarize certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback, before hedging, associated with our assets for the periods indicated below:

	Quarter Ended			
	2008			
	Dec. 31	Sept. 30	June 30	Mar. 31
Average Daily Production⁽¹⁾				
Light and Medium Crude Oil (Bbls/d)	734	760	1,116	1,391
Heavy Oil (Bbls/d)	3,220	2,820	2,721	2,824
Natural Gas (Mcf/d)	38,419	43,715	46,515	52,252
NGLs (Bbls/d)	394	397	333	628
Combined (BOE/d)	10,750	11,263	11,922	13,552
Average Price Received				
Light and Medium Crude Oil (\$/Bbl)	64.69	124.88	123.47	98.06
Heavy Oil (\$/Bbl)	36.52	92.51	99.37	61.55
Natural Gas (\$/Mcf)	6.98	8.97	9.94	7.97
NGLs (\$/Bbl)	11.09	74.40	65.69	58.17
Combined (\$/BOE)	40.70	69.03	74.85	56.31
Royalties Paid				
Light and Medium Crude Oil (\$/Bbl)	21.76	20.49	24.71	18.87
Heavy Oil (\$/Bbl)	7.61	16.09	21.57	8.91
Natural Gas (\$/Mcf)	1.44	1.67	1.90	1.99
NGLs (\$/Bbl)	5.16	39.93	12.79	24.12
Combined (\$/BOE)	9.07	13.32	15.01	12.57
Operating Expenses				
Light and Medium Crude Oil (\$/Bbl)	27.15	35.55	18.61	20.99
Heavy Oil (\$/Bbl)	17.61	25.49	23.46	19.60
Natural Gas (\$/Mcf)	3.05	1.47	1.93	1.87
NGLs (\$/Bbl)	2.06	13.32	10.02	7.42
Combined (\$/BOE)	18.11	14.95	14.90	13.78
Netback Received before Transportation				
Light and Medium Crude Oil (\$/Bbl)	15.78	68.84	80.15	58.20
Heavy Oil (\$/Bbl)	11.30	50.93	54.34	33.04
Natural Gas (\$/Mcf)	2.49	5.83	6.11	4.11
NGLs (\$/Bbl)	3.87	21.15	42.88	26.63
Combined (\$/BOE)	13.52	40.76	44.94	29.96
Transportation Costs - add / (deduct)				
Light and Medium Crude Oil (\$/Bbl)	(0.28)	(2.30)	(1.45)	(4.49)
Heavy Oil (\$/Bbl)	(2.24)	(4.04)	(3.52)	(2.85)
Natural Gas (\$/Mcf)	(0.14)	(0.33)	(0.34)	0.10
NGLs (\$/Bbl)	-	-	-	-
Combined (\$/BOE)	(1.21)	(2.45)	(2.28)	(0.68)
Netback Received after Transportation⁽²⁾				
Light and Medium (\$/Bbl)	15.50	66.54	78.70	53.71
Heavy Oil (\$/Bbl)	9.06	46.89	50.82	30.19
Natural Gas (\$/Mcf)	2.35	5.50	5.77	4.21
NGLs (\$/Bbl)	3.87	21.15	42.88	26.63
Combined (\$/BOE)	12.31	38.31	42.66	29.28

Notes:

- (1) Includes minor royalty volumes received but does not deduct royalty volumes paid.
- (2) Netbacks are calculated by subtracting royalties, operating and transportation costs from revenues.

The following table indicates average daily company share production from important fields in respect of our assets for the year ended December 31, 2008. Company share production includes minor royalty volumes received but does not deduct royalty volumes paid.

	Light and Medium Crude Oil (Bbls/d)	Heavy Oil (Bbls/d)	Condensate (Bbls/d)	Natural Gas (Mcf/d)	NGLs (Bbls/d)	BOE (BOE/d)
West Central Saskatchewan Region						
Smiley	-	314	-	1,572	-	576
Coleville	-	9	-	5,304	-	893
Kerrobot	71	1,856	-	40	2	1,936
Mantario	-	623	-	182	-	653
Other Properties	37	12	6	1,584	-	319
	<u>108</u>	<u>2,814</u>	<u>6</u>	<u>8,682</u>	<u>2</u>	<u>4,377</u>
West Central Alberta Region						
Willesden Green	54	-	123	7,424	146	1,560
Pembina	260	-	67	3,726	45	993
Brazeau	123	-	32	2,146	30	543
Ferrier	-	-	69	3,921	112	835
Other Properties	27	-	10	2,198	44	461
	<u>464</u>	<u>-</u>	<u>301</u>	<u>19,415</u>	<u>377</u>	<u>4,392</u>
Northern Region						
Saddle Lake & Whitefish Lake	-	-	-	3,771	-	629
Doris	7	-	-	2,653	4	453
Other Properties	90	-	-	2,303	25	485
	<u>97</u>	<u>-</u>	<u>-</u>	<u>8,727</u>	<u>29</u>	<u>1,567</u>
East Central & Southern Alberta Region and Miscellaneous Regions						
Rattlesnake	-	-	-	3,080	-	513
Other Properties	12	83	11	5,298	29	1,018
	<u>12</u>	<u>83</u>	<u>11</u>	<u>8,378</u>	<u>29</u>	<u>1,531</u>
TOTALS⁽¹⁾	<u>681</u>	<u>2,897</u>	<u>318</u>	<u>45,202</u>	<u>437</u>	<u>11,867</u>

Note:

- (1) May not add due to rounding.

Crude oil production from our assets for the year ended December 31, 2008 was 19% light and medium quality crude oil (25° API or greater) and 81% heavy crude oil (less than 15° API).

For the twelve months ended December 31, 2008, approximately 39% of gross revenue from our assets was derived from crude oil and natural gas liquids production and 61% was derived from natural gas production.

ADDITIONAL INFORMATION RESPECTING THE TRUST

The following is a summary description of certain provisions of the Trust Indenture and does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Trust Indenture. A copy of the Trust Indenture is available on SEDAR at www.sedar.com.

Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture.

Voting

Each Trust Unit shall entitle the holder thereof to one vote at all meetings of the holders of Trust Units.

Distributions

Each Trust Unit represents an equal fractional undivided beneficial interest in any distribution from the Trust (whether of net income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority.

Pre-Emptive Rights, Redemption and Conversion

Each Trust Unit is not subject to pre-emptive or conversion rights and entitles the holder thereof to require the Trust to redeem any or all of the Trust Units held by such holder. See "*Redemption Right*".

Nature of Trust Units

The Trust Units do not represent a traditional investment and should not be viewed by investors as "shares" in either True Energy or the Trust. As holders of Trust Units in the Trust, the Trust Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The price per Trust Unit will be a function of anticipated distributable income from True Energy and the ability of True Energy to effect long term growth in the value of the Trust. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates, commodity prices and the ability of the Trust to acquire additional assets. Changes in market conditions may adversely affect the trading price of the Trust Units.

The Trust Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Special Voting Rights

In order to allow the Trust flexibility in pursuing corporate acquisitions, the Trust Indenture allows for the creation of Special Voting Rights entitling the holders thereof to such number of votes at meetings of Unitholders as may be prescribed by True Energy and as are set out in any applicable voting and exchange trust agreement in respect of the Special Voting Rights and also have such other rights or limitations and may be issued on such terms and may take such form as True Energy may determine and as are set out in the applicable voting and exchange trust agreement. Special Voting Rights will enable the Trust to provide voting rights to holders of Exchangeable Shares and, in the future, to holders of other exchangeable shares that may be issued by True Energy or other subsidiaries of the Trust in connection with other exchangeable share transactions.

An unlimited number of Special Voting Rights may be created and issued pursuant to the Trust Indenture. A single Special Voting Unit was issued to the Voting and Exchange Trust Agreement Trustee for the benefit of the holders of the Exchangeable Shares issued in connection with the 2004 Arrangement and which entitles the holders of the Exchangeable Shares to instruct the Voting and Exchange Trust Agreement Trustee to vote a number of votes in respect of each Exchangeable Share equal to the number of Trust Units issuable at the applicable record date in respect of each Exchangeable Share held. Holders of Special Voting Units shall not be entitled to any distributions of any nature whatsoever from the Trust or have any beneficial interest in any assets of the Trust upon its termination.

Trust Unitholder Limited Liability

The Trust Indenture provides that no Unitholder, in its capacity as such, shall incur or be subject to any liability in contract or in tort or of any other kind whatsoever to any person in connection with the properties and assets of the Trust or the obligations or the affairs of the Trust or with respect to any act performed by the Trustee or by any other person pursuant to the Trust Indenture or with respect to any act or omission of the Trustee or any other person in the

performance or exercise, or purported performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustee or such other person thereunder or with respect to any transaction entered into by the Trustee or by any other person pursuant to the Trust Indenture. Pursuant to the Trust Indenture, no Unitholder shall be liable to indemnify the Trustee or any such other person with respect to any such liability or liabilities incurred by the Trustee or by any such other person or persons or with respect to any taxes payable by the Trust or by the Trustee or by any other person on behalf of or in connection with the Trust. Notwithstanding the foregoing, to the extent that any Unitholders are found by a court of competent jurisdiction to be subject to any such liability, such liability shall be enforceable only against, and shall be satisfied only out of, the properties and assets of the Trust, and the Trust (to the extent of the properties and assets of the Trust) is liable to, and shall indemnify and save harmless any Unitholder against any costs, damages, liabilities, expenses, charges or losses suffered by any Unitholder from or arising as a result of such Unitholder not having any such limited liability.

The Trust Indenture provides that every written contract entered into by or on behalf of the Trust, whether by the Trustee, the Administrator or otherwise, shall (except as the Trustee or the Administrator may otherwise determine) include a provision to the effect that such obligation will not be binding upon Trust Unitholders personally. Notwithstanding the terms of the Trust Indenture, Trust Unitholders may not be protected from liabilities of the Trust to the same extent a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to Trust Unitholders of this nature arising is considered unlikely in view of the fact that the primary activity of the Trust is to hold securities, and all of the business operations of the Trust are carried on by True Energy directly or indirectly. In addition, the *Income Trust Liability Act* (Alberta) was proclaimed in Alberta on June 30, 2004. The *Income Trust Liability Act* (Alberta) provides that the beneficiary of a trust that is (a) created by a trust instrument governed by the laws of Alberta, and (b) a reporting issuer as defined in the *Securities Act* (Alberta), is not liable as a beneficiary for any act, default, obligation or liability of the trustee.

The activities of the Trust and the Administrator are conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Trust Unitholders for claims against the Trust including by obtaining appropriate insurance, where available, for the operations of True Energy and having contracts signed by or on behalf of the Trust include a provision that such obligations are not binding upon Trust Unitholders personally.

Issuance of Trust Units

The Trust Indenture provides that Trust Units, including rights, Special Voting Rights, warrants, special warrants, subscription receipts, instalment receipts, exchangeable securities or other securities to purchase, to convert into, redeem for, or to exchange into Trust Units, may be created, issued, sold and delivered on such terms and conditions and at such times as the Administrator may determine. The Trust Indenture also provides that the Administrator may authorize the creation and issuance of debentures, notes and other evidences of indebtedness of the Trust, which debentures, notes or other evidences of indebtedness may be created and issued from time to time on such terms and conditions to such persons and for such consideration as the Administrator may determine.

Distributions on Trust Units

The Trustee may, upon recommendation of the Administrator, declare payable to the Unitholders all or any part of the net income of the Trust earned from interest income on the Notes, from the income generated under the NPI Agreement and from any dividends paid on the common shares of True Energy, less all expenses and liabilities of the Trust due and accrued and which are chargeable to the net income of the Trust. In addition, Unitholders may, at the discretion of the board of directors of True Energy, receive distributions in respect of prepayments of principal on the Notes made by True Energy to the Trust before the maturity of the Notes. The Trust may also invest in or acquire royalties, and amounts paid thereon may also constitute part of the net income of the Trust available for distribution to Unitholders.

If declared, cash distributions are payable on a monthly basis to Unitholders of record on the last business day of each month. The board of directors of True Energy on behalf of the Trust reviews the Trust's distribution policy from time to time. The actual amount distributed will be dependent on various factors including the commodity price environment and is at the discretion of the board of directors of True Energy. See "*Distributions to Unitholders*".

Pursuant to our credit facilities, the Trust is restricted from making distributions to Unitholders in the following circumstances: (i) after the Trustee has received notice that a demand has been made under the credit facilities; (ii) after the Trustee has received notice of a default or event of default under the credit facilities or of the borrowings thereunder exceeding the borrowing base established from time to time by the lender; and (iii) if such distribution would result in a default or event of default under the credit facilities or would impair the ability of the Corporation to satisfy its obligations under the credit facilities.

Redemption Right

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of the certificate or certificates representing such Trust Units, accompanied by a duly completed and properly executed notice requiring redemption. Upon receipt of the notice to redeem Trust Units by the Trust, the holder thereof shall only be entitled to receive a price per Trust Unit (the "**Market Redemption Price**") equal to the lesser of: (a) 90% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately after the date on which the Trust Units are tendered to the Trust for redemption; and (b) the closing market price on the principal market on which the Trust Units are quoted for trading on the date that the Trust Units are so tendered for redemption.

For the purposes of this calculation, "market price" will be an amount equal to the simple average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the market price shall be the simple average of the following prices established for each of the 10 trading days: the average of the last bid and last ask prices for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The closing market price shall be an amount equal to the closing price of the Trust Units if there was a trade on the date; an amount equal to the average of the highest and lowest prices of the Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; and the average of the last bid and last ask prices if there was no trading on the date.

The Market Redemption Price payable by the Trust in respect of any Trust Units tendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month. The entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitation that the total amount payable by the Trust in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed \$250,000, provided that the Administrator may, in its sole discretion, waive such limitation in respect of any calendar month. If this limitation is not so waived, the Market Redemption Price payable in respect of Trust Units tendered for redemption in such calendar month shall be paid on the last day of the following month as follows: (a) firstly, by the Trust distributing the Notes or such series of promissory notes of the Corporation ("**Other Notes**") as the Corporation may issue to the Trust in payment of the Notes, and (b) secondly, to the extent that the Trust does not hold Notes having a sufficient principal amount outstanding to effect such payment, by the Trust issuing its own promissory notes to the Unitholders who exercised the right of redemption having an aggregate principal amount equal to any such shortfall, which promissory notes (herein referred to as "Redemption Notes") shall have terms and conditions substantially identical to those of the Notes and/or Other Notes.

If at the time Trust Units are tendered for redemption by Unitholders the outstanding Trust Units are not listed for trading on the TSX and are not traded or quoted on any other stock exchange or market which the Corporation considers, in its sole discretion, provides a representative fair market value price for the Trust Units or trading of the outstanding Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed for trading or, if not so listed, on any market on which the Trust Units are quoted for trading, on the date such Trust Units are tendered for redemption or for more than five trading days during the 10 trading day period, commencing immediately after the date such Trust Units were tendered for redemption, then such Unitholders shall, instead of the Market Redemption Price, be entitled to receive a price per Trust Unit (the "**Appraised Redemption Price**") equal to 90% of the fair market value thereof as determined by the Corporation as at the date on which such Trust Units were tendered for redemption. The aggregate Appraised Redemption Price payable by the Trust in respect of Trust Units tendered for redemption in

any calendar month shall be paid on the last day of the third following month by, at the option of the Trust: (a) a cash payment; or (b) a distribution of Notes, Other Notes and/or Redemption Notes as described above.

It is anticipated that this redemption right will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Notes/Other Notes or Redemption Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such Notes, Other Notes or Redemption Notes. Notes, Other Notes and Redemption Notes may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

Non-Resident Unitholders

Pursuant to the Trust Indenture, the Trust, by or through the Administrator on the Trust's behalf, may, from time to time, among other things, take all necessary steps to monitor the activities of the Trust and the ownership of the Trust Units to ensure that it maintains its status as a "unit trust" and a "mutual fund trust". If at any time the Trust or the Administrator becomes aware that the activities of the Trust and ownership of the Trust Units by non-residents of Canada ("**non-residents**") may threaten the status of the Trust under the Tax Act as a "unit trust" or "mutual fund trust", the Trust, by or through the Administrator, is authorized to take such action as may be necessary in the opinion of the Administrator to maintain the status of the Trust as a unit trust and a mutual fund trust, including the imposition of restrictions on the issuance by the Trust or the transfer by any Unitholder of Trust Units to a non-resident.

The Administrator may, from time to time or at anytime, require the Trustee or the transfer agent to make reasonable efforts to obtain declarations as to the jurisdictions in which beneficial owners of Trust Units are resident.

Meetings of Trust Unitholders

Special Meetings of Unitholders may be convened at any time and for any purpose by the Trustee and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 5 percent of the Trust Units then outstanding. A requisition must, among other things, state in reasonable detail the business purpose for which the meeting is to be called.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxyholder need not be a Trust Unitholder. Two or more persons present in person or represented by proxy and representing in the aggregate not less than 5% of the votes attaching to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings. For the purposes of determining such quorum, the holders of any issued Special Voting Units who are present at the meeting shall be regarded as representing outstanding Trust Units equivalent in number to the votes attaching to such Special Voting Units in respect of which such holders have a direction to vote.

The Trust Indenture contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Trust Unitholders in accordance with the requirements of applicable laws.

Exercise of Voting Rights attached to Shares of True Energy

The Trust Indenture prohibits the Trustee from voting the shares of True Energy with respect to: (i) the election of directors of True Energy; (ii) the appointment of auditors of True Energy; or (iii) the approval of True Energy's financial statements, except in accordance with an ordinary resolution adopted at an annual or other meeting of Unitholders. The Trustee is also not permitted to vote, or cause to be voted, the shares of True Energy (or the shares of any other corporation of which all or at least 66 2/3% of the voting shares are owned by the Trust) to authorize:

- (a) any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of True Energy (or such other corporation), except in conjunction with an internal reorganization of the direct or indirect assets of True Energy (or such other corporation) as a result of which either True Energy (or such other corporation) or the Trust has the same, or substantially similar, interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization;

- (b) any statutory amalgamation of True Energy (or such other corporation) with any other corporation or any amalgamation, merger or other transaction, as the case may be, of True Energy (or such other corporation) with any other entity, except in conjunction with an internal reorganization as referred to in paragraph (a) above;
- (c) any statutory arrangement involving True Energy (or such other corporation), except in conjunction with an internal reorganization as referred to in paragraph (a) above;
- (d) any amendment to the articles of True Energy (or such other corporation) to increase or decrease the minimum or maximum number of directors; or
- (e) any material amendment to the articles of True Energy (or such other corporation) to change the authorized share capital or amend the rights, privileges, restrictions and conditions attaching to any class of True Energy's shares (or such other corporation's shares) in a manner which may be prejudicial to the Trust other than the creation of a class or series or additional classes or series of Exchangeable Shares;

without the approval of the Unitholders by special resolution (66 2/3% approval) at a meeting of Unitholders called for that purpose.

Take-over Bids

The Trust Indenture contains provisions to the effect that if a take-over bid is made for the Trust Units and not less than 90% of the Trust Units (other than Trust Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, within the time provided in the take-over bid or within 120 days from the date the take-over bid is made (whichever is shorter), the offeror will be entitled to acquire the Trust Units held by Unitholders who did not accept the takeover bid on the terms offered by the offeror upon compliance with the provisions relating thereto as provided in the Trust Indenture.

The Trustee

Computershare Trust Company of Canada is the initial trustee of the Trust. The Trustee is responsible for, among other things, accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto and maintaining the books and records of the Trust and providing timely reports to holders of Trust Units. The Trust Indenture provides that the Trustee shall exercise its powers and carry out its functions thereunder as trustee honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The initial term of the Trustee's appointment was until the third annual meeting of Unitholders. The Unitholders shall reappoint or appoint a successor to the Trustee at the annual meeting of Unitholders three years following the reappointment or appointment of the Trustee or the successor to the Trustee. The Trustee may also be removed by special resolution of the Unitholders. Such resignation or removal becomes effective upon the acceptance or appointment of a successor trustee.

Liability of the Trustee

The Trustee, its directors, officers, employees, shareholders and agents shall not be liable to any Unitholder or any other person, in tort, contract or otherwise, in connection with any matter pertaining to the Trust or the property of the Trust arising from the exercise by the Trustee of any powers, authorities or discretion conferred under the Trust Indenture, including, without limitation, any action taken or not taken in good faith in reliance on any documents that are prima facie properly executed; any depreciation of, or loss to, the property of the Trust incurred by reason of the sale of any asset; any inaccuracy in any evaluation provided by any other appropriately qualified person, any reliance on any such evaluation, any action or failure to act of the Administrator or any other person to whom the Trustee has, with the consent of the Corporation, delegated any of its duties hereunder, or any other action or failure to act (including failure to compel in any way any former trustee to redress any breach of trust or any failure by the Administrator to perform its duties under or delegated to it under the Trust Indenture or any other contract), unless and to the extent such liabilities arise out of the gross negligence, wilful misconduct or fraud of the Trustee or any of its directors, officers, employees,

shareholders or agents. If the Trustee has retained an appropriate expert, adviser or legal counsel with respect to any matter connected with its duties under the Trust Indenture, the Trustee may act, or refuse to act, based on the advice of such expert, adviser or legal counsel, and the Trustee shall not be liable for, and shall be fully protected from, any loss or liability occasioned by any action or refusal to act based on the advice of any such expert, adviser or legal counsel. In the exercise of the powers, authorities or discretion conferred upon the Trustee under the Trust Indenture, the Trustee is and shall be conclusively deemed to be acting as Trustee of the assets of the Trust and shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Trust or the property of the Trust. In addition, the Trust Indenture contains other customary provisions limiting the liability of the Trustee.

Amendments to the Trust Indenture

The provisions of the Trust Indenture may only be amended with the consent of Unitholders evidenced by special resolution; provided that the Trust Indenture may, without the consent of the Unitholders, be amended at any time for certain purposes, including:

- (a) ensuring the Trust's continuing compliance with applicable laws or requirements of any governmental agency or authority of Canada or of any province;
- (b) ensuring that the Trust will obtain and maintain its status as a "unit trust" and a "mutual fund trust" under the Tax Act as from time to time amended or replaced and that the Trust Units will not be "foreign property" for purposes of the Tax Act;
- (c) ensuring that such additional protection is provided for the interests of Unitholders as the Trustee may consider expedient;
- (d) removing or curing any conflicts or inconsistencies between the provisions of the Trust Indenture or any supplemental indenture and any other agreement of the Trust or any offering document pursuant to which securities of the Trust are issued with respect to the Trust, or any applicable law or regulation of any jurisdiction, provided that, in the opinion of the Trustee, the rights of the Trustee and of the Unitholders are not prejudiced thereby; or
- (e) curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions, provided that, in the opinion of the Trustee, the rights of the Trustee and of the Unitholders are not prejudiced thereby.

Termination of the Trust

The Unitholders may vote to terminate the Trust at a meeting of the Unitholders duly called for that purpose, subject to the following: (a) a vote may only be held if requested in writing by the holders of not less than 20% of the outstanding Trust Units; (b) a quorum of 50% of the issued and outstanding Trust Units is present in person or by proxy; and (c) the termination must be approved by special resolution of Unitholders.

Unless the Trust is earlier terminated or extended by vote of the Unitholders, the Trustee shall commence to wind-up the affairs of the Trust on December 31, 2099. In the event that the Trust is wound-up, the Trustee will sell and convert into money the property of the Trust in one transaction or in a series of transactions at public or private sale and do all other acts appropriate to liquidate the property of the Trust, and shall in all respects act in accordance with the directions, if any, of the Unitholders in respect of termination authorized pursuant to the special resolution authorizing the termination of the Trust. Notwithstanding any other provision of the Trust Indenture, in no event shall the Trust be wound up until the Trust has disposed of the NPI and all other net profits interests or royalties, if any. After paying, retiring or discharging, or making provision for the payment, retirement or discharge of, all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustee shall distribute the remaining part of the proceeds of the sale of the assets, together with any cash forming part of the property of the Trust, among the Unitholders in accordance with their pro rata share.

SHARE CAPITAL OF TRUE ENERGY INC.

True Energy is authorized to issue an unlimited number of common shares and an unlimited number of exchangeable shares issuable in series, of which an unlimited number of Exchangeable Shares are authorized. The Trust is the sole holder of the issued and outstanding common shares of True Energy and is also the sole holder of the Notes.

Common Shares

Each common share of True Energy entitles its holder to receive notice of and to attend all meetings of the shareholders of True Energy and to one vote at such meetings. The holders of common shares will be, at the discretion of the board of directors of True Energy and subject to applicable legal restrictions, and subject to certain preferences of holders of Exchangeable Shares and any other shares of True Energy ranking in priority to the common shares in respect of payment of dividends, entitled to receive any dividends declared by the board of directors on the common shares to the exclusion of the holders of Exchangeable Shares, subject to the proviso that no dividends shall be paid on the common shares unless all declared dividends on the outstanding Exchangeable Shares have been paid in full. The holders of common shares will be entitled to share equally in any distribution of the assets of True Energy upon the liquidation, dissolution, bankruptcy or winding-up of True Energy or other distribution of its assets among its shareholders for the purpose of winding-up its affairs. Such participation is subject to the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares and any other shares having priority over the common shares.

Exchangeable Shares

As at December 31, 2008 there were 294,026 Exchangeable Shares issued and outstanding which were, on such date, exchangeable for an aggregate of 300,433 Trust Units. The following is a summary description of the material provisions of the Exchangeable Shares and the related ancillary and indirect rights of holders of Exchangeable Shares under the terms of the Voting and Exchange Trust Agreement and the Support Agreement. This summary is qualified in its entirety by reference to the full text of: (i) the Exchangeable Share Provisions; (ii) the Support Agreement; and (iii) the Voting and Exchange Trust Agreement, copies of which provisions and agreements are filed on SEDAR at www.sedar.com.

Each Exchangeable Share is intended to have, to the extent possible, economic rights (including the right to have the Exchange Ratio adjusted to account for distributions paid to Unitholders) and voting attributes (through the benefit of the Special Voting Right granted to the Voting and Exchange Trust Agreement Trustee) equivalent to those of the Trust Units into which they are exchangeable from time to time. In addition, holders of Exchangeable Shares have the right to receive Trust Units at any time in exchange for their Exchangeable Shares on the basis of the Exchange Ratio in effect at the time of the exchange. Fractional Trust Units will not be delivered on any exchange of Exchangeable Shares. In the event that the Exchange Ratio in effect at the time of an exchange would otherwise entitle a holder of Exchangeable Shares to a fractional Trust Unit, the number of Trust Units to be delivered will be rounded to the nearest whole number of Trust Units. Holders of Exchangeable Shares do not receive cash distributions from the Trust or True Energy in respect of distributions on Trust Units. As at December 31, 2008, the Exchange Ratio was 1.02179. On each Distribution Payment Date, the Exchange Ratio increases, on a probable basis, in respect of the Distribution on such date by an amount which assumes the reinvestment of such Distribution in Trust Units at the then prevailing Current Market Price of a Trust Unit. The Exchange Ratio will be decreased in respect of any dividends paid on the Exchangeable Shares by an amount of such dividend by the then-prevailing Current Market Price of a Trust Unit.

Ranking

The Exchangeable Shares rank rateably with shares of any other series of exchangeable shares of True Energy and are entitled to a preference over the common shares and any other shares ranking junior to the exchangeable shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of True Energy, whether voluntary or involuntary, or any other distribution of the assets of True Energy among its shareholders for the purpose of winding up its affairs.

Dividends

Holders of Exchangeable Shares rank in priority to the common shares and any class of shares of True Energy ranking junior to the Exchangeable Shares with respect to the payment of dividends, shall be entitled to receive and True Energy shall pay on each Exchangeable Share dividends if, as and when declared by the board of directors of True Energy. Such cash dividends shall be paid out of money of True Energy properly applicable to the payment of dividends. Holders of Exchangeable Shares are not entitled to receive dividends paid by the distribution of assets, shares or property of True Energy, other than cash.

Certain Restrictions

True Energy will not, without obtaining the approval of the holders of the Exchangeable Shares as set forth below under the subheading "*Amendment and Approval*":

- (a) pay any dividend on the common shares or any other shares ranking junior to the Exchangeable Shares, other than stock dividends payable in common shares or any other shares ranking junior to the Exchangeable Shares;
- (b) redeem, purchase or make any capital distribution in respect of the common shares or any other shares ranking junior to the Exchangeable Shares;
- (c) redeem or purchase any other shares of True Energy ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution; or
- (d) amend the Articles or By-laws of True Energy in any manner that would effect the rights or privileges of the holders of Exchangeable Shares.

The above restrictions in (a), (b) and (c) shall not apply if all declared dividends on the outstanding Exchangeable Shares have been paid in full.

Liquidation or Insolvency of True Energy

In the event of the liquidation, dissolution or winding-up of True Energy or any other distribution of the assets of True Energy among its shareholders for the purpose of winding up its affairs, a holder of Exchangeable Shares will be entitled to receive from True Energy, in respect of each such Exchangeable Share, that number of Trust Units equal to the Exchange Ratio as at the last business day prior to the date of such event.

Upon the occurrence of such an event, the Trust and any subsidiary of the Trust will each have the overriding right to purchase all, but not less than all, of the Exchangeable Shares then outstanding (other than Exchangeable Shares held by the Trust or any subsidiary of the Trust) at a purchase price per Exchangeable Share to be satisfied by the issuance or delivery, as the case may be, of that number of Trust Units equal to the Exchange Ratio as at the last business day prior to the date of such event and, upon the exercise of this right, the holders thereof will be obligated to sell such Exchangeable Shares to the Trust or any subsidiary of the Trust, as applicable. This right may be exercised by either the Trust or such subsidiary of the Trust.

Upon the occurrence of an Insolvency Event (as defined in the Voting and Exchange Trust Agreement) (an "Insolvency Event"), or in circumstances where Call Rights (as defined in the Exchangeable Share Provisions) ("**Call Rights**") arise, but neither the Trust or any subsidiary of the Trust elect to exercise such Call Right, the Voting and Exchange Trust Agreement Trustee on behalf of the holders of the Exchangeable Shares will have the right to require the Trust or any subsidiary of the Trust to purchase any or all of the Exchangeable Shares then outstanding and held by such holders at a purchase price per Exchangeable Share to be satisfied by the issuance or delivery, as the case may be, of that number of Trust Units equal to the Exchange Ratio as at the last business day prior to the date of such event.

Automatic Exchange Right on Liquidation of the Trust

The Voting and Exchange Trust Agreement provides that in the event of liquidation of the Trust, as described below, the Trust or any subsidiary of the Trust will be deemed to have purchased all outstanding Exchangeable Shares and each holder of Exchangeable Shares will be deemed to have sold their Exchangeable Shares immediately prior to such liquidation event at a purchase price per Exchangeable Share to be satisfied by the issuance or delivery, as the case may be, of that number of Trust Units equal to the Exchange Ratio as at the last business day prior to the closing of such purchase and sale. For the purposes hereof, "trust liquidation event" means:

- (i) any determination by the Trust to institute voluntary liquidation, dissolution or winding-up proceedings in respect of the Trust or to affect any other distribution of assets of the Trust among the Unitholders for the purpose of winding up its affairs; or
- (ii) the earlier of the Trust receiving notice of and the Trust otherwise becoming aware of any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding up of the Trust or to affect any other distribution of assets of the Trust among the Unitholders for the purpose of winding up its affairs in each case where the Trust has failed to contest in good faith such proceeding within 30 days of becoming aware thereof.

Retraction of Exchangeable Shares by Holders and Retraction Call Right

Subject to the Retraction Call Right of the Trust and any subsidiary of the Trust described below, a holder of Exchangeable Shares will be entitled at any time upon compliance with the provisions governing such retraction to require the Corporation to redeem any or all of the Exchangeable Shares held by such holder for a retraction price (the "**Retraction Price**") per Exchangeable Share held equal to the value of that number of Trust Units equal to the Exchange Ratio as at the date of retraction (the "**Retraction Date**"), to be satisfied by the delivery of such number of Trust Units. Fractional Trust Units will not be delivered. Any amount payable on account of the Retraction Price that includes a fractional Trust Unit will be rounded to the nearest whole number of Trust Units. Holders of the Exchangeable Shares may request redemption by presenting and surrendering to the Corporation or the transfer agent for the Exchangeable Shares a certificate or certificates representing the number of Exchangeable Shares the holder desires to have redeemed, together with a duly executed retraction request and such other documents as may be reasonably required to effect the redemption of the Exchangeable Shares. Subject to extension as described below, the redemption will become effective on the Retraction Date unless such date would occur between any Distribution Record Date and the Distribution Payment Date that corresponds to such Distribution Record Date. In this case, the Retraction Date will occur on such Distribution Payment Date to ensure that the Exchange Ratio used in connection with such redemption is increased to account for the Distribution.

When a holder requests the Corporation to redeem the Exchangeable Shares, the Trust and any subsidiary of the Trust will have an overriding right (the "**Retraction Call Right**") to purchase on the Retraction Date all but not less than all of the Exchangeable Shares that the holder has requested the Corporation to redeem at a purchase price per Exchangeable Share equal to the Retraction Price, to be satisfied by the delivery of that number of Trust Units equal to the Exchange Ratio as at the last business day prior to the Retraction Date. At the time of a retraction request by a holder of Exchangeable Shares, the Corporation will immediately notify the Trust and any subsidiary of the Trust as applicable. The Trust or subsidiary of the Trust must then advise the Corporation within two business days as to whether the Retraction Call Right will be exercised. A holder may revoke his or her retraction request at any time prior to the close of business on the last business day immediately preceding the Retraction Date, in which case the holder's Exchangeable Shares will neither be purchased by the Trust or subsidiary of the Trust nor be redeemed by the Corporation. If the holder does not revoke his or her retraction request, the Exchangeable Shares that the holder has requested the Corporation to redeem will on the Retraction Date be purchased by the Trust or any subsidiary of the Trust or redeemed by the Corporation, as the case may be, in each case at a purchase price per Exchangeable Share equal to the Retraction Price.

In addition, a holder of Exchangeable Shares may elect to instruct the Voting and Exchange Trust Agreement Trustee to exercise the optional exchange right (the "**Exchange Right**") to require the Trust or any subsidiary of the Trust to acquire such holder's Exchangeable Shares in circumstances where neither the Trust nor any subsidiary of the Trust have exercised the Retraction Call Right. See "Additional Information Respecting the Corporation – Voting and Exchange Trust Agreement – Exchange Right".

The Retraction Call Right may be exercised by either the Trust or any subsidiary of the Trust. If, as a result of solvency provisions of applicable law, the Corporation is not permitted to redeem all Exchangeable Shares tendered by a retracting holder, the Corporation will redeem only those Exchangeable Shares tendered by the holder as would not be contrary to such provisions of applicable law. The holder of any Exchangeable Shares not redeemed by the Corporation will be deemed to have required the Trust or subsidiary of the Trust to purchase such unretracted Exchangeable Shares in exchange for Trust Units on the Retraction Date pursuant to the Exchange Right. See "Exchangeable Shares – Voting and Exchange Trust Agreement - Exchange Right".

Redemption of Exchangeable Shares

Subject to applicable law and the Redemption Call Right of the Trust and any subsidiary of the Trust, the Corporation:

- (a) will, on January 15, 2010, subject to extension of such date by the board of directors of True Energy (the "**Automatic Redemption Date**"), redeem all but not less than all of the then outstanding Exchangeable Shares for a redemption price per Exchangeable Share equal to the value of that number of Trust Units equal to the Exchange Ratio as at the last Business Day prior to that Redemption Date (as that term is defined below) (the "**Redemption Price**"), to be satisfied by the delivery of such number of Trust Units; and
- (b) may, at any time when the aggregate number of issued and outstanding Exchangeable Shares is less than 10% of those originally issued (other than Exchangeable Shares held by the Trust and subsidiary of the Trust and as such shares may be adjusted from time to time) (the "**De Minimis Redemption Date**" and, collectively with the Automatic Redemption Date, a "**Redemption Date**"), redeem all but not less than all of the then outstanding Exchangeable Shares for the Redemption Price per Exchangeable Share.

The Corporation will, at least 45 days prior to any Redemption Date, provide the registered holders of the Exchangeable Shares with written notice of the prospective redemption of the Exchangeable Shares by the Corporation.

Pursuant to the Redemption Call Right the Trust and any subsidiary of the Trust will have the overriding right, notwithstanding a proposed redemption of the Exchangeable Shares by the Corporation on the applicable Redemption Date, pursuant to the Exchangeable Share Provisions, to purchase on any Redemption Date all but not less than all of the Exchangeable Shares then outstanding (other than Exchangeable Shares held by the Trust or a subsidiary of the Trust) in exchange for the Redemption Price per Exchangeable Share and, upon the exercise of the Redemption Call Right, the holders of all of the then outstanding Exchangeable Shares will be obliged to sell all such shares to the Trust or any subsidiary of the Trust, as applicable. If either the Trust or any subsidiary of the Trust exercises the Redemption Call Right, then the Corporation's right to redeem the Exchangeable Shares on the applicable Redemption Date will terminate. The Redemption Call Right may be exercised by either the Trust or any subsidiary of the Trust.

Voting Rights

Except as required by applicable law, the holders of the Exchangeable Shares are not entitled as such to receive notice of or attend any meeting of the shareholders of the Corporation or to vote at any such meeting. In accordance with the Voting and Exchange Trust Agreement, the Trust has issued a Special Voting Right to the Voting and Exchange Trust Agreement Trustee, for the benefit of the holders (other than the Trust and any subsidiary of the Trust) of the Exchangeable Shares. The Special Voting Unit carries a number of votes, exercisable at any meeting at which Unitholders are entitled to vote, equal to the number of Trust Units into which the Exchangeable Shares are then exchangeable multiplied by the number of votes to which the holder of one Trust Unit is then entitled. Each holder of an Exchangeable Share on the record date for any meeting at which Unitholders are entitled to vote will be entitled to instruct the Voting and Exchange Trust Agreement Trustee to exercise that number of votes attached to the Special Voting Right which relate to the Exchangeable Shares held by such holder. The Voting and Exchange Trust Agreement Trustee will exercise each vote attached to the Special Voting Unit only as directed by the relevant holder and, in the absence of instructions from a holder as to voting, will not exercise such votes.

Amendment and Approval

The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be changed only with the approval of the holders thereof. Any such approval or any other approval or consent to be given by the holders of the Exchangeable Shares will be sufficiently given if given in accordance with applicable law subject to a minimum requirement that such approval or consent be evidenced by a resolution passed by not less than two-thirds of the votes cast thereon (other than shares held by the Trust, or any of its subsidiaries and other affiliates) at a meeting of the holders of the Exchangeable Shares duly called and held at which holders of at least 5 percent of the then outstanding Exchangeable Shares are present in person or represented by proxy. In the event that no such quorum is present at such meeting within one-half hour after the time appointed therefor, then the meeting will be adjourned to such place and time (not less than ten days later) as may be determined at the original meeting by the Chairman of such meeting and the holders of Exchangeable Shares present in person or represented by proxy at the adjourned meeting will constitute a quorum thereat and may transact the business for which the meeting was originally called. At the adjourned meeting, a resolution passed by the affirmative vote of not less than two-thirds of the votes cast thereon (other than shares beneficially owned by the Trust or any of its subsidiaries and other affiliates) will constitute the approval or consent of the holders of the Exchangeable Shares.

Non-Resident Holders

Notwithstanding anything contained in the Exchangeable Share Provisions, the obligation of the Trust or any subsidiary thereof to pay the retraction price, redemption price, a purchase price or amount payable on liquidation in respect of the Exchangeable Shares which are held by a resident of any foreign country may be satisfied by delivering the Trust Units which would have been received by the affected holder to the transfer agent of the Exchangeable Shares who shall sell such Trust Units on a stock exchange on which the Trust Units are listed, deliver the proceeds of the sale to the holder. The rights of the affected holder shall be limited to receiving the net proceeds of such sale (net of applicable taxes).

Actions by Us under the Support Agreement and the Voting and Exchange Trust Agreement

Under the Exchangeable Share Provisions, True Energy has agreed to take all such actions and do all such things as are necessary or advisable to perform and comply with its obligations under, and to ensure the performance and compliance by the Trust with its obligations under, the Support Agreement and the Voting and Exchange Trust Agreement.

Support Agreement and Voting and Exchange Trust Agreement

The Support Agreement and the Voting and Exchange Trust Agreement have been filed on SEDAR at www.sedar.com.

BORROWINGS

Senior Credit Facilities

As at December 31, 2008, True Energy had a \$15 million demand operating facility provided by one Canadian chartered bank and a \$137 million extendible revolving term credit facility syndicated by two Canadian chartered banks, a U.S. bank, a Canadian financial institution and one institutional lender (collectively, the "**Credit Facilities**"). \$12.5 million of the syndicated facility is with a US bank which may be required to be repaid or reallocated to one or more of the other four current members of the syndicate or a new member on June 28, 2009. Amounts borrowed under the Credit Facilities bear interest at a floating rate based on the applicable Canadian prime, U.S. base rate or LIBOR rate, plus between 0.10% and 2.05%, depending on the types of borrowings and the Trust's debt to cash flow ratio. Security is provided by a \$400 million debenture containing a first ranking charge and security interest on all of True Energy's assets. The Credit Facilities are guaranteed by the Trust and all material subsidiaries and are secured against all of the assets of the Trust, True Energy and all material subsidiaries. True Energy has provided a negative pledge and undertaking to provide fixed charges over major petroleum and natural gas reserves in certain circumstances. A standby fee is charged of between 0.150% and 0.400% on the undrawn portion of the Credit Facilities, depending on the Trust's debt to cash flow ratio. The term credit facility may revolve until June 26, 2009, subject to extension for further 364-day periods at the discretion of the lenders. If the term credit facility is not so extended it converts to a non-revolving term credit facility which is due 366 days after the end of the revolving period.

The borrowing base was renewed effective September 30, 2008 and is currently scheduled for review by March 31, 2009. The new level of the borrowing base will be subject to the lending syndicate's determination which is based upon the latest reserves information, their internal commodity price decks and other factors. In the event the borrowing base is lowered below the drawn credit facility at that time, this shortfall would be required to be repaid within 60 days of notification, or as otherwise agreed by the lending syndicate, and this funding would currently be expected to come from alternative sources of debt or equity financing or the proceeds from asset dispositions, as available.

Pursuant to the Credit Facilities and a subordination agreement related thereto, any present and future indebtedness of True Energy, or any of its subsidiaries, to the Trust, including under the Notes and NPI, is made subordinate to the repayment of amounts owing under our credit facilities. Further, under our credit facilities and the subordination agreement, the Trust is restricted from making distributions to the Unitholders in the following circumstances: (i) after the Trustee has received notice that a demand has been made under the credit facilities, (ii) after the Trustee has received notice of a default or event of default under the credit facilities or of the borrowings thereunder exceeding the borrowing base established from time to time by the lender, and (iii) if such distribution would result in a default or event of default under the credit facilities or would impair the ability of the corporation to satisfy its obligations under the Credit Facilities.

The terms of our Credit Facilities and the subordination agreement ensure our lenders have priority over our Unitholders with respect to the assets and income of the Trust and its subsidiaries. Amounts due and owing to our lenders under our Credit Facilities must be paid before any distribution can be made to Unitholders. This could result in an interruption of distributions to our Unitholders. See "*Risk Factors – Debt Service*".

As at December 31, 2008, there was \$7.4 million outstanding under the demand operating facility and \$125 million outstanding under the extendible revolving term facility. As at December 31, 2008, there was approximately \$19.6 million not drawn under the facility.

Convertible Debentures

On June 15, 2006 the Trust completed a public offering of Trust Debentures by way of short form prospectus for aggregate gross proceeds of \$86.25 million. The Trust Debentures have a face value of \$1,000 per Trust Debenture and have a maturity date of June 30, 2011 (the "**Maturity Date**"). The Trust Debentures are redeemable by the Trust at a price of \$1,050 per Trust Debenture from June 30, 2009 to June 30, 2010 and at a price of \$1,025 per Trust Debenture from June 30, 2010 to the Maturity Date, in each case, plus accrued and unpaid interest thereon. Each Trust Debenture is convertible into Trust Units at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Trust for redemption of the Trust

Debentures, at a conversion price of \$16.00 per Trust Unit, subject to adjustment upon the occurrence of certain events as described in the Debenture Indenture.

Upon the maturity or redemption of the Trust Debentures, the Trust may pay the outstanding principal of and premium (if any) on the Trust Debentures in cash or may, at its option, on not greater than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligations to repay all or a portion of the principal amount of the Trust Debentures which have matured or been redeemed by issuing and delivering that number of Trust Units obtained by dividing the aggregate principal of principal and premium (if any) on the Trust Debentures which have matured or redeemed by 95% of the weighted average trading price of the Trust Units on the TSX for the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash.

Within 30 days following the occurrence of a change of control of the Trust involving the acquisition of voting control or direction over 66⅔% or more of the Trust Units or securities convertible into or carrying a right to acquire Trust Units (a "**Change of Control**"), the Trust will be required to make an offer in writing to purchase all of the Trust Debentures then outstanding (the "**Debenture Offer**"), at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon.

If 90% or more of the aggregate principal amount of the Trust Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Trust pursuant to the Debenture Offer, the Trust will have the right to redeem all the remaining Trust Debentures at the same offer price.

The following table summarizes certain terms of the Trust Debentures including the principal amount outstanding as of February 27, 2009:

<u>Maturity Date</u>	<u>Interest Rate at Date of Issue</u>	<u>Principal Amount Outstanding</u>	<u>Conversion Price per Trust Unit</u>	<u>Number of Trust Units Reserved</u>
June 30, 2011	7.50%	\$86,250,000	\$16.00	5,390,625

For a complete description of the terms of the Trust Debentures, a copy of the Debenture Indenture has been filed on www.sedar.com under the Trust's SEDAR profile.

NOTES

The following summary of the material attributes and characteristics of the Notes does not purport to be complete and is qualified in its entirety by reference to the provisions of the Note Indenture, a copy of which is filed on SEDAR at www.sedar.com.

Terms and Issue of Notes

The Notes are unsecured and currently bear interest at 3.5% per annum. The interest rate on the Notes shall be agreed to on an annual basis by True Energy and the holders of the Notes (provided that if the Trust is the only holder of Notes True Energy shall agree on behalf of the Trust). If True Energy and the holders do not come to an agreement on the interest rate the interest rate will be set as the prime commercial lending rate of specified major Canadian chartered bank.

The outstanding principal and interest outstanding on the Notes is due and payable on December 31, 2021, subject to the provisions of the Note Indentures and the Notes. The Notes are subject to prepayment by True Energy, in whole or in part, at any time without notice or bonus.

Notwithstanding anything in the Note Indentures or any Notes to the contrary, the indebtedness evidenced by the Notes is subordinate and junior to indebtedness and the liability represented by Senior Debt now or hereafter outstanding or incurred except that True Energy is not precluded from paying principal and regularly scheduled interest on the Notes as long as at the relevant interest payment date and immediately after the making of such payment no Senior Debt Default has occurred and is continuing.

For these purposes, "Senior Debt" means (a) all indebtedness, obligations and liabilities of True Energy in respect of borrowed money, whether direct or indirect, and including for greater certainty any obligations of True Energy pursuant to a guarantee provided by it in respect of indebtedness, obligations and liabilities in respect of borrowed money incurred by another person, excluding (i) the indebtedness, obligations or liability created under or evidenced by the Notes; and (ii) any indebtedness that by its terms or by the terms of the instrument evidencing or creating it ranks or in respect of which the holders thereof have agreed that it shall rank *pari passu* with or subordinate to the Notes; and (b) from and after the commencement of, and during the continuance of, any creditor proceedings (including bankruptcy, liquidation, winding-up, dissolution, restructuring or arrangement proceedings), all indebtedness, obligations and liabilities of True Energy as the case may be, whether direct or indirect, other than indebtedness obligations and liabilities to the holders of Notes; and "Senior Debt Default" means and includes: (i) any event of default under any Senior Debt; and (ii) any demand for repayment of any Senior Debt which is due and payable on demand.

In contemplation of the possibility that Notes may be distributed to Trust Unitholders upon the redemption of their Trust Units, the Note Indentures provide that if persons other than the Trust (the "**Non-Fund Holders**") own Notes having an aggregate principal amount in excess of \$1,000,000, either the Trust or the Non-Fund Holders shall be entitled, among other things, to require the Note Trustee to exercise the powers and remedies available under the Note Indenture upon an event of default and, with the Trust, the Non-Fund Holders may provide consents, waivers or directions relating generally to the variance of the Note Indenture and the rights of noteholders. The Note Indentures allow the Trust flexibility to delay payments of interest or principal otherwise due to it while payment is made to other noteholders, and to allow other noteholders to be paid out before the Trust. Any delayed payments will be due 5 days after demand.

Principal and interest on the Notes will be payable in lawful money of Canada directly to the holders of Notes at their address set forth in the register of holders of Notes. The Trust is currently the holder of all of the issued and outstanding Notes.

Events of Default

The Note Indentures provide that any of the following shall constitute an Event of Default: (i) default in payment of the principal of the Notes when required; (ii) the failure to pay all of the interest obligations on the Notes for a period of three months; (iii) if True Energy has defaulted and a demand for payment has been made under any material instrument, indenture or document evidencing indebtedness of more than \$5 million and True Energy has failed to remedy such default within applicable curative periods; (iv) certain events of winding-up, liquidation, bankruptcy, insolvency, receivership or seizure; (v) default in the observance or performance of any other covenant or condition of the Note Indentures and continuance of such default for a period of 30 days after notice in writing has been given by the Note Trustee to True Energy specifying such default and requiring True Energy to rectify the same; (vi) True Energy ceasing to carry on its business; and (vii) material default by True Energy under material agreements or covenants in any material lease, licence or other agreement whereby any material property or rights of True Energy may become liable to forfeiture or where any such lease, licence or other agreement would be subject to termination if not remedied in accordance within any curative period provided therein, in each case where such non-compliance could result in a material adverse effect on the business or financial condition of True Energy.

CORPORATE GOVERNANCE

General

In general, True Energy has been delegated substantially all of the Trust's management decisions. Unitholders are entitled to elect the board of directors of True Energy pursuant to the terms of the Trust Indenture.

Additional information in respect of corporate governance matters will be contained in the information circular and proxy statement in respect of our annual and special meeting of Securityholders currently scheduled to be held on May 20, 2009, which will be filed on SEDAR at www.sedar.com.

Trust Indenture

Pursuant to the Trust Indenture, Unitholders are entitled to direct the manner in which the Trust will vote the Common Shares in True Energy at all meetings in respect of matters relating to the election of the directors of True Energy, approving its financial statements and appointing auditors of True Energy who shall be the same as our auditors. Prior to voting the Trust's Common Shares in True Energy, in respect of such matters, each Unitholder is entitled to vote in respect of the matter on the basis of one vote per Trust Unit held, and the Trust is required to vote the Common Shares in True Energy in accordance with the result of the vote of Unitholders.

Decision Making

True Energy and the Trust have entered into the Administration Agreement pursuant to which the board of directors of True Energy is delegated the significant management decisions of the Trust. In particular, the Trustee has delegated to True Energy responsibility for any and all matters relating to the following: (i) calculating or causing the calculating of any amounts to be paid by the Trustee to Unitholders in accordance with the Trust Indenture; (ii) ensuring compliance by the Trust with its legal obligations, including its continuous disclosure obligations under all applicable securities legislation; (iii) preparing and furnishing to Unitholders all reports, financial statements, all necessary tax information and other information required to be sent to Unitholders; (iv) calling, holding or distributing material in respect of any meeting of Unitholders as required pursuant to the Trust Indenture; and (v) certain matters relating to the specific powers and authorities as set forth in the Trust Indenture.

In addition, pursuant to the Trust Indenture, the board of directors of True Energy shall exercise all rights, powers, responsibilities and privileges of the Trustee in relation to a response to an offer for Trust Units or for all or substantially all of the property and assets of the Trust or True Energy or any subsidiary of True Energy or the Trust including entering into any Unitholder rights protection plan either prior to or during the course of any offer, any defensive action in the course of any offer, the preparation of any directors' circular in response to an offer and consideration on behalf of Unitholders and a recommendation to Unitholders in respect of any offer and any regulatory or court action in respect thereof.

Directors and Officers of True Energy

The following table sets forth the names, municipalities of residence, age as at December 31, 2008, positions held and principal occupations for the prior five years, of each of the current directors and officers of True Energy:

Name, Municipality of Residence and Age	Position with True Energy	Date First Elected or Appointed as Director of True Energy	Principal Occupation
Raymond G. Smith, P. Eng. Palm Desert, California Age: 62	President, Chief Executive Officer and Director	April 25, 2005	President and Chief Executive Officer of True Energy since January 26, 2009, Chairman of Madelena Ventures Inc. since October 2005. Prior thereto, from June 2007 to November 2007 President, CEO and Chairman of Cork Exploration Inc. and Chairman of Cork Exploration Inc. from April 2005 to November 2007; from September 2002 to January 2004 President and Chief Executive Officer of Meridian Energy Corporation and Chairman of Meridian Energy Corporation from January 2004 to March 2005. Prior thereto, Mr. Smith was President and Chief Executive Officer of Corsair Exploration Ltd.
Edward J. Brown, C.A. Calgary, Alberta, Canada Age: 53	Vice-President, Finance and Chief Financial Officer	N/A	Vice-President, Finance and Chief Financial Officer of True Energy since July 4, 2006; prior thereto, from March 2005 to June 2006, Vice-President, Finance and Chief Financial

Name, Municipality of Residence and Age	Position with True Energy	Date First Elected or Appointed as Director of True Energy	Principal Occupation
			Officer of Petrofund Energy Trust; from February 2002 to March 2005, senior financial officer of Duke Energy Field Services.
Russell G. Oicle P. Geol. Calgary, Alberta, Canada Age: 54	Vice-President, Exploration	N/A	Vice-President, Exploration of True Energy since November 24, 2008; prior thereto, from July 2007 to November 2008, Exploration Supervisor of Penn West Energy Trust; from May 2005 to July 2007, President, RGO Resources, a private geological consulting company; from November 2002 to May 2005, Vice President, Exploration and Chief Operating Officer of Relentless Energy Corp.; prior thereto, Vice President of Exploration of Ulster Petroleum Ltd.
Duncan A. Chisholm⁽⁵⁾ Calgary, Alberta, Canada Age: 51	Vice President, Operations	N/A	Vice-President, Operations of True Energy since December 15, 2008; prior thereto, from January 2005 to October 2008 President and Chief Executive Officer of Mahalo Energy Ltd; from September 2003 to April 2005 President of Kiai Investments Ltd.
John H. Cuthbertson, Q.C. Calgary, Alberta, Canada Age: 58	Director ⁽⁴⁾	August 31, 2000	Partner, Burnet, Duckworth & Palmer LLP (barristers and solicitors)
W.C. (Mickey) Dunn Calgary, Alberta, Canada Age: 55	Chairman ⁽¹⁾⁽³⁾⁽⁴⁾	August 31, 2000	Chairman of True Energy; Director of Precision Drilling Inc.; Director of Vero Energy Inc.; Director of Rentcash Inc.; previously President and Chief Executive Officer of Cardium Service and Supply Ltd. and Cardium Tool Services Inc. from 1981 to 1999, and Colorado Silica Sand Inc. from 1981 to 1996.
Murray B. Todd, B. Sc. P. Eng. Calgary, Alberta, Canada Age: 73	Director ⁽¹⁾⁽²⁾	November 2, 2005	President of Canada Hibernia Holding Company (an oil and gas production company).
Murray L. Cobbe Calgary, Alberta, Canada Age: 59	Director ⁽²⁾⁽³⁾	September 22, 2006	President and Chief Executive Officer of Trican Well Service Ltd. (a publicly traded well service company).
Doug N. Baker, FCA Calgary, Alberta, Canada Age: 55	Director ⁽¹⁾⁽⁴⁾	April 26, 2007	Chair of the Canadian Institute of Chartered Accountants since October 2008, Director of Winstar Resources; prior thereto Vice-Chair of the Canadian Institute of Chartered Accountants from September 2006 to October 2008; Vice-President and Chief Financial Officer of Valiant Energy Inc. from July 2005 to September 2006; President and Chief Financial Officer of Forte Resources Inc. and Forte Oil Corporation from June 2001 to May 2005.

<u>Name, Municipality of Residence and Age</u>	<u>Position with True Energy</u>	<u>Date First Elected or Appointed as Director of True Energy</u>	<u>Principal Occupation</u>
Keith E. Macdonald, C.A. Calgary, Alberta, Canada Age: 52	Director ⁽¹⁾⁽²⁾⁽³⁾	April 26, 2007	President of Bamako Investment Management Ltd., a private holding and financial consulting company since July 1994. Chairman of Cirrus Energy Ltd., Director of Breaker Energy Ltd., Artemis Exploration Inc., Profound Energy Inc., Stratabound Minerals Inc. and Rocky Mountain Dealerships Inc.

Notes:

- (1) Member of Audit Committee.
- (2) Member of Reserves, Safety and Environment Committee.
- (3) Member of Compensation Committee.
- (4) Member of Corporate Governance Committee.
- (5) Mr. Chisholm was the President and Chief Executive Officer of Merit Energy Ltd. ("Merit"), a corporation which sought and received creditor protection under the Companies Creditor Arrangement Act (Canada) February 2000 and subsequent to which was subject to receivership proceedings. Mr. Chisholm resigned as President and Chief Executive Officer effective November 1999. The securities commissions in which Merit was a reporting issuer at the time issued interim and final cease trade orders against Merit in the spring and summer of 2000, respectively, and such orders remain outstanding. The orders were originally issued for failure to file financial statements in accordance with Canadian securities legislation. The orders will continue in effect until such time as Merit has filed all of its outstanding financial statements. A number of civil lawsuits were commenced in 2000 against Merit and its directors and officers (including Mr. Chisholm) arising from a short form prospectus offering completed by Merit in July 1999. These lawsuits generally alleged that the short form prospectus contained inaccurate information concerning the financial circumstances of Merit, including that capital expenditures for the first and second quarters of 1999 were understated and production rates and sales revenues amounts for the first and second quarters of 1999 were overstated. On November 16, 1999, Merit publicly disclosed that its first and second quarter financial statements for the 1999 calendar year incorporated by reference in its short form prospectus contained incorrect financial and production estimates from the first and second quarters of 1999. No admission of liability was made on the part of any defendant in the Merit claims, which were settled collectively with Merit's insurers and certain third parties collectively paying the sum of \$11.7 million to various plaintiffs.
- (6) The term of each director is until the next annual meeting of True Energy or until their successors are elected, but not later than the date of the next annual meeting of True Energy.

As at March 2, 2009, the directors and officers of True Energy, as a group, beneficially owned, directly or indirectly, or exercise control or direction over 1,108,666 Trust Units, representing approximately 1.4% of the issued and outstanding Trust Units, and no Exchangeable Shares.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of True Energy will be subject to in connection with the operations of the Trust. In particular, certain of the directors and officers of True Energy are involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with the Trust or with entities which may, from time to time, provide financing to, or make equity investments in, its competitors. In accordance with the ABCA, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Trust are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate and Terms of Reference

The Mandate of the Audit Committee of the board of directors of True Energy is attached hereto as Schedule "C".

Composition of the Audit Committee

The following table sets forth the names of each current member of the Audit Committee, whether such member is independent, whether such member is financially literate and the relevant education and experience of each such member:

<u>Name and municipality of residence</u>	<u>Independent</u>	<u>Financially literate</u>	<u>Relevant education and experience</u>
Doug N. Baker, FCA Calgary, Alberta	Yes	Yes	Mr. Baker, who serves as the Chair of the Canadian Institute of Chartered Accountants, and served as the President of the Institute of Chartered Accountants of Alberta in 2003, brings considerable experience in finance, tax and accounting to the Audit Committee. An independent businessman, Mr. Baker was Vice-President and Chief Financial Officer of Valiant Energy Inc. prior to its takeover by Peerless Energy Inc. in September 2006. He served as President and Chief Financial Officer of Forte Resources Inc. and its predecessors since August 2001. Prior thereto, Mr. Baker held positions as President and Chief Financial Officer of Forte Energy Ltd. from July 1997 to May 2001, Vice-President and Chief Financial Officer of Territorial Resources Inc. from 1996 to 1997, Vice-President and Chief Financial Officer of Chancellor Energy Resources Inc. from 1993 to 1996, Vice-President and Chief Financial Officer of American Eagle Petroleum Ltd. from 1991 to 1993, Vice-President and Chief Financial Officer of Canadian Conquest Exploration Inc. from 1983 to 1991 and Manager and staff accountant with Deloitte, Haskins and Sells from 1975 to 1983. Mr. Baker is a graduate of the University of Saskatchewan and holds a Bachelor of Commerce degree with Honours and Distinction. He has been a chartered accountant since 1977. In 1996, received the honour of being named a Fellow of Chartered Accountants.
Murray B. Todd, P.Eng Calgary, Alberta	Yes	Yes	Mr. Todd has worked in the oil industry for 51 years, including 35 years at the executive level. Much of the work has involved reading and dealing with financial reports and internal controls. Mr. Todd's formal education includes university courses in business management and in-house courses in accounting and financial management, including a Harvard University mini-MBA course focused on financial management and accounting statements. Mr. Todd has extensive training in the analysis of oil and gas reserves through his professional degree in Petroleum Engineering. He has worked with reserves and reserve reports for 40 years.
W.C. (Mickey) Dunn Edmonton, Alberta	Yes	Yes	Mr. Dunn has worked in the oil industry since 1981 at the executive level. His work has involved extensive reading and dealing with financial reports and internal controls. Mr. Dunn's formal education has included numerous courses at numerous universities in business management and financial management, including attending York University Executive Program, Wharton School of Business Executive Program and the NAIT Business Program. In addition to his role with True, Mr. Dunn has served on the Audit Committees of three other public companies and one private company in addition to being a director of two other private companies and one other public company, of which all but one were in the oil and gas industry.

<u>Name and municipality of residence</u>	<u>Independent</u>	<u>Financially literate</u>	<u>Relevant education and experience</u>
Keith E. Macdonald, CA Calgary, Alberta	Yes	Yes	Mr. Macdonald is the President of Bamako Investment Management Ltd., a private holding and financial consulting company and has held such position since July 1994. Mr. Macdonald is currently Chairman and director of Cirrus Energy Ltd. and a director of Breaker Energy Ltd., Artemis Exploration Inc., Profound Energy Inc., Stratabound Minerals Inc. and Rocky Mountain Dealerships Inc. Mr. MacDonald is a Chartered Accountant.

Pre-Approval of Policies and Procedures

The Audit Committee has pre-approved the provision of certain non-audit services to the Corporation including assorted income tax services including compliance and routine planning matters and has delegated to the Chairman of the Audit Committee the authority to pre-approve other non-audit services and in such event the Chairman is required to report to the Audit Committee such pre-approval at the next meeting of the Audit Committee. The engagement may commence upon approval of the Chairman of the Audit Committee.

External Auditor Service Fees

Audit Fees

The aggregate fees billed by the Trust's external auditor in each of the last two fiscal years for audit services including the annual audit, a Saskatchewan properties audit, a plan of arrangement, reviews of interim consolidated financial statements, and due diligence work in respect of a financing were \$333,533 in 2008 and \$599,713 in 2007.

Audit – Related Fees

There were \$69,088 in 2008 and \$52,832 in 2007 billed for French translation services by the external auditor that are reasonably related to the performance of the audit or review of the financial statements that are not reported under "Audit Fees" above.

Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the external auditor for tax compliance, tax advice and tax planning were \$15,660 in 2008 and \$37,320 in 2007.

All Other Fees

Additional professional services fees of nil in 2008 and \$122,809 in 2007 were billed by the external auditor for other non-audit related fees. The 2007 fees were for a special engagement undertaken to assist in the Trust's compliance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

DISTRIBUTIONS TO UNITHOLDERS

An objective of our distribution policy is to provide Unitholders with relatively stable and predictable monthly distributions. An additional objective is to retain a portion of cash flow to fund ongoing development and optimization projects designed to enhance the sustainability of our cash flow.

Although we strive to provide Unitholders with stable and predictable cash flows, the percentage of cash flow from operations paid to Unitholders each month may vary according to a number of factors, including, fluctuations in resource prices, exchange rates and production rates, reserves growth, the size of development drilling programs and the portion thereof funded from cash flow and our overall level of debt.

As a result of the continued deterioration in economic conditions, including the significant decline in crude oil prices, a weakening outlook for natural gas demand and a heightened risk in the credit markets at the start of 2009, True has deemed it prudent to suspend distributions to maintain corporate liquidity during the current financial turmoil and prevailing commodity price environment. Accordingly, no distributions will be paid in March or April 2009 to Unitholders. The board of directors of True Energy will continue to review the distribution policy in light of commodity prices and other such factors as it deems appropriate. Distributions will remain suspended until such time as the board of directors of True Energy determines otherwise and Unitholders will be advised at such a time as distributions are reinstated.

The following cash distributions have been paid by the Trust to Unitholders for the periods indicated:

For the Month Ending	Cash Distribution Per Unit			
	2009	2008	2007	2006
January	\$0.02	\$0.04	\$0.12	\$0.24
February	\$0.00 ⁽¹⁾	\$0.04	\$0.12	\$0.24
March	\$0.00 ⁽¹⁾	\$0.04	Nil	\$0.24
April		\$0.04	\$0.08	\$0.24
May		\$0.04	\$0.08	\$0.24
June		\$0.04	\$0.08	\$0.24
July		\$0.04	\$0.08	\$0.24
August		\$0.04	\$0.08	\$0.24
September		\$0.04	\$0.08	\$0.24
October		\$0.04	\$0.08	\$0.18
November		\$0.04	\$0.08	\$0.18
December		\$0.02	\$0.08	\$0.12

Note:

- (1) Distributions were suspended February 9, 2009 to maintain corporate liquidity during the current financial turmoil and prevailing commodity price environment and, therefore, no distributions were paid to Unitholders of record in February or March, 2009.

In certain circumstances, distributions may be restricted under our borrowing agreements (see "*Borrowings*").

For Canadian tax purposes, 2008 distributions were determined to be 100% taxable as other income with no return of capital in the hands of Canadian Unitholders. In Canada, the tax-deferred portion would usually be treated as an adjustment to the cost base of the Trust Units.

In consultation with its U.S. tax advisors, True believes that its trust units should be properly classified as equity in a corporation, rather than debt, and that dividends paid to individual U.S. unitholders should be "qualified dividends" for U.S. federal income tax purposes. As such, the portion of the distributions made during 2008 that are considered dividends for U.S. federal income tax purposes should qualify for the reduced rate of tax applicable to long-term capital gains. Unitholders or potential unitholders should consult their own legal or tax advisors as to their particular income tax consequences of holding Trust Units.

MARKET FOR SECURITIES

The Trust Units are listed and traded on the TSX. The trading symbol for the Trust Units is "TUI.UN".

The following sets forth trading information for our Trust Units as reported by the TSX for the periods indicated:

Period	High	Low	Volume
<u>2008</u>			
January	\$3.59	\$2.95	5,430,303
February	\$4.00	\$2.94	5,462,391
March	\$3.95	\$3.13	5,054,812
April	\$4.44	\$3.54	6,338,988
May	\$4.30	\$3.86	6,282,709
June	\$4.69	\$4.14	4,421,746
July	\$4.45	\$3.83	4,173,474
August	\$4.04	\$3.52	3,350,433
September	\$3.92	\$2.74	8,699,360
October	\$2.97	\$1.60	9,376,117
November	\$2.10	\$1.62	3,719,587
December	\$1.94	\$1.17	5,845,542
<u>2009</u>			
January	\$1.56	\$1.04	3,070,769
February	\$1.04	\$0.58	4,129,083
March (1-17)	\$0.69	\$0.48	1,662,715

The Trust Debentures are listed and traded on the TSX. The trading symbol for the Trust Debentures is "TUI.DB".

The following sets forth trading information for our Trust Debentures as reported by the TSX for the periods indicated:

Period	High	Low	Volume
<u>2008</u>			
January	\$93.50	\$86.00	16,860
February	\$95.50	\$90.00	25,710
March	\$95.75	\$90.02	27,740
April	\$95.70	\$94.00	12,760
May	\$99.94	\$94.60	13,030
June	\$99.20	\$97.00	55,260
July	\$98.46	\$92.01	24,700
August	\$100.00	\$96.00	19,980
September	\$99.50	\$92.00	15,750
October	\$94.00	\$70.00	13,440
November	\$82.00	\$60.01	10,860
December	\$74.99	\$68.00	44,440
<u>2009</u>			
January	\$73.50	\$60.31	49,850
February	\$62.00	\$50.04	28,130
March (1-17)	\$55.00	\$48.00	10,210

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation, and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, British Columbia, and Saskatchewan, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the Trust's operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Trust is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing - Oil and Natural Gas

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to the markets, the value of refined products, the supply/demand balance, and other contractual terms. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "NEB"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires a public hearing and the approval of the Governor in Council.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m³/day), must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires a public hearing and the approval of the Governor in Council.

The governments of Alberta, British Columbia, and Saskatchewan also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements, and market considerations.

Pipeline Capacity

Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market natural gas production. In addition, the pro-rationing of capacity on the inter-provincial pipeline systems also continues to affect the ability to export oil and natural gas.

The North American Free Trade Agreement

The North American Free Trade Agreement ("NAFTA") among the governments of Canada, United States of America, and Mexico became effective on January 1, 1994. NAFTA carries forward most of the material energy terms that are contained in the Canada United States Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period); (ii) impose an export price higher than the domestic price subject to an exception with respect to certain voluntary measures which only restrict the volume of exports; and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum or maximum export or import price requirements, provided, in the case of export price requirements, any prohibition in any circumstances in which any other form of quantitative restriction is prohibited, and in the case of import-price requirements, such requirements do not apply with respect to enforcement of countervailing and anti-dumping orders and undertakings.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector by 2010 and prohibits discriminatory border restrictions and export taxes. NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements, which is important for Canadian natural gas exports.

Provincial Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection, and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur, and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery, and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays, and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. Royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments and would increase the net income and funds from operations of such producers. However, the trend in recent years has been for provincial governments to eliminate, amend or allow such incentive programs to expire without renewal, and consequently few such incentive programs are currently operative.

Alberta

In Alberta, companies are granted the right to explore, produce and develop petroleum and natural gas resources in exchange for royalties, bonus bid payments and rents. On October 25, 2007, the Government of Alberta released a report entitled "The New Royalty Framework" (the "**NRF**") containing the Government's proposals for Alberta's new royalty regime, which was followed by the Mines and Minerals (New Royalty Framework) Amendment Act, 2008, which was given Royal Assent on December 2, 2008. The NRF and the applicable new legislation became effective on January 1, 2009. The NRF establishes new royalty rates for conventional oil, natural gas and oil sands. The new royalty rates for conventional oil are set by a single sliding rate formula which is applied monthly and increases the old royalty from 30% to 35% applied to the old and new tiers, to up to 50% and with rate caps once the price of conventional oil reaches \$120 per barrel. The sliding rate formula includes in its calculation the price of oil and well production.

With respect to natural gas, and similar to the conventional oil framework, the royalties outlined in the NRF are set by a single sliding rate formula ranging from 5% to 50% with a rate cap once the price of natural gas reaches \$16.59/GJ. In response to the drop in commodity prices experienced during the second half of 2008, the Government of Alberta announced on November 19, 2008, the introduction of a five year program of transitional royalty rates with the intent of promoting new drilling. Under this new program companies drilling new natural gas or conventional oil deep wells (between 1,000 and 3,500 metres) will be given a one-time option, on a well by well basis, to adopt either the new transitional royalty rates or those outlined in the NRF. In order to qualify for this program wells must be drilled during the period starting on November 19, 2008 and ending on December 31, 2013. Following this period all new wells drilled will automatically be subject to the NRF.

Oil sands projects are now subject to the NRF, and regulated, among others, by the *Oil Sands Royalty Regulation, 2009*, *Oil Sands Allowed Costs (Ministerial) Regulation* and the *Bitumen Valuation Methodology (Ministerial) Regulation, 2009*, all approved by the Government of Alberta on December 10, 2008.

On April 10, 2008, the Government of Alberta introduced two new royalty programs that will encourage the development of deep oil and gas reserves, and these are: (a) a five-year oil program for exploration wells over 2,000 metres that will provide royalty adjustments to offset higher drilling costs and provide a greater incentive for producers to continue to pursue new, deeper oil plays (these oil wells will qualify for up to a \$1 million or 12 months of royalty offsets, whichever comes first); and (b) a five-year natural gas deep drilling program that will replace the existing program in order to encourage continued deep gas exploration for wells deeper than 2,500 metres (the program will create a sliding scale of royalty credit according to depth, of up to \$3,750 per metre). These new programs are to be implemented along with the NRF.

Regulations made pursuant to the *Mines and Minerals Act* (Alberta) provided various incentives for exploring and developing oil reserves in Alberta. However, the Alberta Government announced in August of 2006 that four royalty programs were to be amended, a new program was to be introduced and the Alberta Royalty Tax Credit Program was to be eliminated, effective January 1, 2007. The programs affected by this announcement were: (i) Deep Gas Royalty Holiday; (ii) Low Productivity Well Royalty Reduction; (iii) Reactivated Well Royalty Exemption; and (iv) Horizontal Re-Entry Royalty Reduction. The program introduced was the Innovative Energy Technologies Program (the "**IETP**") which has a stated objective of promoting the producers' investment in research, technology and innovation for the purposes of improving environmental performance while creating commercial value. The IETP provides royalty reductions which are presumed to reduce financial risk. Alberta Energy decides which projects qualify and the level of support that will be provided. The deadline for the IETP's final round of applications was September 20, 2008. The successful applicants for the first two rounds have been announced, and those for the third round selection are scheduled to be announced in the first half of 2009. The technical information gathered from this program is to be made public once a two-year confidentiality period expires.

The NRF includes a policy of "shallow rights reversion". The Government of Alberta started to implement this policy on January 1, 2009, and its intent is to maximize the development of currently undeveloped resources that is consistent with the Government of Alberta's objective of maximizing recovery of known gas resources, while increasing royalty revenues. The policy's stated objective is for the mineral rights to shallow gas geological formations that are not being developed to revert back to the Government and be made available for resale, and in the event of non-productive shallow wells, to sever the rights from shallow zones and encourage increased production from up-hole zones. The shallow rights reversion policy affects all petroleum and natural gas agreements; however, the timing of the reversion will differ depending on whether the leases and licenses were acquired prior to January 1, 2009 or subsequent to January 1, 2009. Leases granted after January 1, 2009 will be subject to shallow rights reversion at the expiry of the primary term, and in the event of a licence the policy will apply at the expiry of the intermediate term. Holders of leases or licences that have been continued indefinitely prior to January 1, 2009 will receive a notice regarding the reversion of the shallow rights, which will be implemented three years from the date of the notice. The lease or licence holder can make a request to extend this period. The order in which these agreements will receive the reversion notice will depend on the vintage of their term, with the older leases and licenses receiving a reversion notice first. Leases or licences that were granted prior January 1, 2009 but have not yet been continued will have a grace period until they are continued under section 15 of the *P&G Tenure Regulation* and be subject to deeper rights reversion prior to receiving a shallow rights reversion notice.

On March 3, 2009, the Government of Alberta announced a three-point incentive program to stimulate new and continued economic activity in Alberta which included a drilling royalty credit for new conventional oil and natural gas wells and a new well royalty incentive program. Under the drilling royalty credit program a \$200 per meter royalty credit will be available on new conventional oil and natural gas wells drilled between April 1, 2009 and March 31, 2010, subject to certain maximum amounts. The maximum credits available will be determined by the company's production level in 2008 and its drilling activity between April 1, 2009 and March 31, 2010. Based on the Trust's 2008 production it will be entitled to a maximum credit of 40% of royalties payable in the period April 1, 2009 and March 31, 2010. The new well incentive program will apply to wells beginning production of conventional oil and natural gas between April 1, 2009 and March 31, 2010 and provides for a maximum 5% royalty rate for the first 12 months of production, up to a maximum of 50,000 barrels or 500 Mmcf of natural gas.

The three-point incentive program also includes an investment of \$30,000,000 by the Government of Alberta in abandonment and reclamation projects for orphan wells. The stated objective of this investment is to encourage the cleanup of inactive oil and gas wells and to stimulate new activity within the services sector.

British Columbia

Producers of oil and natural gas in British Columbia are required to pay annual rental payments with respect to the Crown leases and royalties and freehold production taxes in respect of oil and gas produced from Crown and freehold lands. The amount payable as a royalty in respect of oil depends on the type of oil, the value of the oil, the quantity of oil produced in a month, and the vintage of the oil. Generally, the vintage of oil is based on the determination of whether the oil is produced from a pool discovered before October 31, 1975 (old oil), between October 31, 1975, and June 1, 1998 (new oil), or after June 1, 1998 (third-tier oil). The royalty rates are calculated in three stages, which take into account the vintage of the oil, if the oil produced has already been sold and any royalty exempt value applicable (exempt wells). Oil produced from newly discovered pools may be exempt from the payment of a royalty for the first 36 months of production or 11,450m³ produced, whichever comes first; and the royalties for third-tier oil are the lowest reflecting the higher costs of exploration and extraction that the producers would incur. The royalty payable on natural gas is determined by a sliding scale based on a reference price, which is the greater of the price obtained by the producer, and a prescribed minimum price. However, when the reference price is below the select price (a parameter used in the royalty rate formula), the royalty rate is fixed. As an incentive for the production and marketing of natural gas, which may have been flared, natural gas produced in association with oil has a lower royalty than the royalty payable on non-conservation gas.

On May 30, 2003, the Ministry of Energy and Mines for British Columbia announced an Oil and Gas Development Strategy for the Heartlands ("**Strategy**"). The Strategy is a comprehensive program to address road infrastructure, targeted royalties and regulatory reduction, and British Columbia service sector opportunities. In addition, the Strategy will result in economic and employment opportunities for communities in British Columbia's heartlands.

Some of the financial incentives in the Strategy include:

- Royalty credits towards the construction, upgrading, and maintenance of road infrastructure in support of resource exploration and development. Funding will be contingent upon an equal contribution from industry. This program has evolved over past years as a result of the Province's stated objective to increase competitiveness, and on March 2, 2009 the Government of British Columbia announced the 2009 Infrastructure Royalty Credit Program ("**Program**") which allocates \$120 million in royalty credits for oil and gas companies. The Program provides access to royalty credits to oil and gas companies with respect to certain approved road construction or pipeline infrastructure projects intended to improve, or make possible, the access to new and underdeveloped oil and gas areas. Companies must apply to the Ministry of Energy and Mines for British Columbia prior to 2:00 p.m. on April 30, 2009 to be considered for approval under the program.
- Changes to provincial royalties: new royalty rates for low productivity natural gas to enhance marginally economic resources plays, royalty credits for deep gas exploration to locate new sources of natural gas, and royalty credits for summer drilling to expand the drilling season.

The British Columbia Energy Plan announced on February 27, 2007 outlines the requirements for the development of goals for conservation, energy efficiency and clean energy. In addition, its stated goal is to promote competitiveness through the implementation of a Net Profit Royalty Program ("**NPRP**") among others, and facilitate the development of the oil and gas industry. The NPRP's objective is to share the capital risk of successful developments. Pursuant to the Net Profit Royalty Regulation, the holder of a lease can apply to pay monthly net profit royalties on production of oil and for natural gas wells within a proposed project. The amount paid is calculated on the producer's interest in the project, and it ranges from 2% to 5% of the gross revenue and 15% to 35% of the net revenues received. In addition, it depends at which stage the well is, which may be either pre-payout, after-payout or already producing marketable gas.

The Government of British Columbia has introduced a few more royalty programs, in addition to the ones previously mentioned, including a royalty program for deep discovery wells, royalty programs with a stated goal of attracting investment to less productive shallow gas wells (Ultra-Marginal Royalty Program), and the implementation of royalty credits to assist the development of the coalbed gas reserves found in the Province of British Columbia.

Saskatchewan

In Saskatchewan, the amount payable as a royalty in respect of oil depends on the vintage of the oil, the type of oil, the quantity of oil produced in a month, and the value of the oil. For Crown royalty and freehold production tax purposes, crude oil is considered "heavy oil", "southwest designated oil", or "non-heavy oil other than southwest designated oil". The conventional royalty and production tax classifications ("fourth tier oil" introduced October 1, 2002, "third tier oil", "new oil" and "old oil") of oil production are applicable to each of the three crude oil types. The Crown royalty and freehold production tax structure for crude oil is price sensitive and varies between the base royalty rates of 5% for all "fourth tier oil" to 20% for "old oil". Marginal royalty rates are 30% for all "fourth tier oil" to 45% for "old oil".

The amount payable as a royalty in respect of natural gas is determined by a sliding scale based on a reference price (which is the greater of the amount obtained by the producer and a prescribed minimum price), the quantity produced in a given month, the type of natural gas, and the vintage of the natural gas. As an incentive for the production and marketing of natural gas which may have been flared, the royalty rate on natural gas produced in association with oil is less than on non-associated natural gas. The royalty and production tax classifications of gas production are "fourth tier gas" introduced October 1, 2002, "third tier gas", "new gas", and "old gas". The Crown royalty and freehold production tax for gas is price sensitive and varies between the base royalty rate of 5% for "fourth tier gas" and 20% for "old gas". The marginal royalty rates are between 30% for "fourth tier gas" and 45% for "old gas".

On October 1, 2002, the following changes were made to the royalty and tax regime in Saskatchewan:

- A new Crown royalty and freehold production tax regime applicable to associated natural gas (gas produced from oil wells) that is gathered for use or sale and is produced from: (a) oil wells with a finished drilling date on or after October 1, 2002, and (b) oil wells with a finished drilling date prior to October 1, 2002, where the individual oil well has a gas-oil production ratio in any month of more than 3,500 cubic metres of gas for every cubic metre of oil. The royalty/tax will be payable on associated natural gas produced from an oil well that exceeds approximately 65,000 cubic metres in a month. The associated natural gas royalty/tax regime will apply to gas produced from oil wells affected by concurrent production approvals after October 1, 2002 if the oil wells meet (a) or (b) above.
- A modified system of incentive volumes and maximum royalty/tax rates applicable to the initial production from oil wells and gas wells with a finished drilling date on or after October 1, 2002, was introduced. The incentive volumes are applicable to various well types and are subject to a maximum royalty rate of 2.5% and a freehold production tax rate of zero per cent.
- The elimination of the re-entry and short section horizontal oil well royalty/tax categories. All horizontal oil wells with a finished drilling date on or after October 1, 2002, will receive the "fourth tier" royalty/ tax rates and new incentive volumes.
- A horizontal oil well, with a finished drilling date on or after October 1, 2002, that is a non-deep oil well qualifies for a 6,000 cubic metre incentive volume.
- A horizontal oil well, with a finished drilling date on or after October 1, 2002, that is a deep oil well qualifies for a 16,000 cubic metre incentive volume.

In 1975, the Government of Saskatchewan introduced a Royalty Tax Rebate ("**RTR**") as a response to the Government of Canada disallowing crown royalties and similar taxes as a deductible business expense for income tax purposes. As of January 1, 2007, the remaining balance of any unused RTR will be limited in its carry forward to seven years since the Government of Canada's initiative to reintroduce the full deduction of provincial resource royalties from federal and provincial taxable income. Saskatchewan's RTR will be wound down as a result of the Government of Canada's plan to reintroduce full deductibility of provincial resource royalties for corporate income tax purposes.

On June 19, 2007, the Government of Saskatchewan introduced the Orphan Well and Facility Liability Management Program pursuant to the amendment of the *Oil and Gas Conservation Act* and the *Oil and Gas*

Conservation Regulations, 1985. The program includes a security deposit, which has two purposes: (i) preventing any person with insufficient financial capability from acquiring oil and gas wells or facilities; and (ii) in the case of a bankrupt company, the funds cover the decommissioning and reclaiming of orphan properties. An additional change introduced is the mandatory licensing of all upstream oil and gas facilities in Saskatchewan.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms from two years, and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Environmental legislation in Alberta has been consolidated into the *Environmental Protection and Enhancement Act* (Alberta) (the "**EPEA**"), which came into force on September 1, 1993, and the *Oil and Gas Conservation Act* (Alberta) (the "**OGCA**"). The EPEA and OGCA impose stricter environmental standards, require more stringent compliance, reporting and monitoring obligations, and significantly increased penalties. In 2006, the Alberta Government enacted regulations pursuant to the EPEA to specifically target sulphur oxide and nitrous oxide emissions from industrial operations including the oil and gas industry. In addition, the reduction emission guidelines outlined in the *Climate Change and Emissions Management Amendment Act* came into effect on July 1, 2007 ("**CCEMAA**"). Under this legislation, Alberta facilities emitting more than 100,000 tonnes of greenhouse gases a year must reduce their emissions intensity by 12%. Industries have three options to choose from in order to meet the reduction requirements outlined in this legislation, and these are: (i) by making improvement to operations that result in reductions; (ii) by purchasing emission credits from other sectors or facilities that have emissions below the 100,000 tonne threshold and are voluntarily reducing their emission; or (iii) by contributing to the Climate Change and Emissions Management Fund (the "**Fund**"). Industries can either choose one of these options or a combination thereof. Pursuant to CCEMAA and the *Specified Gas Emitters Regulation*, companies were obliged to reduce their emission intensity by 12% by March 31, 2008. Alberta industries have achieved 2.6 million tonnes of actual reduction, due to changes in operations and investing on verified offset projects. In addition, certain companies contributed \$40 million to the Fund. It is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

On January 24, 2008, the Alberta Government announced a new climate change action plan that will cut Alberta's projected 400 million tonnes of emissions in half by 2050. This plan is based on three areas: (i) carbon capture and storage, which will be mandatory for *in situ* oil sand facilities that use heavy fuels for steam generation; (ii) energy conservation and efficiency; and (iii) greening production through increased investment in clean energy technology, including supporting research on new oil sands extraction processes, as well as the funding of projects that reduce the cost of separating carbon dioxide from other emissions supporting carbon capture and storage. In addition to this action plan, the Provincial Energy Strategy unveiled on December 11, 2008 is expected to, among other things, support the upgrading, refining and petrochemical clusters existing in the Province, market Alberta's energy internationally, review the emission targets and carbon charges applied to large facilities, and promote the innovation of energy technology by encouraging investment in research and development.

British Columbia's Environmental Assessment Act became effective June 30, 1995. This legislation rolls the previous processes for the review of major energy projects into a single environmental assessment process with public participation in the environmental review process. On February 27, 2007 the Government of British Columbia unveiled

the Energy Plan outlining its strategy towards the environment and which includes targeting for zero net greenhouse gas emissions, promoting new investments in innovation, and becoming the world's leader in sustainable environmental management. For this purpose, on December 18, 2007 proposals were sought for applications to the Innovative Clean Energy Fund, in order to attract new technologies that will help solve energy and environmental issues. With regards to the oil and natural gas industry the objective is to achieve clean energy through conservation and energy efficient practices, whilst competitiveness is advocated in order to attract investment for the development of the oil and natural gas sector. Among the changes to be implemented are: (i) a new of Net Profit Royalty Program; (ii) the creation of a Petroleum Registry; (iii) the establishment of an infrastructure royalty program (combining roads and pipelines); (iv) the elimination of routine flaring at producing wells; (v) the creation of policies and measures for the reduction of emissions; (vi) the development of unconventional resources such as tight gas and coalbed gas; and (vii) new the Oil and Gas Technology Transfer Incentive Program that encourages the research, development and use of innovative technologies to increase recoveries from existing reserves and promotes responsible development of new oil and gas reserves. Furthering these initiatives, the Government of British Columbia introduced on July 1, 2008, revenue-neutral carbon tax legislation that is applied to all fossil fuels used in the Province of British Columbia. The tax would be phased in, and the initial rate would be based on CO₂e of \$10 per tonne for the first six months of 2009 and \$15 per tonne for the last six months of 2009, following \$5 per tonne increases on July of every year until 2012. Tax credits and reductions will be used in order to offset the tax revenues that the Government of British Columbia would receive otherwise. On April 3, 2008, the Government of British Columbia introduced the Greenhouse Gas Reduction (Cap and Trade) Act which will allow participation in the Western Climate Initiative cap and trade systems being developed. The system establishes a limit on emissions, and allows regulated emitters to buy/sell emission allowances or offset emits. The emitter is obliged to obtain emission allowances (compliance units) equal to the amount of greenhouse gases emitted within a certain period of time, and that are supposed to be surrendered to the Government of British Columbia as compliance proof.

In December 2002, the Government of Canada ratified the Kyoto Protocol ("**Kyoto Protocol**"). The Kyoto Protocol calls for Canada to reduce its greenhouse gas emissions to 6% below 1990 "business-as-usual" levels between 2008 and 2012. Given revised estimates of Canada's normal emissions levels, this target translates into an approximately 40% gross reduction in Canada's current emissions. It is questionable, based on the Updated Action Plan announced by the Federal Government (see below), that the Kyoto Protocol target of 6% below 1990 emission levels will be enforced in Canada. Bill C-288, which is intended to ensure that Canada meets its global climate change obligations under the Kyoto Protocol, was passed by the House of Commons on February 14, 2007. On April 26, 2007, the Federal Government released its Action Plan to Reduce Greenhouse Gases and Air Pollution (the "**Action Plan**") also known as ecoACTION which includes the regulatory framework for air emissions. This Action Plan covers not only large industry, but regulates the fuel efficiency of vehicles and the strengthening of energy standards for a number of energy using products.

The Government of Canada and the Province of Alberta released on January 31, 2008 the final report of the Canada-Alberta ecoENERGY Carbon Capture and Storage Task Force, which recommends among others: (i) incorporating carbon capture and storage into Canada's clean air regulations; (ii) allocating new funding into projects through competitive process; and (iii) targeting research to lower the cost of technology.

In order to strengthen the Action Plan, on March 10, 2008, the Government of Canada released "Turning the Corner – Taking Action to Fight Climate Change" (the "**Updated Action Plan**") which provides some additional guidance with respect to the Government's plan to reduce greenhouse gas emissions by 20% by 2020 and by 60% to 70% by 2050.

The Updated Action Plan is primarily directed towards industrial emissions from certain specified industries including the oil sands, oil and gas and refining. The Updated Action Plan is intended to create a carbon emissions trading market, including an offset system, to provide incentive to reduce greenhouse gas emission and establish a market price for carbon. There are mandatory reductions of 18% from the 2006 baseline starting in 2010 and an additional 2% in subsequent years for existing facilities. This target will be applied to regulated sectors on a facility-specific, sector-wide or corporate basis; in the case of oil sands production, petroleum refining, natural gas pipelines and upstream oil and gas the target will be considered facility-specific (sectors in which the facilities are complex and diverse, or where emissions are affected by factors beyond the control of the facility operator). Emissions from new facilities, which are those built between 2004 and 2011, will be based on a cleaner fuel standard to encourage continuous emissions intensity reductions over time, and will be granted a 3-year grace period during which no emissions intensity targets will apply. Targets will begin to apply on the fourth year of commercial operation and the

baseline will be the third year's emissions intensity, with a 2% continuous annual emission intensity improvement required. The definition of new facility also includes greenfield facilities, major expansions constituting more than a 25% increase in a facility's physical capacity, as well as transformations to a facility that involve significant changes to its processes. For upstream oil and gas and natural gas pipelines, it will be applied using a sector-specific approach. For the oil sands, its application will be process-specific, oil sands plants built in 2012 and later, those which use heavier hydrocarbons, up-graders and *in-situ* production will have mandatory standards in 2018 that will be based on carbon capture and storage.

In the following regulated sectors, the Updated Action Plan will apply only to facilities exceeding a minimum annual emissions threshold: (i) 50,000 tonnes of CO₂ equivalent per year for natural gas pipelines; (ii) 3,000 tonnes of CO₂ equivalent per upstream oil and gas facility; and (iii) 10,000 boe/d/company. These proposed thresholds are significantly stricter than the current Alberta regulatory threshold of 100,000 tonnes of CO₂ equivalent per year per facility.

Four separate compliance mechanisms are provided in respect of the above targets: Technology Fund contributions, offset credits, clean development credits and credits for early action. The most significant of these compliance mechanisms, at least initially, will be the Technology Fund and for which regulated entities will be able to contribute in order to comply with emissions intensity reductions. The contribution rate will increase over time, beginning at \$15 per tonne for the 2010-12 period, rising to \$20 per tonne in 2013, and thereafter increasing at the nominal rate of GDP growth. Contribution limits will correspondingly decline from 70% in 2010 to 0% in 2018. Monies raised through contributions to the Technology Fund will be used to invest in technology to reduce greenhouse gas emissions. Alternatively, regulated entities may be able to receive credits for investing in large-scale and transformative projects at the same contribution rate and under similar requirements as mentioned above.

The offset system is intended to encourage emissions reductions from activities outside of the regulated sphere, allowing non-regulated entities to participate in and benefit from emissions reduction activities. In order to generate offset credits, project proponents must propose and receive approval for emissions reduction activities that will be verified before offset credits will be issued to the project proponent. Those credits can then be sold to regulated entities for use in compliance or non-regulated purchasers that wish to either cancel the offset credits or bank them for future use or sale.

Under the Updated Action Plan, regulated entities will also be able to purchase credits created through the Clean Development Mechanism of the Kyoto Protocol. The purchase of such Emissions Reduction Credits will be restricted to 10% of each firm's regulatory obligation, with the added restriction that credits generated through forest sink projects will not be available for use in complying with the Canadian regulations.

Finally, a one-time credit of up to 15 million tonnes worth of emissions credits will be awarded to regulated entities for emissions reduction activities undertaken between 1992 and 2006. These credits will be both tradable and bankable.

Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not currently possible to predict either the nature of those requirements or the impact on the Trust and its operations and financial condition at this time.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Trust's other public filings before making an investment decision.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Trust depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Trust may have at any particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Trust's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable

producing properties or prospects. No assurance can be given that the Trust will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Trust may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Trust.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, the Trust may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Trust. In accordance with industry practice, the Trust is not fully insured against all of these risks, nor are all such risks insurable. Although the Trust maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Trust could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and are continuing in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Trust is and will continue to be affected by numerous factors beyond its control. The Trust's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Trust may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The prices of oil and natural gas prices may be volatile and subject to fluctuation. Any material decline in prices could result in a reduction of the Trust's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of the Trust's reserves. The Trust might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Trust's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Trust. These factors include economic conditions, in the United States and Canada, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Trust's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Trust may, in part, be determined by the Trust's borrowing base. A sustained material decline in prices from historical average prices could reduce the Trust's borrowing base, therefore reducing the bank credit available to the Trust which could require that a portion, or all, of the Trust's bank debt be repaid.

Maintenance of Distributions

We conduct limited exploration activities for oil and natural gas reserves. Instead, we add to our oil and natural gas reserves primarily through development and acquisitions. As a result, future oil and natural gas reserves are highly dependent on our operating entities success in exploiting existing properties and acquiring additional reserves. Although we have suspended distributions, the Trust's distribution policy is generally to distribute the majority of our net cash flow to Unitholders rather than reinvesting it in reserve additions. Accordingly, if external sources of capital, including the issuance of additional Trust Units, become limited or unavailable on commercially reasonable terms, our operating entities ability to make the necessary capital investments to maintain or expand its oil and natural gas reserves will be impaired. If we reinstate distributions, such distributions may once again be reduced or suspended to the extent that our operating entities are required to use cash flow to finance capital expenditures or property acquisitions. Additionally, we cannot guarantee that we will be successful in developing additional reserves or acquiring additional reserves on terms that meet our investment objectives. Without these reserve additions, our reserves will deplete and as a consequence, either production from, or the average reserve life of, our properties will decline. Either decline may result in a reduction in the value of Trust Units and in a reduction in cash available for distributions to Unitholders.

Changes in Legislation

Income tax laws, or other laws or government incentive programs relating to the oil and gas industry, such as the treatment of mutual fund trusts and resource taxation, may in the future be changed or interpreted in a manner that adversely affects us and our Unitholders. Tax authorities having jurisdiction over us or Unitholders may disagree with how we calculate our income for tax purposes or could change administrative practises to our detriment or the detriment of Unitholders. See also "*Risk Factors –Federal Tax Changes*".

Mutual Fund Trust Status

So long as we continue to operate in trust form, we intend to continue to qualify as a mutual fund trust for purposes of the Tax Act. We may not, however, always be able to satisfy any future requirements for the maintenance of mutual fund trust status. Should our status as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for us and Unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

- We would be taxed on certain types of income distributed to Unitholders, including income generated by the royalties held by us. Payment of this tax may have adverse consequences for some Unitholders, particularly Unitholders that are not residents of Canada and residents of Canada that are otherwise exempt from Canadian income tax.
- We would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws.
- Trust Units held by Unitholders that are not residents of Canada would become taxable Canadian property. These non-resident holders would be subject to Canadian income tax on any gains realized on a disposition of Trust Units held by them.
- Trust Units would cease to be a qualified investment for trusts governed by registered retirement savings plans ("RRSPs"), registered education savings plans ("RESPs"), deferred profit sharing plans ("DPSPs"), registered disability savings plan ("RDSPs"), registered retirement income funds ("RRIFs") and tax free savings accounts ("TFSAs") (collectively, the "Exempt Plans"). Where, at the end of a month, a RRSP, DPSP, RESP or RRIF that holds Trust Units that cease to be a qualified investment, the plan must, in respect of that month, pay a tax equal to 1% of the fair market value of the Trust Units at the time such Trust Units were acquired by the plan. Trusts governed by RRSPs, RDSPs, TSFAs or RRIFs which hold Trust Units that are not qualified investments will be subject to tax on the income attributable to the Trust Units while they are not qualified investments, including the full capital gains, if any, realized on the disposition of such Trust Units. Where a trust governed by a RRSP or a RRIF acquires Trust Units that are not qualified investments, the value of the investment is included in the income of the annuitant for the year of the acquisition. Trusts governed by RESPs which hold Trust Units that are not qualified investments can have their registration revoked by the CRA. The holder of a RDSP or TSFA which holds Trust Units that are not qualified investments will be subject to tax equal to 50% of the fair market value of the Trust Units.

In addition, we may take certain measures in the future to the extent we believe necessary to ensure that we maintain the status as a mutual fund trust. These measures could be adverse to certain holders of Trust Units, particularly non-residents of Canada as defined in the Tax Act. See "*Risk Factors – Non-Resident Ownership of Trust Units*".

Federal Tax Changes

On October 31, 2006 the Federal Minister of Finance proposed to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders (the "**SIFT Tax**"). On December 21, 2006 the Federal Minister of Finance released draft legislation to implement the SIFT Tax pursuant to which, commencing January 1, 2011 (provided True only experiences "normal growth" and no "undue expansion" before then) certain distributions from us which would have otherwise been taxed as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate rates at the Trust level. On June 22, 2007, the legislation received Royal assent. The implementation of the SIFT Tax is expected to result in adverse tax consequences to us and certain Unitholders (including most particularly Unitholders that are tax deferred or non-residents of Canada) and may impact the level of cash distributions from us.

Management believes that the SIFT Tax has reduced, and may further reduce, the value of the Trust Units, which would be expected to increase the cost to True of raising capital in the public capital markets. In addition, management believes that the SIFT Tax: (a) has substantially eliminated any competitive advantage that True and other Canadian energy trusts have enjoyed relative to their corporate peers in raising capital in a tax-efficient manner; and (b) may place True and other Canadian energy trusts at a competitive disadvantage relative to industry competitors, including U.S. master limited partnerships, which will continue to not be subject to entity level taxation. The SIFT Tax may also make the Trust Units less attractive as an acquisition currency. As a result, it may become more difficult for us to compete effectively for acquisition opportunities.

Further, the SIFT Tax provides that, while there is no intention to prevent "normal growth" during the transitional period, any "undue expansion" would result in the transition period being terminated with the loss of the benefit to us of that transitional period. As a result, the adverse tax consequences resulting from the SIFT Tax could be borne sooner than January 1, 2011. On December 15, 2006, the Department of Finance issued guidelines with respect

to what is meant by "normal growth" in this context (the "**Guidelines**"). Specifically, the Department of Finance stated that "normal growth" would include equity growth within certain "safe harbour" limits, measured by reference to a "specified investment flow-through's" ("**SIFT**") market capitalization as of the end of trading on October 31, 2006 (which would include only the market value of the SIFT's issued and outstanding publicly-traded trust units, and not any convertible debt, options or other interests convertible into or exchangeable for trust units). Those safe harbour limits are 40% for the period from November 1, 2006 to December 31, 2007, and 20% each for calendar 2008, 2009 and 2010. Moreover, these limits are cumulative, so that any unused limit for a period carries over into the subsequent period. Additional details of the Guidelines include the following:

- (a) new equity for these purposes includes units and debt that is convertible into units (and may include other substitutes for equity if attempts are made to develop those);
- (b) replacing debt that was outstanding as of October 31, 2006 with new equity, whether by a conversion into trust units of convertible debentures or otherwise, will not be considered growth for these purposes and will therefore not affect the safe harbour; and
- (c) the exchange, for trust units, of exchangeable partnership units or exchangeable shares that were outstanding on October 31, 2006 will not be considered growth for those purposes and will therefore not affect the safe harbour where the issuance of the trust units is made in satisfaction of the exercise of the exchange right by a person other than the SIFT.

Our market capitalization as of the close of trading on October 31, 2006, having regard only to its issued and outstanding publicly-traded Trust Units, was approximately \$737 million, which means our "safe harbour" equity growth amount for the period ending December 31, 2007 is approximately \$294.8 million, and for each of calendar 2008, 2009 and 2010 is an additional approximately \$147.4 million (in any case, not including equity, including convertible debentures, issued to replace debt that was outstanding on October 31, 2006).

On December 4, 2008, the Federal Minister of Finance announced changes to the Guidelines to allow a SIFT to accelerate the utilization of the SIFT annual safe harbour amount for each of 2009 and 2010 so that the safe harbour amounts for 2009 and 2010 are available on and after December 4, 2008. This change does not alter the maximum permitted expansion threshold for a SIFT, but it allows a SIFT to use its normal growth room remaining as of December 4, 2008 in a single year, rather than staging a portion of the normal growth room over the 2009 and 2010 years.

While the Guidelines are unlikely to affect our ability to raise the capital required to maintain and grow our existing operations in the ordinary course during the transition period, they could adversely affect the cost of raising capital and our ability to undertake more significant acquisitions.

Currently, the SIFT Tax rules provide that the SIFT Tax rate will be the federal general corporate income tax rate (which is anticipated to be 16.5 percent in 2011 and 15 percent in 2012) plus the provincial SIFT tax rate.

Pursuant to proposed regulations to the Tax Act, the provincial SIFT tax rate will be based on the general provincial corporate income tax rate in each province in which the Trust has a permanent establishment. For purposes of calculating this component of the tax, the general corporate taxable income allocation formula will be used. Specifically, the Trust's taxable distributions, if any, will be allocated to provinces by taking half of the aggregate of:

- that proportion of the Trust's taxable distributions, if any, for the year that the Trust's wages and salaries in the province are of its total wages and salaries in Canada; and
- that proportion of the Trust's taxable distributions, if any, for the year that the Trust's gross revenues in the province are of its total gross revenues in Canada.

It is anticipated that the Trust would be considered to have a permanent establishment only in Alberta, where the provincial tax rate in 2011 is expected to be 10%, which will result in an effective tax rate of 26.5% in 2011. Taxable distributions, if any, that are not allocated to any province would instead be subject to a 10% rate constituting the provincial component.

Although the SIFT Tax is not expected to effect the Trust until 2011, the Trust could become subject to the trust-level tax sooner if it experiences growth other than "normal growth" before then.

The long term effect of the SIFT Tax on us cannot be determined at this time, but may be materially adverse to us and some or all of our Unitholders. There can be no assurance that we will be able to generate sufficient tax pools and/or reorganize our legal and tax structure in order to mitigate, in whole or in part, the expected impact of the SIFT Tax.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Trust makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Trust's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Trust. The integration of acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Trust can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Trust, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Trust.

Return from Investment

The after tax return from an investment in Trust Units to Unitholders subject to Canadian income tax can be made up of both a return on capital and a return of capital. That composition may change over time, thus affecting an investor's after tax return. Returns on capital are generally taxed as ordinary income in the hands of a Unitholder. Returns of capital are generally tax deferred (and reduce the Unitholder's cost base in the Trust Unit for tax purposes).

Operational Dependence

Other companies operate some of the assets in which the Trust has an interest. As a result, the Trust has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Trust's financial performance. The Trust's return on assets operated by others therefore depends upon a number of factors that may be outside of the Trust's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

The Trust manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Trust's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Trust's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and

- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Trust could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Debt Service

True Energy may, from time to time, finance a significant portion of its operations through debt. Amounts paid in respect of interest and principal on debt incurred by True Energy may impair True Energy's ability to satisfy its obligations under the Notes. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment by True Energy of its obligations under the Notes. Ultimately, this may result in lower levels of Distributable Cash for the Trust.

Pursuant to credit facilities established by True Energy, True Energy is restricted from making distributions to the Trust, including payments of principal and interest under the Notes in various circumstances which include, but are not limited to, the following: (i) after a demand has been made under the credit facilities; (ii) after a default or event of default has occurred under the credit facilities or if the borrowings thereunder exceed the borrowing base established from time to time by the lender; and (iii) if such distribution would result in a default or event of default under the credit facilities. This may restrict the ability of True Energy to pay interest or principal on any indebtedness to the Trust, including the Notes, and therefore may limit or eliminate cash available for distribution.

Lenders have been provided with security over all of the assets of True Energy. If True Energy becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, a lender may foreclose on or sell the assets of True Energy.

In addition, one of the lenders under the Credit Facilities does not have an obligation to extend its portion of the Credit Facilities past June 28, 2009. At such time, the Trust will be required to repay or reallocate to one or more of the other lenders under the Credit Facilities. There is no certainty that such amount will be able to be reallocated to such other lenders. In addition, the borrowing base on the Credit Facility is scheduled for review by March 31, 2009. The new level of borrowing base will be subject to the lending syndicate's determination which is based upon the latest reserves information, their internal commodity price decks and other factors. In the event the borrowing base is lowered below the drawn Credit Facility at that time, this shortfall would be required to be repaid within 60 days of notification, or as otherwise agreed by the lending syndicate, and this funding would currently be expected to come from alternative sources of debt or equity financing or the proceeds from asset dispositions, as available. If the Trust is not able to reallocate the \$12.5 million portion of its Credit Facilities or if the borrowing base is lowered, or the Trust may not have sufficient capital for its operations which would have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Depletion of Reserves

To the extent we distribute income to our Unitholders, we will not be reinvesting cash flow in the same manner as other industry participants as we conduct only minimal exploratory activities. Accordingly, absent capital injections, our initial production levels and reserves will decline and the level of income available for distributions will be reduced.

Our future oil and natural gas reserves and production, and therefore our cash flows, will be highly dependent on our success in exploiting our reserve base and acquiring additional reserves. Without reserve additions through acquisition or development activities, our reserves and production will decline over time as reserves are exploited.

To the extent that external sources of capital, including the issuance of additional Trust Units become limited or unavailable, our ability to make the necessary capital investments to maintain or expand our oil and natural gas reserves will be impaired. To the extent that we are required to use cash flow to finance capital expenditures or property acquisitions, the level of income available for distributions will be reduced.

There can be no assurance that we will be successful in developing or acquiring additional reserves on terms that meet our investment objectives.

Competition

The petroleum industry is competitive in all its phases. The Trust competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Trust's competitors include oil and natural gas trusts and companies that have substantially greater financial resources, staff and facilities than those of the Trust. The Trust's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. See "Industry Conditions". Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Trust's costs, any of which may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, the Trust will require licenses from various governmental authorities. There can be no assurance that the Trust will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". The Trust's exploration and production facilities and other operations and activities emit greenhouse gases which will require the Trust to comply with the new regulatory framework announced on March 10, 2008 by the Federal Government which is intended to force large industries to reduce emissions of greenhouse gases, in addition to the proposed *Clean Air Act* (Canada) of 2006 and Alberta's recently enacted *Climate Change and Emissions Management Act* and *Specified Gas Emitters Regulation*. The direct or indirect costs of these regulations may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. See "Industry Conditions – Environmental Regulation".

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Trust to incur costs to remedy such discharge. Although the Trust believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Kyoto Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Trust. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible

to predict the impact on the Trust and its operations and financial condition. See "Industry Conditions – Environmental Regulation".

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore effected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar although the Canadian dollar has recently decreased from such levels. Material increases in the value of the Canadian dollar negatively impact the Trust's production revenues. Future Canadian/United States exchange rates could accordingly impact the future value of the Trust's reserves as determined by independent evaluators.

To the extent that the Trust engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Trust may contract.

An increase in interest rates could result in a significant increase in the amount the Trust pays to service debt, which could negatively impact the market price of the Common Shares of the Trust.

Substantial Capital Requirements

The Trust anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Trust's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. In addition, uncertain levels of near term industry activity coupled with the present global credit crisis exposes the Trust to additional access to capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Trust. The inability of the Trust to access sufficient capital for its operations could have a material adverse effect on the Trust's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Trust's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Trust may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Trust to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Trust's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Trust's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Trust's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to the Trust. Continued uncertainty in domestic and international credit markets could materially affect the Trust's ability to access sufficient capital for its capital expenditures and acquisitions, and as a result, may have a material adverse effect on the Trust's ability to execute its business strategy and on its business, financial condition, results of operations and prospects.

Return of Capital

Trust Units will have no value when our oil and gas properties can no longer be economically produced and, as a result, cash distributions do not represent a "yield" in the traditional sense and are not comparable to bonds or other fixed yield securities, where investors are entitled to a full return of the principal amount of debt on maturity in addition to a return on investment through interest payments. Distributions represent a blend of *return of* Unitholders initial investment and a *return on* Unitholders initial investment.

Unitholders have a limited right to require us to repurchase their Trust Units, which is referred to as a redemption right. It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investment. The right to receive cash in connection with a redemption is subject to limitations. Any securities which may be distributed *in specie* to Unitholders in connection with a redemption may not be listed on any

stock exchange and a market may not develop for such securities. In addition, there may be resale restrictions imposed by law upon the recipients of the securities pursuant to the redemption right.

Issuance of Debt

From time to time the Trust may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Trust's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Trust may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Trust's articles nor its by-laws limit the amount of indebtedness that the Trust may incur. The level of the Trust's indebtedness from time to time, could impair the Trust's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Trust may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Trust will not benefit from such increases and the Trust may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time the Trust may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Trust will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Trust and may delay exploration and development activities.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Trust's claim which may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Trust's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the

same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Trust's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Trust's oil and gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Trust intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Trust's reserves since that date.

Insurance

The Trust's involvement in the exploration for and development of oil and natural gas properties may result in the Trust becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Trust maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Trust may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Trust. The occurrence of a significant event that the Trust is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by the Trust is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle-East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Trust's net production revenue.

In addition, the Trust's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of the Trust's properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. The Trust will not have insurance to protect against the risk from terrorism.

Dilution

The Trust may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Trust which may be dilutive.

Management of Growth

The Trust may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Trust to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Trust to deal with this growth may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Expiration of Licences and Leases

The Trust's properties are held in the form of licences and leases and working interests in licences and leases. If the Trust or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Trust's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Trust is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful such claim may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Trust.

Third Party Credit Risk

The Trust may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Trust, such failures may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Trust's ongoing capital program, potentially delaying the program and the results of such program until the Trust finds a suitable alternative partner.

Conflicts of Interest

Certain directors of the Trust are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA. See "Corporate Governance – Directors and Officers of True Energy – Conflicts of Interest".

Reliance on Key Personnel

The Trust's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. The Trust does not have any key person insurance in effect for the Trust. The contributions of the existing management team to the immediate and near term operations of the Trust are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Trust will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Trust.

Nature of Trust Units

The Trust Units do not represent a traditional investment in the oil and natural gas sector and should not be viewed by investors as shares in True Energy. The Trust Units represent a fractional interest in our assets. As holders of Trust Units, Unitholders will not necessarily have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. Our sole assets will be the Notes and other investments in securities of our operating entities. The price per Trust Unit is a function of anticipated income available for distributions, the oil and gas assets acquired by us and our ability to effect long-term growth in the value of our assets. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates and our ability to acquire suitable oil and natural gas properties. Changes in market conditions may adversely affect the trading price of the Trust Units.

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, we are not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Limited Liability

The Trust Indenture provides that no Unitholder will be subject to any liability in connection with our obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of our assets. Pursuant to the Trust Indenture, we will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having such limited liability.

The Trust Indenture provides that, except as provided in the Trust Indenture, all written instruments signed by or on our behalf must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Personal liability may also arise in respect of claims against us that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely. The *Income Trusts Liability Act* (Alberta) came into force on July 1, 2004. The legislation provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the legislation came into force.

HUMAN RESOURCES

As at January 31, 2009 we employed 57 full-time employees (44 are located in the head office and 13 are field employees) and 49 consultants (40 full-time and 9 part-time consultants of which 18 are located in the head office and 31 are in the field). We intend to adjust professional and administrative staff levels as the need arises.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below, there were no material interests, direct or indirect, of directors or executive officers of True Energy, any holder of Trust Units, or Exchangeable Shares or Trust Debentures who beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Trust Units, Exchangeable Shares or Trust Debentures respectively, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or would materially affect us other than as follows:

Mr. Cobbe, a director of True Energy and former director and officer of Prairie Schooner Petroleum Ltd. ("**Prairie Schooner**"), received certain consideration in connection with the acquisition by the Trust of Prairie Schooner which was completed effective September 22, 2006. In connection with the Trust's acquisition of Prairie Schooner, all unvested options in Prairie Schooner held by such individuals were accelerated and made exercisable for Trust Units for a period of ten business days following the effective date of the acquisition.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by us during, or related to, our most recently completed financial year other than GLJ, our independent engineering evaluator and KPMG LLP. None of the principals of GLJ had any registered or beneficial interests, direct or indirect, in any of our securities or other property or of our associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them. KPMG LLP, our auditors, are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

True is not a party to any legal proceeding nor was it a party to any legal proceeding during the 2008 financial year, nor is True aware of any contemplated legal proceeding involving True, its subsidiaries or any of its property which involves a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of True.

During the year ended December 31, 2008, there were no (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, neither True nor its Subsidiaries have entered into any material contracts within the last financial year, or before the last financial year which are still in effect, other than as follows:

1. the Trust Indenture;
2. the Administration Agreement;
3. the NPI Agreements;
4. the Note Indentures;
5. the Debenture Indenture;
6. the Support Agreement; and
7. the Voting and Exchange Trust Agreement; and
8. the Credit Facilities.

Copies of these documents have been filed on SEDAR at www.sedar.com.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Trust are KPMG LLP, Chartered Accountants, Suite 1200, 205 - 5th Avenue S.W., Calgary, Alberta, T2P 4B9.

Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar of the Trust Units, Exchangeable Shares and Debentures.

ADDITIONAL INFORMATION

Additional information including information relating to remuneration and indebtedness of directors and officers of True, principal holders of the Trust Units, Exchangeable Shares and securities authorized for issuance under our equity compensation plans, will be contained in the information circular relating to our annual and special meeting of Securityholders to be held on May 20, 2009. Additional financial information is provided in our comparative consolidated financial statements and management discussion and analysis of financial results for the year ended December 31, 2008 which can be found in the Trust's 2008 Annual Report to Securityholders. Alternatively, additional information relating to us is available on SEDAR at www.sedar.com.

For copies of our information circular, our comparative consolidated financial statements, including any interim consolidated comparative financial statements and additional copies of the Annual Information Form please contact:

True Energy Trust
c/o True Energy Inc.
Suite 2300, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Tel: (403) 266-8670
Fax: (403) 264-8163

SCHEDULE "A"
FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of True Energy Inc. on behalf of True Energy Trust (collectively, "True") is responsible for the preparation and disclosure of information with respect to True's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2008 estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated True's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the board of directors of True Energy has

- (a) reviewed True's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed True's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved

- (d) the content and filing with securities regulatory authorities of Form 51-101F1 containing the reserves data and other oil and gas information;
- (e) the filing of Form 51-101F1 which is the report of the independent qualified reserves evaluators on the reserves data; and
- (f) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

DATED as of this 18th day of March, 2009.

(signed) "*Raymond G. Smith*"
Raymond G. Smith, P.Eng.
President and C.E.O

(signed) "*Edward J. Brown*"
Edward J. Brown, C.A.
Vice-President, Finance & C.F.O.

(signed) "*Murray B. Todd*"
Murray B. Todd
Director

(signed) "*Keith E. Macdonald*"
Keith E. Macdonald, C.A.
Director

SCHEDULE "B"
FORM 51-101F2
REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the board of directors of True Energy Trust (the "**Company**"):

1. We have prepared an evaluation of the Company's reserves data as at December 31, 2008. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2008 estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2007, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (County or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - \$M)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	February 3, 2009	Canada	-	\$564,385	-	\$564,385

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

EXECUTED as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta Canada February 3, 2009

Per: (signed) "Bryan M. Joa"
 Bryan M. Joa, P. Eng.
 Vice-President

SCHEDULE "C"
MANDATE AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Role and Objective

The Audit Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of True Energy Inc. ("**True**"), in its capacity as the administrator of True Energy Trust (the "**Trust**"), to which the Board has delegated its responsibility for the oversight of the following respecting the Trust:

1. nature and scope of the annual audit;
2. the oversight of management's reporting on internal accounting standards and practices;
3. the review of financial information, accounting systems and procedures;
4. financial reporting and financial statements,

and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. To assist directors of True ("**Directors**") in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Trust and related matters;
2. To provide better communication between Directors and external auditors;
3. To enhance the external auditor's independence;
4. To increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the outside Directors by facilitating in depth discussions between Directors on the Committee, management of True ("**Management**") and external auditors.

Membership of Committee

The Committee will be comprised of at least three (3) Directors or such greater number as the Board may determine from time to time and all members of the Committee shall be "independent" (as such term is used in Multilateral Instrument 52-110 — Audit Committees ("**MI 52-110**") unless the Board determines that the exemption contained in MI 52-110 is available and determines to rely thereon.

1. The Board may from time to time designate one of the members of the Committee to be the Chair of the Committee.
2. All of the members of the Committee must be "financially literate" (as defined in MI 52-110) unless the Board determines that an exemption under MI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of MI 52-110.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to:

1. Oversee the work of the external auditors, including the resolution of any disagreements between Management and the external auditors regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to the Trust's internal control systems.

3. Review the annual and interim financial statements of the Trust and related management's discussion and analysis ("**MD&A**") prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between Management and the external auditors; and
 - obtain explanations of significant variances with comparative reporting periods.
4. Review the financial statements, prospectuses, MD&A, annual information forms ("**AIF**") and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of the Trust's disclosure of all other financial information and will periodically assess the accuracy of those procedures.
5. With respect to the appointment of external auditors by the Board:
 - recommend to the Board the external auditors to be nominated;
 - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Trust to determine the auditors' independence;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - review and pre-approve any non-audit services to be provided to the Trust or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time.
6. Review with external auditors (and internal auditor if one is appointed by the Trust) their assessment of the internal controls of the Trust, their written reports containing recommendations for improvement, and Management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Trust and its subsidiaries.
7. Review risk management policies and procedures of the Trust (i.e. hedging, litigation and insurance).

8. Establish a procedure for:
 - the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters.
9. Review and approve the Trust's and its subsidiary's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of the Trust.

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of the Trust. The Committee will also have the authority to investigate any financial activity of the Trust. All employees of the Trust are to cooperate as requested by the Committee.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at such compensation as established by the Committee and at the expense of the Trust without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting will be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer of True will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
5. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Trust and its subsidiaries as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
8. Minutes of the Committee will be recorded and maintained and circulated to Directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Trust or the Corporation, as determined by the Committee.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a Director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the

Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee each member will hold such office until the Committee is reconstituted.

11. Any issues arising from these meetings that bear on the relationship between the Board and Management should be communicated to the Chairman of the Board by the Committee Chair.