

NEWS RELEASE

TSX: TKE.UN

August 23, 2005

True Energy Inc. and TKE Energy Trust Announce Business Combination

CALGARY, Alberta, August 23, 2005 — True Energy Inc. ("**True**") and TKE Energy Trust ("**TKE**") are pleased to announce they have entered into an agreement in principle to combine and reorganize through a plan of arrangement (the "**Arrangement**") under the Business Corporations Act (Alberta). Under the Arrangement: (i) TKE will acquire all of the common shares of True in exchange for trust units of TKE ("**Trust Units**"); (ii) each True shareholder will receive common shares in a new junior exploration company ("**ExploreCo**"); and, (iii) each True shareholder will be able to participate in the initial financing of ExploreCo at net asset value. The agreement in principle is subject to certain conditions including the entering into of a definitive Arrangement Agreement.

Under the proposed Arrangement, each True common shareholder will receive, for each True common share held, 0.50 of one pre-consolidated Trust Unit in TKE (0.25 of one post-consolidated Trust Unit), together with 0.10 of one common share of ExploreCo. Under the Arrangement, each True common shareholder will also receive 0.0655 of one arrangement warrant. Each full arrangement warrant will be exercisable into one common share of ExploreCo at an exercise price equal to its net asset value (approximately \$2.22 per share) for a period of 30 days from the effective date of the Arrangement. Prior to completion of the Arrangement, ExploreCo will complete a private placement of common shares of ExploreCo at an issue price equal to the net asset value of the ExploreCo assets (approximately \$2.22 per share), to raise approximately \$5 million. If all arrangement warrants are exercised, and the private placement is fully subscribed, ExploreCo will raise approximately \$20 million for its capital program. TKE will ask its unitholders to approve a consolidation of its existing outstanding trust units on a one for two (1:2) basis and a change in name to "True Energy Trust" concurrent with the implementation of the Arrangement.

The Arrangement has unanimous approval of the Boards of Directors of both True and TKE and the board of directors of True has determined that the Arrangement is in the best interests of True and True's shareholders and is recommending that the shareholders of True vote in favour of the Arrangement.

With an anticipated enterprise value of approximately \$800 million, True Energy Trust will own 100% of the existing assets of TKE and approximately 90% of the existing assets of True. Production will be 13,500 to 14,000 boepd (as at the effective date). Monthly cash distributions are anticipated to be continued at the current level of \$0.12 per month per pre-consolidated Trust Unit (or \$0.24 per month

per post-consolidated Trust Unit). With over 350,000 net acres of undeveloped land and numerous internal drilling opportunities, True Energy Trust will be well positioned to sustain future distributions. Under the Arrangement, existing True optionholders and TKE unit incentive rights holders will have the opportunity to exercise their options and unit incentive rights, converting them into True common shares and TKE Trust Units for ultimate exchange into Trust Units of True Energy Trust.

The senior management of True Energy Trust will be comprised of Paul R. Baay, President & Chief Executive Officer, Clinton T. Broughton, VP & Chief Operating Officer, Joan E. Dunne, VP, Finance & Chief Financial Officer and Ian C. Ross, VP, Land. The majority of True's technical and administrative staff will also be retained. The Board of Directors of True Energy Trust will be comprised of four representatives from the existing board of True, including Paul R. Baay and W.C. (Mickey) Dunn, and two representatives from the existing board of TKE Energy Inc., including Norman W. Holton, TKE's current Chairman and CEO. True Energy Trust will have an internalized management structure without any fees payable on acquisitions or dispositions.

ExploreCo will be independently managed by certain of True's existing management team including Douglas J. Bartole, currently True's Vice-President, Operations, who will become President, and Kevin W. Yakiwchuk, who will retain his same title as VP, Exploration. ExploreCo will be allocated approximately 600 boepd of True's current production from the Whitecourt/Rosevear area of west central Alberta, will have approximately 61,000 net acres of undeveloped land and will assume or repay \$5.0 million of True's existing debt.

Paul Baay, President and CEO of True remarked, "This transaction represents the next step in the development of True Energy. We are pleased to be combining with TKE in a transaction that we believe will provide our shareholders with the opportunity to realize further value appreciation from our producing assets in a more tax-efficient vehicle, while simultaneously offering the opportunity to participate in a high growth, exploration-oriented junior company. By combining the majority of our producing assets with TKE, our shareholders will receive a sustainable monthly distribution, and will benefit from the further development of the inventory of lower risk drilling opportunities that exist in both True and TKE."

Norm Holton, Chairman and CEO of TKE commented, "Under the Arrangement, TKE unitholders will continue to receive the same monthly cash distributions, and will hold units in a larger, more diversified trust with an enhanced portfolio of development opportunities. The transaction is accretive to TKE's 2006 forecast cash flow and production on a per unit basis, and the trust will have a strong balance sheet and a greater ability to capitalize on opportunities. TKE unitholders will also benefit from any future appreciation in the unit price that might result from an anticipated lower trading yield for the trust. We are excited about the opportunity to combine with a successful, high growth company such as True."

Benefits of the Transaction

The Arrangement is intended to enhance value for both True shareholders and the unitholders of TKE.

The proposed Arrangement provides the following benefits:

- Unitholders will gain exposure to a broader, more diversified suite of producing assets and development opportunities, thus reducing operating risk and strengthening the sustainability of future cash flow and distributions.
- True Energy Trust will have 13,500 to 14,000 boepd of production (as at the effective date), approximately 67% gas-weighted.
- True Energy Trust will have a development drilling inventory of over 100 locations to sustain future distributions.
- True Energy Trust will have over 350,000 net acres of undeveloped land and extensive seismic coverage from which to enhance the existing inventory of drilling opportunities.
- True Energy Trust will have a strong balance sheet with net debt of approximately \$63 million.
- True Energy Trust will be managed by the same team of experienced professionals who, over the past five years, have built True to its current market capitalization of \$500 million and current production of approximately 9,400 boepd.
- True shareholders can retain or enhance exposure to the company's higher growth exploration and development potential in the Whitecourt/Rosevear area of west central Alberta through common shares and arrangement warrants in ExploreCo.

Pro Forma Attributes of True Energy Trust and ExploreCo

	True Energy Trust	ExploreCo
Production		
Oil & liquids (bpd)	4500	100
Natural gas (mmcf/d)	58	3
Total (boepd)	13,800	600
Natural Gas (%)	67	83
Undeveloped Land (net acres)	350,000	61,000
Net Debt (\$million)	63	nil ⁽²⁾
Units/Shares Outstanding	74.1 ⁽¹⁾	19.322

1. Fully diluted and, in the case of Trust Units, prior to giving effect to the consolidation of the Trust Units on a one for two (1:2) basis.
2. ExploreCo will have positive working capital of \$15 million assuming all arrangement warrants are exercised and the private placement is fully subscribed.

Characteristics of ExploreCo

ExploreCo will acquire approximately 600 boepd of current production from True's existing operations at Whitecourt/Rosevear in west central Alberta and other minor properties. Based on the independent engineering reports prepared by Gilbert Laustsen Jung Associates Ltd. and Sproule Associates Limited, effective December 31, 2004, these properties had a discounted present value of \$21.7 million and

attributed reserves of 1.388 mmboe (proved plus probable). ExploreCo will have approximately 61,000 net acres of undeveloped land in the above areas, and will assume or repay \$5.0 million of True's existing bank debt.

ExploreCo will pursue the development of two new pool discoveries in the Whitecourt area which is characterized by multi-zone, liquids-rich natural gas at medium depths. ExploreCo will have over 20 exploration and development locations identified in the broader Whitecourt/Rosevear area and will have an initial capital budget of \$30 million for 2006.

Paul R. Baay will serve as Chairman and a Director, and the board of ExploreCo will include certain current Directors of True. ExploreCo will be independently managed by Douglas J. Bartole, President, and Kevin W. Yakiwchuk, VP, Exploration, who have both contributed significantly to True's historic growth and success. ExploreCo and True Energy Trust will not have any common assets or joint venture operations at implementation of the Arrangement.

Based on 98,316,605 True common shares and 4,796,001 options outstanding as at August 22, 2005, ExploreCo will have 10.311 million common shares outstanding, before the exercise of the arrangement warrants (up to an additional 6.8 million common shares) and the anticipated private placement of common shares (up to an additional 2.3 million common shares). If all the arrangement warrants are exercised and the private placement is fully subscribed, ExploreCo will have approximately 19.322 million common shares outstanding.

Plan of Arrangement

An information circular detailing the Arrangement will be prepared and mailed to shareholders of True in September 2005. The Arrangement will require the approval of 66 2/3% of the votes cast by the shareholders of True and by a majority of shareholders, excluding directors and officers of True that are participating in the ExploreCo private placement, the approval of the Court of Queen's Bench of Alberta and other regulatory agencies. If approved, the Arrangement is expected to be effective in November, 2005. TKE will convene a meeting of its unitholders to coincide with the meeting of True where unitholders will consider the consolidation of outstanding trust units and the change of name.

Each of True and TKE has agreed that it will not solicit or initiate discussions, negotiations with any third party for any business combination or similar transaction. True has agreed to pay a non-completion fee to TKE in the amount of \$15.0 million in the event that the transaction is not completed in certain circumstances. TKE has agreed to pay to True a non-completion fee of \$6.75 million in the event that the transaction is not completed in certain circumstances.

Financial Advisors

CIBC World Markets Inc. has acted as financial advisor to True with respect to the proposed transaction and has advised the Board of Directors of True that they are of the opinion, as of the date hereof, that the

consideration to be received by the True shareholders pursuant to the Arrangement is fair, from a financial point of view, to the True shareholders.

Orion Securities Inc. is acting as financial advisor to TKE with respect to the proposed transaction.

GMP Securities Ltd. and FirstEnergy Capital Corp. are acting as advisors to ExploreCo in connection with the proposed transaction.

Conference Call

A conference call to discuss the proposed transaction will be held on Tuesday, August 23, 2005 at 9:00 am MST (11:00 am EST). To participate, please call 1-800-838-5953 and quote conference/access code number 21258861, or ask the operator for the True Energy/TKE Energy Trust conference call. The conference call will be recorded and available for review until August 25, 2005 by calling 1-800-558-5253 and entering reservation number 21258861 followed by the # sign.

Forward Looking Statements

Certain information set forth in this document, including management's assessment of future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond management's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. No assurance can be given that any of the events anticipated will transpire or occur, or if any of them do so, what benefits will derive from them. True and TKE disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

For further information please contact:

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