



TRUE ENERGY ANNOUNCES SECOND QUARTER 2006 RESULTS

For Immediate Release

TSX: TUI.UN

Calgary, Alberta, August 3, 2006 – (TSX: TUI.UN) True Energy Trust (“True” or the “Trust”) announces the results for the three and six months ended June 30, 2006.

HIGHLIGHTS

	Three Months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
FINANCIAL <i>(unaudited)</i>				
<i>(CDN\$000s except unit and per unit amounts)</i>				
Revenue (before royalties and hedging)	43,004	33,663	89,400	56,104
Cash flow from operations ⁽¹⁾	16,386	18,013	35,381	28,744
Per diluted trust unit ⁽²⁾	\$0.42	\$0.72	\$0.95	\$1.35
Net earnings	12,243	3,130	15,502	4,160
Per diluted trust unit ⁽²⁾	\$0.33	\$0.13	\$0.42	\$0.20
Distributions paid	27,771	-	53,921	-
Per unit	\$0.72	-	\$1.44	-
Payout ratio before DRIP ⁽³⁾	170%	-	152%	-
Payout ratio after DRIP ⁽³⁾	86%	-	110%	-
Capital expenditures - cash	17,436	21,316	40,021	34,477
Property dispositions	(24,514)	-	(24,514)	-
Corporate acquisitions and other - non-cash	47,321	308	47,956	192,242
Total capital expenditures - net	40,243	21,624	63,463	226,719
Long-term debt	21,834	-	21,834	-
Convertible debentures	81,168	-	81,168	-
Bank debt	-	34,806	-	34,806
Working capital deficiency	26,519	6,922	26,519	6,922
Total net debt	129,521	41,728	129,521	41,728
Total assets	759,489	355,139	759,489	355,139
Unitholders' equity	449,975	207,426	449,975	207,426
OPERATING				
Daily sales volumes				
Crude oil and NGLs	(bbls/d)	3,639	2,688	4,070
Natural gas	(mcf/d)	42,348	34,705	42,668
Total oil equivalent	(boe/d)	10,697	8,472	11,181
Average prices (before transportation)				
Crude oil and NGLs	(\$/bbl)	57.43	38.38	47.44
Natural gas	(\$/mcf)	5.98	7.69	6.94
Total oil equivalent	(\$/boe)	43.23	43.66	43.74
Statistics				
Operating netback	(\$/boe)	22.20	26.18	23.35
Production expenses	(\$/boe)	9.58	5.75	9.14
General & administrative ⁽⁴⁾	(\$/boe)	3.91	1.49	3.16
Royalties as a % of sales		24%	25%	24%

	Three Months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
TRUST UNITS				
Trust units outstanding	41,837,743	24,537,902	41,837,743	24,537,902
Trust unit incentive rights outstanding	3,552,333	1,225,167	3,552,333	1,225,167
Units issuable for exchangeable shares	258,445	-	258,445	-
Units issuable for convertible debentures	5,390,625	-	5,390,625	-
Diluted trust units outstanding	51,039,146	25,763,069	51,039,146	25,763,069
Diluted weighted average trust units	38,489,057	24,963,023	37,412,422	21,300,631

TRUST UNIT TRADING STATISTICS

(CDN\$, except volumes) based on intra-day trading ⁽²⁾

High	17.65	19.00	21.30	22.80
Low	12.66	14.44	12.66	13.60
Close	13.74	16.52	13.74	16.52
Average daily volume	231,034	127,152	310,462	134,531

⁽¹⁾ The Management Discussion and Analysis contains the term cash flow from operations (referred to as funds from operations in the financial statements), which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Trust's performance. Therefore reference to diluted cash flow from operations or cash flow from operations per trust unit may not be comparable with the calculation of similar measures for other entities. Management uses cash flow from operations to analyze operating performance and leverage and considers cash flow from operations to be a key measure as it demonstrates the Trust's ability to generate the cash necessary to fund future capital investments and to repay debt. The reconciliation between net earnings, cash flow from operations (funds from operations) and cash flow from operating activities can be found in the statement of cash flows in the consolidated financial statements. Cash flow from operations per trust unit is calculated using the diluted weighted average number of trust units for the period.

⁽²⁾ Restated for June 30, 2005 to reflect the consolidation of trust units effective November 2, 2005. In computing weighted average diluted earnings and cash flow from operations per trust unit for the three month period ended June 30, 2006, 1,156,883 (2005: 425,433 after consolidation) trust units were added to the 37,332,174 (2005: 24,537,590 after consolidation) weighted average number of trust units outstanding during the year for the dilutive effect of exchangeable shares and convertible debentures. A total of 3,448,203 (2005: 204,313 after consolidation) trust incentive units were excluded from the calculation for the three month period ended June 30, 2006 as they were not dilutive.

In computing weighted average diluted earnings and cash flow from operations per trust unit for the six month period ending June 30, 2006, 941,528 (2005: 445,264 after consolidation) trust units were added to the 36,470,894 (2005: 20,855,367 after consolidation) weighted average number of trust units outstanding during the year for the dilutive effect of exchangeable shares and convertible debentures. A total of 3,435,717 (2005: 204,313 after consolidation) trust incentive units were excluded from the calculation for the six month period ended June 30, 2006 as they were not dilutive.

⁽³⁾ DRIP refers to distributions reinvested pursuant to the Premium DistributionTM Reinvestment, Distribution Reinvestment and Optional Trust Unit Purchase Plan.

⁽⁴⁾ Restated June 30, 2005 to exclude financing charges.

REPORT TO UNITHOLDERS

The three months ended June 30, 2006 marks the second full quarter for True operating as an oil and gas energy trust, focused on providing stable unitholder distributions. The quarterly operational results reflect the opportunities derived from a strong heavy oil price offset by the challenges of a weaker natural gas price. The Board of Directors initiated a plan to deal with volatile natural gas commodity prices. Most of the results derived from this plan will be seen throughout the second half of the year.

Accomplishments for the three and six months ended June 30, 2006 include:

Acquisitions

On June 23, 2006, True completed the acquisition of Shellbridge Oil & Gas, Inc. ("Shellbridge") at a cost of \$68.8 million. On July 26, 2006, True announced entering into an agreement to acquire Prairie Schooner Petroleum Ltd. ("Prairie Schooner") for approximately \$431.0 million, including debt to be assumed. This transaction is anticipated to close prior to the fourth quarter.

Liquidity

At June 30, 2006, True had \$10.0 million drawn on a revolving term credit facility, \$11.8 million drawn on a demand operating facility, \$81.2 million in convertible debentures (liability component) and the balance a net working capital shortfall which resulted in total net debt of \$129.5 million.

During the second quarter, True completed the sale of its southeast Saskatchewan oil properties and certain BC properties totaling approximately 400 boe/d for total net proceeds of \$24.5 million. On June 15, 2006, the Trust completed a \$86.3 million bought deal private placement for 7.5% convertible debentures. The net proceeds of the asset sales and the convertible debenture issue were used to restructure the debt position of the Trust and fund the ongoing capital program.

On June 30, 2006 the existing credit facility was replaced by a \$135 million extendible revolving term credit facility and a \$15 million demand operating facility both syndicated by one Canadian chartered bank, a U.S. bank and one institutional lender.

In conjunction with the implementation of the Premium DistributionTM Reinvestment, Distribution Reinvestment and Optional Trust Unit Purchase Plan effective March 27, 2006, participation in the first four months of the plan has exceeded 51%. Funds reinvested in the Trust through this plan will be available to fund capital and other expenditures.

Distributions

True has maintained a \$0.24/unit distribution through the first six months of 2006 and into the recently announced August 2006 distribution. In connection with the Trust's July 26, 2006 announcement of the arrangement agreement with Prairie Schooner, the Board of True has adopted a policy of paying distributions in respect of outstanding Trust Units in the amount of \$0.24 per Trust Unit for the distributions to be paid in each of the months of September, October, November, and December 2006, subject to declaration by the Board and the Board of Directors reviewing and modifying the foregoing if determined necessary.

Drilling

During the second quarter, True achieved a 100% success rate in the drilling or participation in 10 (6.4 net) wells, resulting in 5 (2.4 net) natural gas wells and 5 (4.0 net) oil wells. True participated in or drilled 4 (1.4 net) wells in Alberta, and 6 (3.0 net) wells in Saskatchewan for the quarter. During the first six months of 2006, True achieved a 100% success rate with the drilling of 36 (19.6 net) resulting in 28 (13.1 net) gas wells and 8 (6.4 net) oil wells. Drilling is continuing in Q3 with up to 6 rigs active to date at any one time.

Production

Q2 production averaged approximately 10,700 boe/d as compared to 11,700 boe/d in the first quarter of 2006. The reduction reflects the sale of certain properties and normal down time in the Saskatchewan oil properties during break-up conditions. Current production, based on field estimates, is in excess of 13,000 boe/d. The third quarter of 2006 will see the start up of the new Hoosier heavy oil facility which will lower costs and increase production, in addition to the start up of five new Kerrobert horizontal heavy oil wells currently drilling. True currently has 17 (10.9 net) recently drilled wells to be placed on production consisting of 6 (3.6 net) in Alberta and 11 (7.3 net) in Saskatchewan.

The second half of the year will be extremely active on both the acquisition and drilling fronts as we continue to move forward in the growth of the Trust. We anticipate reaching our goal of 20,000 boe/d during the second half of 2006 and begin to set new targets for 2007.

Paul R. Baay
President & CEO
August 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 3, 2006 - The following Management's Discussion and Analysis of financial results as provided by the management of True Energy Trust ("True" or the "Trust") should be read in conjunction with the unaudited interim consolidated financial statements and selected notes for the three and six months ended June 30, 2006 and 2005 and the audited consolidated financial statements and Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. This commentary is based on information available to, and is dated, August 2, 2006. Additional information relating to True, including True's Annual Information Form for the year ended December 31, 2005, is on SEDAR at www.sedar.com. The financial data presented is in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars, except where indicated otherwise.

CONVERSION: The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (6 mcf/ bbl) of natural gas to one barrel of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this report are derived from converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

NON-GAAP MEASURES: Management's Discussion and Analysis contains the term cash flow from operations (referred to as funds from operations in the financial statements), which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of the Trust's performance. Therefore reference to diluted cash flow from operations or cash flow from operations per unit may not be comparable with the calculation of similar measures for other entities. Management uses cash flow from operations to analyze operating performance and leverage and considers cash flow from operations to be a key measure as it demonstrates the Trust's ability to generate the cash necessary to fund future capital investments and to repay debt. The reconciliation between net earnings, cash flow from operations (funds from operations) and cash flow from operating activities can be found in the statement of cash flows in the consolidated financial statements. Cash flow from operations per unit is calculated using the diluted weighted average number of units for the period.

Management's Discussion and Analysis also contains the term payout ratio which is not a recognized measure under Canadian GAAP. Management uses payout ratio to refer to distributions measured as a percentage of cash flow available for development and acquisition opportunities as well as overall sustainability of distributions. True's method of calculating this measure may differ from other entities, and accordingly, may not be comparable to the measure used by other trusts or companies.

Management's Discussion and Analysis also contains other terms such as net debt and operating netbacks, which are not recognized measures under Canadian GAAP. Management believes these measures are useful supplemental measures of firstly, the total amount of current and long-term debt the Trust has and secondly, the amount of revenues received after royalties and operating costs. Readers are cautioned, however, that these measures should not be construed as an alternative to other terms such as current and long-term debt or net earnings determined in accordance with GAAP as measures of performance. True's method of calculating these measures may differ from other entities, and accordingly, may not be comparable to measures used by other trusts or companies.

FORWARD LOOKING STATEMENTS: Certain information herein including management's assessment of future plans and operations, closing of the acquisition of Prairie Schooner Petroleum Ltd., future production estimates and the expected commodity mix, anticipated transportation and operating costs and royalty rates, expected capital expenditures and the method of funding thereof, and, future commodity prices and exchange rate, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with completion of the acquisition of Prairie Schooner Petroleum Ltd. (including whether all regulatory, shareholder and court approvals will be obtained), 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. 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. 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.trueenergytrust.com). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and True does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The reader is further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based upon available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

Corporate Developments

Acquisition of Prairie Schooner Petroleum Ltd.

On July 26, 2006, the Trust's subsidiary and administrator, True Energy Inc. ("True Energy"), entered into an agreement with Prairie Schooner Petroleum Ltd. ("Prairie Schooner") pursuant to which True Energy will, by way of plan of arrangement, acquire all of the issued and outstanding common shares of Prairie Schooner on the basis of 1.22 trust units of the Trust for each outstanding Prairie Schooner share (the "Transaction"), resulting in the issue of approximately 26.2 million trust units (assuming the exercise of all outstanding in the money Prairie Schooner stock options). Both parties have agreed to pay the other a non-completion fee of \$6.0 million in certain circumstances if the Transaction is not completed. The agreement includes provisions whereby Prairie Schooner will terminate discussions with any other party and not solicit any other offers. The agreement also gives the Trust the right to match any competing offer.

Completion of the Transaction is subject to regulatory and court approval and the approval of 66 2/3% of votes cast by the shareholders and optionholders of Prairie Schooner and by a majority of shareholders of Prairie Schooner (excluding certain directors or officers of Prairie Schooner required to be excluded by securities regulatory requirements). Directors, officers and certain insiders of Prairie Schooner have agreed to vote their shares (approximately 14% of the outstanding shares) in favour of the transaction.

Acquisition of Shellbridge Oil & Gas, Inc.

On June 23, 2006 the Trust completed the acquisition of Shellbridge Oil & Gas, Inc. ("Shellbridge") on the basis of 0.14 trust units of True for each outstanding share of Shellbridge, pursuant to a plan of arrangement under the Business Corporations Act (Alberta). In total, True issued 4,389,366 trust units to acquire Shellbridge.

Net Earnings and Cash Flow from Operations

True generated cash flow from operations of \$16.4 million (\$0.42 per diluted unit) for the three months ended June 30, 2006, down 9% from the \$18.0 million (\$0.72 per diluted unit) for the second quarter of 2005. Cash flow for the six months ended June 30, 2006 was \$35.4 million (\$0.95 per diluted unit), up 23% from \$28.7 million (\$1.35 per diluted unit) generated in the same period of 2005. Cash flow for the second quarter was 14% lower than the \$19.0 million generated in the first quarter of 2006. This was a direct result of the drop in production experienced from the first quarter to the

second quarter of 2006, which reflects the sale of properties, normal operation down time due to break up conditions, a further drop in gas prices and an increase in operating costs.

True generated earnings of \$12.2 million (\$0.33 per diluted unit) in the second quarter of 2006 compared to \$3.1 million (\$0.13 per diluted unit) in 2005. For the six month period ended June 30, 2006, earnings were \$15.5 million (\$0.42 per diluted unit) as compared to \$4.2 million (\$0.20 per diluted unit) generated over the same period in 2005. The increase in net earnings per unit reflects increased cash flow plus a year to date 2006 future income tax recovery offset by higher depletion, depreciation and accretion charges from the acquisition of Meridian Energy Corporation ("Meridian") and the reverse takeover of TKE Energy Trust ("TKE"), and higher general and administrative, interest and financing charges and unit-based compensation expenses.

Cash Flow From Operations and Net Earnings

<i>(\$000s, except per unit amounts)</i>	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Cash flow from operations	\$ 16,386	\$ 18,013	\$ 35,381	\$ 28,744
Diluted (\$/unit) ⁽¹⁾	\$ 0.42	\$ 0.72	\$ 0.95	\$ 1.35 ⁽¹⁾
Net Earnings	\$ 12,243	\$ 3,130	\$ 15,502	\$ 4,160
Diluted (\$/unit) ⁽¹⁾	\$ 0.33	\$ 0.13	\$ 0.42	\$ 0.20 ⁽¹⁾

⁽¹⁾ Restated for June 30, 2005 to reflect consolidation of trust units effective November 2, 2005.

Reconciliation of Cash Flow from Operations and Distributions

Distributable cash is determined by aggregating various amounts received, including interest income on notes of subsidiaries and other interest income received or receivable, income generated under net profits interest, royalty, other permitted investments, ARTC and dividends and other distributions on securities of subsidiaries, after deduction of all expenses and liabilities of the Trust. The portion of distributable cash declared payable to unitholders on any distribution date is determined on recommendation of the Board of Directors of True Energy, for administrator of the Trust.

Reconciliation of Cash Flow from Operations and Distributions

<i>(\$000s, except per unit amounts)</i>	Six Months ended June 30, 2006
Cash flow from operations before changes in non-cash working capital	\$ 35,381
Funding from capital and other sources	18,540
Distributions paid	53,921
Accumulated distributions (post Arrangement), beginning of period	17,361
Accumulated distributions (post Arrangement), end of period	\$ 71,282
Distributions per unit	\$ 1.44
Accumulated distributions per unit (post Arrangement), beginning of period	\$ 0.48
Accumulated distributions per unit (post Arrangement), end of period	\$ 1.92

In conjunction with the implementation of the Premium Distribution™ Reinvestment, Distribution Reinvestment and Optional Trust Unit Purchase Plan ("DRIP") effective March 27, 2006, participation in the first four months of the plan has exceeded 51%. Funds reinvested in the Trust through this plan will be available to fund capital and other expenditures.

Pay Out Ratio

(\$000s, except per unit amounts)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Cash flow from operations	\$ 16,386	\$ 18,013	\$ 35,381	\$ 28,744
Distributions paid before DRIP	\$ 27,771	-	\$ 53,921	-
DRIP	(13,747)	-	(15,064)	-
Distributions after DRIP	\$ 14,024	-	\$ 38,857	-
Payout ratio before DRIP	170%	-	152%	-
Payout ratio after DRIP	86%	-	110%	-

Sales Volumes

Sales volumes in the first three months ended June 30, 2006 averaged 10,697 boe/d, compared to 8,472 boe/d in 2005. This was due to a combination of results from drilling activity and the acquisition of TKE and Meridian in 2005. In the second quarter of 2006, average sales volumes decreased from the first quarter of 2006 (11,672 boe/d). The reduction reflects the sale of the southeast Saskatchewan and BC properties (approximately 400 boe/d) and normal down time in the Saskatchewan properties due to break up conditions. Current production, based on field estimates, is in excess of 13,000 boe/d. The third quarter of 2006 will see the start up of the new Hoosier heavy oil facility which will lower costs and increase production, in addition to the start up of five new Kerrobert horizontal heavy oil wells currently drilling. True currently has 6 (3.6 net) Alberta wells and 11 (7.3 net) Saskatchewan wells remaining to be tied-in. In the first six months of 2006, average daily sales were 11,181 boe/d, up 47% from 7,600 boe/d for the same period in 2005.

During the second quarter of 2006, the weighting toward natural gas production averaged 66%, compared to 68% in the same period of 2005. Heavy oil sales volumes made up 21% of total sales in the second quarter of 2006.

The Trust anticipates that with the recent addition of oil volumes from Shellbridge that natural gas for the third quarter will be approximately 60% of total sales. Further, with the addition of the primarily natural gas volumes from the acquisition of Prairie Schooner, anticipated to close at the end of the third quarter of 2006, natural gas will, on a pro-forma basis, constitute approximately 67% of total sales.

Sales Volumes

		Three Months ended June 30,		Six Months ended June 30,	
		2006	2005	2006	2005
Natural gas	(mcf/d)	42,348	34,705	42,668	30,530
Heavy oil	(bbls/d)	2,232	1,935	2,400	1,959
Light oil and condensate	(bbls/d)	1,122	447	1,386	327
NGLs	(bbls/d)	285	306	284	226
Total crude oil and NGLs	(bbls/d)	3,639	2,688	4,070	2,512
Total BOE/d	(6:1)	10,697	8,472	11,181	7,600

Sales of natural gas, before transportation, averaged 42.3 mmcf/d during the second quarter of 2006, compared to 34.7 mmcf/d in the second quarter of 2005. This increase is consistent with the acquisition of TKE in November 2005. In comparison, during the first quarter of 2006, natural gas sales averaged 43.0 mmcf/d.

Crude oil and natural gas liquids sales for the three months ended June 30, 2006 averaged 3,639 bbls/d, up 35% from second quarter 2005 average sales of 2,688 bbls/d. Similarly, crude oil and natural gas liquids sales were up 62% to 4,070 bbls/d for the first half of 2006, compared to 2,512 bbls/c for the first half of 2005. Heavy oil sales for the first three months ended June 30, 2006 were 2,232 bbls/d compared to 1,935 bbls/d in the second quarter of 2005. Most of the increase in heavy oil sales volumes over the comparable prior period was due to drilling activity. In comparison, during

the first quarter of 2006, heavy oil sales averaged 2,532 bbls/d. The drop in heavy oil volumes from the first quarter to the second quarter is consistent with break-up conditions.

Commodity Prices

The impact of changes in the Canadian dollar from the conversion of US\$ based commodities prices reduced profitability during the first half of 2006 when compared to the same period in 2005. The Canadian/U.S. exchange rate changed 9% from an average of 0.8098 in 2005 to 0.8791.

Average Commodity Prices (prior to hedging)

	Three Months ended June 30,			Six Months ended June 30,		
	2006	2005	Change %	2006	2005	Change %
Exchange rate (US\$/Cdn\$)	0.8920	0.8039	11	0.8791	0.8098	9
NYMEX (US\$/mmbtu)	6.64	6.95	(4)	7.23	6.73	7
Alberta spot (\$/mcf)	5.69	7.23	(21)	6.41	7.00	(8)
True's average price (\$/mcf)	5.98	7.69	(22)	6.94	7.44	(7)
WTI (US\$/bbl)	70.72	53.11	33	67.13	51.51	30
Edmonton par – light oil (\$/bbl)	78.85	65.93	20	74.13	64.08	16
Bow River – heavy oil (\$/bbl)	60.48	40.67	49	50.66	39.89	27
True's average prices (\$/bbl)						
Light crude and condensate	70.48	63.07	12	63.27	60.23	5
NGLs	56.59	45.89	23	53.46	47.30	13
Light crude oil, condensate, and NGLs	67.66	56.09	21	61.60	54.94	12
Heavy crude oil	50.97	31.49	62	37.59	26.80	40
Total crude oil and NGLs	57.43	38.38	50	47.44	32.99	44

True's natural gas is primarily sold on the daily spot market. During the second quarter of 2006, the Alberta Spot reference price decreased by 21% compared to 2005. Similarly over this same time frame, True's average sales price before transportation averaged \$5.98/mcf for its natural gas, 22% less than the \$7.69/mcf received in the prior year. In comparison, True's average sales price before transportation averaged \$7.89/mcf for the first quarter of 2006.

For heavy crude oil, True received an average price before transportation of \$50.97/bbl during the second quarter of 2006, 62% more than in 2005, while the average reference price for Bow River crude was 49% higher in 2006 for the same period. The Trust blends most of its heavy oil with condensate on a 4:1 ratio to meet pipeline specifications. As True's heavy oil is heavier than Bow River, the reduction in the heavy oil differential during the second quarter combined with lower comparative prices for condensate purchased for blending purposes have resulted in a relatively stronger price gain for the Trust's product than the reference price.

For light oil, condensate and NGLs, True recorded an average \$67.66/bbl during the second quarter of 2006, 21% higher than the average price received in 2005. The average Edmonton par price was 20% higher during the second quarter of 2006 compared to 2005.

Revenue

Revenue before transportation for the three months ended June 30, 2006 was \$42.1 million, 25% greater than the \$33.7 million generated in the same period in 2005. The higher revenue was the result of significant growth in production volumes for both natural gas and heavy crude oil, complemented by higher crude oil prices, despite lower overall natural gas prices. In comparison, revenue before transportation for the second quarter of 2006 was 9% lower than first quarter 2006 revenue of \$46.4 million.

Revenue

(\$000s)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Light crude oil and condensate	7,193	2,564	15,868	3,563
NGLs	1,471	1,277	2,749	1,936
Heavy oil	10,353	5,546	16,330	9,500
Crude oil and NGLs	19,017	9,387	34,947	14,999
Natural gas	23,061	24,276	53,575	41,105
Total revenue before other	42,078	33,663	88,522	56,104
Other	926	-	878	-
Total revenue before hedging	43,004	33,663	89,400	56,104
Gain(loss) on commodity contracts	(273)	-	(273)	-
Total	42,731	33,663	89,127	56,104

The \$0.9 million of other revenue for the three months ended June 30, 2006 was as a result of prior year processing and transportation revenue adjustments on non-operated properties.

Fair Value of Derivative Instruments

Periodically True has utilized financial derivatives to manage market risk and to provide an element of stability to cash flow. The estimated fair value of open hedging contracts at the end of each reporting period is disclosed in accordance with CICA Accounting Guideline 13 "Hedging Relationships".

True entered into a costless collar oil hedge for 2,000 bbl/d for the period April 1, 2006 to December 31, 2006, with a WTI reference price, a floor of \$58.00/bbl U.S. and a ceiling of \$69.35/bbl U.S., with monthly settlement. This costless collar has been designated as a hedge in accordance with Accounting Guideline 13. As at June 30, 2006 the mark to market loss on the hedge, which changes on a daily basis, was \$2.8 million U.S. Included in crude oil and NGL revenue for the three month period ended June 30, 2006 is an oil hedge loss of \$0.3 million related to the settlement cost on the hedge.

As part of the announcement relating to the Trust's acquisition of Prairie Schooner each of Prairie Schooner and True have agreed to hedge up to 30% of the current production during the winter on a mutually agreed basis. On July 26, 2006, True entered into oil and natural gas put options as disclosed in note 14 of the financial statements.

Royalties

For the three months ending June 30, 2006, total royalties were \$9.7 million, 16% more than the \$8.3 million incurred in the same period in 2005. Similarly, total royalties for the six months ended June 30, 2006 were \$20.3 million, up 43% from 2005, less than the 58% increase in year to date sales revenue. Despite increased commodity prices during the first half of 2006, overall royalty rates decreased in the first half of 2006. Royalties as a percentage of sales (after transportation costs) in the six months ended June 30, 2006 varied in the 16% to 26% range, reflecting gas cost allowance credits received and the relative commodity price changes combined with the lower overall royalty rate on the TKE asset base.

Royalties, by Commodity Type

(\$000s)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Light crude oil and condensate	873	473	2,392	702
NGLs	311	170	619	341
Heavy oil	2,513	837	3,612	1,536
Natural gas	5,960	6,866	13,675	11,600
Total	9,657	8,346	20,298	14,179

Royalties, as a % of Commodity Sales (after transportation costs)

	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Light crude oil and condensate	13	18	16	20
NGLs	21	13	23	18
Heavy oil	25	16	23	17
Natural gas	27	29	26	29
Average total	24	25	24	26

Royalties, by Type

(\$000s)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Crown royalties, net of ARTC	5,759	6,262	12,894	10,202
Indian Oil and Gas Canada royalties	631	-	1,413	-
Freehold & GORR	3,267	2,084	5,991	3,977
Total	9,657	8,346	20,298	14,179

Expenses

(\$000s)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Production	9,321	4,436	18,488	7,920
Transportation	1,490	701	2,463	1,274
General and administrative	3,810	1,147	6,407	2,372
Interest and financing charges	1,847	417	3,610	632
Unit-based compensation	1,641	410	3,051	648

Expenses per boe

(\$ per boe)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Production	9.58	5.75	9.14	5.76
Transportation	1.53	0.91	1.22	0.93
General and administrative	3.91	1.49	3.16	1.72
Interest and financing charges	1.90	0.54	1.78	0.46
Unit-based compensation	1.69	0.53	1.51	0.47

Production Expenses

For the three months ended June 30, 2006, operating costs totalled \$9.3 million, compared to \$4.4 million recorded in the same period of 2005. During the second quarter of 2006, operating costs averaged \$9.58/boe, compared to \$5.75/boe in the second quarter of 2005. In comparison, operating costs during the first quarter of 2006 averaged \$8.73/boe. The increase from the first quarter to the second quarter is consistent with normal break up conditions (lower volumes and some increased costs). Production expenses have averaged \$9.14/boe in the first half of 2006 compared to \$5.76/boe for the same period in 2005. The increase in production costs from 2005 to 2006 periods is largely due to a different property mix.

Production Expenses, by Commodity Type

(\$000s)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Light crude oil and condensate	1,784	277	3,650	474
NGLs	489	82	719	139
Heavy oil	1,974	1,366	3,901	2,447
Natural gas	5,074	2,711	10,218	4,860
Total	9,321	4,436	18,488	7,920

Production Expenses per Unit, by Commodity Type

		Three Months ended June 30,		Six Months ended June 30,	
		2006	2005	2006	2005
Light crude oil and condensate	(\$/bbl)	17.49	6.81	14.56	8.01
NGLs	(\$/bbl)	18.81	2.95	13.98	3.40
Heavy oil	(\$ bbl)	9.72	7.76	8.98	6.90
Natural gas	(\$/mcf)	1.32	0.86	1.32	0.88
Total	(\$/boe)	9.58	5.75	9.14	5.76

Transportation

Transportation costs continue to be approximately 2% to 3% of gross revenues for the three and six months ending June 30, for 2006 and 2005.

Operating Netbacks

Field operating netbacks for natural gas during the second quarter of 2006 were \$2.89/mcf, a decrease from \$4.50/mcf for the same period in 2005, reflecting the weaker natural gas prices experienced. Similarly, field operating netbacks for natural gas in the second quarter of 2006 declined from \$4.44/mcf experienced in the first quarter of 2006 due primarily to pricing decreases.

Field Operating Netbacks - Natural Gas

(\$/mcf)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Sales	5.98	7.69	6.94	7.44
Transportation	(0.22)	(0.15)	(0.18)	(0.16)
Royalties	(1.55)	(2.18)	(1.77)	(2.10)
Production expense	(1.32)	(0.86)	(1.32)	(0.88)
Field operating netback	2.89	4.50	3.67	4.30

Field operating netbacks for crude oil and NGLs averaged \$31.58/bbl during the second quarter of 2006, up 30% compared to \$24.38/bbl in 2005, compared to a 22% increase in crude oil and NGLs sales price quarter over quarter. The sales price increase exceeded the increases in netback expenses for the quarter. In comparison, field operating netbacks for crude oil & NGLs in the second quarter of 2006 improved from \$20.95/bbl in the first quarter of 2006 due primarily to a shrinking of oil differentials.

Field Operating Netbacks - Crude Oil & NGLs

(\$/bbl)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Sales	57.43	38.38	47.44	32.99
Transportation	(1.85)	(0.90)	(1.49)	(0.86)
Royalties	(11.17)	(6.05)	(8.99)	(5.67)
Production expense	(12.83)	(7.05)	(11.23)	(6.73)
Field operating netback	31.58	24.38	25.73	19.73

During the second quarter of 2006, corporate field operating netbacks decreased by 15% to \$22.20/boe from \$26.18/boe for the same period in 2005, primarily resulting from the weaker natural gas prices, increased production expenses and offset somewhat by increased prices for crude oil and NGLs. The favorable movements in commodity prices offset increases in per boe transportation and production expenses.

Field Operating Netbacks - Corporate

(\$/boe)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Sales	43.23	43.66	43.74	40.79
Transportation	(1.53)	(0.91)	(1.22)	(0.93)
Royalties	(9.92)	(10.82)	(10.03)	(10.31)
Production expense	(9.58)	(5.75)	(9.14)	(5.76)
Field operating netback	22.20	26.18	23.35	23.79

General and Administrative

General and administrative net expenses for the three months ended June 30, 2006 were \$3.8 million compared to \$1.1 million for the same period in 2005. For the first half of 2006, net general and administrative charges were \$6.4 million compared to \$2.4 million for the same period in 2005. The increase during the first six months of 2006 is attributed to higher costs incurred for reserve reporting, audit costs, annual reporting charges for preparation and mailing, recruiting, annual registration, securities filing fees, internal control compliance and employee cash compensation. Costs for 2005 have been restated to exclude unit-based compensation and financing charges.

General and Administrative Costs

(\$000s, except where noted)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Gross costs	5,117	2,490	8,930	4,879
Capitalized	(886)	(800)	(1,422)	(1,617)
Recoveries	(421)	(543)	(1,101)	(890)
Net costs	3,810	1,147	6,407	2,372
Net costs, per unit (\$/boe)	3.91	1.49	3.16	1.72

Interest and Financing Charges

True recorded \$1.8 million of interest and financing charges in the second quarter of 2006 compared to \$0.4 million in the same period of 2005. Financing charges during the second quarter of 2006 were \$0.1 million, with the balance being interest charges. For the six month period ended June 30, 2006 interest and financing charges were \$3.6 million, up from \$0.6 million in the first half of 2005. True's net debt at the end of the second quarter of 2006 of \$129.5 reflects the convertible debentures of \$86.25 issued in the period (including \$81.2 million recorded as the liability component at June 30, 2006), \$21.8 million of bank debt and the balance of a working capital shortfall.

Interest and Financing Charges

(\$000s, except where noted)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005 ⁽¹⁾	2006	2005 ⁽¹⁾
Interest and financing charges	1,847	417	3,610	632
Interest and financing charges (\$/boe)	1.90	0.54	1.78	0.46
Net debt including convertible debentures at quarter end	129,521	41,728	129,521	41,728
Debt to periods cash flow ratio annualized	2.0x	0.6x	1.8x	0.7x
Net debt excluding convertible debentures at quarter end	48,353	41,728	48,353	41,728
Debt to periods cash flow ratio annualized	0.7x	0.6x	0.7x	0.7x

⁽¹⁾ restated to include financing charges

Unit-Based Compensation

Non-cash unit-based compensation expense for the three and six month periods ended June 30, 2006 was \$1.6 million and \$3.1 million, respectively, compared to \$0.4 million and \$0.6 million for the same three and six month periods in 2005. The increase in 2006 expense for both the three and six

month periods reflects the increased staffing levels of True given its conversion to a trust and increased production activities requiring appropriate levels of support staff.

Capital Expenditures

True invested \$17.0 million on capital projects in the second quarter of 2006, before corporate acquisitions, compared to \$20.0 million in 2005. During this period, True achieved a 100% success rate in the drilling or participation in 10 (6.4 net) wells, resulting in 5 (2.4 net) natural gas wells and 5 (4.0 net) oil wells. True participated in or drilled 4 (1.4 net) wells in Alberta, and 6 (3.0 net) wells in Saskatchewan. On June 23, 2006, True completed the acquisition of Shellbridge at a total cost of \$68.8 million.

Capital Expenditures

(\$000s)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Lease acquisitions and retention	657	4,080	2,532	4,506
Geological and geophysical	197	274	861	1,325
Drilling and completion costs	12,722	11,295	30,007	21,331
Facilities and equipment	3,792	5,551	6,429	7,160
Exploration and development	17,368	21,200	39,829	34,322
Corporate and property acquisitions	68	116	192	155
Total capital expenditures - cash	17,436	21,316	40,021	34,477
Property dispositions	(24,514)	-	(24,514)	-
Total net capital expenditures - cash	(7,078)	21,316	15,507	34,477
Corporate acquisitions – non-cash	47,529	-	47,529	190,836
Other ⁽¹⁾	(208)	308	427	1,406
Corporate acquisitions and other	47,321	308	47,956	192,242
Total capital expenditures	40,243	21,624	63,463	226,719

(1) Other includes current period's ARO and unit based compensation capitalized.

True continues to develop its land base. At June 30, 2006, True has approximately 439,600 net undeveloped acres of land of the total net acreage position of 662,532 net acres in Saskatchewan, Alberta, and British Columbia. The addition of Shellbridge added approximately 98,000 net acres to the Trust's land position.

By the end of the second quarter of 2006, True had committed to drill a total of 2 wells in Alberta and 4 wells in Saskatchewan with varying commitment dates up to the end of October 2006 pursuant to various farm-in agreements with oil and gas companies. True expects to satisfy these various drilling commitments at an estimated cost for True's interest of approximately \$2.6 million.

Dispositions during the second quarter of 2006 consist of two separate oil and gas property sales involving areas outside of the Trust's core areas for future development. On May 31, 2006, True closed on the sale of its Saskatchewan oil properties Hartaven and Handsworth for \$24 million cash. On June 20, 2006, True closed the sale of its Peejay and Squirrel area B.C. properties for \$1.2 million cash. The net proceeds received on both property sales was \$24.5 million.

Ceiling Test

The Trust calculates a ceiling test quarterly and annually whereby the carrying value of petroleum and natural gas properties is compared to estimated future cash flow from the production of proved reserves. The ceiling test is performed in accordance with the requirements of the Canadian Institute of Chartered Accountants ("CICA") AcG-16 "Oil and Gas Accounting – Full Cost", a two step process. The Trust performed a ceiling test calculation at June 30, 2006 resulting in undiscounted cash flows from proved reserves and the lower of cost and market of unproved properties not exceeding the carrying value of oil and gas assets. Consequently, True performed stage two of the ceiling test assessing whether discounted future cash flows from the production of proved plus probable reserves and the lower of costs and market of unproved properties exceed the carrying value of oil and gas assets. No impairment in oil and gas assets was identified.

At June 30, 2006, the Trust calculated the ceiling test using prices of \$41.15/bbl for heavy oil, \$64.84/bbl for light and medium gravity oil, and \$63.14/bbl for NGLs, and \$7.58/mcf for natural gas resulting in a ceiling test surplus.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion (site restoration) expense for the second quarter of 2006 was \$27.5 million, compared to \$11.7 million in 2005, reflecting the acquisition of TKE in 2005 and Shellbridge in June 2006 in conjunction with increased production volumes. True has excluded from the depletion calculation \$53.2 million for undeveloped properties and \$32.0 million for undeveloped land.

Depletion, Depreciation and Accretion Costs

(\$000s, except where noted)	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Depletion	22,592	9,543	47,755	17,121
Depreciation	4,732	2,055	8,569	3,442
Accretion	206	57	418	107
Total	27,530	11,655	56,742	20,670
Per unit (\$/boe)	28.28	15.12	28.04	15.03

Asset Retirement Obligation

As at June 30, 2006, the Trust has recorded an Asset Retirement Obligation ("ARO") of \$11.8 million, compared to \$5.5 million at June 30, 2005, for future abandonment and reclamation of the Trust's properties. For the six month period ended June 30, 2006, the ARO increased by \$0.42 million for accretion expense and \$1.30 million as a result of the Shellbridge acquisition and included a reduction of \$0.39 million for net disposals for development activities.

Goodwill

The goodwill balance of \$96.2 million was derived from two 2005 acquisitions and the second quarter 2006 acquisition of Shellbridge. Goodwill represents the excess of total consideration paid plus the future income tax liability less the fair value of the net identifiable assets acquired in each transaction. The \$24.3 million increase in goodwill for the six month period ended June 30, 2006 is a combination of the \$24.0 million goodwill recognized on the Shellbridge acquisition coupled with a \$0.3 million purchase price equation revision for TKE from the under accrual of certain capital and net operating expenditures.

Accounting standards require that the goodwill balance be assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the balance might be impaired. If such impairment exists, it would be charged to income in the period in which the impairment occurs. The Trust has determined that there was no goodwill impairment at June 30, 2006.

Income Taxes

For the six months ended June 30, 2006 the Trust has recorded a provision for capital taxes of \$1.5 million compared to \$1.2 million expensed in 2005. Capital taxes are based on debt and equity levels of the Trust at the end of the quarter and are higher in 2006 due to the Trust's significant growth since first quarter of 2005, as well as increased gross sales revenue from Saskatchewan based properties, offset by recent capital tax rate reductions. In the second quarter of 2006, the federal government enacted legislation that eliminates federal capital tax, retroactive to January 1, 2006. As a result, capital taxes on a go-forward basis will be based on only provincial capital taxes.

Future income taxes arise from differences between the accounting and tax bases of the operating companies' assets and liabilities. For the six months ending June 30, 2006 the Trust recognized a future income tax recovery provision of \$39.1 million compared to a provision of \$3.1 million expensed in 2005. On April 10, 2006 the Alberta government substantively enacted a decrease of 1.5 percent to the provincial corporate tax rate. In addition, on June 6, 2006 the Federal government substantively enacted a two percent decrease to the federal corporate tax rate from January 1, 2008

to January 1, 2010 and an elimination of the 1.12 percent federal surtax at January 1, 2008. These rate reductions were recorded as future tax recoveries in the second quarter of 2006, accounting for approximately \$18.9 million of the 2006 tax recovery.

In the Trust's structure, payments are made between the operating subsidiaries and the Trust transferring income and future income tax liability to the unitholders. Therefore, it is currently expected, based on existing legislation that no cash income taxes are to be paid by the operating subsidiaries in the future, and as such, the future income tax liability recorded on the balance sheet will be recovered through earnings over time. As at June 30, 2006, the operating subsidiaries have a future income tax liability balance of \$111.0 million. Canadian generally accepted accounting principles require that a future income tax liability be recorded when the book value of assets exceeds the balance of tax pools. It further requires that a future tax liability be recorded on an acquisition when a corporation acquires assets with associated tax pools that are less than the purchase price. As a result of the acquisition of Shellbridge in June 2006, the Trust recorded a total additional future income tax liability of \$3.3 million.

Distributions

Trust unitholders who held their units throughout the first six months of 2006 received distributions of \$1.44 per unit. For the six month period ended June 30, 2006 the Trust declared \$53.9 million in total distributions as follows:

<i>(\$000s, except monthly amount)</i> Six month period ended June 30, 2006	Distribution Per Unit	Total
Distributions paid	\$ 1.44	\$ 53,921

Distribution Paid History ⁽¹⁾

Distributions comprise a taxable portion and a return of capital portion (tax deferred). The return of capital component reduces the cost basis of the trust units held, as described below. For additional information, please see our website at www.trueenergytrust.com.

Calendar Year	Distributions	Taxable Portion	Return of Capital
2005 (two months) ⁽²⁾	\$ 0.480	\$ 0.456	\$ 0.024
2006 year to date ⁽³⁾	1.440	⁽³⁾	⁽³⁾
Cumulative	\$1.920		

(1) Applies to unitholders who are residents of Canada and hold their units as capital property.

(2) Based upon the distributions paid in the 2005 calendar year, after the November 2, 2005 Arrangement with TKE.

(3) A portion of the distributions paid in 2006 to Canadian Unitholders will be taxable. U.S. unitholders will also be taxable. Any non-taxable amounts will be treated as a tax deferred return of capital, or an adjustment to the cost base of the units. Actual taxable amounts may vary depending on actual distributions and are dependent upon production, commodity prices and funds flow experienced throughout the year. The approximate taxable portion of 2006 distributions to Canadian Unitholders is not determinable at this time.

In consultation with its U.S. tax advisors, True believes that its trust units should be "qualified dividends" for U.S. federal purposes. As such, the portion of distributions made during 2006 that are considered dividends for U.S. federal 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 True units. Please view our press release addressing this.

Monthly Distributions

Actual distributions paid and declared per Trust unit along with anticipated relevant payment dates for 2006 are as follows:

Ex-distribution Date	Record Date	Payment Date	Distribution per unit
December 28, 2005	December 31, 2005	January 16, 2006	\$ 0.24
January 27, 2006	January 31, 2006	February 15, 2006	0.24
February 24, 2006	February 28, 2006	March 15, 2006	0.24
March 29, 2006	March 31, 2006	April 17, 2006	0.24
April 24, 2006	April 26, 2006	May 15, 2006	0.24
May 25, 2006	May 29, 2006	June 15, 2006	0.24
June 23, 2006	June 27, 2006	July 17, 2006	0.24
July 24, 2006	July 26, 2006	August 15, 2006	0.24
August 24, 2006	August 28, 2006	September 15, 2006	(1)
September 22, 2006	September 26, 2006	October 16, 2006	(1)
October 25, 2006	October 27, 2006	November 15, 2006	(1)
November 24, 2006	November 28, 2006	December 15, 2006	(1)

(1) In connection with the Trust's July 26, 2006 announcement of the arrangement agreement with Prairie Schooner Petroleum Ltd., the Board of True has adopted a policy of paying distributions in respect of outstanding Trust Units in the amount of \$0.24 per Trust Unit for the distributions to be paid in each of the months of September, October, November, and December 2006, subject to declaration by the Board and the Board of Directors reviewing and modifying the foregoing if determined necessary.

Distribution Reinvestment Plan

Effective March 27, 2006, True adopted a Premium DistributionTM Reinvestment, Distribution Reinvestment and Optional Trust Unit Purchase Plan (the "Plan"). The Plan amends, restates and replaces in its entirety the distribution reinvestment and optional trust unit purchase plan (the "Old Plan") of True dated December 1, 2004, which was implemented by TKE. The Plan allows eligible unitholders of True to direct that their cash distributions be reinvested in additional trust units at 95% of the Average Market Price (as defined in the Plan) on the applicable distribution payment date. The Plan further allows eligible unitholders to elect, under the Premium DistributionTM component of the Plan, to have these additional trust units delivered to the designated Plan broker in exchange for a premium cash distribution equal to 102% of the cash distribution that such unitholders would otherwise have received on the applicable distribution payment date if they did not participate in the Plan (subject to proration in certain events as provided in the Plan.) Canaccord Capital Corporation will act as the Plan broker for the Premium DistributionTM component of the Plan.

In addition, the Plan allows those unitholders who participate in either the regular distribution reinvestment component or the Premium DistributionTM component of the Plan to purchase additional trust units from treasury at a purchase price equal to the Average Market Price (with no discount) in minimum amounts of \$2,000 per remittance up to a maximum aggregate amount of \$50,000 per month by any one unitholder, in any calendar month, all subject to an overall annual limit of 2% of the total number of outstanding trust units. The Trust reserves the right to limit the amount of any new equity available under the Plan on any particular distribution date and thus participants may be pro-rated in certain circumstances.

Participation during the first four months of the plan has exceeded 51%. The June 30, 2006 distribution payable balance of \$10.0 million was paid, in part, by a trust unit issuance of \$4.8 million under the Plan. Further details of the plan and information on how to enroll is available on the Trust's website.

Foreign Ownership Update

Based on information from Trust records and information provided by intermediaries holding Trust units for others, we estimate that, as of July 17, 2006 approximately 20 percent of our Unitholders are non-Canadian residents with the remaining 80 percent being Canadian residents. True's Trust Indenture provides that not more than 40 percent of its Units can be held by non-Canadian residents.

Liquidity and Capital Resources

True's net debt as at June 30, 2006 was \$129.5 million, with \$10.0 million drawn on a revolving term credit facility, \$11.8 million drawn on a demand operating facility, \$81.2 million in convertible debentures (liability component) and the balance a net working capital shortfall.

In March 2006, True negotiated the demand revolving credit facility of \$135 million with one Canadian chartered bank and a \$15 million operating facility, subject to an annual review by June 1, 2006. In April 2006, the \$135 million demand revolving credit facility was changed to be syndicated by one Canadian chartered bank and one institutional lender.

On June 30, 2006 the existing credit facility was replaced by a \$135 million extendible revolving term credit facility and a \$15 million demand operating facility both syndicated by one Canadian chartered bank, a U.S. bank and one institutional lender. The revolving period on the new revolving term credit facility ends on June 29, 2007, unless extended for a further 364 day period. Should the facilities not be renewed they convert to 366 day non-revolving term facilities on the renewal date. Further details of the revised credit facility are disclosed in note 5 of the financial statements.

Management expects to be able to fund the capital expenditure program for 2006 using cash flow from operations, available credit facilities and proceeds from the distribution reinvestment plan. If cash flows are other than projected, capital expenditure levels will be adjusted. The practice of continually monitoring spending opportunities in comparison to expected cash flow levels allows for adjustments to the capital program as required.

On June 15, 2006 the Trust completed a bought deal private placement financing issuing 86,250 7.5% convertible unsecured subordinated debentures at a price of \$1,000 per Debenture for aggregate gross proceeds of \$86,250,000.

The convertible debentures have a face value of \$1,000 per debenture and a maturity date of June 30, 2011. The convertible debentures bear interest at an annual rate of 7.50% payable semi-annually on June 30 and December 31 in each year commencing December 31, 2006. The debentures are convertible at anytime at the option of the holders into trust units of the Trust at a conversion price of \$16.00 per Trust unit. The Trust will have the right to redeem all or a portion of the debentures at a price of \$1,050 per debenture after June 30, 2009 and on or before June 30, 2010 and at a price of \$1,025 per debenture after June 30, 2010 and before the maturity date. Upon maturity or redemption of the debentures, the Trust may, subject to notice and regulatory approval, pay the outstanding principal and premium (if any) on the debentures in cash or through the issue of additional Trust units at 95% of the weighted average trading price of the Trust units.

As at August 1, 2006 the Trust had outstanding a total of 1,061,305 incentive units exercisable at an average exercise price of \$16.88 per unit, 409,451 exchangeable shares (convertible, as at August 1, 2006 into an aggregate of 262,937 trust units, subject to further adjustments based on distributions made on trust units) and 42,201,689 trust units.

Business Prospects and 2006 Outlook

Since its formation in September 2000, True Energy Inc. has experienced significant growth in its production and land base. As a royalty trust, a more moderated growth pattern is expected in comparison, as the Trust continues to develop its core assets and conduct some exploration programs utilizing the inventory of geological prospects. In addition, the Trust will continue to explore potential acquisition opportunities. Currently, the Trust's producing properties are located in Saskatchewan, Alberta and British Columbia.

The Trust currently anticipates that Q3 2006 average production will be approximately 13,000 to 13,500 boe/d, weighted approximately 60% toward natural gas with the addition of the Shellbridge properties. In addition, after the anticipated addition of Prairie Schooner at the end of Q3 2006, the Trust anticipates 20,000 boe/d average production and an expected natural gas weighting at approximately 67% for the Trust. True believes world and domestic supply and demand factors will result in longer term strong prices for crude oil and natural gas in 2006, despite potential softness mid-year. True further anticipates the US\$/Cdn.\$ exchange rate to average 0.87 for 2006.

Capital expenditure levels will be adjusted as cash flow levels vary. Currently, the Trust anticipates spending approximately \$55 million, net of dispositions, in 2006 on oil and gas exploration and development activities within Saskatchewan, Alberta and British Columbia, including minor asset acquisitions, but prior to the corporate acquisition of Prairie Schooner.

Critical Accounting Estimates

The reader is advised that the critical accounting estimates, policies, and practices as described in the Management Discussion and Analysis in the Trust's December 31, 2005 Annual Report continue to be critical in determining True's unaudited financial results as at June 30, 2006. There were no changes in accounting policies for the six month period ended June 30, 2006.

Business Risks and Uncertainties

The reader is advised that True continues to be subject to various types of business risks and uncertainties as described in the Management Discussion and Analysis in the Trust's December 31, 2005 Annual Report.

Legal, Environmental Remediation and Other Contingent Matters

The Trust reviews legal, environmental remediation and other contingent matters to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. The Trust's management monitors known and potential contingent matters and makes appropriate provisions by charges to earnings when warranted by circumstance.

Sensitivity Analysis

The table below shows sensitivities to cash flow as a result of product price and operational changes. This is based on actual prices received for the six month period ended June 30, 2006 and average production volumes of 10,700 boe/d during that period, as well as the same level of debt outstanding at June 30, 2006. These sensitivities are approximations only, and not necessarily valid under other significantly different production levels or product mixes. Hedging activities can significantly affect these sensitivities. Changes in any of these parameters will affect cash flow as shown in the table below:

	Cash Flow from Operations (annualized)	Cash Flow from Operations Per Diluted Unit
Sensitivity Analysis	(\$000s)	(\$)
Change of US \$1/bbl WTI	1,000	0.03
Change of US \$0.10/ mcf	1,100	0.03
Change of US \$0.01 Cdn/ US exchange rate	1,200	0.03
Change in prime of 1%	200	-

Selected Quarterly Consolidated Information

The following table sets forth selected consolidated financial information of the Trust for the most recently completed quarters ending at the first quarter of 2006.

2006 – Quarter ended (unaudited) (\$000s, except per share amounts)	March 31	June 30		
Gross revenues before royalties and hedging	46,396	43,004		
Cash flow from operations	18,995	16,386		
Cash flow from operations per unit				
Basic	\$0.52	0.44		
Diluted	\$0.52	0.42		
Net earnings	3,259	12,243		
Net earnings per unit				
Basic	\$0.09	\$0.43		
Diluted	\$0.09	\$4.42		
Net capital expenditures (cash)	22,585	(7,078)		

2005 – Quarter ended (unaudited) ⁽¹⁾ (\$000s, except per unit amounts)	March 31	June 30	Sept. 30	Dec. 31
Gross revenues before royalties and hedging	22,441	33,663	44,510	60,839
Cash flow from operations	10,732	18,013	25,500	32,893
Cash flow from operations per unit				
Basic	\$0.63	\$0.73	\$1.04	\$1.02
Diluted	\$0.61	\$0.72	\$1.01	\$1.00
Net earnings	1,030	3,130	6,502	3,228
Net earnings per unit				
Basic	\$0.06	\$0.13	\$0.26	\$0.10
Diluted	\$0.06	\$0.13	\$0.26	\$0.10
Net capital expenditures (cash)	13,161	21,316	28,651	52,843

2004 – Quarter ended (unaudited) ⁽¹⁾ (\$000s, except per unit amounts)	March 31	June 30	Sept. 30	Dec. 31
Gross revenues before royalties and hedging	13,342	17,377	17,760	19,469
Cash flow from operations	6,264	8,783	8,593	10,305
Cash flow from operations per unit				
Basic	\$0.46	\$0.58	\$0.56	\$0.67
Diluted	\$0.45	\$0.57	\$0.54	\$0.65
Net earnings	958	2,874	2,295	2,833
Net earnings per unit				
Basic	\$0.07	\$0.19	\$0.15	\$0.18
Diluted	\$0.07	\$0.19	\$0.15	\$0.18
Net capital expenditures (cash)	15,243	9,075	13,102	17,499

⁽¹⁾ restated for changes in accounting policies and to reflect the consolidation of units effective November 2, 2005

TRUE ENERGY TRUST
CONSOLIDATED BALANCE SHEETS

As at June 30 and December 31

(\$000s)	2006	2005
	<i>(unaudited)</i>	
ASSETS		
Current assets		
Accounts receivable	\$ 49,484	\$ 57,276
Deposits and prepaid expenses	2,566	1,806
	<u>52,050</u>	<u>59,082</u>
Property, plant and equipment	607,215	600,077
Deferred financing charges (note 6)	3,987	-
Goodwill (note 4)	96,237	71,970
Total assets	<u>\$ 759,489</u>	<u>\$ 731,129</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 66,000	\$ 88,270
Distribution payable to unitholders	10,041	8,677
Capital taxes payable	2,314	1,641
Current portion of obligations under capital lease	214	258
Bank debt (note 5)	-	71,365
	<u>78,569</u>	<u>170,211</u>
Obligations under capital lease	-	54
Long-term debt (note 5)	21,834	-
Capital taxes payable	-	1,700
Convertible debentures (note 6)	81,168	-
Asset retirement obligations (note 7)	11,785	10,457
Future income taxes	110,990	146,729
Total liabilities	<u>304,346</u>	<u>329,151</u>
COMMITMENTS (note 15)		
SUBSEQUENT EVENT (note 16)		
NON-CONTROLLING INTEREST		
Exchangeable shares of subsidiary (note 8)	5,168	9,709
UNITHOLDERS' EQUITY		
Unitholders' capital (note 9)	506,377	418,968
Equity component of convertible debentures (note 6)	5,119	-
Contributed surplus (note 10)	8,724	5,127
Deficit	(70,245)	(31,826)
Total unitholders' equity	<u>449,975</u>	<u>392,269</u>
Total liabilities and unitholders' equity	<u>\$ 759,489</u>	<u>\$ 731,129</u>

See accompanying selected notes to the consolidated financial statements.

TRUE ENERGY TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the three and six months ended June 30 (unaudited)

(\$000s)	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
REVENUES				
Petroleum and natural gas sales	\$ 43,004	\$ 33,663	\$ 89,400	\$ 56,104
Royalties	(9,657)	(8,346)	(20,298)	(14,179)
Gain(loss) on commodity contracts	(273)	-	(273)	-
	<u>33,074</u>	<u>25,317</u>	<u>68,829</u>	<u>41,925</u>
EXPENSES				
Production	9,321	4,436	18,488	7,920
Transportation	1,490	701	2,463	1,274
General and administrative	3,810	1,147	6,407	2,372
Interest and financing charges	1,847	417	3,610	632
Unit-based compensation	1,641	410	3,051	648
Depletion, depreciation and accretion	27,530	11,655	56,742	20,670
	<u>45,639</u>	<u>18,766</u>	<u>90,761</u>	<u>33,516</u>
EARNINGS (LOSS) BEFORE TAXES	(12,565)	6,551	(21,932)	8,409
TAXES (note 12)				
Current income taxes (recovery)	-	(5)	-	(5)
Capital taxes	953	686	1,524	1,174
Future income taxes (recovery)	(25,861)	2,740	(39,094)	3,080
	<u>(24,908)</u>	<u>3,421</u>	<u>(37,570)</u>	<u>4,249</u>
NET EARNINGS BEFORE NON-CONTROLLING INTEREST	12,343	3,130	15,638	4,160
Non-controlling interest	100	-	136	-
NET EARNINGS	<u>12,243</u>	<u>3,130</u>	<u>15,502</u>	<u>\$4,160</u>
Deficit, beginning of period	(54,717)	(5,060)	(31,826)	(6,090)
Distributions	(27,771)	-	(53,921)	-
Deficit, end of period	<u>\$ (70,245)</u>	<u>\$ (1,930)</u>	<u>\$ (70,245)</u>	<u>\$ (1,930)</u>
Net earnings per trust unit				
Basic	\$ 0.33	\$ 0.13	\$ 0.43	\$ 0.20
Diluted	\$ 0.33	\$ 0.13	\$ 0.42	\$ 0.20

See accompanying selected notes to the consolidated financial statements.

TRUE ENERGY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six months ended June 30 (unaudited)

(\$000s)	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES				
Net earnings	\$ 12,243	\$ 3,130	\$ 15,502	\$ 4,160
Items not involving cash:				
Non-controlling interest	100	-	136	-
Depletion, depreciation and accretion	27,530	11,655	56,742	20,670
Unit-based compensation	1,641	410	3,051	648
Amortization of deferred financing charges	35	-	35	-
Accretion on convertible debentures	37	-	37	-
Future income tax	(25,861)	2,740	(39,094)	3,080
Capital taxes	661	78	(1,028)	186
Funds from operations	16,386	18,013	35,381	28,744
Change in non-cash working capital	(7,523)	5,715	(15,909)	3,472
	8,863	23,728	19,472	32,216
CASH FLOW FROM FINANCING ACTIVITIES				
Increase (decrease) in bank debt	(88,019)	9,220	(49,531)	11,868
Obligations under capital lease	(50)	-	(98)	-
Issuance of convertible debentures	86,250	-	86,250	-
Deferred financing charges	(4,023)	-	(4,023)	-
Issuance of common shares	-	4	-	238
Share and unit issue cost	(629)	-	(629)	(1,100)
Payment of cash component of distributions	(12,721)	-	(37,495)	-
	(19,192)	9,224	(5,526)	11,006
Change in non-cash working capital	893	-	893	-
	(18,299)	9,224	(4,633)	11,006
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	(17,436)	(21,316)	(40,021)	(34,477)
Corporate transaction costs	(520)	-	(520)	(2,031)
Proceeds on sale of property, plant and equipment	24,514	-	24,514	-
	6,558	(21,316)	(16,027)	(36,508)
Change in non-cash working capital	(2,340)	(11,636)	(4,030)	(6,714)
	4,218	(32,952)	(20,057)	(43,222)
Cash acquired on corporate acquisition (note 3)	5,218	-	5,218	-
Change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

See accompanying selected notes to the consolidated financial statements.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006 and 2005 (unaudited)

1. STRUCTURE OF THE TRUST

True Energy Trust ("True" or the "Trust") is an open-ended, unincorporated investment trust governed by the laws of the Province of Alberta. Through a Plan of Arrangement (the "Arrangement") that became effective on November 2, 2005, True Energy Inc. became the Trust.

The purpose of the Trust is to indirectly explore for, develop and hold interests in petroleum and natural gas properties, through investments in securities of subsidiaries and net profits interests in oil and natural gas properties. The business of the Trust is carried on by True Energy Inc., its wholly owned subsidiary Marengo Exploration Ltd., True Oil & Gas Ltd., True Energy Partnership and TKE Energy Partnership. The Trust owns, directly and indirectly, 100% of the common shares, (excluding the exchangeable shares – see note 8) of True Energy Inc., True Oil & Gas Ltd. and Marengo Exploration Ltd. and 100% of the interests of True Energy Partnership and TKE Energy Partnership. The activities of True Energy Inc., Marengo Exploration Ltd., True Oil & Gas Ltd. and the partnerships, are financed through interest bearing notes from the Trust and third party debt.

Pursuant to the terms of Net Profit Interest Agreements (the "NPI Agreements") between the Trust and each of True Energy Inc. and True Oil & Gas Ltd., the Trust is entitled to a monthly payment from each of True Energy Inc. and True Oil & Gas Ltd. equal to the amount by which 99% of the gross proceeds from the sale of production exceed certain deductible expenditures (as defined). Under the terms of the NPI Agreements, deductible expenditures may include amounts, determined on a discretionary basis, to fund capital expenditures, to repay third party debt and to provide for working capital required to carry out the operations of True Energy Inc., True Oil & Gas Ltd., Marengo Exploration Ltd., True Energy Partnership and TKE Energy Partnership.

The Trust may make distributions to the Unitholders in amounts equal to all or any part of the net income of the Trust earned from interest income on the notes and from the income generated under the Net Profits Interest Agreements, and from any dividends paid on the common shares of True Energy Inc. and True Oil & Gas Ltd., less any expenses of the Trust including interest on the convertible debentures.

The conversion of True Energy Inc. to True Energy Trust has been accounted for as a reverse takeover of TKE and a continuity of interests of True Energy Inc. Prior to the Arrangement on November 2, 2005, the consolidated financial statements included the accounts of True Energy Inc. and its subsidiaries and partnership. After giving effect to the Arrangement, the consolidated financial statements include the accounts of the Trust, its subsidiaries and partnerships.

The term "units" has been used to identify both the trust units and the exchangeable shares of the Trust issued on or after November 2, 2005 as well as the common shares of True Energy Inc. outstanding prior to the Arrangement on November 2, 2005.

In conjunction with the Arrangement, the Trust entered into a Transitional Services Agreement ("Agreement") with Vero Energy Inc. ("Vero") where the Trust provided personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of Vero. The initial term of the Agreement was for a

period of three months after the effective date of the Arrangement, however, this Agreement was extended to April 1, 2006, at which time it expired. The Trust provided these services to Vero on an expense reimbursement basis, based on Vero's monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and Vero. Total expenses reimbursed by Vero for the three month period ended March 31, 2006 were \$0.1 million and are included within June 30, 2006 accounts receivable. Vero owes a further \$0.7 million relating to transaction costs True incurred to effect the Arrangement, and is included in the June 30, 2006 accounts receivable.

Effective April 1, 2006, True is subleasing office space to Vero for \$20,000 per month for a period of five years ending March 31, 2011.

2. SUMMARY OF ACCOUNTING POLICIES

The interim consolidated financial statements of the Trust have been prepared by management in accordance with generally accepted accounting policies in Canada. The unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2005. The interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles ("GAAP") applicable for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Trust's annual report for the year ended December 31, 2005. Certain prior year costs have been reclassified to conform to the current period's presentation.

3. ACQUISITIONS/DISPOSITIONS

a. Acquisition of Shellbridge Oil & Gas, Inc.

Effective June 23, 2006, the Trust's wholly owned subsidiary, True Oil & Gas Ltd. ("True Oil & Gas"), entered into a business combination with Shellbridge Oil & Gas, Inc. ("Shellbridge") whereby True Oil & Gas acquired all of the issued and outstanding shares of Shellbridge pursuant to a plan of arrangement. The previous shareholders of Shellbridge received 0.14 trust units of the Trust for each outstanding Shellbridge share (the "Transaction"), resulting in the issuance of 4,389,366 trust units. Concurrent with the business combination, True Oil & Gas and Shellbridge amalgamated on June 23, 2006 and continue as True Oil & Gas. The value of the transaction, based upon the adjusted weighted average trading price for True Energy Trust units for the five days prior to the transaction announcement on April 11, 2006, of \$15.56, was \$68.82 million (including \$0.5 million in transaction costs). The transaction was accounted for using the purchase method.

The purchase price allocation resulted in an excess purchase price over the fair value of net identifiable assets acquired of approximately \$24.0 million, which has been reflected as goodwill. The accounts include the results of Shellbridge effective June 23, 2006, the date the majority of Shellbridge shares were taken up and exchanged for True Energy Trust units. As at June 30, 2006, the purchase price equation was based on information available and may not be final.

The purchase price equation is as follows:

<i>(\$000's)</i>	
Cost of acquisition:	
Trust units issued	\$ 68,299
True transaction costs	520
	\$ 68,819
Allocated at estimated fair values:	
Cash	\$ 5,218
Accounts receivable	10,005
Deposits and prepaid expenses	161
Property, plant and equipment	47,529
Goodwill	24,017
Accounts payable and accrued liabilities	(13,485)
Future income taxes	(3,330)
Asset retirement obligations	(1,296)
	\$ 68,819

b. Acquisition of TKE Energy Trust

On November 2, 2005 True Energy Inc. and TKE entered into a business combination whereby True Energy Inc. acquired TKE in a reverse takeover, changing to True Energy Trust, and a publicly listed exploration focused company, Vero Energy Inc., pursuant to a Plan of Arrangement. The former shareholders of True Energy Inc. controlled approximately 71% of the Trust and substantially all of the former management of True Energy Inc. completes the Trust's new management team.

The Arrangement resulted in True shareholders receiving, for each True Share held: (i) 0.5 of a pre-consolidated trust units (0.25 of a post-consolidated trust unit); (ii) 0.10 of a Vero Share; and (iii) one Vero arrangement warrant.

To effect the Arrangement, for accounting purposes only, all of the issued and outstanding trust units, being 20,708,128 trust units, of TKE were treated as acquired by True Energy Inc. The transaction value was based upon the adjusted weighted average trading price of True Energy Inc. common shares for the two days prior to the transaction announcement on August 23, 2005, of \$5.04, plus the assumption of TKE's debt. The transaction was accounted for using the purchase method, with the excess purchase price over the fair value of net identifiable assets acquired of approximately \$42.4 million being allocated to goodwill.

The purchase equation was adjusted at June 30, 2006 to reflect certain net under accruals for operating income and capital expenditures relating to the period prior to November 2, 2005. As a result, total net accounts receivable was reduced by \$0.49 million, future income tax liability was reduced by \$0.24 million and goodwill was increased by \$0.25 million.

The purchase price equation is as follows:

(\$000s)	
Cost of acquisition:	
Trust units issued	\$ 196,214
Transaction costs	2,003
	<u>\$ 198,217</u>
Allocated at estimated fair values:	
Accounts receivable	\$ 11,073
Deposits and prepaid expenses	1,152
Property, plant and equipment	291,706
Goodwill	42,642
Accounts payable and accrued liabilities	(17,912)
Bank debt	(32,077)
Distribution payable	(2,382)
Obligation under capital lease	(343)
Non-controlling interest	(10,351)
Future income taxes	(79,131)
Asset retirement obligations	(6,160)
	<u>\$ 198,217</u>

c. Disposition to Vero Energy Inc.

Under the Arrangement, True Energy Inc. transferred to Vero certain prospective natural gas weighted assets and undeveloped land at their net book value. A future tax asset has been transferred as the result of disposing of petroleum and natural gas properties with a net book value of \$26.9 million compared to tax pools of \$27.9 million. The details are as follows:

(\$000s)	
Petroleum and natural gas properties	\$ 26,880
Asset retirement capital	318
Future income tax asset	384
Total assets transferred	27,582
Asset retirement obligation	(318)
Bank indebtedness assumed	(5,000)
Net assets transferred and reduction in accumulated earnings	<u>\$ 22,264</u>

d. Acquisition of Meridian Energy Corporation

Effective March 15, 2005, the Trust acquired all of the issued and outstanding common shares of Meridian Energy Corporation (“Meridian”), a public company, involved in the exploration, development and production of oil and natural gas in central Alberta. The consideration offered was \$0.6 million and 0.91 of a True Energy Inc. common share for each Meridian common share resulting in 35,111,184 True Energy Inc. shares issued as at March 31, 2005 and an additional 638,747 shares issued in April and June 2005. The value of the transaction, based on an adjusted average share price for True Energy Inc. of \$4.20 at January 19, 2005, was \$152.2 million (including \$1.4 million in transaction costs). The transaction was accounted for using the purchase method. The purchase price allocation resulted in an excess purchase price over the fair value of net identifiable assets acquired of approximately \$29.6 million, which has been reflected as goodwill. The accounts include the results of Meridian effective March 15, 2005, the date the majority of Meridian shares were taken up and exchanged for True Energy Inc. common shares.

The purchase equation was adjusted at December 31, 2005 to reflect revised estimates for tax information regarding expected temporary difference reversals. As a result, the future tax liability was decreased by \$3.6 million and goodwill was also decreased by the same amount.

The purchase price equation is as follows:

<i>(\$000's)</i>	
Cost of acquisition:	
Common shares issued	\$ 150,150
True transaction costs	1,411
Cash to shareholders	620
	\$ 152,181
Allocated at estimated fair values:	
Accounts receivable	\$ 15,186
Deposits and prepaid expenses	89
Property, plant and equipment	183,744
Goodwill	29,577
Accounts payable and accrued liabilities	(14,119)
Bank debt	(11,389)
Future income taxes	(49,915)
Asset retirement obligations	(992)
	\$ 152,181

4. GOODWILL

<i>(\$000s)</i>	Six Months ended June 30,	
	2006	2005
Balance, beginning of period	\$ 71,970	\$ -
Shellbridge acquisition (note 3a)	24,017	-
Adjustment to TKE acquisition (note 3b)	250	-
Meridian acquisition (note 3d)	-	33,168
Balance, end of period	\$ 96,237	\$ 33,168

5. LONG-TERM DEBT

On March 14, 2006, the existing demand revolving credit facility was replaced by a \$135 million demand revolving credit facility and a \$15 million operating facility both provided by one Canadian chartered bank, subject to an annual review by June 1, 2006. No other terms or conditions were modified. In April 2006, the \$135 million demand revolving credit facility was changed to be syndicated by one Canadian chartered bank and one institutional lender.

On June 30, 2006, the existing credit facility was replaced by a \$135 million extendible revolving term credit facility and a \$15 million demand operating facility both syndicated by one Canadian chartered bank, a U.S. bank and one institutional lender. Amounts borrowed under the credit facility bear interest at a floating rate based on the applicable Canadian prime, U.S. base rates, LIBOR rates, plus between 0 and 2.00%, depending on the types of borrowings and the Trust's debt to cash flow ratio. Security is provided by a \$250 million debenture containing a first ranking security interest on all of the Trust's assets. The credit facility is guaranteed by the Trust and all material subsidiaries and is secured against all the assets of True Energy Inc., the Trust and all material subsidiaries. True 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 on between 0.125 and 0.400% on the undrawn portion of the facility, depending on the Trust's debt to cash flow ratio. The borrowing base is currently scheduled for renewal on or before November 30, 2006. As at June 30, 2006, there was \$11.8 million outstanding under the operating facility and \$10.0 million outstanding under the revolving term credit facility.

The revolving period on the new revolving term credit facility ends on June 29, 2007, unless extended for a further 364 day period. Should the facilities not be renewed they convert to 366 day non-revolving term facilities on the renewal date. Payment will not be required under the revolving term facility for more than 365 days from the balance sheet date and as at June 30, 2006 there is sufficient availability under the revolving term credit facility to also cover the operating facility and, as such, the entire credit facility has been classified as long-term.

6. CONVERTIBLE DEBENTURES

On June 15, 2006, the Trust completed a bought deal private placement financing issuing 86,250 7.5% convertible unsecured subordinated debentures at a price of \$1,000 per debenture for aggregate gross proceeds of \$86,250,000.

The convertible debentures have a face value of \$1,000 per debenture and a maturity date of June 30, 2011. The convertible debentures bear interest at an annual rate of 7.50% payable semi-annually on June 30 and December 31 in each year commencing December 31, 2006. The debentures are convertible at anytime at the option of the holders into trust units of the Trust at a conversion price of \$16.00 per Trust unit. The Trust will have the right to redeem all or a portion of the debentures at a price of \$1,050 per debenture after June 30, 2009 and on or before June 30, 2010 and at a price of \$1,025 per debenture after June 30, 2010 and before the maturity date. Upon maturity or redemption of the debentures, the Trust may, subject to notice and regulatory approval, pay the outstanding principal and premium (if any) on the debentures in cash or through the issue of additional Trust units at 95% of a weighted average trading price of the Trust units.

The debentures were initially recorded at the fair value of the obligation without the conversion feature. This fair value to make future payments of principal and interest was initially determined to be \$81.13 million. The difference between the principal amount of \$86.25 million and the fair value of the obligation is \$5.12 million and has been recorded in unitholders' equity as the fair value of the conversion feature of the debentures. Issue costs of \$4.02 million have been classified as deferred financing charges and will be amortized over the term of the debentures. The debt component of the convertible debentures will accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed as interest and financing charges in the consolidated statement of operations.

The following table shows the convertible debenture activities for the six months ended June 30, 2006:

Convertible Debentures

	Number of Debentures	Debt Component (\$000s)	Equity Component (\$000s)
Issued on June 15, 2006	86,250	81,131	5,119
Accretion	-	37	-
Balance, June 30, 2006	86,250	81,168	5,119

The following table shows the deferred financing charges activities for the six months ended June 30, 2006:

Deferred Financing Charges

Costs incurred	\$ 4,022
Less amortization in the period	(35)
Balance, June 30, 2006	\$ 3,987

7. ASSET RETIREMENT OBLIGATIONS

The Trust's asset retirement obligations result from net ownership in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Trust estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately \$29.6 million which will be incurred between 2007 and 2056. A credit-adjusted risk-free rate of 8.0% and an inflation rate of 2.5% were used to calculate the fair value of the asset retirement obligation.

(\$000s)	2006	2005
Balance, beginning of period	\$ 10,457	\$ 3,951
Liabilities acquired through corporate acquisitions	1,296	992
Liabilities incurred and changes in estimates	254	460
Liabilities released on dispositions	(640)	5
Accretion expense	418	107
Balance, end of period	\$ 11,785	\$ 5,515

8. EXCHANGEABLE SHARES OF SUBSIDIARY

	2006		2005	
	Number	Amount (\$000s)	Number	Amount (\$000s)
Balance, beginning of period	788,558	\$ 9,709	-	\$ -
Non-controlling interest share of current period earnings	-	136	-	-
Exchanged for trust units	(379,107)	(4,677)	-	-
Balance, end of period	409,451	\$ 5,168	-	\$ -

The exchange ratio, for exchangeable shares of the subsidiary, is calculated monthly based on the five day weighted average trust unit trading price preceding the monthly effective date, and at June 30, 2006 was 0.6312. The exchangeable shares are not eligible for cash distributions; however cash distributions will increase the exchange ratio.

9. UNITHOLDERS' CAPITAL

a. Trust Units of True Energy Trust

	Number	2006 Amount (\$000s)	Number	2005 Amount (\$000s)
Balance, beginning of period	36,176,196	\$ 418,968	-	\$ -
Issued to acquire Shellbridge (net of issue costs of \$ 0.6 million)	4,389,366	67,668	-	-
Exchangeable shares converted	227,010	4,677	-	-
Units issued pursuant to DRIP	1,045,171	15,064	-	-
Balance, end of period	41,837,743	\$ 506,377	-	\$ -

b. Trust Unit Incentive Plan

The Trust has a trust unit incentive plan where the Trust may grant trust unit incentive rights to its directors, officers, employees and service providers. Under this plan, the exercise price of each trust unit incentive right initially equals the market price of the Trust's stock on the date of grant. The maximum term of an incentive right is five years.

The grant price per Incentive Right ("Grant Price") shall be equal to the per Trust Unit closing price on the trading day immediately preceding the date of grant, unless otherwise permitted. Under the terms of the Incentive Plan, the exercise price of each Incentive Right is initially

equal to the Grant Price and thereafter is reduced pursuant to a formula. This formula provides that the exercise price of each Incentive Right is reduced by any decreases in the daily closing price on the Toronto Stock Exchange of the Trust Units that is in excess of a 2.5% return per quarter on the Trust's consolidated net fixed assets (the "Hurdle Rate"); provided however, that such decrease in the exercise price will not exceed the amount by which the Trust Unit distributions exceed the Hurdle Rate. Effective June 1, 2006, the Trust amended its hurdle rate to 0% per quarter. In no case may the exercise price be less than \$0.001 per Trust Unit and a participant may elect to have the exercise price equal the Grant Price. Incentive Rights are non-transferable or assignable except in accordance with the Incentive Plan and the holding of Incentive Rights shall not entitle a holder to any rights as a Unitholder of True Energy Trust.

Unit rights, entitling the holder to purchase units from the Trust, have been granted to directors, officers, employees and service providers of the Trust. Effective May 1, 2006, one third of the initial grant of trust unit incentives vest on each of the first, second, and third anniversary from the date of grant.

The following tables summarize information regarding trust unit incentive rights for the period ended and as at June 30, 2006.

Unit Rights Continuity

<i>For the six months ended June 30, 2006</i>	Average Exercise Price⁽¹⁾	Number Outstanding
Balance, beginning of period	\$ 17.94	3,159,000
Granted	17.09	670,000
Cancelled	17.36	(276,667)
Balance, end of period	\$ 17.36	3,552,333

Unit Rights Outstanding

Average Exercise Price	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
\$ 17.36 .unit ⁽¹⁾	3,552,333	1,061,365	4.5

⁽¹⁾ Exercise prices reflect grant prices less reduction in exercise prices.

c. Distribution Reinvestment Plan

Effective March 27, 2006, True adopted a Premium DistributionTM Reinvestment, Distribution Reinvestment and Optional Trust Unit Purchase Plan (the "Plan"). The Plan amends, restates and replaces in its entirety the distribution reinvestment and optional trust unit purchase plan (the "Old Plan") of True dated December 1, 2004, which was implemented by TKE Energy Trust. The Plan allows eligible unitholders of True to direct that their cash distributions be reinvested in additional trust units at 95% of the Average Market Price (as defined in the Plan) on the applicable distribution payment date. The Plan further allows eligible unitholders to elect, under the Premium DistributionTM component of the Plan, to have these additional trust units delivered to the designed Plan broker in exchange for a premium cash distribution equal to 102% of the cash distribution that such unitholders would otherwise have received on the applicable distribution payment date if they did not participate in the

Plan (subject to proration in certain events as provided in the Plan.) Canaccord Capital Corporation will act as the Plan broker for the Premium Distribution™ component of the Plan.

In addition, the Plan allows those unitholders who participate in either the distribution reinvestment component or the Premium Distribution™ component of the Plan to purchase additional trust units from treasury at a purchase price equal to the Average Market Price (with no discount) in minimum amounts of \$2,000 per remittance up to a maximum aggregate amount of \$50,000 per month by any one unitholder, in any calendar month, all subject to an overall annual limit of 2% of the total number of outstanding trust units. The Trust reserves the right to limit the amount of any new equity available under the Plan on any particular distribution date and thus participants may be pro-rated in certain circumstances.

Of the outstanding \$10.0 million distribution payable at June 30, 2006, \$4.8 million was subsequently paid in trust units under the Plan.

10. CONTRIBUTED SURPLUS

(\$000s)	Six Months ended June 30,	
	2006	2005
Balance, beginning of period	\$ 5,127	\$ 877
Unit-based compensation expense	3,597	-
Stock-based compensation expense	-	648
Transfer to share capital on exercise of options	-	(45)
Balance, end of period	\$ 8,724	\$ 1,480

Unit-based Compensation

During the six months ended June 30, 2006, the Trust granted 670,000 unit incentive rights to employees, consultants and directors. The Trust recorded unit-based compensation expense of \$3.6 million, of which \$0.5 million was capitalized to property, plant and equipment.

The fair values of all incentive rights granted are estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average fair market value of incentive rights granted during the six month period ended June 30, 2006 and the assumptions used in their determination are as noted below.

	Six months ended June 30, 2006
Assumptions:	
Risk free interest rate (%)	4
Expected life (years)	5
Expected volatility (%)	24
Results:	
Weighted average fair value of incentive rights granted	\$ 4.60

11. SUPPLEMENTAL INFORMATION

a. Cash flow

<i>(\$000s)</i>	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Cash paid:				
Interest	\$ 1,886	\$ 344	\$ 2,874	\$ 526
Taxes (net of refunds)	\$ 560	\$ 501	\$ 3,214	\$ 990
Investing and financing activities:				
Net assets acquired on acquisitions (note 3)	\$ 68,819	\$ 152,181	\$ 68,819	\$ 152,181

b. Property plant & equipment

The Trust has excluded from the depletion calculation \$53.2 million for undeveloped properties and \$32.0 million for undeveloped land.

12. INCOME TAXES

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate income tax rate of 34.2% (2005: 40.1%) to earnings or losses before income taxes. This difference results from the following items:

<i>(\$000s)</i>	June 30, 2006	June 30, 2005
Expected income tax expense (recovery)	\$ (7,499)	\$ 3,369
Amount in trust income	(12,973)	-
Crown royalties and charges	1,956	1,198
Resource allowance	(1,717)	(1,362)
Unit and stock based compensation expense	968	260
Change in enacted tax rates	(19,459)	(406)
Other	(370)	16
Future income tax expense (recovery)	(39,094)	3,075
Capital tax expense	1,524	1,174
Total tax expense (recovery)	\$ (37,570)	\$ 4,249

13. PER TRUST UNIT AMOUNTS

	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Basic trust units outstanding	41,837,773	24,537,902	41,837,773	24,537,902
Dilutive effect of:				
Trust unit incentive rights outstanding	3,552,333	1,225,167	3,552,333	1,225,167
Units issuable for exchangeable shares	258,445	-	258,445	-
Units issuable for convertible debentures	5,390,625	-	5,390,625	-
Diluted trust units outstanding	51,039,146	25,763,069	51,039,146	25,763,069
Weighted average trust units outstanding	37,332,174	24,537,590	36,470,894	20,855,367
Dilutive effect of exchangeable shares, trust unit incentive plan and convertible debentures ⁽¹⁾	1,156,883	425,433	941,528	445,264
Diluted weighted average trust units outstanding	38,489,057	24,963,023	37,412,422	21,300,631

⁽¹⁾ A total of 3,448,203 (2005: 204,313 after consolidation) and 3,435,717 (2005:204,313 after consolidation) trust incentive units were excluded from the calculation for the three and six month periods ended June 30, 2006, respectively, as they were not dilutive.

Basic per trust unit amounts is calculated using the weighted average number of trust units outstanding during the year.

The Trust uses the treasury stock method to determine the dilutive effect of trust incentive units and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the diluted calculations in computing diluted earnings per trust unit.

The term "units" has been used to identify trust units and exchangeable shares of the Trust issued on or after November 2, 2005, as well as the common shares of the corporation outstanding prior to the conversion on November 2, 2005 as restated to reflect the November 2, 2005 Plan of Arrangement and post 2:1 consolidation.

14. FINANCIAL INSTRUMENTS

The Trust has entered into financial forward sales arrangements as follows:

Type	Period	Volume	Price Floor	Price Ceiling	Index
Oil costless collar ⁽¹⁾	April 1, 2006 to December 31, 2006	2,000 bbl/d	\$ 58.00 US	\$ 69.35 US	WTI
Oil put option ⁽²⁾	January 1, 2007 to June 30, 2007	1,000 bbl/d	\$ 70.00 US	-	WTI
Natural Gas put option ⁽²⁾	September 1, 2006 to March 31, 2007	10,000 GJ/day	\$ 8.00 CDN	-	AECO C

(1) The oil costless collar requires monthly settlement. The costless collar has been designated as a hedge in accordance with Accounting Guideline 13 of Canadian accounting standards. As at June 30, 2006, the mark to market loss on the hedge, which changes on a daily basis, was \$2.8 million US. Included in revenue for the three month period ended June 30, 2006 is an oil hedge loss of \$0.3 million related to the monthly settlement cost of the hedge in the period.

(2) These contracts were entered into subsequent to June 30, 2006. The oil put and natural gas put option contracts required payment of a premium of \$651,600 US and \$2,904,400 CDN at initiation of the contracts, respectively.

15. COMMITMENTS

At the end of the second quarter of 2006, True had committed to drill a total of 2 wells in Alberta and 4 wells in Saskatchewan with varying commitment dates up to October 2006 pursuant to various farm-in agreements with oil and gas companies. True expects to satisfy these various drilling commitments at an estimated cost for True's interest of approximately \$2.6 million.

16. SUBSEQUENT EVENT

On July 26, 2006, the Trust's subsidiary and administrator, True Energy Inc. ("True Energy"), entered into an agreement with Prairie Schooner Petroleum Ltd. ("Prairie Schooner") pursuant to which True Energy will, by way of plan of arrangement, acquire all of the issued and outstanding common shares of Prairie Schooner on the basis of 1.22 trust units of the Trust for each outstanding Prairie Schooner share (the "Transaction"), resulting in the issue of approximately 26.2 million trust units (assuming the exercise of all outstanding in the money Prairie Schooner stock options). Both parties have agreed to pay the other a non-completion fee of \$6.0 million in certain circumstances if the Transaction is not completed. The agreement includes provisions whereby Prairie Schooner will terminate discussions with any other party and not solicit any other offers. The agreement also gives the Trust the right to match any competing offer.

Completion of the Transaction is subject to regulatory and court approval, and the approval of 66 2/3% of votes cast by the shareholders and optionholders of Prairie Schooner and by a majority of shareholders of Prairie Schooner (excluding certain directors or officers of Prairie Schooner required to be excluded by securities regulatory requirements). Directors, officers and certain insiders of Prairie Schooner have agreed to vote their shares (approximately 14% of the outstanding shares) in favour of the transaction.

True Energy Trust is a Calgary-based oil and natural gas trust. True is an open-ended, incorporated investment trust governed by the laws of the Province of Alberta. The purpose of the Trust is to indirectly explore for, develop and hold interests in petroleum and natural gas properties, through investments in securities of subsidiaries and net profits interests. The trust structure allows individual unitholders to participate in the cash flow of the business. Cash flow is realized from the Trust's subsidiaries' ownership of natural gas and petroleum properties and related facilities. Trust units of True trade on the Toronto Stock Exchange ("TSX") under the symbol TUI.UN. For further information, please contact:

Paul R. Baay, President & CEO (403) 750-1272

or

Edward J. Brown, CA, Vice President, Finance & CFO (403) 750-2655

or

Scott Koyich, Investor Relations (403) 750-2428

True Energy Trust

2300, 530 – 8th Avenue SW

Calgary, Alberta T2P 3S8

Phone: (403) 266-8670

Fax: (403) 264-8163

www.trueenergytrust.com