



For Immediate Release  
TSX: TUI.UN

## TRUE ENERGY TRUST ANNOUNCES FIRST QUARTER 2008 FINANCIAL RESULTS

May 8, 2008 – (TSX: TUI.UN) True Energy Trust (“True” or the “Trust”) announces its financial and operating results for the three months ended March 31, 2008. Highlights from the quarter include:

- In the first quarter of 2008, monthly distributions of \$0.04 per unit were declared and paid on February 17, 2008, March 17, 2008 and April 15, 2008. The Board has announced it has set a distribution policy for the second quarter of 2008 at a monthly rate of \$0.04 per unit, subject to monthly confirmation, based on current commodity prices, hedging program, anticipated production volumes and market conditions. True anticipates its \$0.04 per unit monthly distributions to be sustainable in the current gas price, foreign exchange rate and cost environment.
- True generated average sales volumes for the first quarter of 2008 of 13,552 boe/d as compared to 14,937 boe/d for the fourth quarter of 2007. In addition to natural production declines, field production for the first quarter of 2008 was adversely impacted by extreme weather experienced in January and February 2008. An unplanned third party plant outage also impacted production in west central Alberta for February 2008.
- Funds flow from operations \* for the first quarter of 2008 was \$24.3 million on gross sales of \$70.0 million compared to funds flow from operations of \$30.0 million on gross sales of \$71.2 million for the same period in 2007. The decrease in funds flow for the 2008 first quarter was primarily the result of lower sales volumes, partially offset by higher overall commodity prices and operating netbacks for the period. Funds flow from operations for the first quarter of 2008 increased 25% from fourth quarter 2007 funds flow from operations of \$19.5 million, reflecting improved commodity prices.
- The net loss for the first quarter of 2008 of \$18.6 million was primarily due to higher mark-to-market unrealized losses on commodity risk management contracts of \$17.7 million. This compares to a net loss of \$8.6 million for the first quarter of 2007.
- During the first quarter of 2008, True achieved a 75% success rate in drilling or participation in 4 (3.0 net) working interest wells, resulting in 2 (1.0 net) gas wells, 1 (1.0 net) light oil wells, and 1 (1.0 net) dry hole.
- In the first quarter of 2008, True was successful in completing the divestiture of a small non-core property in the Northeast area of Alberta for net proceeds after adjustments of \$5.8 million.
- Further to True’s announcement of its intention to divest of a portfolio of its Saskatchewan assets, on April 30, 2008, True closed on the sale of its Dodsland-Stranraer property for net proceeds of \$39.3 million, after closing adjustments, which will be reflected in True’s second quarter results. Dodsland-Stranraer was 1 of 5 packages of Saskatchewan assets announced for divestiture as part of a new strategic direction.
- On April 30, 2008 True further announced its decision not to pursue further Saskatchewan asset dispositions at this time. The Trust feels that the new strategic direction goal of increased financial flexibility is sufficiently achieved through the combination of vastly improved commodity prices, receipt of the Dodsland-Stranraer disposition proceeds, and a continued distribution level of \$0.04 per unit per month, while retaining the benefit of a larger production base.
- The Kerrobert SAGD project continues to show positive response to the ongoing reservoir heating. Temperatures of up to 140 degrees Celsius are being observed in the new thermal producing wells as compared to initial reservoir temperatures of approximately 30 degrees Celsius. Fluid production rates from the new thermal producers are being carefully restricted to control continued steam chamber development and ensure uniform heating and conformance.

\* Refer to note (2) in the highlights section of the first quarter report in respect of the term “funds flow from operations”, which is also commonly referred to as “cash flow from operations”.

True’s first quarter report is presented below.

## HIGHLIGHTS

	Three months ended March 31,	
	2008	2007
<b>FINANCIAL</b>		
<i>(CDN \$000s except unit and per unit amounts)</i>		
Revenue (before royalties and hedging <sup>(1)</sup> )	70,033	71,196
Funds flow from operations <sup>(2)</sup>	24,233	29,988
Per basic trust unit	\$0.31	\$0.43
Per diluted trust unit	\$0.30	\$0.42
Net loss	(18,621)	(8,571)
Per basic trust unit	\$(0.24)	\$(0.12)
Per diluted trust unit	\$(0.24)	\$(0.12)
Distributions paid	9,507	16,866
Per trust unit	\$0.12	\$0.24
Exploration and development	8,453	45,653
Corporate and property acquisitions	197	705
Capital expenditures - cash	8,650	46,358
Property dispositions - cash	(5,788)	(18,443)
Other - non-cash	(193)	624
Total capital expenditures - net	2,669	28,539
Long-term debt	171,850	178,379
Convertible debentures <sup>(3)</sup>	79,837	78,243
Working capital deficiency (excess) <sup>(3)</sup>	(11,369)	31,748
Total net debt <sup>(3)</sup>	240,318	288,370
Total assets	861,569	979,160
Unitholders' equity	435,232	481,547
<b>OPERATING</b>		
Daily sales volumes		
Crude oil and NGLs	(bbls/d)	4,873
Natural gas	(mcf/d)	52,252
Total oil equivalent	(boe/d)	13,552
Average prices		
Crude oil and NGLs	(\$/bbl)	71.59
Crude oil and NGLs (including hedging <sup>(1)</sup> )	(\$/bbl)	61.98
Natural gas	(\$/mcf)	7.97
Natural gas (including hedging <sup>(1)</sup> )	(\$/mcf)	7.99
Total oil equivalent	(\$/boe)	56.31
Total oil equivalent (including hedging <sup>(1)</sup> )	(\$/boe)	52.96
Statistics		
Operating netback <sup>(4)</sup>	(\$/boe)	29.28
Operating netback (including hedging <sup>(1)</sup> ) <sup>(4)</sup>	(\$/boe)	25.92
Transportation expenses	(\$/boe)	0.68
Production expenses	(\$/boe)	13.78
General & administrative	(\$/boe)	3.06
Royalties as a % of sales after transportation		23%
		21%

	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
<b>TRUST UNITS</b>		
Trust units outstanding	79,230,460	70,276,890
Trust unit incentive rights outstanding	5,232,665	5,227,333
Units issuable for exchangeable shares	337,351	303,547
Units issuable for convertible debentures	5,390,625	5,390,625
Diluted trust units outstanding	90,191,101	81,198,395
Diluted weighted average trust units <sup>(5)</sup>	79,223,088	70,275,770

### TRUST UNIT TRADING STATISTICS

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

High	4.00	7.47
Low	2.94	4.87
Close	3.66	5.85
Average daily volume	257,218	601,724

<sup>(1)</sup> The Trust has entered into various commodity risk management contracts which are considered to be economic hedges. Per unit metrics after hedging includes only the realized portion of gains or losses on commodity contracts.

Effective January 1, 2007 on adoption of CICA handbook sections 3855 and 3865, the Trust no longer applies hedge accounting to these contracts. As such, these contracts are revalued to fair value at the end of each reporting date. This results in recognition of unrealized gains or losses over the term of these contracts which is reflected each reporting period until these contracts are settled, at which time realized gains or losses are recorded. These unrealized gains or losses on commodity contracts are not included for purposes of per unit metrics calculations disclosed.

<sup>(2)</sup> The highlights section contains the term “funds flow from operations” (or as commonly referred to as “cash flow from operations”), 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 funds flow from operations or funds flow from operations per trust unit may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds 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 funds flow from operations and cash flow from operating activities can be found in the Management Discussion and Analysis (“MD&A”). Funds flow from operations per trust unit is calculated using the weighted average number of trust units for the period.

<sup>(3)</sup> Net debt includes the net working capital deficiency before short-term commodity contract assets and liabilities and short-term future income tax assets. Total net debt also includes the liability component of convertible debentures and excludes asset retirement obligations and the future income tax liability.

<sup>(4)</sup> Operating netbacks are calculated by subtracting royalties, transportation, and operating costs from revenues.

<sup>(5)</sup> In computing weighted average diluted earnings per trust unit for the three month period ended March 31, 2008 a total of 337,351(2007: 303,347) exchangeable shares, 5,232,665 (2007: 5,227,333) trust incentive rights and 5,390,625 (2007: 5,390,625) trust units issuable pursuant to conversion of convertible debentures were excluded from the calculation of diluted earnings per trust unit as they were not dilutive. To calculate weighted average diluted funds flow from operations for the three month period ended March 31, 2008, 337,351 exchangeable shares were added to the denominator, resulting in diluted weighted average trust units of 79,558,882 under this calculation. To calculate weighted average diluted funds flow from operations for the three month period ended March 31, 2007, a total of \$1.98 million for interest accretion expense was added to the numerator and 303,347 exchangeable shares and 5,390,625 trust units were added to the denominator for units issuable on conversion of convertible debentures, resulting in diluted weighted average trust units of 75,969,942 and funds flow from operations per diluted trust unit of \$0.42 under this calculation.

## REPORT TO UNITHOLDERS

Dramatically improved commodity prices, and natural gas pricing in particular, is providing some long awaited relief for a stressed sector. However the improved pricing has also placed significant negative pressure on commodity hedges entered into under an entirely different environment. True's hedges were placed over a span of several months to ensure adequate funding would be available to meet distribution requirements. Approximately 50% of Trust's natural gas production and 60% the liquids production remains un-hedged and open to the upside in commodity pricing.

Accomplishments for the first quarter ended March 31, 2008 include:

### **Distributions**

In the first quarter of 2008, monthly distributions of \$0.04 per unit were declared and paid on February 15, 2008, March 17, 2008 and April 15, 2008.

On April 8, 2008, the Trust announced that the Board has set the distribution policy for the second quarter of 2008 at a monthly distribution rate of \$0.04 per unit, subject to monthly confirmation by the Board of Directors, based on current commodity prices, hedging program, anticipated production volumes and market conditions. True anticipates its \$0.04 per unit monthly distributions to be sustainable in the current gas price, foreign exchange rate and cost environment.

### **Production**

2008 first quarter sales volumes averaged 13,552 boe/d as compared to 14,937 boe/d in the fourth quarter of 2007.. In addition to natural production declines, field production in the first quarter of 2008 was adversely impacted by the extreme weather experienced in January and February of 2008. An unplanned third party plant outage also impacted production in west central Alberta for February 2008.

The Kerrobert SAGD project continues to show positive response to the ongoing reservoir heating. Temperatures of up to 140 degrees Celsius are being observed in the new thermal producing wells as compared to initial reservoir temperatures of approximately 30 degrees Celsius. Fluid levels and reservoir pressure continue to build however withdrawal rates are being carefully restricted to control development of the steam chamber and ensure uniform heating and conformance along the entire length of the horizontal producers. True's goal is to maximize the long term success of the project and avoid issues experienced in earlier projects by other operators such as collapsing the steam chamber or pulling in cold bottom water by drawing on the producers too hard, too early in the process.

### **Drilling**

During the first quarter of 2008, True achieved a 75% success rate in drilling or participation in 4 (3.0 net) working interest wells, resulting in 2 (1.0 net) gas wells, 1 (1.0 net) light oil wells, and 1 (1.0 net) dry hole. The drilling program is expected to resume in third quarter following spring break-up and the associated road ban issues.

### **Financial**

Funds flow from operations for the first quarter of 2008 was \$24.3 million on gross sales of \$70.0 million compared to funds flow from operations of \$30.0 million on gross sales of \$71.2 million for the same period in 2007. The decrease in funds flow for the 2008 first quarter was primarily the result of lower sales volumes, partially offset by higher overall commodity prices and operating netbacks in the period. Funds flow from operations for the first quarter of 2008 increased 25% from fourth quarter 2007 funds flow from operations of \$19.5 million, reflecting improved commodity prices.

The net loss for the first quarter of 2008 of \$18.6 million was primarily due to higher mark-to-market unrealized losses on commodity risk management contracts of \$17.7 million. This compares to a net loss of \$8.6 million for the first quarter of 2007.

### **Dispositions**

On December 17, 2007, True announced its intention to divest of its Saskatchewan assets and reduce the distribution level as part of a new strategic direction for the Trust. Proceeds from the proposed divestiture would be utilized to reduce True's bank indebtedness and the reduced distribution level ensured additional financial resources.

The additional cash flow generated through improved pricing has eased debt concerns and allowed the Trust to modify the path of the new strategic direction. On April 30, 2008 True announced that the sale of the Dodsland-Stranraer asset, one of five asset packages comprising the Saskatchewan divestiture program, had been successfully completed for net proceeds after adjustments of \$39.3 million, which will be reflected in True's second quarter results. True further announced its decision to not pursue further Saskatchewan asset disposition options at this time. The Trust feels that the goal of increased financial flexibility is sufficiently achieved through the combination

of improved commodity prices, receipt of the Dodsland-Stranraer sale proceeds, and a continued distribution level of \$0.04 per unit per month, while retaining a larger asset and production base.

In the first quarter of 2008, True was successful in completing the divestiture of a non-core property in the Northeast area of Alberta for net proceeds after adjustments of \$5.8 million. Subsequent to quarter-end and in early April 2008, True was also successful in completing the divestiture of a small non-core property in the Northwest area of Alberta for net proceeds after adjustments of \$0.3 million. The proceeds were used to pay down debt. True continuously reviews and optimizes its portfolio, divesting of non-core and high cost properties.

### **Liquidity**

True's net debt, excluding unrealized commodity contract assets and liabilities, future income taxes and asset retirement obligations, as at March 31, 2008 was \$240.3 million, representing \$171.9 million outstanding on the credit facility, \$79.8 million in convertible debentures (liability component) and net the balance of working capital.

As at March 31, 2008, the existing credit facility consists of a \$15 million demand operating facility provided by one Canadian bank and a \$175 million extendible revolving term credit facility syndicated by two Canadian chartered banks, a U.S. bank, a Canadian financial institution and one institutional lender.

On March 31, 2008, True's borrowing base redetermination was re-scheduled for renewal on or before June 2, 2008, while the Saskatchewan asset divestiture was being finalized. To reflect the recent dispositions in True's borrowing base, True's borrowing base was reduced from \$190 million as at March 31, 2008 to \$164.5 million effective as at April 30, 2008. As at April 30, 2008, there is approximately \$40 million not drawn on these facilities. Further borrowing base reductions are scheduled to occur on June 2, 2008 and June 30, 2008, which will bring True's borrowing base to \$152 million as at June 30, 2008. The revolving period on the term credit facility is also subject for renewal on June 28, 2008. The revolving period on the term credit facility ends on June 30, 2008, 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.

True does not hold any Asset-Backed Commercial Paper investments.

In August 2007, True received Toronto Stock Exchange approval for its normal course issuer bid ("NCIB") for the repurchase of its trust units from August 28, 2007 to August 27, 2008, entitling the Trust to purchase up to approximately 7.8 million of its outstanding trust units. Starting in the fourth quarter and through the end of 2007, 500,000 units were repurchased at a total price of \$1.7 million. Future repurchases will be dependent on excess cash available after consideration of the Trust's priority uses of cash and the trading price of the Trust's units. No units were purchased during the first quarter of 2008.

True has maintained an active commodity price risk management program. Approximately 50% of current natural gas production is hedged through the remainder of 2008 and approximately 29% is hedged through the first half of 2009. Approximately 40% of current liquids production is hedged through the remainder of 2008. No liquids are currently hedged subsequent to December 31, 2008. The Trust will continue its hedging strategies focusing on maintaining sufficient cash flow to fund True's unitholder distributions and the capital program.

### **Alberta Royalty Regime**

On October 25, 2007, the Alberta Government announced its intent to increase royalty rates commencing on January 1, 2009. As of December 31, 2007, the province had not introduced the enabling legislation nor had they provided enough clarity on a number of issues for the Trust's independent reserves evaluator, GLJ Petroleum Consultants Ltd. ("GLJ"), to provide a precise calculation of the net reserves and NPV under the New Royalty Framework ("NRF"). However, GLJ did provide analysis of the proposed royalty regime, based on a high and low sensitivity to the NRF utilizing the Consultants' Consensus Methodology recommended by the Society of Petroleum Engineers, Calgary Chapter (the "Consensus Methodology"). Based on public information available when the Trust's reserves were evaluated, the net present value of future net revenue of proved and probable reserves based on the high scenario at a 10% discount rate using the Consultants' Average Forecast Prices would be \$8.9 million or 1.5 percent higher and \$1.9 million or 0.33% percent higher based on the NRF for the low scenario, in each case, as compared to the existing royalty rules. The proposed royalty changes are very sensitive to production rate and natural gas prices.

Since the foregoing sensitivity was prepared, the Alberta Government has announced new royalty incentives for deep, high-cost drilling. The incentives will apply to oil exploration wells and to both development and exploration gas wells. This initiative provides some relief to the recently introduced NRF. On the oil side, a royalty credit of up to \$1 million will pertain to exploration wells drilled below 2,000m. Gas wells drilled below 2,500m qualify for credits with no distinction for development versus exploration wells drilled from 2,500m-4,000m. Overall, the deep royalty credits are a modest positive for the industry with a more significant impact for producers that target deep and prolific gas wells at a depth greater than 4,000m. The impact of these new incentives is not expected to be significant to True.

The majority of True's current Alberta wells are in the 500m to 1,000m depth range and typically produce at lower rates. The overall impact of the NRF, as currently announced, is mitigated by the Trust's current Saskatchewan properties and the lower shallow gas Alberta natural gas rate royalty production in True's Alberta conventional oil and gas production portfolio. The NRF will impact future drilling decisions in order for the Trust to maintain acceptable rates of return on its capital deployed.

#### **2008 True Capex Budget**

True's first quarter 2008 capital program of approximately \$8.7 million compares to a front end loaded 2007 capital program of approximately \$46 million in first quarter 2007. True plans to continue to take a balanced approach to the priority use of cash flow between level of distributions and size of its 2008 capital program. True's 2008 capital expenditure program is currently planned at \$40 million. Given the nature of True's lands and their inherent advantage of year round access, True plans to spread its 2008 capital program more evenly through the full year of 2008 to take advantage of reduced service costs during non-peak times. True plans to focus on increasing its farm-out activity in non-core areas. As the 2008 outlook for commodity prices improves, True may look to increase its capital spending in the latter part of 2008.

#### **Personnel Announcements**

As noted in the recently published Information Circular – Proxy Statement, Mr. Norman Holton is not standing for nomination as a continuing Director. On behalf of the Board I would like to thank Norm for his contributions to True.

True's annual and special meeting is scheduled for 2:00pm on May 21, 2008 in the Grand Lecture Theatre at the Metropolitan Conference Center in Calgary.

Wayne M. Chorney, P. Eng.  
President, CEO and COO  
May 8, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

May 8, 2008 - 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 months ended March 31, 2008 and the audited consolidated financial statements for the years ended December 31, 2007 and 2006 for the Trust. This commentary is based on information available to, and is dated, May 8, 2008. 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 of natural gas to one barrel of oil equivalent (6 mcf/bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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:** This Management's Discussion and Analysis contains the term "funds flow from operations" (or also commonly referred to as "cash flow from operations"), 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 funds flow from operations or funds flow from operations per unit may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds 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 funds flow from operations and cash flow from operating activities can be found in the Management's Discussion and Analysis. Funds flow from operations per unit is calculated using the weighted average number of units for the period.

This 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 and secondly, the amount of revenues received after transportation, 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 income 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.

Additional information relating to the Trust, including the Trust's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**FORWARD LOOKING STATEMENTS:** Certain information contained herein may contain forward looking statements including management's assessment of future plans and operations, drilling plans and the timing thereof, expected production increases from certain projects and the timing thereof, the effect of government announcements, proposals and legislation, plans regarding wells to be drilled, expected or anticipated production rates, expected exchange rates, distributions and method of funding thereof, proportion of distributions anticipated to be taxable and non-taxable, anticipated borrowing base under credit facility, maintenance of productive capacity and capital expenditures and the nature of capital expenditures and the timing and method of financing thereof, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. 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. Events or circumstances may cause actual results to differ materially from those predicted, as a result of the risk factors set out and other known and unknown risks, uncertainties, and other factors, many of which are beyond the control of True. In addition, forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Trust believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Trust can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Trust operates; the timely receipt of any required regulatory approvals; the ability of the Trust to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Trust has an interest in to operate the field in a safe, efficient and effective manner; the ability of

the Trust to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Trust to secure adequate product transportation; future commodity gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Trust operates; and the ability of the Trust to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. 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](http://www.sedar.com)), at True's website ([www.trueenergytrust.com](http://www.trueenergytrust.com)). Furthermore, the forward-looking statements contained herein are made as at the date hereof 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.

## Net Income (Loss) and Funds Flow from Operations

True generated funds flow from operations of \$24.2 million (\$0.30 per diluted unit) for the three months ended March 31, 2008, down 20% from the \$30.0 million (\$0.42 per diluted unit) for the first quarter of 2007. The decrease in funds flow from operations for the 2008 period was primarily the result of lower sales volumes, offset significantly by improved commodity prices and operating netbacks for 2008. Funds flow from operations for the first quarter of 2008 increased 25% from fourth quarter 2007 funds flow from operations of \$19.5 million.

True generated a net loss of \$18.6 million (\$(0.24) per diluted unit) in the first quarter of 2008 primarily due to higher mark-to-market unrealized losses on commodity risk management contracts of \$17.7 million. This compares to a net loss of \$8.6 million (\$(0.12) per diluted unit) for the same period in 2007.

### Funds Flow From Operations and Net Income

(\$000s, except per unit amounts)	Three months ended March 31,	
	2008	2007
Funds flow from operations	24,233	29,988
Basic (\$/unit)	0.31	0.43
Diluted (\$/unit)	0.30	0.42
Net income (loss)	(18,621)	(8,571)
Basic (\$/unit)	(0.24)	(0.12)
Diluted (\$/unit)	(0.24)	(0.12)

### Reconciliation of Funds Flow from Operations and Cash Flow from Operating Activities

(\$000s, except per unit amounts)	Three months ended March 31,	
	2008	2007
Funds flow from operations	24,233	29,988
Asset retirement costs incurred	(589)	(188)
Change in non-cash working capital	(5,801)	10,159
Cash flow from operating activities	17,843	39,959

## Sales Volumes

Sales volumes for the three months ended March 31, 2008 averaged 13,552 boe/d as compared to 18,461 boe/d for the same period in 2007, representing a 27% decrease. In comparison, sales volumes for the fourth quarter of 2008 were 14,937 boe/d. The decrease in average sales volumes from first quarter 2007 to 2008 was mainly due to natural production declines and decreased production due to property dispositions during 2007. In addition, field production for the first quarter of 2008 was adversely impacted by extreme weather experienced in January and February 2008, as well as an unplanned third party plant outage impacting production in wet central Alberta for February 2008.

### Sales Volumes

		Three months ended March 31,	
		2008	2007
Natural gas	(mcf/d)	52,252	71,931
Heavy oil	(bbls/d)	2,824	4,355
Light oil and condensate	(bbls/d)	1,391	1,519
NGLs	(bbls/d)	628	598
Total crude oil and NGLs	(bbls/d)	4,843	6,472
Total boe/d	(6:1)	13,552	18,461

During the first quarter of 2008, True achieved a 75% success rate in drilling or participation in 4 (3.0 net) working interest wells, resulting in 2 (1.0 net) gas wells, 1 (1.0 net) light oil wells, and 1 (1.0 net) dry hole. The drilling program is expected to resume in third quarter following spring break-up and the associated road ban issues.

The Kerrobert SAGD project continues to show positive response to the ongoing reservoir heating. Temperatures of up to 140 degrees Celsius are being observed in the new thermal producing wells as compared to initial reservoir temperatures of approximately 30 degrees Celsius. Fluid levels and reservoir pressure continue to build however withdrawal rates are being carefully restricted to control development of the steam chamber and ensure uniform heating and conformance along the entire length of the horizontal producers. True's goal is to maximize the long term success of the project and avoid issues experienced in earlier projects by other operators such as collapsing the steam chamber or pulling in cold bottom water by drawing on the producers too hard, too early in the process.

For the three months ended March 31, 2008, the weighting towards natural gas sales averaged 64% compared to 65% in the same period in 2007. Heavy oil sales made up 21% of total production for the 2008 first quarter compared to 24% in the 2007 first quarter.

Sales of natural gas averaged 52.3 mmcf/d for the first quarter of 2008, compared to 71.9 mmcf/d in the same period of 2007, a decrease of 27%. Crude oil and NGL sales for the first quarter of 2008 averaged 4,843 bbls/d, compared to 2007 first quarter average sales of 6,472 bbls/d.

## Commodity Prices

### Average Commodity Prices

	Three months ended March 31,		
	2008	2007	% change
Exchange rate (US\$/Cdn\$)	0.9950	0.8535	17
Natural gas:			
NYMEX (US\$/mmbtu)	8.64	7.17	20
Alberta spot (\$/mcf)	7.97	7.39	8
True's average price (\$/mcf)	7.97	7.26	10
True's average price (including hedging <sup>(1)</sup> ) (\$/mcf)	7.99	7.52	6
Crude oil:			
WTI (US\$/bbl)	97.22	58.27	67
Edmonton par – light oil (\$/bbl)	98.16	67.73	45
Bow River – medium/heavy oil (\$/bbl)	77.47	49.73	56
Hardisty Heavy – heavy oil (\$/bbl)	70.05	42.50	65
True's average prices (\$/bbl)			
Light crude oil, condensate and NGLs	85.65	50.77	69
Light crude oil, condensate and NGLs (including hedging <sup>(1)</sup> )	62.58	58.36	7
Heavy crude oil	61.55	36.64	68
Total crude oil and NGLs	71.59	41.26	74
Total crude oil and NGLs (including hedging <sup>(1)</sup> )	61.98	43.75	42

<sup>(1)</sup> Per unit metrics including hedging include realized gains or losses on commodity contracts and exclude unrealized gains or losses on commodity contracts.

True's natural gas is primarily sold on the daily spot market. During the first quarter of 2008, the AECO Spot reference price increased by 8% compared to the same period in 2007. Similarly, True's average sales price before hedging for the first quarter of 2008 increased by 10% compared to the same period in 2007. In comparison, True's first quarter 2008 natural gas price before hedging was 25% higher than the fourth quarter 2007 price of \$6.40/mcf. True's natural gas price after including hedging for the first quarter of 2008 was \$7.99/mcf compared to \$7.52/mcf for the same period in 2007.

For heavy crude oil, True received an average price before transportation of \$61.55/bbl for the first quarter of 2008, a increase of 68% over prices in the 2007 period. The Bow River reference price increased by 56% and the Hardisty Heavy reference price increased by 65% over the same period. The majority of True's heavy crude oil density ranges between 11 and 16 degrees API consistent with the Hardisty Heavy reference price.

For light oil, condensate and NGLs, True recorded an average \$85.65/bbl before hedging during the first quarter of 2008, 69% higher than the average price received in the same period of 2007. The Edmonton par price increased by 45% over the same period. The average WTI crude oil US dollar based price increased 67% from the first quarter of 2007 to that in 2008. In comparison, True's realized price for the first quarter of 2008 increased 9% from the fourth quarter 2007 average price of \$78.42/bbl, whereas the Edmonton par price increased by 13%. True's realized price after including hedging was \$62.58/bbl for the first quarter of 2008 compared to \$57.88/bbl for the same period in 2007.

## Revenue

Revenue before other income and hedging for the three months ended March 31, 2008 was \$69.4 million, 2% less than the \$71.0 million in the same period in 2007. The lower revenue for the 2008 period was the result of lower production volumes for natural gas, crude oil, condensate and NGLs, offset significantly by increased crude oil and natural gas prices.

(\$000s)	Three months ended March 31,	
	2008	2007
Light crude oil, condensate and NGLs	15,734	9,675
Heavy oil	15,818	14,362
Crude oil and NGLs	31,552	24,037
Natural gas	37,894	46,982
Total revenue before other	69,446	71,019
Other <sup>(1)</sup>	587	177
Total revenue before royalties and hedging	70,033	71,196

<sup>(1)</sup> Other revenue primarily consists of processing and other third party income.

## Financial Instruments

The Trust has a formal risk management policy which permits management to use specified price risk management strategies for up to 50% of crude oil, natural gas and NGL production including fixed price contracts, costless collars and the purchase of floor price options and other derivative financial instruments to reduce the impact of price volatility and ensure minimum prices for a maximum of eighteen months beyond the current date. The program is designed to provide price protection on a portion of the Trust's future production in the event of adverse commodity price movement, while retaining significant exposure to upside price movements. By doing this, the Trust seeks to provide a measure of stability to cash distributions, as well as, to ensure True realizes positive economic returns from its capital developments and acquisition activities.

The Trust will continue its hedging strategies focusing on maintaining sufficient cash flow to fund True's unitholder distributions and capital program.

A summary of the hedge volumes and average prices by quarter currently outstanding as of May 8, 2008 is shown in the following tables (see Note 15 to the consolidated financial statements for a detailed disclosure of all commodity contracts in place as at May 8, 2008):

### Crude oil and liquids Average Volumes (bbls/d)

	Q2-Q3 2008	Q4 2008	Q1 2009	Q2 2009
Costless collars	2,000	2,000	-	-
Total bbls/d	2,000	2,000	-	-

### Average Price (US\$/bbl WTI)

	Q2-Q3 2008	Q4 2008	Q1 2009	Q2 2009
Collar ceiling price	82.00	82.00	-	-
Collar floor price	65.00	65.00	-	-

### Natural gas Average Volumes (GJ/d)

	Q2-Q3 2008	Q4 2008	Q1 2009	Q2 2009
Costless collars	-	-	-	-
Fixed	24,326	24,326	10,550	10,550
Total GJ/d	24,326	24,326	10,550	10,550

### Average Price (\$/GJ AECO C)

	Q2-Q3 2008	Q4 2008	Q1 2009	Q2 2009
Collar ceiling price	-	-	-	-
Collar floor price	-	-	-	-
Fixed	6.68	6.89	7.74	7.01

As of March 31, 2008, the fair value of True's outstanding commodity contracts is an unrealized liability of \$28.0 million as reflected in the financial statements.

The following is a summary of the gain (loss) on commodity contracts for the three month period ended March 31, 2008 and 2007:

### Commodity contracts

(\$000s)	Crude Oil & Liquids	Natural Gas	2008 Total
Realized cash gain (loss) on contracts	(4,239)	97	(4,142)
Unrealized gain (loss) on contracts <sup>(2)</sup>	898	(18,585)	(17,687)
Total gain (loss) on commodity contracts	(3,341)	(18,488)	(21,829)

(\$000s)	Crude Oil & Liquids	Natural Gas	2007 Total
Realized cash gain (loss) on contracts <sup>(1)</sup>	1,447	1,697	3,144
Unrealized gain (loss) on contracts <sup>(2)</sup>	(92)	(2,373)	(2,465)
Total gain (loss) on commodity contracts	1,355	(676)	679

<sup>(1)</sup> Includes the crude oil and natural gas commodity contract premium expenses in the period and the amortization of prior year crude oil and natural gas commodity contract premiums of a total \$2.4 million for the three months ended March 31, 2007.

<sup>(2)</sup> Unrealized gain (loss) commodity contracts represent non-cash adjustments for changes in the fair value of these contracts during the period.

### Royalties

For the three months ended March 31, 2008, total royalties were \$15.0 million, compared to \$14.9 million incurred in the same period in 2007. Overall royalties as a percentage of revenue (after transportation costs) in the first quarter of 2008 were 23%, compared with 21% in the same period in 2007. Royalties for the 2007 first quarter included the impact of the reversal of certain over accruals of light and heavy crude oil royalties from periods prior to 2007 of approximately \$1.9 million; excluding that adjustment, the average royalty rate for the first quarter of 2007 would have been 24%.

Royalties by Commodity Type (\$000s, except where noted)	Three months ended March 31,	
	2008	2007
Light crude oil, condensate and NGLs	3,766	881
\$/bbl	20.50	4.62
Average light crude oil, condensate, and NGLs royalty rate (%)	25	9
Heavy Oil	2,291	1,519
\$/bbl	8.91	3.88
Average heavy oil royalty rate (%)	15	11
Natural Gas	9,443	12,494
\$/mcf	1.99	1.93
Average natural gas royalty rate (%)	25	27
Total	15,500	14,894
\$/boe	12.57	8.96
Average total royalty rate (%)	23	21

### Royalties, by Type

(\$000s)	Three months ended March 31,	
	2008	2007
Crown royalties	9,899	6,203
Indian Oil and Gas Canada royalties	4,215	3,142
Freehold & GORR	1,386	5,549
Total	15,500	14,894

## Expenses

(\$000s)	Three months ended March 31,	
	2008	2007
Production	16,996	14,972
Transportation	843	689
General and administrative	3,770	4,904
Interest and financing charges	4,516	4,547
Unit-based compensation	269	1,112

## Expenses per boe

(\$ per boe)	Three months ended March 31,	
	2008	2007
Production	13.78	9.01
Transportation	0.68	0.41
General and administrative	3.06	2.95
Interest and financing charges	3.66	2.74
Unit-based compensation	0.22	0.67

## Production Expenses

For the three months ended March 31, 2008, production expenses totaled \$17.0 million, compared to \$15.0 million recorded in the same period in 2007. During the first quarter of 2008, production expenses averaged \$13.78/boe, compared to \$9.01/boe over the same period in 2007. Production expenses are increased as additional natural gas input costs are required to operate the Kerrobert SAGD facility after startup in late 2007; this adds approximately \$1.83/boe to production expenses in the first quarter of 2008. The increase in 2008 costs on a boe basis was also due to a significant fixed component of production expenses in combination with substantially reduced production volumes.

## Production Expenses, by Commodity Type

(\$000s, except where noted)	Three months ended March 31,	
	2008	2007
Light crude oil, condensate and NGLs	3,081	2,517
\$/bbl	16.77	13.21
Heavy oil	5,035	5,408
\$/bbl	19.59	13.79
Natural gas	8,880	7,050
\$/mcf	1.87	1.09
Total	16,996	14,972
\$/boe	13.78	9.01
Total	16,996	14,972
Processing and other third party income <sup>(1)</sup>	(587)	(177)
Total after deducting processing and other third party income	16,409	14,795
\$/boe	13.31	8.90

<sup>(1)</sup> Processing and other third party income is included within petroleum and natural gas sales on the statement of income.

## Operating Netback

For the first quarter of 2008, corporate field operating netback (before hedging) was \$29.28/boe compared to \$24.36/boe in the same period in 2007. This was the result of increased overall commodity prices, offset by higher royalties and operating costs experienced in the 2008 period. By comparison, corporate field operating netback (before hedging) for the fourth quarter of 2007 was \$20.51/boe. After including hedging activities, the corporate field operating netback for the first quarter of 2008 was \$25.92/boe compared to \$26.25/boe in the same period in 2007.

**Field Operating Netback – Corporate (before hedging)**

(\$/boe)	Three months ended March 31,	
	2008	2007
Sales	56.31	42.74
Transportation	(0.68)	(0.41)
Royalties	(12.57)	(8.96)
Production expense	(13.78)	(9.01)
Field operating netback	29.28	24.36

Field operating netback for natural gas for the first quarter of 2008 increased 3% to \$4.21/mcf, compared to \$4.09/mcf for the same period in 2007, reflecting stronger natural gas prices experienced, the effects of which were partially offset by higher production expenses. After including hedging activities, field operating netback for natural gas for the first quarter of 2008 was \$4.23/mcf compared to \$4.35/mcf in the same period in 2007.

**Field Operating Netback - Natural Gas (before hedging)**

(\$/mcf)	Three months ended March 31,	
	2008	2007
Sales	7.97	7.26
Transportation	0.10	(0.15)
Royalties	(1.99)	(1.93)
Production expense	(1.87)	(1.09)
Field operating netback	4.21	4.09

Field operating netback for crude oil and NGLs averaged \$36.48/bbl for the first quarter of 2008, up 52% compared to \$24.06/bbl for the same period in 2007, compared to a 74% increase in the crude oil and NGLs sales price over the same period. After including hedging activities, field operating netback for crude oil and NGLs for the first quarter of 2008 was \$26.86/boe compared to \$26.55/boe in the same period in 2007.

**Field Operating Netback - Crude Oil and NGLs (before hedging)**

(\$/bbl)	Three months ended March 31,	
	2008	2007
Sales	71.59	41.26
Transportation	(2.95)	0.52
Royalties	(13.74)	(4.12)
Production expense	(18.42)	(13.60)
Field operating netback	36.48	24.06

**General and Administrative**

Net general and administrative (“G&A”) expenses for the three months ended March 31, 2008 was \$3.8 million compared to \$4.9 million for the same period in 2007. The decrease in the G&A expense from the first quarter of 2007 to the same period in 2007 is reflects a reduction of the number of salaried personnel on staff and other efforts to reduce costs. On a per boe basis, G&A expenses were \$3.06/boe for the first quarter of 2008 compared to \$2.95/boe for 2007. The increase in G&A on a per boe basis is consistent with reduced sales volumes experienced in the first quarter of 2008 compared to 2007.

**General and Administrative Expenses**

(\$000s, except where noted)	Three months ended March 31,	
	2008	2007
Gross expenses	4,879	6,410
Capitalized	(507)	(693)
Recoveries	(602)	(813)
Net expenses	3,770	4,904
Net expenses, per unit (\$/boe)	3.06	2.95

## Interest and Financing Charges

True recorded \$4.9 million of interest and financing charges for the three months ended March 31, 2008 compared to \$4.6 million in the same period in 2007. True's net debt at March 31, 2008 of \$240.3 million includes the \$79.8 million liability portion of convertible debentures, \$171.9 million of bank debt and net of the balance of working capital.

### Interest and Financing Charges

(\$000s, except where noted)	Three months ended March 31,	
	2008	2007
Interest and financing charges	4,516	4,547
Interest and financing charges (\$/boe)	3.66	2.74
Net debt <sup>(1)</sup> including convertible debentures at quarter end	240,318	288,370
Debt to periods funds flow from operations ratio annualized <sup>(2)</sup>	2.5x	2.4x
Net debt excluding convertible debentures at quarter end	160,481	210,127
Debt to periods funds flow from operations ratio annualized <sup>(2)</sup>	1.7x	1.8x

<sup>(1)</sup> Net debt includes the net working capital deficiency before short-term commodity contract assets and liabilities and short-term future tax assets. Total net debt also includes the liability component of convertible debentures and excludes asset retirement obligations and the future income tax liability.

<sup>(2)</sup> Debt to funds flow from operations ratio is calculated based upon first quarter funds flow from operations annualized.

## Unit-Based Compensation

Non-cash unit-based compensation expense for the three month period ended March 31, 2008 was \$0.3 million compared to \$1.1 million in the same period in 2007. The decrease in the expense for the first quarter of 2008 reflects a reduction in the estimated weighted average fair value of incentive rights granted for more recent options, a reduction to the 2008 expense of \$0.2 million for a reversal of prior year unit-based compensation expense for 2008 forfeitures of unvested incentive rights and reduced incentive rights being granted in 2008 compared to the 2007 period.

## Capital Expenditures

True invested \$8.5 million on exploration and development activities during the first three months of 2008, compared to \$45.7 million in the same period in 2007.

During the first quarter of 2008, True achieved a 75% success rate in drilling or participation in 4 (3.0 net) working interest wells, resulting in 2 (1.0 net) gas wells, 1 (1.0 net) light oil wells, and 1 (1.0 net) dry hole.

### Capital Expenditures <sup>(1)</sup>

(\$000s)	Three months ended March 31,	
	2008	2007
Lease acquisitions and retention	550	791
Geological and geophysical	67	6,919
Drilling and completion costs	6,512	33,071
Facilities and equipment	1,324	4,872
Exploration and development	8,453	45,653
Corporate and property acquisitions	197	705
Total capital expenditures – cash	8,650	46,358
Property dispositions – cash	(5,788)	(18,443)
Total net capital expenditures – cash	2,862	27,915
Other – non-cash <sup>(2)</sup>	(193)	624
Total capital expenditures	2,669	28,539

<sup>(1)</sup> Excludes capitalized costs related to asset retirement obligation expenditures incurred during the year.

<sup>(2)</sup> Other includes current period's asset retirement obligations and unit based compensation capitalized.

The \$8.7 million capital program for the first quarter of 2008 was financed entirely with funds flow from operations compared to 65% in the same period in 2007.

True plans to continue to take a balanced approach to the priority use of cash flow between level of distributions and size of its 2008 capital program. True's 2008 capital expenditure program is currently planned at \$40 million. Given the nature of True's lands and their inherent advantage of year round access, True plans to spread its 2008 capital program more evenly through the full year of 2008 to take advantage of reduced service costs during non-peak times. True plans to focus on increasing its farm-out activity in non-core areas. As the 2008 outlook for commodity prices improves, True may look to increase its capital spending in latter part of 2008.

True holds an extensive land base. At March 31, 2008, True had approximately 503,200 net undeveloped acres of land of its total developed and undeveloped net acreage position of 893,500 net acres in Saskatchewan, Alberta, and British Columbia.

Dispositions during the first quarter of 2008 consisted principally of the divestiture of a small non-core property in the Northeast area of Alberta for net proceeds after adjustments and closing costs of \$5.8 million. All significant conditions of closing of this divestiture were satisfied on March 31, 2008 and the disposal proceeds, included in accounts receivable at March 31, 2008, were received on April 2, 2008.

Subsequent to quarter-end and in early April 2008, True was successful in completing the divestiture of another small non-core property in the Northwest area of Alberta for net proceeds after adjustments of \$0.3 million. The proceeds were used to pay down debt.

On April 30, 2008 True closed on the sale of its Dodsland-Stranrear property in Saskatchewan for net proceeds of \$39.3 million, after closing adjustments and costs. Dodsland-Stranrear is 1 of 5 packages of Saskatchewan assets originally announced for divestiture.

At the end of the first quarter of 2008, the Trust had committed to drill a total of 2 wells in Alberta with varying commitment dates up to the end of the third quarter of 2008 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 \$2.8 million.

## Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense for the three months ended March 31, 2008 was \$36.3 million (\$29.44/boe), compared to the \$47.5 million (\$28.56/boe) in the same period of 2007, which reflects reduced carrying costs in 2008, combined with lower production volumes in the 2008 period as compared to 2007.

For the three month period ended March 31, 2008, True has included \$54.2 million for future development costs in the depletion calculation and excluded from the depletion calculation \$35.2 million for undeveloped land and \$45.9 million for estimated salvage.

### Depletion, Depreciation and Accretion Costs

<i>(\$000s, except where noted)</i>	Three months ended March 31,	
	2008	2007
Depletion and Depreciation	35,748	46,947
Accretion	555	511
Total	36,303	47,458
Per unit (\$/boe)	29.44	28.56

## Ceiling Test

The Trust calculates a ceiling test quarterly and annually to place a limit on the aggregate carrying value of its capitalized costs, which may be amortized against revenues of future periods. 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 March 31, 2008 resulting in undiscounted cash flows from proved reserves and the undeveloped 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 plus the carrying cost of undeveloped properties, net of any impairment allowance, exceeds the carrying value of its petroleum and natural gas properties. No impairment in oil and gas assets was identified as at March 31, 2008.

The ceiling test calculation will be updated during the remainder of 2008 on a quarterly and annual basis based upon the latest available data, including but not limited to an updated annual external reserve engineering report which incorporates a full evaluation of reserves or internal reserve updates at quarterly periods, and the latest commodity pricing deck. Estimating reserves is very complex, requiring many judgments based on available geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. 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.

### **Asset Retirement Obligations**

As at March 31, 2008, the Trust has recorded an Asset Retirement Obligation (“ARO”) of \$28.5 million, compared to \$26.4 million at March 31, 2007, for future abandonment and reclamation of the Trust’s properties. For the three months ended March 31, 2008, the ARO increased by \$0.1 million total as a result of accretion expense of \$0.6 million, and \$0.5 million net changes in estimates and liabilities incurred on development activities, offset by \$0.4 million of liabilities released on dispositions and \$0.6 million of liabilities settled during the year.

### **Income Taxes**

For the three months ended March 31, 2008, the Trust has recorded capital tax expense of \$0.5 million compared to \$0.9 million expensed in the same period of 2007. Capital taxes are based on debt and equity levels of the Trust at the end of the year in addition to a resource surcharge component of provincial taxes calculated as a percentage of revenues. In the second quarter of 2006, the federal government enacted legislation that eliminates federal capital tax, retroactive to January 1, 2006. As a result, since that date capital taxes are based on only provincial capital taxes.

Future income taxes arise from differences between the accounting and tax bases of the Trust’s assets and liabilities. For the three months ended March 31, 2008, the Trust recognized a future income tax recovery of \$11.8 million compared to a recovery of \$12.8 million in the same period in 2007. On June 6, 2006 the federal government 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. On June 12, 2007, the federal government further reduced the general corporate tax rate by 0.5 percent starting 2011. Further as indicated on October 30, 2007 and enacted on December 14, 2007, the federal government announced changes to the tax system including reduction of the corporate income tax rate from 22.1 percent to 15 percent by 2012, with these reductions to be phased in between 2008 and 2012. The reduction in the general corporate tax rate will also apply to the taxation of Income Trusts. On February 26, 2008, the federal government, in its budget, announced changes to the provincial component of the SIFT tax whereby such component will be based on the provincial rates where the SIFT has a permanent establishment rather than using a 13 percent flat rate. As True currently has its permanent establishment in the Province of Alberta, its combined SIFT tax rate applicable in 2012 is expected to fall from 28 percent to 25 percent.

Under our current structure, the operating entities make interest and royalty payments to the Trust, which transfers taxable income to the Trust to eliminate income subject to corporate and other income taxes in the operating entities. With the new legislation (as referred to below), such amounts transferred to the Trust could be taxable beginning in 2011 as distributions will no longer be deductible for income tax purposes. At that time, True could claim tax pools in its operating companies, reduce the income transferred to the Trust, and pay all or a portion of distributions as a return of capital. Until 2011, under the terms of its trust indenture, the Trust is required to distribute amounts equal to at least its taxable income. In the event that the Trust has undistributed taxable income in a taxation year (prior to 2011), an additional special taxable distribution, subject to certain withholding taxes, would be required by the terms of its trust indenture.

The estimate of future taxes is based on the current tax status of the Trust. Future events, which could materially affect future income taxes such as acquisitions and dispositions and modifications to the distribution policy, are not reflected under Canadian GAAP until the events occur and the related legal requirements have been fulfilled. As a result, future changes to the tax legislation could lead to a material change in the recorded amount of future income taxes.

The new legislation is not expected to directly affect our cash flow levels and distribution policies until 2011 at the earliest.

### **Enactment of the Tax on Income Trusts**

On June 12, 2007, the legislation implementing the new tax (the "SIFT tax") on publicly traded income trusts and limited partnerships, referred to as "Specified investment flow-through" ("SIFTs") entities (Bill C-52) received third reading in the House of Commons and on June 22, 2007, Bill C-52 received Royal assent. As a result, the SIFT tax was considered to be enacted for accounting purposes in June 2007, which resulted in a \$1.2 million future income tax recovery amount being recorded to reflect current temporary differences between the book and tax basis of assets and liabilities expected to be remaining in the Trust in 2011. The SIFT tax announcement and the related future income tax recovery did not affect cash flow or distributions and is not expected to affect distribution policies until 2011 at the earliest.

SIFTs are certain publicly traded income and royalty trusts and limited partnerships including True. For SIFTs in existence on October 31, 2006 the SIFT tax will be effective in 2011, unless certain rules related to "undue expansion" are not adhered to. Under the guidance provided, True can increase its equity by approximately \$737 million between now and 2011 without prematurely triggering the SIFT tax.

Under the current SIFT tax rules, distributions from certain types of income will not be deductible for income tax purposes by SIFTs in 2011, and thereafter, and any resultant trust level taxable income will be taxed at a SIFT tax rate which will be the federal general corporate income tax rate plus the provincial SIFT tax factor (which is set at a fixed rate of 13%). The SIFT tax rate was initially proposed at 31.5 percent; however, on October 30, 2007, the Government of Canada, in its Mini-Budget (Bill C-28), proposed reductions to the general corporate tax rate, thereby reducing the SIFT rate to 29.5 percent in 2011 and 28.0 percent in 2012 and later. On December 14, 2007, Bill C-28 received royal assent, resulting in a reduction to the SIFT tax rate as it becomes effective in 2011, and lowering the rate at which any corporate income taxes will be paid by True's operating entities. As the operating companies currently have a significant tax pool base and expect to increase such tax pool base until 2011, it is expected that the operating companies could shelter its taxable income for a period after the effective date of the SIFT tax. It is expected that funds could move from the operating companies to the Trust as repayments of debt with the result that Trust distributions out of the funds repaid would not be out of Trust income. Distributions of this nature would not be currently taxable to unitholders as they would represent a return of capital that would continue to be an adjustment to a unitholder's adjusted cost base of trust units. Distributions from income subject to the SIFT tax will be considered taxable dividends to unitholders and will generally be eligible for the dividend tax credit. As a result, the SIFT tax will not adversely affect Canadian investors who hold True units in a non-tax deferred account.

On February 26, 2008, the Federal Minister of Finance announced (the "Provincial SIFT Tax Proposal") that instead of basing the provincial component of the SIFT tax on a flat rate of 13%, the provincial component will instead be based on the general provincial corporate income tax rate in each province in which the SIFT has a permanent establishment. For purposes of calculating this component of the tax, the general corporate taxable income allocation formula will be used. Specifically, the Trust's taxable distributions will be allocated to provinces by taking half of the aggregate of:

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

Under the Provincial SIFT Tax Proposal the Trust would be considered to have a permanent establishment only in Alberta, where the provincial tax rate in 2011 is expected to be 10%. There can be no assurance, however, that the Provincial SIFT Tax Proposal will be enacted as proposed.

On December 20, 2007, the Finance Minister announced technical amendments to provide some clarification to the SIFT tax legislation. As part of the announcement the Minister indicated that the federal government intends to provide legislation in 2008 to permit income trusts to convert to taxable Canadian corporations without any undue tax consequences to investors or the Trust.

The True Board of Directors and Management continue to review the impact of this tax on business strategy. At the present time, True believes some or all of the following actions will or could result due to the enactment of the SIFT tax:

- If structural or other similar changes are not made, the distribution yield net of the SIFT tax in 2011 and beyond to taxable Canadian investors will remain approximately the same; however, the distribution yield to tax-deferred Canadian investors (RRSPs, RRIFs, pension plans, etc.) would fall by an estimated 26.5 percent in 2011 and 25.0 percent in 2012 and beyond. For U.S. investors, the distribution yield net of the SIFT and withholding taxes would fall by an estimated 25.3 percent in 2011 and 25.1 percent in 2012 and beyond;
- A portion of True's cash flow could be allocated to the payment of the SIFT tax, or other forms of tax, and would not be available for distribution or re-investment;
- True could convert to a corporate structure to facilitate investing a higher proportion or all of its cash flow in exploration and development projects. Such a conversion and change to capital programs could result in a significant reduction to or elimination of distributions and/or dividends;
- True might determine that it is more economic to remain in the trust structure, at least for a period of time, and shelter its taxable income using tax pools and pay all or a portion of its distributions on a return of capital basis, likely at a lower payout ratio.

The Trust is reviewing all organizational structures and alternatives to minimize the impact of the SIFT tax on our unitholders. While there can be no assurance that the negative effect of the tax can be minimized or eliminated, True and its advisors will continue to work diligently on these issues.

As at March 31, 2008, the operating subsidiaries and the Trust itself have a total future income tax liability balance of \$52.6 million. Canadian GAAP requires that a future income tax liability be recorded when the book value of assets exceeds the balance of tax pools.

At March 31, 2008, the Trust and operating subsidiaries of the Trust had approximately \$521 million in tax pools available for deduction against future income as follows:

<b>(\$000s)</b>	Trust	Operating subsidiaries	Total
Intangible resource pools	15,000	322,000	337,000
Undepreciated capital cost	-	142,000	142,000
Loss carryforwards (expire through 2027)	-	35,000	35,000
Unit issue costs	4,000	3,000	7,000
	<b>19,000</b>	<b>502,000</b>	<b>521,000</b>

## Distributions

Trust unitholders who held their trust units throughout the first quarter of 2008 received distributions of \$0.12 per unit. For the three months ended March 31, 2008 the Trust declared \$9.5 million in total distributions as follows:

<i>(\$000s, except per unit amount)</i>	Distribution Per Unit	Total
Three months ended March 31, 2008		
Distributions declared	\$ 0.12	\$ 9,507

### Distribution Paid History <sup>(1)</sup>

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](http://www.trueenergytrust.com).

Calendar Year	Distributions per unit	Taxable Portion	Return of Capital
2005 (two months) <sup>(2)</sup>	\$ 0.480	\$ 0.456	\$ 0.024
2006	2.640	2.033	0.607
Cumulative to Dec. 31, 2006	\$ 3.120	\$ 2.489	\$ 0.631
2007 year	0.960	0.960	-
Cumulative to Dec. 31, 2007	\$ 4.080	\$ 3.449	\$ 0.631
2008 year to date ( three months) <sup>(3)</sup>	0.120		
Cumulative to March 31, 2008	\$4.200		

<sup>(1)</sup> Applies to unitholders who are residents of Canada and hold their trust units as capital property.

<sup>(2)</sup> Based upon the distributions paid in the 2005 calendar year, after the November 2, 2005 Arrangement with TKE Energy Trust.

<sup>(3)</sup> It is currently estimated that the approximate taxable portion of 2008 distributions to Canadian unitholders will be between 90 to 100%. 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 from operations experienced throughout the year.

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 2007 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 February 27, 2008 press release addressing this.

## Monthly Distributions

Actual distributions paid and declared per trust unit along with relevant payment dates for 2008 to date are as follows:

Ex-distribution Date	Record Date	Payment Date	Distribution per unit
December 27, 2007	December 31, 2007	January 15, 2008	\$ 0.08
January 29, 2008	January 31, 2008	February 15, 2008	0.04
February 27, 2008	February 29, 2008	March 17, 2008	0.04
March 27, 2008	March 31, 2008	April 15, 2008	0.04
April 28, 2008	April 30, 2008	May 15, 2008	0.04
May 28, 2008 <sup>(1)</sup>	May 30, 2008	June 16, 2008	0.04 <sup>(2)</sup>
June 26, 2008 <sup>(1)</sup>	June 30, 2008	July 15, 2008	0.04 <sup>(2)</sup>

(1) Anticipated ex-distribution dates for May and June 2008. These dates are subject to change and/or confirmation by the Toronto Stock Exchange and will be confirmed by monthly press.

(2) Subject to confirmation by the board of directors and based on True's current commodity prices, hedge positions, anticipated production volumes and market conditions and subject to change based on actual conditions.

During 2008, to date distributions have been funded from funds flow from operations.

## Foreign Ownership Update

Based on information from Trust records and information provided by intermediaries holding Trust units for others, The Trust estimates that, as of April 18, 2008 approximately 28 percent of unitholders are non-Canadian residents with the remaining 72 percent being Canadian residents. True's trust indenture provides that not more than 40 percent of its trust units can be held by non-Canadian residents.

## Liquidity and Capital Resources

True's net debt as at March 31, 2008 was \$240.3 million, representing \$171.9 million outstanding on the credit facility, \$79.8 million in convertible debentures (liability component) and net the balance of working capital.

During the three month period ended March 31, 2008, the Trust has reduced its net debt by approximately \$10.8 million. Our calculation of net debt includes the net working capital deficiency before short-term commodity contract assets and liabilities and short-term future income tax assets. Total net debt also includes the liability component of convertible debentures and excludes asset retirement obligations and long-term future income taxes.

As at March 31, 2008, the credit facility consists of a \$15 million demand operating facility provided by one Canadian bank and a \$175 million extendible revolving term credit facility syndicated by two Canadian chartered banks, a U.S. bank, a Canadian financial institution and one institutional lender. The revolving period on the revolving term credit facility ends on June 29, 2008, 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.

On March 31, 2008, True's borrowing base redetermination was re-scheduled for renewal on or before June 2, 2008, while the Saskatchewan asset divestiture was being finalized. To reflect the recent dispositions in True's borrowing base, True's borrowing base was reduced from \$190 million as at March 31, 2008 to \$164.5 million effective as at April 30, 2008. As at April 30, 2008, there is approximately \$40 million not drawn on these facilities. Further borrowing base reductions are scheduled to occur on June 2, 2008 and June 30, 2008, which will bring True's borrowing base to \$152 million as at June 30, 2008. The revolving period on the term credit facility is also subject for renewal on June 28, 2008.

The Trust does not hold any Asset-Backed Commercial Paper investments.

On June 15, 2006 the Trust completed a bought deal public offering of 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 debentures have a face value of \$1,000 per debenture and a maturity date of June 30, 2011. The 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 April 16, 2008, the Trust had outstanding a total of 5,219,165 incentive units exercisable at an average exercise price of \$8.55 per unit, 374,099 exchangeable shares (convertible, as at April 16, 2008 into an aggregate of 340,909 trust units, subject to further adjustments based on distributions made on trust units), \$86.25 million principal amount of debentures convertible into trust units (at a conversion price of \$16.00 per trust unit) and 79,230,460 trust units.

On April 30, 2008, True closed on the sale of its Dodsland-Stranraer property in Saskatchewan for net proceeds of \$39.3 million, after closing adjustments. The net proceeds were used to pay down bank indebtedness. True continuously reviews and optimizes its portfolio, divesting of non-core and high cost properties.

## **Commitments**

As at March 31, 2008, the Trust had committed to drill a total of 2 wells in Alberta with varying commitment dates up to end of the third quarter of 2008 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 \$2.8 million.

## **Off-Balance Sheet Arrangements**

The Trust has certain lease agreements, including primarily office space leases, which were entered into in the normal course of operations. All leases have been treated as operating leases whereby the lease payments are included in operating expenses or G&A expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases in the balance sheet as of March 31, 2008.

## **Business Prospects and 2008 Outlook**

Since its formation in September 2000, True Energy Inc. has experienced significant growth in its production and land base. The Trust continues to develop its core assets and conduct some exploration programs utilizing its large 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 Kerrobert SAGD project continues to show positive response to the ongoing reservoir heating. Temperatures of up to 140 degrees Celsius are being observed in the new thermal producing wells as compared to initial reservoir temperatures of approximately 30 degrees Celsius. Fluid levels and reservoir pressure continue to build however withdrawal rates are being carefully restricted to control development of the steam chamber and ensure uniform heating and conformance along the entire length of the horizontal producers. True's goal is to maximize the long term success of the project and avoid issues experienced in earlier projects by other operators such as collapsing the steam chamber or pulling in cold bottom water by drawing on the producers too hard, too early in the process.

True anticipates the US\$/Cdn.\$ exchange rate to average 1.00 through the 2008 year.

The Trust continues to maintain a large undeveloped land base of approximately 749,100 (503,200 net) acres containing a significant multi-year drilling inventory.

True's first quarter 2008 capital program of approximately \$8.7 million compares to a front end loaded 2007 capital program of approximately \$46 million in first quarter 2007. True plans to continue to take a balanced approach to the priority use of cash flow between level of distributions and size of its 2008 capital program. True's 2008 capital

expenditure program is currently planned at \$40 million. Given the nature of True's lands and their inherent advantage of year round access, True plans to spread its 2008 capital program more evenly through the full year of 2008 to take advantage of reduced service costs during non-peak times. True plans to focus on increasing its farm-out activity in non-core areas. As the 2008 outlook for commodity prices improves, True may look to increase its capital spending in the latter part of 2008.

## **Financial Reporting Update**

### **Capital disclosures**

The CICA issued a new accounting standard, Section 1535 "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objective, policies and processes for managing capital. This new section is effective for the Trust beginning January 1, 2008. Refer to note 15 of the financial statements for additional disclosure for this new section.

### **Financial instruments**

Two new accounting standards were issued by the CICA, Section 3862 "Financial Instruments – Disclosures", and Section 3863 "Financial Instruments – Presentation". These sections will replace Section 3861 "Financial Instruments – Disclosure and Presentation" once adopted. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for the Trust beginning January 1, 2008. The additional disclosures required under these sections are included in note 15 of the financial statements.

### **International Financial Reporting Standards ("IFRS")**

In September 2007, the Accounting Standards Board ("AcSB") issued a bulletin relating to the transition to IFRS from Canadian GAAP and based on work undertaken to date, no significant impediments to adopting IFRS by the proposed transition date have been identified. True is monitoring industry discussion regarding the replacement of the CICA's Accounting Guideline 16 with IFRS 6, which is expected to have major implications for True's current full cost accounting policies. In February 2008, the AcSB confirmed the transition date for adopting IFRS will be January 1, 2011.

## **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 for the year ended December 31, 2007 or the Trust's Annual Information Form. In addition, the Trust is also subject to the following business risks and uncertainties:

### **Environmental Regulations and Risks**

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol (the "Protocol"), which calls for Canada to reduce its greenhouse gas emissions to specified levels. The Federal government has introduced legislation aimed at reducing greenhouse gas emissions using a "intensity based" approach, the specifics of which have yet to be

determined. Bill C-288, which is intended to ensure that Canada meets its global climate change obligations under the Kyoto Protocol, was passed by the House of Commons on February 14, 2007. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined could have a material impact on the nature of oil and natural gas operations, including those of the Trust.

In Alberta, the reduction emission guidelines outlined the Climate Change and Emissions Management Amendment Act (the "Act") came into effect July 1, 2007. Alberta facilities emitting more than 100,000 tonnes of greenhouse gases a year must reduce their emissions intensity by 12 per cent. Industries have three options to choose from in order to meet the reduction requirements outlined in the Act, and these are: (a) by making improvement to operations that result in reductions; (b) by purchasing emission credits from other sectors or facilities that have emissions below the 100,000 tonne threshold and are voluntarily reducing their emissions; or (c) by contributing to the Climate Change and Emissions Management Fund. Industries can either choose one of these options or a combination thereof. On April 26, 2007, the Federal Government released its Action Plan to Reduce Greenhouse Gases and Air Pollution (the "Action Plan"), also known as ecoACTION which includes the Regulatory Framework for Air Emissions. This Action Plan covers not-only large industry, but regulates the fuel efficiency of vehicles and the strengthening of energy standards for a number of energy-using products.

In January 24, 2008, the Alberta Government announced a new climate change action plan that will cut Alberta's projected 400 million tonnes of emissions in half by 2050. This plan is based on three areas: (i) carbon capture and storage, which will be mandatory for *in situ* oil sand facilities that use heavy fuels for steam generation; (ii) energy conservation and efficiency; and (iii) greening production through increased investment in clean energy technology, including supporting research on new oil sands extraction processes, as well as the funding of projects that reduce the cost of separating CO<sub>2</sub> from other emissions supporting carbon capture and storage.

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

On March 10, 2008, the Government of Canada released "Turning the Corner – Taking Action to Fight Climate Change" (the "Updated Action Plan") which provides some additional guidance with respect to the Government's plan to reduce greenhouse gas emissions by 20% by 2020 and by 60% to 70% by 2050. Details of the Updated Action Plan are provided in the Trust's Annual Information Form for the year ended December 31, 2007.

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

### **Alberta Royalty and Tax Regime**

On October 25, 2007, the Alberta Government announced its intent to increase royalty rates commencing on January 1, 2009. As of December 31, 2007, the province had not introduced the enabling legislation nor had they provided enough clarity on a number of issues for the Trust's independent reserves evaluator, GLJ Petroleum Consultants Ltd. ("GLJ"), to provide a precise calculation of the net reserves and NPV under the New Royalty Framework ("NRF"). However, GLJ did provide analysis of the proposed royalty regime, based on a high and low sensitivity to the NRF utilizing the Consultants' Consensus Methodology recommended by the Society of Petroleum Engineers, Calgary Chapter (the "Consensus Methodology"). Based on public information available when the Trust's reserves were evaluated, the net present value of future net revenue of proved and probable reserves based on the high scenario at a 10% discount rate using the Consultants' Average Forecast Prices would be \$8.9 million or 1.5 percent higher and

\$1.9 million or 0.33% percent higher based on the NRF for the low scenario, in each case, as compared to the existing royalty rules. The proposed royalty changes are very sensitive to production rate and natural gas prices.

Since the foregoing sensitivity was prepared, the Alberta Government has announced new royalty incentives for deep, high-cost drilling. The incentives will apply to oil exploration wells and to both development and exploration gas wells. This initiative provides some relief to the recently introduced NRF. On the oil side, a royalty credit of up to \$1 million will pertain to exploration wells drilled below 2,000m. Gas wells drilled below 2,500m qualify for credits with no distinction for development versus exploration wells drilled from 2,500m-4,000m. Overall, the deep royalty credits are a modest positive for the industry with a more significant impact for producers that target deep and prolific gas wells at a depth greater than 4,000m. The impact of these new incentives is not expected to be significant to True.

The majority of True's current Alberta wells are in the 500m to 1,000m depth range and typically produce at lower rates. The overall impact of the NRF, as currently announced, is mitigated by the Trust's current Saskatchewan properties and the lower shallow gas Alberta natural gas rate royalty production in True's Alberta conventional oil and gas production portfolio. The NRF will impact future drilling decisions in order for the Trust to maintain acceptable rates of return on its capital deployed.

### **Critical Accounting Estimates**

The reader is advised that the critical accounting estimates, policies, and practices as described in the Management Discussion and Analysis for the year ended December 31, 2007 continue to be critical in determining True's unaudited financial results as at March 31, 2008. Except as described in Note 3 of the attached unaudited interim consolidated financial statement, there were no changes in accounting policies for the three month period ended March 31, 2008

### **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 monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by the circumstances.

### **Controls and Procedures**

#### **Disclosure Controls and Procedures**

Disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Trust, including its consolidated subsidiaries, is made known to the Trust's Chief Executive Officer and Chief Financial Officer by others within those entities, particularly during the period in which the annual and interim filings are being prepared.

#### **Internal Controls over Financial Reporting**

The Trust's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian GAAP.

The Trust's Chief Executive Officer and Chief Financial Officer are required to cause the Trust to disclose herein any change in the Trust's internal control over financial reporting that occurred during the Trust's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting. No material changes in the Trust's internal control over financial reporting were identified during the three

months ended March 31, 2008, that has materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

It should be noted that a control system, including the Trust's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

## Standardized Distributable Cash

The Canadian Securities Administrators recently revised and re-issued National Policy 41-201 "Income Trusts and Other Indirect Offerings", which includes disclosures regarding distributable cash for Income Trusts. Further, the Canadian Institute of Chartered Accountants ("CICA") issued the Interpretive Release "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure" (the "Release") in July 2007, which is required for the third quarter of 2007 forward. In the new guidance, sustainability concepts are discussed and standardized distributable cash is defined as cash flow from operating activities less adjustments for productive capacity maintenance, long-term unfunded contractual obligations and the effect of any foreseeable financing matters, related to debt covenants, which could impair True's ability to pay distributions or maintain productive capacity. This Management Discussion and Analysis is in all material respects in accordance with the recommendations provided in CICA's Release and NP 41-201.

<i>(\$000s, except per unit amounts and percentages)</i>	Three months ended March 31,	
	2008	2007
Net loss	(18,621)	(8,571)
Cash flow from operating activities	17,843	39,959
Productive capacity maintenance <sup>(1)</sup>	(8,021)	(45,653)
Standardized distributable cash	9,822	(5,694)
Proceeds on sale of property, plant and equipment	5,788	18,443
Corporate and property acquisition and other capital expenditures	(629)	(705)
Bank borrowings (debt repayment) and working capital changes and other	(5,474)	4,822
Cash Distributions declared	9,507	16,866
Accumulated distributions, beginning of period	215,167	141,716
Accumulated distributions, end of period	224,674	158,582
Standardized distributable cash per unit - basic	\$0.12	\$(0.08)
Standardized distributable cash per unit - diluted	\$0.12	\$(0.08)
Standardized distributable cash payout ratio <sup>(2)</sup>	0.96	N/A
Distributions declared per unit for outstanding units in the year	\$0.12	\$0.24
Accumulated distributions per unit, beginning of year	4.08	3.12
Accumulated distributions per unit, end of year	\$4.20	\$3.36
Excess (shortfall) of net income over cash distributions declared	(28,123)	(25,437)
Excess of cash flow from operating activities over cash distributions declared	8,336	23,093

(1) Please refer to the discussion of productive capacity maintenance below

(2) Represents cash distributions declared divided by standardized distributable cash

True strives to fund both distributions and maintenance capital primarily from funds flow from operations. True's 2007 capital budget was initially set at approximately 40% to 50% of annual funds flow. Property dispositions, equity issues or additional borrowings may be required from time to time to fund a portion of the distributions and/or capital expenditures to maintain or increase productive capacity may be required based on forecast levels of cash flow, capital efficiency and debt levels.

Productive capacity is the amount of capital funds required in a period for an enterprise to maintain its ability to generate future cash flow from operating activities at a constant level. As commodity prices can be volatile and short-term variations in production levels are often experienced in the oil and gas industry, True defines production capacity as production on a barrel of oil equivalent basis. A quantifiable measure for these short-term variations is not objectively determinable or verifiable due to various factors including the inability to distinguish natural production declines from the effect of production additions resulting from capital and optimization programs, and the effect of temporary production interruptions. As a result, the adjustment for productive capacity maintenance in True's calculation of standardized distributable cash is True's capital expenditures excluding the cost of any asset acquisition, corporate asset acquisitions or proceeds of any asset disposition. True believes that its capital programs based on 40% to 50% of forecasted funds flow including its current view of True's assets and opportunities and True's outlook for commodity prices and industry conditions in the medium term, should be sufficient to maintain True's productive capacity in the medium term. True sets its hurdle rates for evaluating potential development and optimization projects according to these parameters. Due to the risks inherent in the oil and natural gas industry, particularly True's exploration and development activities and inherent variations in commodity prices, there can be no assurance that capital programs, whether limited to excess of cash flow over distributions or not, will be sufficient to maintain or increase True's production levels or cash flow from operating activities. True's capital expenditures and production can be impacted by the timing of the capital program and spring break up associated with certain operating areas of its properties. As True strives to maintain sufficient credit facilities and appropriate levels of bank debt, this seasonality is not expected to influence True's distribution policies.

True's calculation of standardized distributable cash has no adjustment for long-term unfunded contractual obligations. True's only long-term unfunded contractual obligation at this time is for asset retirement obligations. True's abandonment obligations are being funded on an annual basis with cash flow from operating activities. Cash flow from operating activities, used in our standardized distributable cash calculation, includes a deduction for abandonment expenditures incurred in the year. True currently has no financing restrictions on distributions arising from compliance with its debt covenants. True regularly monitors its current forecast debt levels to ensure debt covenants are not exceeded.

Distributions typically exceed net income as a result of non-cash items such as unit-based compensation, depletion, depreciation and accretion, unrealized loss (gain) on commodity contracts, and future income tax expense (recovery). These non-cash items generally result in a reduction to net income, with no impact to cash flow from operating activities. Therefore, distributions will exceed net income in most periods. In the event distributions exceed cash flow from operating activities and the requirements of True's capital program, the shortfall will typically be funded by a combination of available bank facilities, equity or debt issues, or the sale proceeds from non-core assets.

The board of directors and management regularly review the level of distributions. The board considers a number of factors, including expectations of future current commodity prices, hedge positions, production volumes, capital expenditure requirements, market conditions, the availability of debt and equity capital and other factors. As a result of the volatility in commodity prices, changes in production levels and capital expenditure requirements, there can be no certainty that True will be able to maintain current levels of distributions and distributions can and may fluctuate in the future.

<i>(\$000s, except ratios)</i>	To March 31, 2008
Cumulative distributable cash from operations <sup>(1)</sup>	34,120
Proceeds on sale of property, plant and equipment	62,110
Corporate and property acquisitions and other capital expenditures	(20,512)
Net proceeds from issue of trust units	54,375
Proceeds from issue of convertible debentures, net of issue costs	82,261
Repurchase of trust units under normal course issuer bid	(1,658)
Funding from DRIP	42,909
Bank borrowings (debt repayment) and working capital changes and other	(28,931)
Cumulative cash distributions declared <sup>(1)</sup>	224,674
Standardized distributable cash payout ratio <sup>(2)</sup>	6.58

(1) Subsequent to the November 2, 2005 reverse takeover of TKE Energy Trust

(2) Represents cumulative distributions declared divided by cumulative standardized distributable cash

## Sensitivity Analysis

The table below shows sensitivities to funds flow as a result of product price and operational changes. This is based on actual prices received for the first quarter of 2008 and average production volumes of 13,552 boe/d during that period, as well as the same level of debt outstanding at March 31, 2008. Diluted weighted average trust units is based upon the first quarter of 2008. 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:

Sensitivity Analysis	Funds Flow from Operations (annualized) (\$000s)	Funds Flow from Operations Per Diluted Unit (\$)
Change of US \$1/bbl WTI	1,400	0.02
Change of \$0.10/ mcf	1,400	0.02
Change of US \$0.01 Cdn/ US exchange rate	1,000	0.01
Change in prime of 1%	1,700	0.02

## Selected Quarterly Consolidated Information

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

2008 – Quarter ended (unaudited) (\$000s, except per unit amounts)	March 31			
Revenues before royalties and hedging	70,033			
Funds flow from operations <sup>(1)</sup>	24,233			
Funds flow from operations per unit <sup>(1)</sup>				
Basic	\$0.31			
Diluted	\$0.30			
Net income (loss)	(18,621)			
Net income (loss) per unit				
Basic	\$(0.24)			
Diluted	\$(0.24)			
Net capital expenditures (cash)	2,862			
Distributions declared	9,507			
Distributions per unit	\$0.12			
<b>2007 – Quarter ended (unaudited)</b> (\$000s, except per unit amounts)	<b>March 31</b>	<b>June 30</b>	<b>Sept. 30</b>	<b>Dec. 31</b>
Revenues before royalties and hedging	71,196	74,991	50,547	61,756
Funds flow from operations <sup>(1)</sup>	29,988	34,192	17,478	19,514
Funds flow from operations per unit <sup>(1)</sup>				
Basic	\$0.43	\$0.47	\$0.22	\$0.25
Diluted	\$0.42	\$0.45	\$0.22	\$0.25
Net income (loss)	(8,571)	1,741	(17,003)	(434)
Net income (loss) per unit				
Basic	\$(0.12)	\$0.02	\$(0.21)	\$(0.01)
Diluted	\$(0.12)	\$0.02	\$(0.21)	\$(0.01)
Net capital expenditures (cash)	27,915	6,739	7,612	14,828
Distributions declared	16,866	18,376	19,132	19,077
Distributions per unit	\$0.24	\$0.24	\$0.24	\$0.24
<b>2006 – Quarter ended (unaudited)</b> (\$000s, except per unit amounts)	<b>March 31</b>	<b>June 30</b>	<b>Sept. 30</b>	<b>Dec. 31</b>
Revenues before royalties and hedging	46,396	43,004	54,263	77,250
Funds flow from operations <sup>(1)</sup>	18,995	16,386	23,225	31,785
Funds flow from operations per unit <sup>(1)</sup>				
Basic	\$0.52	\$0.44	\$0.52	\$0.45
Diluted	\$0.52	\$0.42	\$0.50	\$0.44
Net income (loss)	3,259	12,243	1,652	(250,718)
Net income (loss) per unit				
Basic	\$0.09	\$0.43	\$0.04	\$(3.58)
Diluted	\$0.09	\$0.42	\$0.04	\$(3.58)
Net capital expenditures (cash)	22,561	(7,080)	46,095	29,922
Distributions declared	26,150	27,771	36,846	33,588
Distributions per unit	\$0.72	\$0.72	\$0.72	\$0.48

<sup>(1)</sup> refer to "Non-GAAP Measures" in respect of the term "funds flow from operations" and "funds flow from operations per unit".

**TRUE ENERGY TRUST**  
**CONSOLIDATED BALANCE SHEETS**

As at March 31 and December 31 (unaudited)

(\$000s)	2008	2007
<b>ASSETS</b>		
Current assets		
Accounts receivable	\$ 57,701	\$ 48,522
Deposits and prepaid expenses	6,477	6,096
Capital taxes recoverable	621	626
Commodity contract asset (note 15)	-	1,061
Future income taxes (note 12)	8,428	3,116
	<u>73,227</u>	<u>59,421</u>
Property, plant and equipment (note 4)	788,342	820,831
Total assets	<u>\$ 861,569</u>	<u>\$ 880,252</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 50,261	\$ 52,188
Distribution payable to unitholders	3,169	6,337
Commodity contract liability (note 15)	28,030	11,404
	<u>81,460</u>	<u>69,929</u>
Long-term debt (note 5)	171,850	168,475
Convertible debentures (note 6)	79,837	79,407
Asset retirement obligations (note 7)	28,521	28,373
Future income taxes (note 12)	60,990	67,366
Total liabilities	<u>422,658</u>	<u>413,550</u>
<b>NON-CONTROLLING INTEREST</b>		
Exchangeable shares of subsidiary (note 8)	3,679	3,922
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' capital (note 9)	925,735	925,573
Equity component of convertible debentures (note 6)	5,119	5,119
Contributed surplus (note 10)	19,872	19,454
Deficit	(515,494)	(487,366)
Total unitholders' equity	<u>435,232</u>	<u>462,780</u>
Total liabilities and unitholders' equity	<u>\$ 861,569</u>	<u>\$ 880,252</u>

**SUBSEQUENT EVENT** (note 16)

See accompanying selected notes to the consolidated financial statements.

**TRUE ENERGY TRUST**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

For the three months ended March 31 (unaudited)

<i>(\$000s)</i>	<b>2008</b>	<b>2007</b>
<b>REVENUES</b>		
Petroleum and natural gas sales	\$ 70,033	\$ 71,196
Royalties	(15,500)	(14,894)
Gain (loss) on commodity contracts (note 15)	(21,829)	679
	<u>32,704</u>	<u>56,981</u>
<b>EXPENSES</b>		
Production	16,996	14,972
Transportation	843	689
General and administrative	3,770	4,904
Interest and financing charges	4,516	4,547
Unit-based compensation (notes 9 and 10)	269	1,112
Depletion, depreciation and accretion	36,303	47,458
Special meeting costs (note 13)	-	3,805
	<u>62,697</u>	<u>77,487</u>
<b>LOSS BEFORE TAXES</b>	(29,993)	(20,506)
<b>TAXES</b> (note 12)		
Capital taxes	463	932
Future income tax recovery	(11,754)	(12,829)
	<u>(11,291)</u>	<u>(11,897)</u>
<b>NET LOSS BEFORE NON-CONTROLLING INTEREST</b>	(18,702)	(8,609)
Non-controlling interest (note 8)	<u>(81)</u>	<u>(38)</u>
<b>NET LOSS</b>	<u>(18,621)</u>	<u>(8,571)</u>
Net changes in cash flow hedges (net of tax of \$1.8 million for the 2007 period)	<u>-</u>	<u>(3,156)</u>
<b>COMPREHENSIVE LOSS</b>	<u>\$ (18,621)</u>	<u>\$ (11,727)</u>
Net loss per trust unit		
Basic and diluted	\$ (0.24)	\$ (0.12)

See accompanying selected notes to the consolidated financial statements.

**TRUE ENERGY TRUST**  
**CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY**

For the three months ended March 31 (unaudited)

<i>(\$000s)</i>	<b>2008</b>	<b>2007</b>
<b>UNITHOLDERS' CAPITAL</b>		
Balance, beginning of period	\$ 925,573	\$ 876,904
Exchangeable shares converted	162	16
Balance, end of period	<u>925,735</u>	<u>876,920</u>
<b>EQUITY COMPONENT OF CONVERTIBLE DEBENTURES</b>		
Balance, beginning and end of period	<u>5,119</u>	<u>5,119</u>
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of period	19,454	12,818
Unit-based compensation expense (note 10)	603	1,182
Reversal of prior year unit-based compensation expense for forfeitures of unvested incentive units	<u>(185)</u>	<u>-</u>
Balance, end of period	<u>19,872</u>	<u>14,000</u>
<b>DEFICIT</b>		
Balance, beginning of period	(487,366)	(389,745)
Net loss	(18,621)	(8,571)
Impact of changes in accounting policy for financial instruments on January 1, 2007 (net of tax of \$0.05 million)	-	97
Distributions declared	<u>(9,507)</u>	<u>(16,866)</u>
Balance, end of period	<u>(515,494)</u>	<u>(415,085)</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Balance, beginning of period	-	-
Impact of new cash flow hedge accounting standards on January 1, 2007 (net of tax of \$1.8 million) <sup>(1)</sup>	-	3,749
Reclassification to earnings of net hedging gains on commodity contracts (net of tax of \$1.6 million)	<u>-</u>	<u>(3,156)</u>
Balance, end of year	<u>-</u>	<u>593</u>
<b>TOTAL UNITHOLDERS' EQUITY</b>	<u>\$ 435,232</u>	<u>\$ 481,547</u>

<sup>(1)</sup> Represents the transitional adjustments on adoption of the CICA handbook sections 1530, 3251, 3655 and 3865.

See accompanying selected notes to the consolidated financial statements.

**TRUE ENERGY TRUST**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the three months ended March 31 (unaudited)

<b>(\$000s)</b>	<b>2008</b>	<b>2007</b>
<b>Cash provided by (used in):</b>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (18,621)	\$ (8,571)
Items not involving cash:		
Non-controlling interest (note 8)	(81)	(38)
Depletion, depreciation and accretion	36,303	47,458
Unit-based compensation (notes 9 and 10)	269	1,112
Unrealized loss on commodity contracts (note 15)	17,687	2,465
Accretion on convertible debentures (note 6)	430	391
Future income taxes (recovery) (note 12)	<u>(11,754)</u>	<u>(12,829)</u>
	24,233	29,988
Asset retirement costs incurred	(589)	(188)
Change in non-cash working capital (note 11)	<u>(5,801)</u>	<u>10,159</u>
	17,843	39,959
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b>		
Increase in bank debt	3,375	21,495
Obligations under capital lease	-	(82)
Distributions declared	<u>(9,507)</u>	<u>(16,866)</u>
	(6,132)	4,547
Change in non-cash working capital (note 11)	<u>(3,160)</u>	<u>(8,376)</u>
	(9,292)	(3,829)
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(8,650)	(46,358)
Proceeds on sale of property, plant and equipment	<u>5,788</u>	<u>18,443</u>
	(2,862)	(27,915)
Change in non-cash working capital (note 11)	<u>(5,689)</u>	<u>(8,215)</u>
	(8,551)	(36,130)
Change in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	<u>\$ -</u>	<u>\$ -</u>

See accompanying selected notes to the consolidated financial statements.

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008 and 2007 (unaudited)

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### 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. Pursuant to a Plan of Arrangement (the "TKE Arrangement") that became effective on November 2, 2005, True Energy Inc. and TKE Energy Trust ("TKE") entered into a business combination whereby True Energy Inc. acquired TKE in a reverse takeover, thus creating True Energy Trust and a publicly listed exploration focused company, Vero Energy Inc.

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. and its indirect wholly owned subsidiary True Energy Peru S.A.C. The Trust owns, directly and indirectly, 100% of the common shares, (excluding the exchangeable shares – see note 8) of True Energy Inc. and True Energy Peru S.A.C. The activities of True Energy Inc. are financed through interest bearing notes from the Trust and third party debt as described in the notes to the financial statements.

### 2. SIGNIFICANT 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 statement for the fiscal year ended December 31, 2007, except as described in note 3. 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 contain in the Trust's financial report for the year ended December 31, 2007.

Certain prior period comparative figures have been restated to conform to the current year's presentation.

### 3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Trust adopted the following new accounting standards:

#### a. Capital disclosures

The CICA issued a new accounting standard, Section 1535 "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objective, policies and processes for managing capital. This new section is effective for the Trust beginning January 1, 2008. Refer to note 15 for additional disclosure for this new section.

#### b. Financial instruments

Two new accounting standards were issued by the CICA, Section 3862 "Financial Instruments – Disclosures", and Section 3863 "Financial Instruments - Presentation. These sections replace Section 3861 "Financial Instruments – Disclosure and Presentation" and are effective for the Trust beginning January 1, 2008. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the

circumstances in which financial assets and financial liabilities are offset. The additional disclosures required under these sections are included in note 15.

#### 4. PROPERTY, PLANT AND EQUIPMENT

(\$000s)

	Cost	Accumulated depletion and depreciation	Net book value
<b>March 31, 2008</b>			
Petroleum and natural gas properties	\$ 1,374,582	\$ 588,528	\$ 786,054
Office furniture and equipment	3,839	1,551	2,288
	<b>\$ 1,378,421</b>	<b>\$ 590,079</b>	<b>\$ 788,342</b>
<b>December 31, 2007</b>			
Petroleum and natural gas properties	\$ 1,371,069	\$ 552,899	\$ 818,170
Office furniture and equipment	4,092	1,431	2,661
	<b>\$ 1,375,161</b>	<b>\$ 554,330</b>	<b>\$ 820,831</b>

The Trust has included \$54.2 million for future development costs and excluded, \$35.2 million for undeveloped land and \$45.9 million for estimated salvage from the depletion calculation during the three month period ended March 31, 2008.

For the three month period ended March 31, 2008, the Trust capitalized \$0.5 million of general and administrative expenses and \$0.2 million, including the future tax effect thereon of \$0.07 million, of unit-based compensation expense directly related to exploration and development activities.

#### 5. LONG-TERM DEBT

As at March 31, 2008, the Trust has a \$15 million demand operating facility provided by one Canadian bank and \$175 million extendible revolving term credit facility syndicated by two Canadian chartered banks, a U.S. bank, a Canadian financial institution and one institutional lender. Amounts borrowed under the credit facility bear interest at a floating rate based on the applicable Canadian prime rate, U.S. base rates, LIBOR rates, plus between 0% and 1.95%, depending on the types of borrowings and the Trust's debt to cash flow ratio. Security is provided by a \$400 million debenture containing a first ranking security interest on all of the Trust's assets. The credit facility 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.

As at March 31, 2008, there was \$7.9 million outstanding under the operating facility and \$164 million outstanding under the revolving term credit facility. As at March 31, 2008, there is approximately \$18.1 million not drawn under the existing facility.

On March 31, 2008, True's borrowing base redetermination was re-scheduled for renewal on or before June 2, 2008, while the Saskatchewan asset divestiture was being finalized. To reflect the recent dispositions in True's borrowing base, True's borrowing base was reduced from \$190 million as at March 31, 2008 to \$164.5 million effective as at April 30, 2008. As at April 30, 2008, there is approximately \$40 million not drawn on these facilities. Further borrowing base reductions are scheduled to occur on June 2, 2008 and June 30, 2008, which will bring True's borrowing base to \$152 million as at June 30, 2008.

The revolving period on the new revolving term credit facility ends on June 28, 2008, unless extended for a further 366 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 March 31, 2008 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

The following table shows the convertible debenture activities for the three month period ended March 31, 2008 and the year ended December 31, 2007:

<b>Convertible debentures</b>	<b>Number of Debentures</b>	<b>Debt Component (\$000s)</b>	<b>Equity Component (\$000s)</b>
Balance, December 31, 2006	86,250	\$ 81,551	\$ 5,119
Impact of change in accounting policy for financial instruments on January 1, 2007	-	(3,697)	-
Accretion	-	1,553	-
Balance, December 31, 2007	86,250	\$ 79,407	\$ 5,119
Accretion	-	430	-
<b>Balance, March 31, 2008</b>	<b>86,250</b>	<b>\$ 79,837</b>	<b>\$ 5,119</b>

## 7. ASSET RETIREMENT OBLIGATIONS

The Trust's asset retirement obligations result from net ownership interests 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 is approximately \$73.6 million which will be incurred between 2008 and 2053. A credit-adjusted risk-free rate of 8 percent and an inflation rate of 2 percent were used to calculate the fair value of the asset retirement obligation.

<b>(\$000s)</b>	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Asset retirement obligation, beginning of period	\$ 28,373	\$ 26,605
Liabilities incurred on development activities	44	433
Changes in prior period estimates	581	960
Liabilities released on dispositions	(442)	(927)
Liabilities settled during the year	(589)	(835)
Accretion expense	554	2,137
<b>Asset retirement obligation, end of period</b>	<b>\$ 28,521</b>	<b>\$ 28,373</b>

## 8. EXCHANGEABLE SHARES OF SUBSIDIARY / NON-CONTROLLING INTEREST

	<b>March 31, 2008</b>		<b>December 31, 2007</b>	
	<b>Number</b>	<b>Amount (\$000s)</b>	<b>Number</b>	<b>Amount (\$000s)</b>
Balance, beginning of period	390,276	\$3,922	403,536	\$ 4,153
Non-controlling interest expense (recovery)	-	(81)	-	(95)
Exchanged for trust units	(16,177)	(162)	(13,260)	(136)
<b>Balance, end of period</b>	<b>374,099</b>	<b>\$ 3,679</b>	<b>390,276</b>	<b>\$ 3,922</b>

The exchange ratio is calculated monthly based on the five day weighted average trust unit trading price preceding the monthly effective date and at March 31, 2008 was 0.90177. The exchangeable shares are not eligible for cash distributions; however cash distributions will increase the exchange ratio.

## 9. UNITHOLDERS' CAPITAL

### a. Trust Units

	March 31, 2008		December 31, 2007	
	Number	Amount (\$000s)	Number	Amount (\$000s)
Balance, beginning of period	79,216,046	\$ 925,573	70,275,703	\$ 876,904
Issued for cash (net of issue costs of \$3.1 million)	-	-	9,430,000	54,375
Repurchased under normal course issuer bid	-	-	(500,000)	(5,842)
Exchangeable shares converted	14,414	162	10,343	136
<b>Balance, end of period</b>	<b>79,230,460</b>	<b>\$ 925,735</b>	<b>79,216,046</b>	<b>\$ 925,573</b>

### 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 and employees. Under this plan, the exercise price of each trust unit incentive right initially equals the market price of the Company'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 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.

Incentive rights, entitling the holder to purchase units from the Trust, have been granted to directors, officers, employees and service providers of the Trust. One third of the initial grant of trust unit incentive rights normally 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 three month period ended March 31, 2008

#### Unit Rights Continuity

	Weighted Average Exercise Price <sup>(a)</sup>	Number
Balance, December 31, 2007	\$ 9.18	5,931,997
Granted	\$ 3.02	45,000
Forfeited	\$ 12.03	(744,332)
<b>Balance, March 31, 2008</b>	<b>\$ 8.54</b>	<b>5,232,665</b>

<sup>(a)</sup> Exercise prices reflect grant prices less reduction in exercise prices.

### Unit Rights Outstanding, March 31, 2008

Exercise Price Before Price Reductions	Exercise Price Net of Reductions	Outstanding			Exercisable	
		At Mar. 31, 2008	Weighted Average Exercise Price Net of Price Reductions	Weighted Average Remaining Contractual Life	At Mar. 31, 2008	Exercise Price Net of Price Reductions
\$ 2.92 - \$ 6.70	\$ 2.83 - \$ 5.29	2,681,500	\$ 4.37	4.4	-	N/A
\$10.58 - \$12.53	\$ 9.07 - \$10.92	744,165	\$ 9.41	3.5	249,984	\$ 9.41
\$13.74 - \$14.83	\$11.55 - \$12.72	465,500	\$ 11.87	3.3	151,831	\$ 11.87
\$15.15 - \$16.70	\$13.17 - \$14.08	52,500	\$ 13.70	3.0	35,001	\$ 13.70
\$18.25 - \$20.80	\$15.07 - \$18.02	1,289,000	\$ 15.32	2.6	1,289,000	\$ 15.32
<b>\$ 2.92 - \$20.80</b>	<b>\$ 2.83 - \$18.02</b>	<b>5,232,665</b>	<b>\$ 8.54</b>	<b>3.7</b>	<b>1,725,816</b>	<b>\$ 14.12</b>

#### c. Employee Trust Unit Savings Plan

Effective October 1, 2006, the Trust introduced an employee trust unit savings plan for the benefit of all employees. Under the savings plan, employees may elect to contribute up to 10 percent of their salary and contributions are used to fund the acquisition of trust units. The Trust matches employee contributions at a rate of \$1.00 for each \$1.00 contributed. Trust units are purchased in the open market by the plan administrator, an investment firm, on behalf of the participants in the plan. For the three months ended March 31, 2008, the Trust matched \$0.1 million under the plan.

## 10. CONTRIBUTED SURPLUS

(\$000s)	March 31, 2008	December 31, 2007
Balance, beginning of period	\$ 19,454	\$ 12,818
Unit-based compensation expense	603	4,249
Reversal of prior year unit-based compensation expense for forfeitures of unvested incentive units	(185)	(1,797)
Adjustment for repurchase of units under NCIB	-	4,184
<b>Balance, end of period</b>	<b>\$ 19,872</b>	<b>\$ 19,454</b>

#### Unit-based Compensation Expense

During the three months ended March 31, 2008, the Trust granted 45,000 unit incentive rights to employees and directors. During the three months ended March 31, 2008, the Trust recorded unit-based compensation of \$0.6 million, of which \$0.1 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 three month period ended March 31, 2008 and the assumptions used in their determination are as noted below:

Assumptions:	
Risk free interest rate (%)	4
Expected life (years)	5
Expected volatility (%)	26
Results:	
Weighted average fair value of each incentive right granted	\$ 0.86

## 11. SUPPLEMENTAL CASH FLOW INFORMATION

### Cash Interest and Taxes Paid

(\$000s)	Three months ended March 31,	
	2008	2007
Cash paid:		
Interest	\$ 3,813	\$ 2,560
Taxes (net of refunds)	\$ 285	\$ 2,493

### Change in Non-cash Working Capital

(\$000s)	Three months ended March 31,	
	2008	2007
Changes in non-cash working capital items:		
Accounts receivable	\$ (9,179)	\$ 10,691
Deposits and prepaid expenses	(381)	2,783
Accounts payable and accrued liabilities	(1,927)	(9,918)
Capital taxes recoverable	5	(1,555)
Distribution payable to unitholders	(3,168)	(8,433)
	\$ (14,650)	\$ (6,432)
Changes related to operating activities	\$ (5,801)	\$ 10,159
Changes related to financing activities	(3,160)	(8,376)
Changes related to investing activities	(5,689)	(8,215)
	\$ (14,650)	\$ (6,432)

## 12. INCOME TAXES

The Trust is a mutual fund trust as defined under the Income Tax Act (Canada). All taxable income earned by the Trust has been allocated to unitholders and such allocations are deducted for income tax purposes.

In June 2007, the government legislation implementing the new tax (the "SIFT tax") on publicly traded income trust and limited partnerships (Bill C-52) received third reading in the House of Commons and Royal Assent. For existing income trusts and limited partnerships, the SIFT tax will be effective in 2011 unless certain rules related to "undue expansion" are not adhered to. As such, the Trust would not be subject to the new measures until the 2011 taxation year provided the Trust continues to meet certain requirements.

In accordance with generally accepted accounting principles, prior to the enactment, the Trust's temporary differences were not recorded as future income taxes. As at March 31, 2008, the total "temporary difference" (tax basis exceeds accounting basis) in the Trust is \$8.6 million. As at March 31, 2008, the Trust's subsidiaries have a tax basis of approximately \$502 million that is available to shelter future taxable income. Included in this tax basis are estimated non-capital loss carry forwards of approximately \$34.8 million that expire in years through 2027. In addition, the Trust itself has approximately \$919 million of tax basis.

## 13. SPECIAL MEETING COSTS

On January 15, 2007, the Trust announced its proposal to convert into an intermediate exploration and production company (the "Reorganization"). Pursuant to the Reorganization, it was contemplated that holders of trust units of the Trust would receive an equal number of common shares of a newly formed corporation that will hold the assets previously held directly or indirectly by the Trust. The exchangeable shares were also to be exchanged for common shares based on the conversion ratio thereof. The Reorganization was subject to all required regulatory approvals and securityholder approval by at least 66 2/3% of the votes cast by unitholders of the Trust and holders of the exchangeable shares. At the Special and Annual Meeting held on March 30, 2007, the special resolution related to the Reorganization was not approved. As a result, the Reorganization was not completed. The Trust incurred \$3.8 million in costs for legal, financial advisory, accounting, unitholder solicitation

services, printing, mailing and other expenses that are included as special meeting costs within the statement of income for the three months ended March 31, 2007.

#### 14. PER TRUST UNIT AMOUNTS

	Three months ended March 31,	
	2008	2007
Basic trust units outstanding	79,230,460	70,276,890
Dilutive effect of:		
Trust unit incentive rights outstanding	5,232,665	5,227,333
Units issuable for exchangeable shares	337,351	303,547
Units issuable for convertible debentures	5,390,625	5,390,625
Diluted trust units outstanding	90,191,101	81,198,395
Weighted average trust units outstanding	79,223,088	70,275,770
Dilutive effect of exchangeable shares, trust unit incentive plan and convertible debentures <sup>(1)</sup>	-	-
Diluted weighted average trust units outstanding	79,223,088	70,275,770

<sup>(1)</sup> A total of 337,351 (2007: 303,547) exchangeable shares, 5,232,665 (2007: 5,227,333) trust incentive units and 5,390,625 (2007: 5,390,625) trust units issuable pursuant to the conversion of convertible debentures were excluded from the calculation for the three month period ended March 31, 2008 as they were not dilutive.

#### 15. FINANCIAL RISK MANAGEMENT

##### a. Overview

The Trust has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk, and the Trust's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board has implemented and monitors compliance with risk management policies.

The Trust risk management policies are established to identify and analyze the risks faced by the Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Trust's activities.

##### b. Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's trade receivables from joint venture partners and petroleum and natural gas marketers.

A substantial portion of the Trust's accounts receivable are with customers and joint interest partners in the petroleum and natural gas industry and are subject to normal industry credit risks. The Trust sells substantially all of its production to [eleven] primary purchasers under normal industry sale and payment terms. Purchasers of the Trust's natural gas, crude oil and natural gas liquids are subject to an internal credit review to minimize the risk of non-payment.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Trust's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Trust historically has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Trust attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling, in addition further risk exists with joint venture partners as disagreements occasionally arise that increase the potential for non-collection. The Trust does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however, in certain instances the Trust does have the ability to withhold production from joint venture partners in the event of non-payment.

As at March 31, 2008, accounts receivable was comprised of the following:

<b>(\$000s)</b>	
Trade accounts receivable	18,657
Accrued and other accounts receivable	39,044
	<b>57,701</b>

The carrying amount of accounts receivable represents the maximum credit exposure. The Trust has an allowance for doubtful accounts as at March 31, 2008 of \$0.5 million. As at March 31, 2008 the Trust estimates its trade accounts receivables to be aged as follows:

<b>Aging (\$000s)</b>	
Not past due (less than 90 days)	9,653
Past due 0-30 days	496
Past due 31-120 days	2,330
Past due more than 120 days	6,178
<b>Total</b>	<b>18,657</b>

After considering offsetting March 31, 2008 trade accounts payable from the same companies and cash receipts received subsequent to March 31, 2008, the Trust's trade receivables aged more than 90 days of approximately \$9.0 million are reduced to a net balance of approximately \$2.8 million.

### **c. Liquidity risk**

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they are due. The Trust's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Trust's reputation.

The Trust prepares annual capital expenditure budgets and confirms unitholder distributions on a monthly basis. Capital expenditure budgets and levels of monthly unitholder distributions are regularly monitored and updated as considered necessary. Further, the Trust utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the capital expenditure program, the Trust has a revolving reserve based credit facility, as outlined in note 5, which is at least reviewed annually by the lender. The Trust also attempts to match its payment cycle with collection of petroleum and natural gas revenues on the 25th of each month.

The following are the contractual maturities of financial liabilities and associated interest payments as at March 31, 2008:

<b>Financial liability (\$000s)</b>	<b>&lt; 1 Year</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>Thereafter</b>
Accounts payable and accrued liabilities	50,261	-	-	-
Distribution payables	3,169	-	-	-
Derivative contracts	28,030	-	-	-
Bank debt – principal	-	171,850	-	-
Convertible debentures – principal	-	-	86,250	-
<b>Total</b>	<b>81,460</b>	<b>171,850</b>	<b>86,250</b>	<b>-</b>

**d. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Trust's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

The Trust utilizes both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

The Trust formal risk management policy permits management to use specified price risk management strategies for up to 50% of crude oil, natural gas and NGL production including fixed price contracts, costless collars and the purchase of floor price options and other derivative financial instruments to reduce the impact of price volatility and ensure minimum prices for a maximum of eighteen months beyond the current date. The program is designed to provide price protection on a portion of the Trust's future production in the event of adverse commodity price movement, while retaining significant exposure to upside price movements. By doing this, the Trust seeks to provide a measure of stability to cash distributions, as well as, to ensure True realizes positive economic returns from its capital developments and acquisition activities.

**Foreign currency exchange rate risk**

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. As at March 31, 2008, if the Canadian/US dollar exchange rate had decreased by US\$0.01 with all other variables held constant, after tax net earnings for the period would have been approximately \$0.7 million lower. An equal an opposite impact would have occurred to net earnings had the Canadian/US dollar exchange rate increased by US\$0.01.

The Trust had no forward exchange rate contracts in place as at or during the year ended March 31, 2008.

**Commodity price risk**

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. The Trust has attempted to mitigate commodity price risk through the use of various financial derivative and physical delivery sales contracts. The Trust's policy is to enter into commodity contracts considered appropriate to a maximum of 50% of forecasted production volumes.

As at December 31, 2007, the Trust had entered into commodity price risk management arrangements as follows:

Type	Period	Volume	Price Floor	Price Ceiling	Index
Oil collar	April 1, 2008 to Dec. 31, 2008	1,000 bbl/d	\$ 65.00 US	\$ 82.00 US	WTI
Oil collar	April 1, 2008 to Dec. 31, 2008	1,000 bbl/d	\$ 65.00 US	\$ 82.00 US	WTI
Natural Gas fixed	Jan. 1, 2008 to Dec. 31, 2008	5,000 GJ/day	\$ 6.65 CDN	\$ 6.65 CDN	AECO
Natural Gas fixed	Jan. 1, 2008 to Dec. 31, 2008	10,551 GJ/day	\$ 6.65 CDN	\$ 6.65 CDN	AECO
Natural Gas fixed	April 1, 2008 to Oct. 31, 2008	5,275 GJ/day	\$ 6.64 CDN	\$ 6.64 CDN	AECO
Natural Gas fixed	April 1, 2008 to Oct. 31, 2008	3,500 GJ/day	\$ 6.90 CDN	\$ 6.90 CDN	AECO
Natural Gas fixed	Nov. 1, 2008 to Dec. 31, 2008	3,500 GJ/day	\$ 7.58 CDN	\$ 7.58 CDN	AECO
Natural Gas fixed	Nov. 1, 2008 to March 31, 2009	5,275 GJ/day	\$ 7.61 CDN	\$ 7.61 CDN	AECO
Natural Gas fixed	Jan. 1, 2009 to March 31, 2009	5,275 GJ/day	\$ 7.86 CDN	\$ 7.86 CDN	AECO
Natural Gas fixed	April 1, 2009 to June 30, 2009	5,275 GJ/day	\$ 7.01 CDN	\$ 7.01 CDN	AECO
Natural Gas fixed	April 1, 2009 to June 30, 2009	5,275 GJ/day	\$ 7.015 CDN	\$ 7.015 CDN	AECO

For the three months ended March 31, 2008, the gain (loss) on commodity contracts was comprised of the following:

(\$000s)	2008 Total	2007 Total
<b>Gain (loss) on commodity contracts</b>		
Realized <sup>(1)</sup>	\$ (4,142)	\$ 3,144
Unrealized <sup>(2)</sup>	(17,687)	(2,465)
	<b>\$ (21,829)</b>	<b>\$ 679</b>

<sup>(1)</sup> Realized gains and losses on commodity contracts represent actual cash settlements and other amounts paid under these contracts.

<sup>(2)</sup> Unrealized gains and losses on commodity contracts represent non-cash adjustments for changes in the fair value of these contracts during the period.

As at March 31, 2008, if oil and natural gas liquids prices had been US\$1 per barrel and natural gas prices \$0.10 per mcf lower, with all other variables held constant, after tax net earnings for the period would have been \$2.0 million lower. An equal an opposite impact would have occurred to net earnings had oil and natural gas liquids prices been US\$1 per barrel and natural gas \$0.10 per mcf higher.

#### **Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest. As at March 31, 2008, if interest rates had been 1% lower with all other variables held constant, after tax net earnings for the period would have been \$1.2 million higher, due to lower interest expense. An equal an opposite impact would have occurred to net earnings had interest rates been 1% higher.

The Trust had no interest rate swap or financial contracts in place as at or during the year ended March 31, 2008.

#### **e. Capital management**

The Trust's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Trust manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying

petroleum and natural gas assets. The Trust considers its capital structure to include unitholders' equity, bank debt, convertible debentures and working capital. In order to maintain or adjust the capital structure, the Trust may from time to time issue trust units, adjust its capital spending, and/or dispose of certain assets to manage current and projected debt levels.

The Trust monitors capital based on the ratio of net debt to annualized cash flow (the "ratio"). This ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital (excluding commodity contract assets and liabilities), divided by cash flow from operations before changes in non-cash working capital for the most recent calendar quarter, annualized (multiplied by four). The Trust's strategy is to target a ratio of between 1.0 and 1.5 times. This ratio may increase at certain times as a result of acquisitions and other factors. In order to facilitate the management of this ratio, the Trust prepares annual capital expenditure budgets and sets unitholder distributions on a monthly basis. Capital expenditure budgets and levels of monthly unitholder distributions are reviewed and updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets and monthly unitholder distributions are approved by the Board of Directors.

As at March 31, 2008, the Trust's ratio of net debt to annualized cash flow was 2.5 times, which the Trust projects will decrease during the remainder of 2008 as net debt levels are reduced from disposal proceeds from its asset divestitures completed in April 2008 and True takes a balanced approach to the priority use of cash flows between levels of distributions and its 2008 capital program. The Trust's unitholders' capital is not subject to external restrictions, however the bank debt facility is based on petroleum and natural gas reserves (see note 5).

There were no changes in the Trust's approach to capital management during the year.

**f. Fair value of financial instruments**

The Trust's financial instruments as at March 31, 2008 include accounts receivable, commodity contract liability, accounts payable and accrued liabilities, distributions payable, long-term debt and convertible debentures. The fair value of accounts receivable, accounts payable and accrued liabilities and distributions payable approximate their carrying amounts due to their short-terms to maturity.

The fair value of commodity contracts is determined by discounting the difference between the contracted price and published forward price curves as at the balance sheet date, using the remaining contracted petroleum and natural gas volumes.

Long-term bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

The fair value of the convertible debentures of \$82.4 million is based on exchange traded values.

**16. SUBSEQUENT EVENT**

On December 17, 2007, True announced its intention to divest of its Saskatchewan assets and reduce the distribution level as part of a new strategic direction for the Trust. Proceeds from the proposed divestiture would be utilized to reduce True's bank indebtedness and the reduced distribution level ensured additional financial resources.

The additional cash flow generated through improved pricing has eased debt concerns and allowed the Trust to modify the path of the new strategic direction. On April 30, 2008 True announced that the sale of the Dodsland-Stranraer asset, one of five asset packages comprising the Saskatchewan divestiture program, had been successfully completed for net proceeds after adjustments of \$39.3 million. True further announced its decision to not pursue further Saskatchewan asset disposition options at this time.

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:

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