



For Immediate Release  
TSX: TUI.UN

## TRUE ENERGY TRUST ANNOUNCES THIRD QUARTER 2008 FINANCIAL RESULTS

November 6, 2008 – (TSX: TUI.UN) True Energy Trust (“True” or the “Trust”) announces its financial and operating results for the three and nine months ended September 30, 2008.

Following True’s concentrated efforts on debt reduction through the first half of 2008, the focus for the second half of 2008 is the maintenance of a stable production base and the completion of the Trust’s capital program. Accomplishments during the first nine months of 2008 include:

- In the first nine months of 2008 True reduced its net debt by approximately \$57 million.
- As of September 30, 2008, True renewed its \$152 million credit facility borrowing base, which is currently scheduled for renewal on March 31, 2009; approximately \$35 million was not drawn under these facilities.
- The Board announced a fourth quarter distribution policy of \$0.04 per unit per month consistent with the first through third quarter distribution policy.
- In the nine month period ended September 30, 2008, funding requirements for distributions declared was 40% of funds flow from operations\*.
- In the nine month period ended September 30, 2008, combined funding requirements for distributions declared and capital expenditures was 76% of funds flow from operations\*.
- For the nine month period ended September 30, 2008, sales volumes averaged 12,242 boe/d. Third quarter 2008 sales volumes averaged 11,263 boe/d with full year guidance remaining at an average 12,000 to 12,500 boe/d.
- On October 1, 2008, True closed the purchase of further working interests in the Mantario, Saskatchewan area for \$4.3 million in cash after adjustments. Effective October 1, 2008 this tuck-in acquisition adds approximately 225 bbls/d of heavy oil production for metrics of \$19,100/boe/d and \$8.60/boe.
- While True has not finalized its level of capital spending for 2009, the Trust will continue to take a balanced approach to the priority use of cash flow between level of distributions and size of its 2009 capital program.

Highlights from the third quarter include:

- True’s revolving term credit facility was renewed effective June 27, 2008 and ends on June 26, 2009 unless extended for a further 364 day period. Should the facilities not be renewed they convert to 366 day non-revolving facilities on the renewal date. The current facility consists of a \$15 million demand operating facility and a \$137 million extendible revolving term syndicated credit facility for a total credit facility of \$152 million. The borrowing base was renewed effective September 30, 2008 and is currently scheduled for renewal on March 31, 2009. As at September 30, 2008, approximately \$35 million was not drawn (or available) under these facilities.
- True’s total net debt, including convertible debentures, excluding unrealized commodity contract assets and liabilities, future income taxes and asset retirement obligations, as at September 30, 2008 was \$193.8 million, representing \$116.6 million outstanding on the credit facility, \$80.7 million in convertible debentures (liability component) and the net balance of working capital. The convertible debentures have a maturity date of June 30, 2011. During the nine month period ended September 30, 2008, True has reduced its total net debt by approximately \$57 million.
- During the third quarter of 2008, True drilled or participated in 12 (9.0 net) wells including 3 net natural gas wells, 1 net light oil well, 0.75 net heavy oil, and 1 net disposal well. 3.25 net wells were dry and abandoned.
- On October 15, 2008, the Trust announced that the Board has set the distribution policy for the fourth 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 generated average sales volumes for the third quarter of 2008 of 11,263 boe/d as compared to 14,096 boe/d for the third quarter of 2007. For the nine month period ended September 30, 2008, sales volumes averaged 12,242 boe/d as compared to 16,544 boe/d for the same period in 2007. In addition to natural production decline and minimal 2008 capital spending, year over year production volumes were also impacted by dispositions totalling approximately 1,000 boe/d that were closed during the first half of 2008.

Additionally, a number of turnaround and maintenance shutdowns were conducted in the third quarter. October field production is approximately 11,700 boe/d. Based on maintenance of current production volumes, True remains on track to meet full year 2008 field production guidance of an average of 12,000 to 12,500 boe/d.

- Funds flow from operations\* for the third quarter of 2008 was \$21.5 million on gross sales of \$72.2 million compared to funds flow from operations\* of \$17.5 million on gross sales of \$50.5 million for the same period in 2007. The increase in funds flow for the 2008 third quarter compared to 2007 was primarily the result of improved commodity pricing and operating netbacks for 2008, despite lower sales volumes and higher realized hedging losses. Funds flow from operations\* for the third quarter of 2008 decreased 18% from second quarter 2008 funds flow from operations\* of \$26.3 million, primarily reflecting a softening of commodity prices in August and September 2008.
- True maintains a commodity price risk management program to provide a measure of stability to cash distributions and capital expenditures. Unrealized mark-to-market gains or losses are non-cash adjustments to the current fair market value of the contract over its entire term and are included in the calculation of net income (loss).
- A net income of \$29.9 million for the third quarter of 2008 compared to a net loss of \$17.0 million for the third quarter of 2007 was primarily due to the reversal of significant unrealized mark-to-market, non-cash losses recorded in the second quarter of 2008. The net loss for the nine month period ended September 30, 2008 was \$10.1 million compared to \$23.8 million for the same period in 2007.

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

True's third quarter report is presented below.

## HIGHLIGHTS

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
<b>FINANCIAL</b> <i>(unaudited)</i>				
<i>(CDN\$000s except unit and per unit amounts)</i>				
Revenue (before royalties and hedging <sup>(1)</sup> )	72,225	50,547	224,332	196,734
Funds flow from operations <sup>(2)</sup>	21,491	17,478	72,028	81,658
Per basic trust unit	\$0.27	\$0.22	\$0.91	\$1.10
Per diluted trust unit <sup>(5)</sup>	\$0.27	\$0.22	\$0.91	\$1.09
Net income (loss)	29,939	(17,003)	(10,056)	(23,833)
Per basic trust unit	\$0.38	\$(0.21)	\$(0.13)	\$(0.32)
Per diluted trust unit <sup>(5)</sup>	\$0.38	\$(0.21)	\$(0.13)	\$(0.32)
Distributions declared	9,474	19,132	28,486	54,374
Per unit	\$0.12	\$0.24	\$0.36	\$0.72
Exploration and development	14,097	11,229	26,204	71,998
Corporate and property acquisitions	(286)	139	337	1,493
Capital expenditures – cash	13,811	11,368	26,541	73,491
Property dispositions – cash	(32)	(3,806)	(44,350)	(31,275)
Corporate acquisitions and other – non-cash	(144)	(684)	(2,858)	(997)
Total capital expenditures – net	13,635	6,878	(20,667)	41,219
Long-term debt	116,591	159,212	116,591	159,212
Convertible debentures	80,693	79,021	80,693	79,021
Working capital surplus	(3,508)	(4,380)	(3,508)	(4,380)
Total net debt <sup>(3)</sup>	193,776	233,853	193,776	233,853
Total assets	752,030	909,876	752,030	909,876
Unitholders' equity	424,121	485,075	424,121	485,075
<b>OPERATING</b>				
Daily sales volumes				
Crude oil, condensate and NGLs	(bbls/d)	3,977	3,958	4,329
Natural gas	(mcf/d)	43,715	60,827	47,480
Total oil equivalent	(boe/d)	11,263	14,096	12,242
Average prices				
Crude oil, condensate and NGLs	(\$/bbl)	96.89	50.54	89.49
Crude oil, condensate and NGLs (including hedging <sup>(1)</sup> )	(\$/bbl)	77.39	50.26	73.32
Natural gas	(\$/mcf)	8.97	5.44	8.92
Natural gas (including hedging <sup>(1)</sup> )	(\$/mcf)	7.80	6.19	8.20
Total oil equivalent	(\$/boe)	69.03	37.68	66.24
Total oil equivalent (including hedging <sup>(1)</sup> )	(\$/boe)	57.61	40.81	57.71
Statistics				
Operating netback	(\$/boe)	38.31	15.76	36.39
Operating netback (including hedging <sup>(1)</sup> )	(\$/boe)	26.90	18.89	27.87
Transportation	(\$/boe)	2.45	1.29	1.75
Production expenses	(\$/boe)	14.95	13.13	14.51
General & administrative	(\$/boe)	3.48	3.26	3.54
Royalties as a % of sales after transportation		20%	21%	21%
		18%		

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
<b>TRUST UNITS</b>				
Trust units outstanding	78,862,690	79,715,595	78,862,690	79,715,595
Trust unit incentive rights outstanding	2,539,166	6,086,832	2,539,166	6,086,832
Units issuable for exchangeable shares	340,642	316,547	340,642	316,547
Units issuable for convertible debentures	5,390,625	5,390,625	5,390,625	5,390,625
Diluted trust units outstanding	87,133,123	91,509,599	87,133,123	91,509,599
Diluted weighted average trust units <sup>(5)</sup>	78,996,154	79,714,539	79,140,544	74,528,093

#### TRUST UNIT TRADING STATISTICS

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

High	4.45	6.10	4.69	7.47
Low	2.74	4.51	2.74	4.51
Close	3.03	4.95	3.03	4.95
Average daily volume	257,512	364,661	260,393	469,513

<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 (excess) 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 September 30, 2008 a total of 2,539,166 (2007: 6,086,832) trust incentive units, 340,642 (2007: 316,547) exchangeable shares 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 September 30, 2008 as they were not dilutive.

In computing weighted average diluted earnings per trust unit for the nine month period ended September 30, 2008 a total of 2,539,166 (2007: 6,887,499) trust incentive units, 340,642 (2007: 309,216) exchangeable shares and 5,390,625 (2007: 5,390,625) trust units issuable pursuant to the conversion of convertible debentures were excluded from the calculation as they were not dilutive. To calculate weighted average diluted funds flow from operations for the nine month period ended September 30, 2007, 316,547 exchangeable shares were added to the denominator, resulting in diluted weighted average trust units of 74,844,640 under this calculation.

## REPORT TO UNITHOLDERS

Current global financial issues have prompted significant deterioration in the equity and capital markets. Commodity prices have pulled back dramatically from those experienced earlier in the year, tempered somewhat by the growing US to Canadian dollar exchange rate. True's concentrated efforts on debt reduction through the first half of the 2008 has improved the Trust's financial flexibility in the current economic environment. The second half 2008 focus is the maintenance of a stable production base and the completion of the Trust's capital program. In addition to an aggressive workover, recompletion, and optimization program, True focused on drilling opportunities in West Central Alberta and West Central Saskatchewan during the third quarter. A reduced fourth quarter program will focus on completion of the Viking Horizontal light oil pilot project in Kindersley and conventional natural gas drilling at Saddle Lake in North East Alberta. Preparations for the first quarter of 2009 are also underway.

Accomplishments for the third quarter ended September 30, 2008 include:

### Distributions

For the third quarter of 2008, monthly distributions of \$0.04 per unit were declared and paid on August 15, 2008, September 15, 2008 and October 15, 2008.

On October 15, 2008, the Trust announced that the Board has set the distribution policy for the fourth 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.

In the nine month period ended September 30, 2008, funding requirements for distributions declared was 40% of funds flow from operations.

### Production

2008 third quarter sales volumes averaged 11,263 boe/d as compared to 14,096 boe/d for the same period in 2007. For the nine month period ended September 30, 2008, sales volumes averaged 12,242 boe/d as compared to 16,544 boe/d for the same period in 2007. In addition to natural production decline and minimal 2008 capital spending, year over year production volumes were also impacted by dispositions totalling approximately 1,000 boe/d that were closed during the first half of 2008. Additionally, a number of turnaround and maintenance shutdowns were completed in the third quarter. October field production is approximately 11,700 boe/d. Based on maintenance of current production levels, True remains on track to meet full year 2008 field production guidance of an average of 12,000 to 12,500 boe/d.

On October 1, 2008, True closed the purchase of further working interests in the Mantario, Saskatchewan area for \$4.3 million in cash after adjustments. Effective October 1, 2008 this tuck-in acquisition adds approximately 225 bbls/d of heavy oil production for metrics of \$19,100/boe/d and \$8.60/boe.

### Drilling

During the third quarter of 2008, True drilled or participated in 12 (9.0 net) wells including 3 net natural gas wells, 1 net light oil well, 0.75 net heavy oil, and 1 net disposal well. 3.25 net wells were dry and abandoned.

On track to meet production guidance through the success of True's ongoing workover, recompletion, and optimization campaign and the acquisition of additional interests in the Mantario area, the Trust has deferred a portion of its planned drilling program. A further 2 net light oil wells have been drilled thus far in the fourth quarter with an additional 2.5 net natural gas well scheduled for November 2008. True will drill approximately 16.5 net wells in 2008, deferring 11.5 net natural gas wells to future programs.

True has been increasing its farm-out activities in non-core areas. In Alberta during the third quarter, True farmed-out its interest in 8 gross wells. These natural gas wells have been drilled at no cost to True and have resulted in a 16% working interest in a successful Obed area well and an average 2.9% royalty interest in 7 West Central Alberta wells.

### Financial

Funds flow from operations for the third quarter of 2008 was \$21.5 million on gross sales of \$72.2 million compared to funds flow from operations of \$17.5 million on gross sales of \$50.5 million for the same period in 2007. The increase in funds flow for the 2008 third quarter compared to 2007 was primarily the result of improved commodity pricing and operating netbacks for 2008, despite lower sales volumes and higher realized hedging losses. Funds flow from operations for the third quarter of 2008 decreased 18% from second quarter 2008 funds flow from operations of \$26.3 million, primarily reflecting a softening of commodity prices in August and September 2008.

Funds flow from operations for the nine month period ended September 30, 2008 was \$72.0 million on gross sales of \$224.3 million compared to funds flow from operations of \$81.7 million on gross sales of \$196.7 million for the same period in 2007. This was reflective of higher commodity prices, offset by lower sales volumes and higher costs in 2008.

True maintains a commodity price risk management program to provide a measure of stability to cash distributions and capital expenditures. Unrealized mark-to-market gains or losses are non-cash adjustments to the current fair market value of the contract over its entire term and are included in the calculation of net income (loss).

A net income of \$29.9 million for the third quarter of 2008 compared to a net loss of \$17.0 million for the third quarter of 2007 was primarily due to the reversal of significant unrealized mark-to-market, non-cash losses recorded in the second quarter of 2008. The net loss for the nine month period ended September 30, 2008 was \$10.1 million compared to \$23.8 million for the same period in 2007.

### **Liquidity**

True's net debt, excluding unrealized commodity contract assets and liabilities, future income taxes and asset retirement obligations, as at September 30, 2008 was \$193.8 million, representing \$116.6 million outstanding on the credit facility, \$80.7 million in convertible debentures (liability component) and the net balance of working capital. The convertible debentures have a maturity date of June 30, 2011.

Combined funding requirements for distributions declared and True's capital expenditures represented approximately 109% and 76% of funds flow from operations in the three and nine months ended September 30, 2008, respectively. The excess funds flow from operations in the first half of 2008 was applied to the repayment of net debt.

True's revolving term credit facility was renewed effective June 27, 2008 and ends on June 26, 2009 unless extended for a further 364 day period. Should the facilities not be renewed they convert to 366 day non-revolving facilities on the renewal date. The current facility consists of a \$15 million demand operating facility and a \$137 million extendible revolving term syndicated credit facility for a total credit facility of \$152 million. The borrowing base was renewed effective September 30, 2008 and is currently scheduled for renewal on March 31, 2009. As at September 30, 2008, approximately \$35 million was not drawn (or available) under these facilities.

In August 2008, the Trust announced approval of the renewal of its normal course issuer bid ("NCIB") program to repurchase up to 7.8 million of its outstanding trust units during the period August 28, 2008 through August 27, 2009, subject to certain restrictions. As of October 24, 2008, the Trust has purchased 550,100 trust units at a weighted average price of \$2.80 per trust unit under the NCIB renewed on August 28, 2008. Of the units purchased, 186,300 were cancelled as of September 30, 2008; the remaining 363,800 trust units have been or will be subsequently cancelled. This purchase is in response to True's belief that the current market price for True trust units does not reflect the underlying value of the Trust and the cancellation of the above purchased Trust Units will increase the proportionate interest of, and be advantageous to, all remaining unitholders. 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 relative to the net asset value of the Trust.

True does not hold any Asset-Backed Commercial Paper investments. As a non-operating working interest owner, True has a minor exposure of approximately \$70,000 from oil sales marketed through SemCanada Crude Company, which filed for CCAA protection on July 22, 2008. True does not have any exposure to Lehman Brothers, which recently filed for Chapter 11 bankruptcy protection in the United States.

True maintains an active commodity price risk management program. Approximately 50% of current natural gas production is hedged through the fourth quarter of 2008 with approximately 23% hedged through the first half of 2009, and approximately 12% hedged through the second half of 2009. Approximately 18% 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.

In addition to the Trust's financial commodity risk management contracts, the Trust has entered into a natural gas physical delivery sales contract to sell 5,275 GJ/day at a fixed price of \$7.29/GJ and \$7.90/GJ for the third and fourth quarter of 2009, respectively.

### **Fourth quarter 2008 and 2009 Year Outlook**

True's capital program for the first nine months of 2008 of approximately \$26.5 million compares to approximately \$73.5 million spent for 2007. True plans to spend the balance of its \$40 to \$45 million 2008 capital expenditure program in the fourth quarter, including the October 1, 2008 purchase of further working interests in Mantario.

The current global economic environment has created volatility in commodity prices, especially with crude oil prices declining to less than 50% of their recent highs. This has been somewhat mitigated by the widening US to Canadian dollar exchange rate. Natural gas prices have shown more strength but have also retreated from those seen earlier in 2008.

While True has not finalized its level of capital spending for 2009, the Trust will continue to take a balanced approach to the priority use of cash flow between level of distributions and size of its 2009 capital program. True's first half 2009 capital program is not expected to exceed \$20 million. Given the nature of True's lands and their inherent advantage of year round access, True currently plans to spread its 2009 capital program evenly through the full year of 2009 to take advantage of reduced service costs during non-peak times. True will focus on continuing its successful farm-out activity in non-core areas. If the 2009 outlook for commodity prices improves, True would plan to increase its capital spending in third and fourth quarters of 2009 dependant upon cash flow.

Wayne M. Chorney, P. Eng.  
President, CEO and COO  
November 6, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

November 6, 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 and nine months ended September 30, 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 as of, November 6, 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, hedging strategies, distributions and method of funding thereof, proportion of distributions anticipated to be taxable and non-taxable, 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 \$21.5 million (\$0.27 per diluted unit) for the three months ended September 30, 2008, up 23% from \$17.5 million (\$0.22 per diluted unit) from the third quarter of 2007. The increase in funds flow for the 2008 third quarter compared to 2007 was primarily the result of improved commodity pricing and operating netbacks for 2008, despite lower sales volumes and higher realized hedging losses. Funds flow from operations for the third quarter of 2008 decreased 18% from second quarter 2008 funds flow from operations of \$26.3 million. Funds flow from operations for the nine month period ended September 30, 2008 was \$72.0 million (\$0.91 per diluted unit), down from the \$81.7 million (\$1.09 per diluted unit) for the same period in 2007. This was reflective of higher commodity prices, offset by lower sales volumes and higher costs in 2008.

True maintains a commodity price risk management program to provide a measure of stability to cash distributions and capital expenditures. Unrealized mark-to-market gains or losses are non-cash adjustments to the current fair market value of the contract over its entire term and are included in the calculation of net income (loss).

True generated a net income of \$29.9 million (\$0.38 per diluted unit) in the third quarter of 2008 primarily due to the reversal of significant higher unrealized mark-to-market, non-cash losses on commodity risk management contracts recorded in the second quarter of 2008. This compares to a net loss of \$17.0 million (\$(0.21) per diluted unit) for the same period in 2007. The net loss for the nine months ended September 30, 2008 was \$10.1 million compared to a net loss of \$23.8 million for the same period in 2007.

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

(\$000s, except per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Funds flow from operations	21,491	17,478	72,028	81,658
Basic (\$/unit)	0.27	0.22	0.91	1.10
Diluted (\$/unit)	0.27	0.22	0.91	1.09
Net income (loss)	29,939	(17,003)	(10,056)	(23,833)
Basic (\$/unit)	0.38	(0.21)	(0.13)	(0.32)
Diluted (\$/unit)	0.38	(0.21)	(0.13)	(0.32)

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

(\$000s, except per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Funds flow from operations	21,491	17,478	72,028	81,658
Asset retirement costs incurred	(893)	(32)	(1,605)	(607)
Change in non-cash working capital	8,808	(2,598)	(3,282)	(21,842)
Cash flow from operating activities	29,406	14,848	67,141	59,209

## Sales Volumes

Sales volumes for the three months ended September 30, 2008 averaged 11,263 boe/d as compared to 14,096 boe/d for the same period in 2007, representing a 20% decrease. Sales volumes for the nine months ended September 30, 2008 averaged 12,242 boe/d as compared to 16,544 boe/d for the same period in 2007, representing a 26% decrease. In comparison, sales volumes for the second quarter of 2008 averaged 11,922 boe/d.

In addition to natural production decline and minimal 2008 capital spending, year over year production volumes were also impacted by dispositions totalling approximately 1,000 boe/d that were closed during the first half of 2008. Additionally, a number of turnaround and maintenance shutdowns were completed in the third quarter. October field production is approximately 11,700 boe/d. Based on maintenance of current production levels, True remains on track to meet full year 2008 field production guidance of an average of 12,000 to 12,500 boe/d.

## Sales Volumes

		Three months ended September 30,		Nine months ended September 30,	
		2008	2007	2008	2007
Natural gas	(mcf/d)	43,715	60,827	47,480	67,364
Heavy oil	(bbls/d)	2,820	3,001	2,789	3,466
Light oil and condensate	(bbls/d)	760	531	1,088	1,261
NGLs	(bbls/d)	397	426	452	589
Total crude oil and NGLs	(bbls/d)	3,977	3,958	4,329	5,316
Total boe/d	(6:1)	11,263	14,096	12,242	16,544

During the third quarter of 2008, True drilled or participated in 12 (9.0 net) wells including 3 net natural gas wells, 1 net light oil well, 0.75 net heavy oil, and 1 net disposal well. 3.25 net wells were dry and abandoned.

For the three months ended September 30, 2008, the weighting towards natural gas sales averaged 65% compared to 72% in the same period in 2007. For the nine month period ended September 30, 2008, the weighting towards natural gas averaged 65% compared to 67% for the same period in 2007. Heavy oil sales made up 25% of total production for the 2008 third quarter compared to 21% in the 2007 third quarter. In comparison, heavy oil sales made up 23% of total production in the second quarter of 2008.

Sales of natural gas averaged 43.7 mmcf/d for the third quarter of 2008, compared to 60.8 mmcf/d in the same period of 2007, a decrease of 28%. Crude oil and NGL sales for the third quarter of 2008 averaged 3,977 bbls/d, compared to 2007 third quarter average sales of 3,958 bbls/d.

## Commodity Prices

### Average Commodity Prices

	Three months ended September 30,			Nine months ended September 30,		
	2008	2007	% Change	2008	2007	% Change
Exchange rate (US\$/Cdn\$)	1.0000	0.9560	5%	0.9980	0.9050	10%
Natural gas:						
NYMEX (US\$/mmbtu)	8.99	6.24	44%	9.67	7.02	38%
AECO daily index (CDN\$/Mcf)	7.74	5.14	51%	8.61	6.52	32%
AECO monthly index (CDN\$/Mcf)	9.24	6.81	36%	8.57	6.81	26%
True's average price (\$/mcf)	8.97	5.44	65%	8.92	6.82	31%
True's average price (including hedging <sup>(1)</sup> ) (\$/mcf)	7.80	6.19	26%	8.20	7.16	15%
Crude oil:						
WTI (US\$/bbl)	118.28	75.15	57%	100.64	66.19	52%
Edmonton par – light oil (\$/bbl)	122.61	80.70	52%	115.85	73.69	57%
Bow River – medium/heavy oil (\$/bbl)	104.95	55.61	89%	95.53	52.01	84%
Hardisty Heavy – heavy oil (\$/bbl)	98.07	47.43	107%	88.23	39.35	124%
True's average prices (\$/bbl)						
Light crude oil, condensate, and NGLs	107.55	76.37	41%	98.85	59.64	66%
Heavy crude oil	92.51	42.30	119%	84.32	40.17	110%
Total crude oil and NGLs	96.89	50.54	92%	89.49	46.94	91%
Total crude oil and NGLs (including hedging <sup>(1)</sup> )	77.39	50.26	54%	73.32	47.60	54%

<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 sales are priced with reference to the daily or monthly AECO indices. During the third quarter of 2008, the AECO daily and monthly reference price increased by 51% and 36%, respectively, compared to the same period in 2007. True's average sales price before hedging for the third quarter of 2008 increased by 65% compared to the same period in 2007. The higher increase in True's average sale price for the third quarter of 2008 compared to the change in the AECO indices was due to a higher weighting of sales priced at the monthly index in the period. In comparison, True's third quarter 2008 natural gas price before hedging was 10% lower than the second quarter 2008 price of \$9.94/mcf. True's natural gas price after including hedging for the third quarter of 2008 was \$7.80/mcf compared to \$6.19/mcf for the same period in 2007.

The Trust has entered into a natural gas physical delivery sales contract to sell 5,275 GJ/day at a fixed price of \$7.29/GJ and \$7.90/GJ for the third and fourth quarter of 2009, respectively.

For heavy crude oil, True received an average price before transportation of \$92.51/bbl for the third quarter of 2008, an increase of 119% over prices in the 2007 period. The Bow River reference price increased by 89% and the Hardisty Heavy reference price increased by 107% 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. During 2008, the blending costs for condensate were lower which has also contributed to higher pricing received. In comparison, True's third quarter 2008 heavy oil price was 7% lower than the second quarter of 2008 price of \$99.37/bbl. Earlier in 2008, a portion of heavy oil sales were being sold through the Bow River Pipeline at higher pricing, but for September 2008 forward these sales are being delivered at a more local delivery point; this has resulted in lower heavy oil pricing, but will be offset by substantively reduced transportation costs.

For light oil, condensate and NGLs, True recorded an average \$107.55/bbl before hedging during the third quarter of 2008, 41% higher than the average price received in the same period of 2007. The Edmonton par price increased by 52% over the same period. The average WTI crude oil US dollar based price increased 57% from the third quarter of 2007 to that in 2008. In comparison, True's realized price for the third quarter of 2008 decreased 3% from the second quarter 2008 average price of \$110.23/bbl, whereas the Edmonton par price also decreased by 3%. True's realized price after including hedging was \$40.57/bbl for the third quarter of 2008 compared to \$75.22/bbl for the same period in 2007.

## Revenue

Revenue before other income and hedging for the three months ended September 30, 2008 was \$71.5 million, 46% higher than the \$48.9 million in the same period in 2007. The higher revenue for the 2008 period was the result of significantly higher commodity prices, despite lower sales volumes.

(\$000s)	Three months ended		Nine months ended	
	2008	September 30, 2007	2008	September 30, 2007
Light crude oil, condensate and NGLs	11,455	6,724	41,717	30,118
Heavy oil	23,999	11,680	64,425	38,009
Crude oil and NGLs	35,454	18,404	106,142	68,127
Natural gas	36,073	30,455	116,034	125,495
Total revenue before other	71,527	48,859	222,176	193,622
Other <sup>(1)</sup>	698	1,688	2,156	3,112
Total revenue before royalties and hedging	72,225	50,547	224,332	196,734

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

## Commodity Price Risk Management

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, collars and the purchase of floor price options and other derivative financial instruments and physical delivery sales contracts 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 financial hedge volumes and average prices by quarter currently outstanding as of November 6, 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 November 6, 2008):

Crude oil and liquids	Average Volumes (bbls/d)		
	Q4 2008	Q1 2009	Q2 2009
Collars	674	-	-
Total bbls/d	674	-	-
Average Price (US\$/bbl WTI)			
	Q4 2008	Q1 2009	Q2 2009
Collar ceiling price	82.00	-	-
Collar floor price	65.00	-	-
Natural gas	Average Volumes (GJ/d)		
	Q4 2008	Q1 2009	Q2 2009
Collars	-	-	-
Fixed	24,326	10,550	10,550
Total GJ/d	24,326	10,550	10,550
Average Price (\$/GJ AECO C)			
	Q4 2008	Q1 2009	Q2 2009
Collar ceiling price	-	-	-
Collar floor price	-	-	-
Fixed	6.89	7.74	7.01

As of September 30, 2008, the fair value of True's outstanding commodity contracts is an unrealized asset of \$1.5 million and an unrealized liability of \$5.2 million as reflected in the financial statements.

The following is a summary of the gain (loss) on commodity contracts for the three and nine month periods ended September 30, 2008 and 2007:

### Commodity contracts

(\$000s)	Crude Oil & Liquids	Natural Gas	Q3 2008 Total	Q3 2007 Total
Realized cash gain (loss) on contracts <sup>(1)</sup>	(7,136)	(4,695)	(11,831)	4,064
Unrealized gain (loss) on contracts <sup>(2)</sup>	20,002	29,909	49,911	(2,908)
Total gain (loss) on commodity contracts	12,866	25,214	38,080	1,156

  

(\$000s)	Crude Oil & Liquids	Natural Gas	YTD 2008 Total	YTD 2007 Total
Realized cash gain (loss) on contracts <sup>(1)</sup>	(19,182)	(9,410)	(28,592)	7,090
Unrealized gain (loss) on contracts <sup>(2)</sup>	6,200	474	6,674	580
Total gain (loss) on commodity contracts	(12,982)	(8,936)	(21,918)	7,670

<sup>(1)</sup> Includes the crude oil and natural gas commodity contract premium expenses in the 2007 period and the amortization of prior year crude oil and natural gas commodity contract premiums of a total \$0.3 million and \$3.7 million, respectively, for the three and nine months ended September 30, 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 September 30, 2008, total royalties were \$13.8 million, compared to \$9.7 million incurred in the same period in 2007. Overall royalties as a percentage of revenue (after transportation costs) in the third quarter of 2008 were 20%, compared with 21% in the same period in 2007. Royalties for the nine months ended September 30, 2008 were \$45.6 million compared to \$34.4 million for the same period in 2007. Royalties were lower by approximately \$5.3 million for the nine months ended September 30, 2007 due to the reversal of certain prior period over accruals for light and heavy crude oil royalties; excluding these adjustments, the average royalty rate for the nine month period ended September 30, 2007 would have been 21%.

Royalties by Commodity Type (\$000s, except where noted)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Light crude oil, condensate and NGLs \$/bbl	2,893 27.16	2,212 25.12	9,556 22.64	6,749 13.36
Average light crude oil, condensate and NGLs royalty rate (%)	26	33	23	22
Heavy Oil \$/bbl	4,174 16.09	1,278 4.63	11,806 15.45	4,214 4.45
Average heavy oil royalty rate (%)	18	11	19	11
Natural Gas \$/mcf	6,732 1.67	6,237 1.01	24,226 1.86	23,459 1.28
Average natural gas royalty rate (%)	19	21	21	19
Total	13,799	9,727	45,588	34,422
\$/boe	13.32	7.50	13.59	7.62
Average total royalty rate (%)	20	21	21	18

### Royalties, by Type

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Crown royalties	6,931	6,499	25,474	19,732
Indian Oil and Gas Canada royalties	2,031	544	5,566	3,855
Freehold & GORR	4,837	2,684	14,548	10,835
Total	13,799	9,727	45,588	34,422

## Expenses

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Production	15,494	17,024	48,660	51,774
Transportation	2,534	1,671	5,855	4,791
General and administrative	3,610	4,232	11,872	13,468
Interest and financing charges	3,318	4,422	11,321	13,542
Unit-based compensation	660	869	1,089	3,256

## Expenses per boe

(\$ per boe)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Production	14.95	13.13	14.51	11.46
Transportation	2.45	1.29	1.75	1.06
General and administrative	3.48	3.26	3.54	2.98
Interest and financing charges	3.20	3.41	3.37	3.00
Unit-based compensation	0.64	0.67	0.72	0.72

## Production Expenses

For the three months ended September 30, 2008, production expenses totaled \$15.5 million (\$14.95/boe), compared to \$17.0 million (\$13.13/boe) recorded in the same period in 2007. Production expenses were \$48.7 million (\$14.51/boe) and \$51.8 million (\$11.46/boe) for the year to date 2008 and 2007, respectively. In 2008, fuel gas cost associated with steam generation at the Kerrobert facility added \$1.50/boe in the third quarter and \$2.01/boe year to date to corporate operating costs.

## Production Expenses, by Commodity Type

(\$000s, except where noted)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Light crude oil, condensate and NGLs	2,974	1,524	8,248	6,292
\$/bbl	27.92	17.31	19.55	12.45
Heavy oil	6,612	4,067	17,455	15,084
\$/bbl	25.49	14.73	22.85	15.93
Natural gas	5,908	11,433	22,957	30,398
\$/mcf	1.47	2.04	1.76	1.65
<b>Total</b>	<b>15,494</b>	<b>17,024</b>	<b>48,660</b>	<b>51,774</b>
<b>\$/boe</b>	<b>14.95</b>	<b>13.13</b>	<b>14.51</b>	<b>11.46</b>
<b>Total</b>	<b>15,494</b>	<b>17,024</b>	<b>48,660</b>	<b>51,774</b>
Processing and other third party income <sup>(1)</sup>	(698)	(1,688)	(2,156)	(3,112)
<b>Total after deducting processing and other third party income</b>	<b>14,796</b>	<b>15,336</b>	<b>46,504</b>	<b>48,662</b>
<b>\$/boe</b>	<b>14.28</b>	<b>11.83</b>	<b>13.86</b>	<b>10.77</b>

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

## Transportation

Transportation expenses are expected to be approximately 2% to 3% of gross revenues for the 2008 year. For the three and nine months ended September 30, 2008, transportation expenses averaged approximately 4% and 3%,

respectively. Higher transportation expenses on a percentage basis in the third quarter of 2008, as compared to that for the year to date average, reflects primarily higher heavy oil trucking costs for the quarter.

## Operating Netback

For the third quarter of 2008, corporate field operating netback (before hedging) was \$38.31/boe compared to \$15.76/boe in the same period in 2007. This was the result of increased overall commodity prices, partially offset by higher transportation, royalties and operating costs experienced in the 2008 period. By comparison, corporate field operating netback (before hedging) for the second quarter of 2008 was \$42.66/boe. After including hedging activities, the corporate field operating netback for the third quarter of 2008 was \$26.90/boe compared to \$18.89/boe in the same period in 2007.

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

(\$/boe)	Three months ended September 30		Nine months ended September 30,	
	2008	2007	2008	2007
Sales	69.03	37.68	66.24	42.87
Transportation	(2.45)	(1.29)	(1.75)	(1.06)
Royalties	(13.32)	(7.50)	(13.59)	(7.62)
Production expense	(14.95)	(13.13)	(14.51)	(11.46)
Field operating netback	38.31	15.76	36.39	22.73

Field operating netback for natural gas for the third quarter of 2008 increased 168% to \$5.50/mcf, compared to \$2.05/mcf for the same period in 2007, reflecting stronger natural gas prices experienced, the effects of which were partially offset by higher royalties and transportation expenses. After including hedging activities, field operating netback for natural gas for the third quarter of 2008 was \$4.33/mcf compared to \$2.79/mcf in the same period in 2007.

### Field Operating Netback – Natural Gas (before hedging)

(\$/mcf)	Three months ended September 30		Nine months ended September 30,	
	2008	2007	2008	2007
Sales	8.97	5.44	8.92	6.82
Transportation	(0.33)	(0.24)	(0.18)	(0.22)
Royalties	(1.67)	(1.11)	(1.86)	(1.28)
Production expense	(1.47)	(2.04)	(1.76)	(1.65)
Field operating netback	5.50	2.05	5.12	3.67

Field operating netback for crude oil, condensate and NGLs averaged \$48.07/bbl for the third quarter of 2008, up 95% compared to \$24.71/bbl for the same period in 2007. This compares to a 41% increase in the crude oil, condensate and NGLs sales price combined with a lower corresponding increase in overall expenses over the same period. After including hedging activities, field operating netback for crude oil and NGLs for the third quarter of 2008 was \$28.58/boe compared to \$24.44/boe in the same period in 2007.

### Field Operating Netback – Crude Oil, Condensate and NGLs (before hedging)

(\$/bbl)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Sales	96.89	50.54	89.49	46.94
Transportation	(3.31)	(0.89)	(2.98)	(0.44)
Royalties	(19.31)	(9.59)	(18.01)	(7.56)
Production expense	(26.20)	(15.35)	(21.67)	(14.73)
Field operating netback	48.07	24.71	46.83	24.21

## General and Administrative

Net general and administrative ("G&A") expenses for the three and nine months ended September 30, 2008 were \$3.6 million and \$11.9 million, respectively, compared to \$4.2 million and \$13.5 million, respectively, for the same period in 2007. The decrease in the G&A expense for the nine month period ended September 30, 2008 from the

same period in 2007 reflects a reduction of the number of salaried personnel on staff and other efforts to reduce costs. The reduction in amounts of capitalized G&A for 2008 is consistent with a lower capital program. On a per boe basis, G&A expenses for the three and nine months ended September 30, 2008 were \$3.48/boe and \$3.54/boe, respectively compared to \$3.26/boe and \$2.98/boe, respectively for the same period in 2007. The increase in G&A on a per boe basis is consistent with reduced sales volumes experienced in 2008 compared to 2007. By comparison, G&A expenses for the second quarter of 2008 were \$4.14/boe.

### General and Administrative Expenses

(\$000s, except where noted)	Three months ended		Nine months ended	
	2008	September 30, 2007	2008	September 30, 2007
Gross expenses	4,690	5,551	15,077	17,833
Capitalized	(664)	(863)	(1,863)	(2,677)
Recoveries	(416)	(456)	(1,342)	(1,688)
Net expenses	3,610	4,232	11,872	13,468
Net expenses, per unit (\$/boe)	3.48	3.26	3.54	2.98

### Interest and Financing Charges

True recorded \$3.3 million of interest and financing charges for the three months ended September 30, 2008 compared to \$4.4 million in the same period in 2007. For the nine months ended September 30, 2008, interest and financing charges totaled \$11.3 million compared to \$13.5 million for the same period in 2007. True's net debt at September 30, 2008 of \$193.8 million includes the \$80.7 million liability portion of convertible debentures, \$116.6 million of bank debt and the net balance of working capital. The convertible debentures have a maturity date of June 30, 2011.

### Interest and Financing Charges

(\$000s, except where noted)	Three months ended		Nine months ended	
	2008	September 30, 2007	2008	September 30, 2007
Interest and financing charges	3,318	4,422	11,321	13,542
Interest and financing charges (\$/boe)	3.20	3.40	3.37	3.00
Net debt <sup>(1)</sup> including convertible debentures at quarter end	193,776	233,853	193,776	233,853
Debt to periods funds flow from operations ratio annualized <sup>(2)</sup>	2.3x	3.3x	2.0x	2.1x
Net debt excluding convertible debentures at quarter end	113,083	154,832	113,083	154,832
Debt to periods funds flow from operations ratio annualized <sup>(2)</sup>	1.3x	2.2x	1.2x	1.4x

<sup>(1)</sup> Net debt includes the net working capital deficiency (excess) 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 annualizing of funds flow from operations for the three and nine month periods ended September 30, 2008, respectively.

### Unit-Based Compensation

Non-cash unit-based compensation expense for the three and nine month period ended September 30, 2008 was \$0.7 million and \$1.1 million, respectively, compared to \$0.9 million and \$3.3 million in 2007, respectively. The decrease in the expense for the nine months ended September 30, 2008 reflects a reduction in the estimated weighted average fair value of incentive rights granted for more recent options and a reduction to the 2008 expense of \$0.6 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, offset by \$0.5 million of additional compensation expense for the incentive units voluntarily surrendered and cancelled in the period.

## Capital Expenditures

True invested \$14.1 million on exploration and development activities during the third quarter of 2008, compared to \$11.3 million in the same period in 2007. For the nine months ended September 30, 2008, the Trust invested \$26.2 million on exploration and development activities compared to \$72.0 million for the same period in 2007.

During the third quarter of 2008, True drilled or participated in 12 (9.0 net) wells including 3 net natural gas wells, 1 net light oil well, 0.75 net heavy oil, and 1 net disposal well. 3.25 net wells were dry and abandoned.

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

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Lease acquisitions and retention	136	358	1,101	1,860
Geological and geophysical	322	263	334	3,727
Drilling and completion costs	5,696	8,716	15,200	57,061
Facilities and equipment	7,943	1,892	9,569	9,350
Exploration and development	14,097	11,229	26,204	71,998
Corporate and property acquisitions	(286)	139	337	1,493
Total capital expenditures – cash	13,811	11,368	26,541	73,491
Property dispositions – cash	(32)	(3,806)	(44,350)	(31,275)
Total net capital expenditures – cash	13,779	7,562	(17,809)	42,216
Other – non-cash <sup>(2)</sup>	(144)	(684)	(2,858)	(997)
Total capital expenditures	13,635	6,878	(20,667)	41,219

<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. For 2007, it also includes a \$(0.8 million) initial fair value adjustment for marketable securities acquired.

The \$26.5 million and \$73.5 million capital program for the first nine months of 2008 and 2007, respectively, were financed entirely with funds flow from operations.

While True has not finalized its level of capital spending for 2009, the Trust will continue to take a balanced approach to the priority use of cash flow between level of distributions and size of its 2009 capital program. True's first half 2009 capital program is not expected to exceed \$20 million.

True holds an extensive land base. At September 30, 2008, True had approximately 386,304 net undeveloped acres of land of its total developed and undeveloped net acreage position of 691,912 net acres in Saskatchewan, Alberta, and British Columbia.

On October 1, 2008 True closed the purchase of further working interests in the Mantario, Saskatchewan area for \$4.3 million in cash after adjustments.

## Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense for the third quarter of 2008 was \$30.0 million (\$28.94/boe), compared to the \$38.9 million (\$29.99/boe) in the same period of 2007, which reflects lower production volumes combined with reduced carrying costs in the 2008 period as compared to 2007.

For the three month period ended September 30, 2008, True has included \$52.8 million for future development costs in the depletion calculation and excluded from the depletion calculation \$33.2 million for undeveloped land and \$41.3 million for estimated salvage.

## Depletion, Depreciation and Accretion Costs

(\$000s, except where noted)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Depletion and Depreciation	29,446	38,347	97,890	130,116
Accretion	539	543	1,607	1,581
Total	29,985	38,890	99,497	131,697
Per unit (\$/boe)	28.94	29.99	29.66	29.16

## 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 September 30, 2008 resulting in undiscounted cash flows from proved reserves and the undeveloped properties exceeding the carrying value of oil and gas assets. Consequently, no impairment in oil and gas assets was identified as at September 30, 2008.

The ceiling test calculation will be updated as at December 31, 2008 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 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 September 30, 2008, the Trust has recorded an Asset Retirement Obligation ("ARO") of \$26.7 million, compared to \$27.7 million at September 30, 2007, for future abandonment and reclamation of the Trust's properties. For the nine months ended September 30, 2008, the ARO decreased by \$1.7 million total as a result of accretion expense of \$1.6 million, and \$1.1 million net changes in estimates and liabilities incurred on development activities, offset by \$2.8 million of liabilities released on dispositions and \$1.6 million of liabilities settled during the year.

## Income Taxes

For the nine months ended September 30, 2008, the Trust has recorded capital tax expense of \$1.7 million compared to \$1.5 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.

Future income taxes arise from differences between the accounting and tax bases of the Trust's assets and liabilities. For the nine months ended September 30, 2008, the Trust recognized a future income tax recovery of \$13.1 million compared to a recovery of \$30.0 million in the same period in 2007.

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. Under the SIFT 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 discretionary tax deductions 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 for non-resident holders, would be required under the trust indenture.

The SIFT 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 22, 2007, the legislation implementing a 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 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.

In June 2008, Bill C-50, which contains legislation to adjust the deemed provincial component on the tax rate on distributions from income and royalty trusts expected to apply to the Trust commencing in 2011, received Royal Assent. Under this legislation, 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 Bill C-50 legislation, 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%.

On July 14, 2008, the Department of Finance released proposed amendments (the "Conversion Rules") to the Income Tax Act (Canada) to facilitate the conversion of existing income trusts into corporations. In general, the proposed amendments will permit a conversion to be tax deferred for both the unitholders and the income trust. However, the Conversion Rules provide alternative approaches to completing a tax deferred conversion. The Department of Finance requested comments on the Conversion Rules by September 15, 2008, which may result in amendments to the Conversion Rules. We expect future technical interpretations and details will further clarify the legislation.

The True Board of Directors and Management continue to review the impact of this tax on business strategy as well as the Conversion Rules in considering alternatives available. 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, RRFs, 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 discretionary tax deductions 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 September 30, 2008, the operating subsidiaries and the Trust itself have a total net future income tax liability balance of \$51.2 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 September 30, 2008, the Trust and operating subsidiaries of the Trust had approximately \$472 million in tax pools available for deduction against future income as follows:

<b>(\$000s)</b>	Trust	Operating subsidiaries	Total
Intangible resource pools	15	295	310
Undepreciated capital cost	-	148	148
Loss carryforwards (expire through 2027)	-	8	8
Unit issue costs	4	2	6
	<b>19</b>	<b>453</b>	<b>472</b>

## Distributions

Trust unitholders who held their trust units throughout the first nine months of 2008 received distributions of \$0.36 per unit. For the nine months ended September 30, 2008 the Trust declared distributions as follows:

<i>(\$000s, except per unit amount)</i>	Distribution Per Unit	Total
Nine months ended September 30, 2008		
Distributions declared	\$ 0.36	\$ 28,486

## 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 ( nine months) <sup>(3)</sup>	\$ 0.360		
Cumulative to September 30, 2008	\$ 4.440		

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

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

(3) 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 2008 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 review 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	May 30, 2008	June 16, 2008	0.04
June 26, 2008	June 30, 2008	July 15, 2008	0.04
July 29, 2008	July 31, 2008	August 15, 2008	0.04
August 27, 2008	August 29, 2008	September 15, 2008	0.04
September 26, 2008	September 30, 2008	October 15, 2008	0.04
October 29, 2008	October 31, 2008	November 17, 2008	0.04
November 26, 2008 <sup>(1)</sup>	November 28, 2008	December 15, 2008	0.04 <sup>(2)</sup>
December 29, 2008 <sup>(1)</sup>	December 31, 2008	January 15, 2009	0.04 <sup>(2)</sup>

(1) Anticipated ex-distribution dates for November and December 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 an actual conditions

In the nine month period ended September 30, 2008, funding requirements for distributions declared was 40% of 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 October 17, 2008 approximately 27 percent of unitholders are non-Canadian residents with the remaining 73 percent being Canadian residents.

In order that the Trust maintain its status as a "mutual fund trust" under the Income Tax Act (Canada), certain provisions of the Income Tax Act (Canada) require that the trust not be established or maintained primarily for the benefit of non-residents of Canada ("non-residents"). The Trust Indenture for the Trust provides that if the Trust or its administrator becomes aware that the activities of the Trust and ownership of Trust Units by non-residents may threaten the status of the Trust under the Income Tax Act (Canada) as a "unit trust" or "mutual fund trust", the Trust is authorized to take action as may be necessary to maintain the status of the Trust as a unit trust and a mutual fund trust, including the imposition or restrictions on the issuance by the Trust, or the transfer of any unitholder, of Trust Units to a non-resident.

## **Liquidity and Capital Resources**

Global financial markets have recently experienced severe turmoil. This economic crisis has spread resulting in a tightening of credit markets characterized by a decline in liquidity and higher borrowing costs. While the Trust continues to generate significant cash from operating activities and currently has \$35 million of unutilized credit facilities to support liquidity, access to capital markets has become constrained and significantly more expensive. The current global economic environment has also created volatility in commodity prices, tempered somewhat by the growing US to Canadian dollar exchange rate. Given the current uncertain economic conditions, the Trust is reviewing its level of capital spending for 2009 and will continue to take a balanced approach to the use of cash flows between distribution levels and the capital program. The Trust will continue to monitor forecasted debt levels to help ensure that debt covenants are not exceeded. In addition, the Trust will continue to monitor developments within the global economic environment to consider the impacts on current or future lending arrangements.

Liquidity risk is the risk that The Trust will not be able to meet its financial obligations as they fall due. The Trust actively manages its liquidity through daily and longer-term cash, debt and equity management strategies. Such strategies encompass, among other factors: having adequate sources of financing available through its bank credit facilities, estimating future cash generated from operations based on reasonable production and pricing assumptions, analysis of economic hedging opportunities, maintaining a balanced approach to the use of cash flows between distribution levels and the capital program and compliance with debt covenants.

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, petroleum and natural gas marketers, and financial derivative counterparties.

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 a periodic internal credit review to minimize the risk of non-payment. The Trust has continued to closely monitor and reassess the creditworthiness of its counterparties, including financial institutions. This has resulted in the Trust reducing or mitigating its exposures to certain counterparties where it is deemed warranted and permitted under contractual terms.

True's net debt as at September 30, 2008 was \$193.8 million, representing \$116.6 million outstanding on the credit facility, \$80.7 million in convertible debentures (liability component) and the net balance of working capital. The convertible debentures have a maturity date of June 30, 2011. Our calculation of net debt includes the net working capital 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.

During the nine month period ended September 30, 2008, the Trust has reduced its net debt by approximately \$57 million.

Combined funding requirements for distributions declared and True's capital expenditures represented 109% and 76% of funds flow from operations in the three and nine months ended September 30, 2008, respectively. The excess funds flow from operations was applied to the repayment of net debt.

Effective June 27, 2008, True's revolving term credit facility was renewed and consists of a \$15 million demand operating facility provided by one Canadian bank and a \$137 million extendible revolving credit facility syndicated by two Canadian chartered banks, a Canadian financial institution, one institutional lender and a U.S. bank. The revolving period on the revolving term credit facility ends on June 26, 2009, unless extended for a further 364 day period. Should the facilities not be renewed they convert to 366 day non-revolving facilities on the renewal date. The borrowing base was renewed effective September 30, 2008 and is currently scheduled for renewal on March 31, 2009. Further details of the credit facilities are disclosed in note 6 of the consolidated financial statements. As at September 30, 2008, there was approximately \$35.0 million not drawn under these facilities.

The Trust does not hold any Asset-Backed Commercial Paper investments. As a non-operating working interest owner, True has a minor exposure of approximately \$70,000 from oil sales marketed through SemCanada Crude Company, which filed for CCAA protection on July 22, 2008. True does not have any exposure to Lehman Brothers, which recently filed for Chapter 11 bankruptcy protection in the United States.

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.

In August 2008, the Trust announced approval of the renewal of its normal course issuer bid ("NCIB") program to repurchase up to 7.8 million of its outstanding trust units during the period August 28, 2008 through August 27, 2009, subject to certain restrictions. As of October 24, 2008, the Trust has purchased 550,100 trust units at a weighted average price of \$2.80 per trust unit under the NCIB renewed on August 28, 2008. Of the units purchased, 186,300 were cancelled as of September 30, 2008; the remaining 363,800 trust units have been or will be subsequently cancelled. This purchase is in response to True's belief that the current market price for True trust units does not reflect the underlying value of the Trust and the cancellation of the above purchased Trust Units will increase the proportionate interest of, and be advantageous to, all remaining unitholders. 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.

As at October 31, 2008, the Trust had outstanding a total of 2,544,498 incentive units exercisable at an average exercise price of \$4.30 per unit, 355,380 exchangeable shares (convertible, as at October 31, 2008 into an aggregate of 346,940 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 78,548,990 trust units. The details of the Trust's unit incentive rights outstanding for the nine month period ended September 30, 2008 are summarized in note 9(b) of the financial statements.

#### **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 September 30, 2008.

## **Business Prospects and Fourth Quarter 2008 and 2009 Year Outlook**

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 Trust continues to maintain a large undeveloped land base of approximately 691,912 (386,304 net) acres containing a significant multi-year drilling inventory.

True's capital program for the first nine months of 2008 of approximately \$26.5 million compares to a front end loaded 2007 capital program of approximately \$73.5 million in first nine months of 2007. True plans to spend the balance of its \$40 to \$45 million 2008 capital expenditure program in the fourth quarter, including the October 1, 2008 purchase of further working interests in Mantario.

Based on maintenance of current production, full year 2008 field production guidance remains at an average of 12,000 to 12,500 boe/d.

The current global economic environment has created volatility in commodity prices, especially with crude oil prices declining to less than 50% of their recent highs. This has been somewhat mitigated by the widening US to Canadian dollar exchange rate. Natural gas prices have shown more strength but have also retreated from those seen earlier in 2008.

While True has not finalized its level of capital spending for 2009, the Trust will continue to take a balanced approach to the priority use of cash flow between level of distributions and size of its 2009 capital program. True's first half 2009 capital program is not expected to exceed \$20 million. Given the nature of True's lands and their inherent advantage of year round access, True currently plans to spread its 2009 capital program evenly through the full year of 2009 to take advantage of reduced service costs during non-peak times. True will focus on increasing its farm-out activity in non-core areas. If the 2009 outlook for commodity prices improves, True would plan to increase its capital spending in third and fourth quarters of 2009 dependant upon cash flow.

## **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 replaced Section 3861 "Financial Instruments – Disclosure and Presentation" as 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.

### **Goodwill and intangible assets**

In February 2008, the CICA issued a new accounting standard, Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets, and Section 3450 – Research and Development costs. The new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The section is effective for the Trust beginning January 1, 2009. Application of the new section is not currently expected to have any impact on the Trust's financial statements.

### **International Financial Reporting Standards (“IFRS”)**

On February 13, 2008 the CICA Accounting Standards Board announced that Canadian public reporting issuers will be required to report under International Financial Reporting Standards (“IFRS”), which will replace Canadian generally accepted accounting principles (“GAAP”) for years beginning on or after January 1, 2011. True is monitoring industry discussion regarding the replacement of the CICA's Accounting Guideline 16, which is expected to have major implications for True's current full cost accounting policies. Currently, we are assessing the effects of adoption and developing a plan accordingly. We will continue to monitor any changes in the adoption of IFRS and will update plans as necessary.

### **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 6% below 1990 emission 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. Pursuant to the Act, March 31, 2008 was the deadline for industries to 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 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, in conjunction with the 2007 year-end reserve evaluation, 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 September 30, 2008. Except as described in note 3 of the attached unaudited interim consolidated financial statements, there were no changes in accounting policies for the nine month period ended September 30, 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 September 30, 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 revised and re-issued in July 2007 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 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.

(\$000s, except per unit amounts and percentages)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Net income (loss)	29,939	(17,003)	(10,056)	(23,833)
Cash flow from operating activities	29,406	14,848	67,141	59,209
Productive capacity maintenance <sup>(1)</sup>	(14,097)	(11,229)	(26,204)	(71,998)
Standardized distributable cash	15,309	3,619	40,937	(12,789)
Proceeds on sale of property, plant and equipment	32	3,806	44,350	31,275
Corporate and property acquisition and other capital expenditures	286	(139)	(337)	(1,493)
Net proceeds from issue of trust units	-	(11)	-	54,375
Repurchase of trust units under normal course issuer bid	(944)	-	(1,540)	-
Bank borrowings (debt repayment) and working capital changes and other	(5,209)	11,857	(54,924)	(16,994)
Cash Distributions declared	9,474	19,132	28,486	54,374
Accumulated distributions, beginning of period	234,179	176,958	215,167	141,716
Accumulated distributions, end of period	243,653	196,090	243,653	196,090
Standardized distributable cash per unit – basic	\$0.19	\$0.05	\$0.52	\$(0.17)
Standardized distributable cash per unit – diluted	\$0.19	\$0.05	\$0.52	\$(0.17)
Standardized distributable cash payout ratio <sup>(2)</sup>	0.62	5.29	0.70	N/A
Distributions declared per unit for outstanding units in the period	0.12	0.24	0.36	0.72
Accumulated distributions per unit, beginning of period	4.32	3.60	4.08	3.12
Accumulated distributions per unit, end of period	4.44	3.84	4.44	3.84
Excess (shortfall) of net income over cash distributions declared	20,465	(36,135)	(38,542)	(78,207)
Excess of cash flow from operating activities over cash distributions declared	19,932	(4,284)	38,655	4,835

(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 2008 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 September 30, 2008
Cumulative distributable cash from operations <sup>(1)</sup>	65,235
Proceeds on sale of property, plant and equipment	100,672
Corporate and property acquisitions and other capital expenditures	(20,220)
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	(3,198)
Funding from DRIP	42,909
Bank borrowings (debt repayment) and working capital changes and other	(78,381)
Cumulative cash distributions declared <sup>(1)</sup>	243,653
Standardized distributable cash payout ratio <sup>(2)</sup>	3.74

(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 average prices received for the third quarter of 2008 and average production volumes of 11,263 boe/d during that period, as well as the same level of debt outstanding at September 30, 2008. Diluted weighted average trust units is based upon the third 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 funds flow as shown in the table below:

	Funds Flow from Operations (annualized)	Funds Flow from Operations Per Diluted Unit
Sensitivity Analysis	(\$000s)	(\$)
Change of US \$1/bbl WTI	1,200	0.02
Change of \$0.10/ mcf	1,300	0.02
Change of US \$0.01 Cdn/ US exchange rate	1,100	0.01
Change in prime of 1%	1,200	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	June 30	Sept. 30	
Revenues before royalties and hedging	70,033	82,074	72,225	
Funds flow from operations <sup>(1)</sup>	24,233	26,304	21,491	
Funds flow from operations per unit <sup>(1)</sup>				
Basic	\$0.31	\$0.33	\$0.27	
Diluted	\$0.30	\$0.33	\$0.27	
Net income (loss)	(18,621)	(21,374)	29,939	
Net income (loss) per unit				
Basic	\$(0.24)	\$(0.27)	\$0.38	
Diluted	\$(0.24)	\$(0.27)	\$0.38	
Net capital expenditures (cash)	2,862	(34,450)	13,779	
Distributions declared	9,507	9,505	9,474	
Distributions per unit	\$0.12	\$0.12	\$0.12	
<hr/>				
2007 – Quarter ended (unaudited) (\$000s, except per unit amounts)	March 31	June 30	Sept. 30	Dec. 31
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	7,562	14,828
Distributions declared	16,866	18,376	19,132	19,077
Distributions per unit	\$0.24	\$0.24	\$0.24	\$0.24
<hr/>				
2006 – Quarter ended (unaudited) (\$000s, except per unit amounts)	March 31	June 30	Sept. 30	Dec. 31
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 September 30 and December 31 (unaudited)

(\$000s)	2008	2007
<b>ASSETS</b>		
Current assets		
Accounts receivable	\$ 39,177	\$ 48,522
Marketable securities (note 4)	470	850
Deposits and prepaid expenses	6,453	6,096
Capital taxes recoverable	266	626
Commodity contract asset (note 15)	1,535	1,061
Future income taxes (note 12)	1,100	3,116
	<u>49,001</u>	<u>60,271</u>
Property, plant and equipment (note 5)	703,029	819,981
Total assets	<u>\$ 752,030</u>	<u>\$ 880,252</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 39,700	\$ 52,188
Distribution payable to unitholders	3,155	6,337
Commodity contract liability (note 15)	5,204	11,404
	<u>48,059</u>	<u>69,929</u>
Long-term debt (note 6)	116,591	168,475
Convertible debentures	80,693	79,407
Asset retirement obligations (note 7)	26,702	28,373
Future income taxes (note 12)	52,326	67,366
Total liabilities	<u>324,371</u>	<u>413,550</u>
<b>NON-CONTROLLING INTEREST</b>		
Exchangeable shares of subsidiary (note 8)	3,538	3,922
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' capital (note 9)	921,411	925,573
Equity component of convertible debentures	5,119	5,119
Contributed surplus (note 10)	23,822	19,454
Accumulated other comprehensive income	(323)	-
Deficit	(525,908)	(487,366)
Total unitholders' equity	<u>424,121</u>	<u>462,780</u>
Total liabilities and unitholders' equity	<u>\$ 752,030</u>	<u>\$ 880,252</u>

See accompanying selected notes to the consolidated financial statements.

**TRUE ENERGY TRUST**

**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

For the three and nine months ended September 30 (unaudited)

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
<b>REVENUES</b>				
Petroleum and natural gas sales	\$ 72,225	\$ 50,547	\$ 224,332	\$ 196,734
Royalties	(13,799)	(9,727)	(45,588)	(34,422)
Gain (loss) on commodity contracts (note 15)	38,080	1,156	(21,918)	7,670
	<u>96,506</u>	<u>41,976</u>	<u>156,826</u>	<u>169,982</u>
<b>EXPENSES</b>				
Production	15,494	17,024	48,660	51,774
Transportation	2,534	1,671	5,855	4,791
General and administrative	3,610	4,232	11,872	13,468
Interest and financing charges	3,318	4,422	11,321	13,542
Unit-based compensation (notes 9 and 10)	660	869	1,089	3,256
Depletion, depreciation and accretion	29,985	38,890	99,497	131,697
Special meeting costs (note 13)	-	-	-	3,805
	<u>55,601</u>	<u>67,108</u>	<u>178,294</u>	<u>222,333</u>
<b>INCOME (LOSS) BEFORE TAXES</b>	40,905	(25,132)	(21,468)	(52,351)
<b>TAXES</b>				
Capital taxes	588	442	1,702	1,533
Future income taxes (recovery)	10,245	(8,501)	(13,071)	(29,957)
	<u>10,833</u>	<u>(8,059)</u>	<u>(11,369)</u>	<u>(28,424)</u>
<b>NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST</b>	30,072	(17,073)	(10,099)	(23,927)
Non-controlling interest	133	(70)	(43)	(94)
<b>NET INCOME (LOSS)</b>	<u>29,939</u>	<u>(17,003)</u>	<u>(10,056)</u>	<u>(23,833)</u>
Net changes in cash flow hedges (net of tax of \$0.6 million and \$1.8 million, respectively)	-	(138)	-	(3,703)
Unrealized loss on available for sale marketable securities (net of tax recovery of \$0.06 million) (note 4)	(323)	-	(323)	-
	<u>(323)</u>	<u>(138)</u>	<u>(323)</u>	<u>(3,703)</u>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<u>\$ 29,616</u>	<u>\$ (17,141)</u>	<u>\$ (10,379)</u>	<u>\$ (27,536)</u>
Net income (loss) per trust unit				
Basic	\$0.38	\$ (0.21)	\$ (0.13)	\$ (0.32)
Diluted	\$0.38	\$ (0.21)	\$ (0.13)	\$ (0.32)

See accompanying selected notes to the consolidated financial statements.

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

For the three and nine months ended September 30 (unaudited)

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
<b>UNITHOLDERS' CAPITAL</b>				
Balance, beginning of period	\$ 924,158	\$ 931,336	\$ 925,573	\$ 876,904
Issued for cash (net of issue costs of \$3.1 million)	-	(11)	-	54,375
Repurchased under normal course issuer bid	(2,926)	-	(4,503)	-
Exchangeable shares converted	179	85	341	131
Balance, end of period	<u>921,411</u>	<u>931,410</u>	<u>921,411</u>	<u>931,410</u>
<b>EQUITY COMPONENT OF CONVERTIBLE DEBENTURES</b>				
Balance, beginning and end of period	<u>5,119</u>	<u>5,119</u>	<u>5,119</u>	<u>5,119</u>
<b>CONTRIBUTED SURPLUS</b>				
Balance, beginning of period	21,158	15,407	19,454	12,818
Unit-based compensation expense (note 9 and 10)	364	948	1,529	3,537
Incentive units voluntarily surrendered	466	-	466	-
Reversal of prior period unit-based compensation expense for forfeitures of unvested incentive units	(148)	-	(590)	-
Adjustment for repurchase of units under normal course issuer bid	1,982	-	2,963	-
Balance, end of period	<u>23,822</u>	<u>16,355</u>	<u>23,822</u>	<u>16,355</u>
<b>DEFICIT</b>				
Balance, beginning of period	(546,373)	(431,720)	(487,366)	(389,745)
Net income (loss)	29,939	(17,003)	(10,056)	(23,833)
Impact of changes in accounting policy for financial instruments (net of tax of \$0.05 million) <sup>(1)</sup>	-	-	-	97
Distributions declared	(9,474)	(19,132)	(28,486)	(54,374)
Balance, end of period	<u>(525,908)</u>	<u>(467,855)</u>	<u>(525,908)</u>	<u>(467,855)</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>				
Balance, beginning of period	-	184	-	-
Impact of new cash flow hedge accounting standards (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 \$0.6 million and \$1.8 million, respectively)	-	(138)	-	(3,703)
Unrealized loss on available for sale marketable securities (net of tax recovery of \$0.06 million)	(323)	-	(323)	-
Balance, end of period	<u>(323)</u>	<u>46</u>	<u>(323)</u>	<u>46</u>
<b>TOTAL UNITHOLDERS' EQUITY</b>	<u>\$ 424,121</u>	<u>\$ 485,075</u>	<u>\$ 424,121</u>	<u>\$ 485,075</u>

<sup>(1)</sup> Represents the January 1, 2007 transitional adjustments on adoption of the CICA handbook sections 1530, 3251, 3855 and 3865.

See accompanying selected notes to the consolidated financial statements.

**TRUE ENERGY TRUST**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three and nine months ended September 30 (unaudited)

<b>(\$000s)</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Cash provided by (used in):</b>				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income (loss)	\$ 29,939	\$ (17,003)	\$ (10,056)	\$ (23,833)
Items not involving cash:				
Non-controlling interest (note 8)	133	(70)	(43)	(94)
Depletion, depreciation and accretion	29,985	38,890	99,497	131,697
Unit-based compensation (notes 9 and 10)	660	869	1,089	3,256
Unrealized loss (gain) on commodity contracts (note 15)	(49,911)	2,908	(6,674)	(580)
Accretion on convertible debentures	440	385	1,286	1,169
Future income taxes (recovery) (note 12)	10,245	(8,501)	(13,071)	(29,957)
	21,491	17,478	72,028	81,658
Asset retirement costs incurred	(893)	(32)	(1,605)	(607)
Change in non-cash working capital (note 11)	8,808	(2,598)	(3,282)	(21,842)
	29,406	14,848	67,141	59,209
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b>				
Increase (decrease) in bank debt	(8,867)	17,059	(51,884)	2,328
Obligations under capital lease	-	-	-	(111)
Issue of trust units for cash	-	-	-	57,523
Unit issue costs	-	(11)	-	(3,148)
Repurchase of trust units under normal course issuer bid	(944)	-	(1,540)	-
Distributions declared	(9,474)	(19,132)	(28,486)	(54,374)
	(19,285)	(2,084)	(81,910)	2,218
Change in non-cash working capital (note 11)	(207)	(261)	(3,317)	(2,074)
	(19,492)	(2,345)	(85,227)	144
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(13,811)	(11,368)	(26,541)	(73,491)
Proceeds on sale of property, plant and equipment	32	3,806	44,350	31,275
Purchase of marketable securities (note 4)	-	(50)	-	(50)
	(13,779)	(7,612)	17,809	(42,266)
Change in non-cash working capital (note 11)	3,865	(4,891)	277	(17,087)
	(9,914)	(12,503)	18,086	(59,353)
Change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

See accompanying selected notes to the consolidated financial statements.

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 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.

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.

### 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 statements 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 as at and 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 AND RECENT ACCOUNTING PRONOUNCEMENTS

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.

## Goodwill and intangible assets

In February 2008, the CICA issued a new accounting standard, Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets, and Section 3450 – Research and Development costs. The new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The section is effective for the Trust beginning January 1, 2009. Application of the new section is not currently expected to have any impact on the Trust's financial statements.

## International Financial Reporting Standards (“IFRS”)

On February 13, 2008 the CICA Accounting Standards Board announced that Canadian public reporting issuers will be required to report under International Financial Reporting Standards (“IFRS”), which will replace Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. Currently, we are assessing the effects of adoption and developing a plan accordingly. We will continue to monitor any changes in the adoption of IFRS and will update plans as necessary.

## 4. MARKETABLE SECURITIES

The Trust's investment in Veraz Petroleum Ltd. is classified as available-for-sale and has been recorded at fair value. Changes in the fair value of the marketable securities are recorded net of the income tax effect to other comprehensive income.

## 5. PROPERTY, PLANT AND EQUIPMENT

(\$000s)

	Cost	Accumulated depletion and depreciation	Net book value
<b>September 30, 2008</b>			
Petroleum and natural gas properties	\$ 1,351,311	\$ 650,421	\$ 700,890
Office furniture and equipment	3,938	1,799	2,139
	<b>\$ 1,355,249</b>	<b>\$ 652,220</b>	<b>\$ 703,029</b>
<b>December 31, 2007</b>			
Petroleum and natural gas properties	\$ 1,370,219	\$ 552,899	\$ 817,320
Office furniture and equipment	4,092	1,431	2,661
	<b>\$ 1,374,311</b>	<b>\$ 554,330</b>	<b>\$ 819,981</b>

The Trust has included \$52.8 million (2007: \$36.9 million) for future development costs and excluded \$33.2 million (2007: \$38.4 million) for undeveloped land and \$41.3 million (2007: \$46.9 million) for estimated salvage from the depletion calculation during the nine month period ended September 30, 2008.

For the nine month period ended September 30, 2008, the Trust capitalized \$1.8 million of general and administrative expenses and \$0.4 million, including the future tax effect thereon of \$0.1 million, of unit-based compensation expense directly related to exploration and development activities.

## 6. LONG-TERM DEBT

As of June 27, 2008, the credit facility was renewed and consists of a \$15 million demand operating facility provided by one Canadian bank and \$137 million extendible revolving term credit facility syndicated by two Canadian chartered banks, a Canadian financial institution, one institutional lender and a U.S. bank. 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 0.10% and 2.05%, depending on the types of borrowings and the Trust's debt to cash flow ratio. Security is provided by a \$400 million debenture containing a first ranking 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 0.150% and 0.400% on the undrawn portion of the facility, depending on the Trust's debt to cash flow ratio.

As at September 30, 2008, there was \$9.6 million outstanding under the operating facility and \$107 million outstanding under the revolving term credit facility. As at September 30, 2008, there was approximately \$35.4 million, not drawn under the existing facilities.

The revolving period on the new revolving term credit facility ends on June 26, 2009, 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. The borrowing base was renewed effective September 30, 2008 and is currently scheduled for renewal on March 31, 2009.

Payment will not be required under the revolving term facility for more than 365 days from the balance sheet date as at September 30, 2008 as 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.

## 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 \$66.9 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>September 30, 2008</b>	<b>December 31, 2007</b>
Asset retirement obligation, beginning of period	\$ 28,373	\$ 26,605
Liabilities incurred on development activities	53	433
Changes in prior period estimates	1,052	960
Liabilities released on dispositions	(2,778)	(927)
Liabilities settled during the year	(1,605)	(835)
Accretion expense	1,607	2,137
<b>Asset retirement obligation, end of period</b>	<b>\$ 26,702</b>	<b>\$ 28,373</b>

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

	<b>September 30, 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)	-	(43)	-	(95)
Exchanged for trust units	(34,896)	(341)	(13,260)	(136)
<b>Balance, end of period</b>	<b>355,380</b>	<b>\$3,538</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 September 30, 2008 was 0.95853. The exchangeable shares are not eligible for cash distributions; however cash distributions will increase the exchange ratio.

## 9. UNITHOLDERS' CAPITAL

### a. Trust Units

	September 30, 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	(385,500)	(4,503)	(500,000)	(5,842)
Exchangeable shares converted	32,144	341	10,343	136
<b>Balance, end of period</b>	<b>78,862,690</b>	<b>\$ 921,411</b>	<b>79,216,046</b>	<b>\$ 925,573</b>

In August 2008, the Trust announced approval of the renewal of its normal course issuer bid ("NCIB") program to repurchase up to 7.8 million of its outstanding trust units during the period August 28, 2008 through August 27, 2009, subject to certain restrictions. As of October 24, 2008, the Trust has purchased 550,100 trust units at a weighted average price of \$2.80 per trust unit under the NCIB renewed on August 28, 2008. Of the units purchased, 186,300 were cancelled as of September 30, 2008; the remaining 363,800 trust units have been or will be subsequently cancelled.

### b. Trust Unit Incentive Plan

The following tables summarize information regarding trust unit incentive rights for the nine month period ended September 30, 2008

#### Unit Rights Continuity

	Weighted Average Exercise Price <sup>(a)</sup>	Number
Balance, December 31, 2007	\$ 9.18	5,931,997
Granted	\$ 3.89	289,500
Forfeited <sup>(b)</sup>	\$ 11.55	(3,682,331)
<b>Balance, September 30, 2008</b>	<b>\$ 4.34</b>	<b>2,539,166</b>

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

(b) Total forfeited in the nine month period ended September 30, 2008 includes 2,148,750 incentive units which were voluntarily surrendered by existing employees, directors, and consultants of the Trust and were cancelled in July 2008.

#### Unit Rights Outstanding, September 30, 2008

Outstanding			Exercisable			
Exercise Price Before Price Reductions	Exercise Price Net of Reductions	At Sept. 30, 2008	Weighted Average Exercise Price Net of Price Reductions	Weighted Average Remaining Contractual Life	At Sept. 30, 2008	Exercise Price Net of Price Reductions
\$ 2.92 - \$ 4.07	\$ 2.59 - \$ 4.41	1,043,500	\$ 2.86	4.3	-	-
\$ 4.98 - \$ 6.70	\$ 4.39 - \$ 5.69	1,470,666	\$ 5.16	3.6	513,314	\$ 5.16
\$20.40 - \$20.40	\$17.07 - \$17.07	25,000	\$ 17.07	2.2	25,000	\$ 17.07
<b>\$2.92 - \$20.40</b>	<b>\$ 2.59 - \$17.07</b>	<b>2,539,166</b>	<b>\$ 4.34</b>	<b>3.9</b>	<b>538,314</b>	<b>\$ 5.71</b>

## 10. CONTRIBUTED SURPLUS

(\$000s)	September 30, 2008	December 31, 2007
Balance, beginning of period	\$ 19,454	\$ 12,818
Unit-based compensation expense	1,529	4,249
Incentive units voluntarily surrendered	466	-
Reversal of prior period unit-based compensation expense for forfeitures of unvested incentive units	(590)	(1,797)
Adjustment for repurchase of units under NCIB	2,963	4,184
<b>Balance, end of period</b>	<b>\$ 23,822</b>	<b>\$ 19,454</b>

## Unit-based Compensation Expense

During the nine months ended September 30, 2008, the Trust granted 289,500 unit incentive rights to employees. During the nine months ended September 30, 2008, the Trust recorded unit-based compensation of \$1.4 million, of which \$0.03 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 nine month period ended September 30, 2008 and the assumptions used in their determination are as noted below:

Assumptions:	
Risk free interest rate (%)	3
Expected life (years)	5
Expected volatility (%)	26
Results:	
Weighted average fair value of each incentive right granted	\$ 1.12

## 11. SUPPLEMENTAL CASH FLOW INFORMATION

### Cash Interest and Taxes Paid

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Cash paid:				
Interest	\$ 1,406	\$ 3,555	\$ 9,491	\$ 12,284
Taxes (net of refunds)	\$ 811	\$ 219	\$ 1,342	\$ 3,978

### Change in Non-cash Working Capital

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Changes in non-cash working capital items:				
Accounts receivable	\$14,402	\$ 1,313	\$ 9,345	\$ 17,580
Deposits and prepaid expenses	(1,422)	(1,873)	(357)	1,169
Accounts payable and accrued liabilities	(626)	(7,547)	(12,488)	(55,451)
Capital taxes recoverable	125	357	360	(2,245)
Distribution payable to unitholders	(13)	-	(3,182)	(2,056)
	\$ 12,466	\$ (7,750)	\$ (6,322)	\$ (41,003)
Changes related to:				
Operating activities	\$ 8,808	\$ (2,598)	\$ (3,282)	\$ (21,842)
Financing activities	(207)	(261)	(3,317)	(2,074)
Investing activities	3,865	(4,891)	277	(17,087)
	\$12,466	\$ (7,750)	\$ (6,322)	\$ (41,003)

## 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 September 30, 2008, the total "temporary difference" (tax basis exceeds accounting basis) in the Trust is \$9 million. As at September 30, 2008, the Trust's

subsidiaries have a tax basis of approximately \$453 million that is available to shelter future taxable income. Included in this tax basis are estimated non-capital loss carry forwards of approximately \$8 million that expire in years through 2027. In addition, the Trust itself has approximately \$19 million of tax basis.

As at September 30, 2008, a current future tax asset of \$1.1 million has been recorded in respect of the net unrealized commodity contract liability of \$3.7 million.

### 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 nine months ended September 30, 2007.

### 14. PER TRUST UNIT AMOUNTS

	Three months ended		Nine months ended	
	2008	2007	2008	2007
Basic trust units outstanding	78,862,690	79,715,595	78,862,690	79,715,595
Dilutive effect of:				
Trust unit incentive rights outstanding	2,539,166	6,086,832	2,539,166	6,086,832
Units issuable for exchangeable shares	340,642	316,547	340,642	316,547
Units issuable for convertible debentures	5,390,625	5,390,625	5,390,625	5,390,625
Diluted trust units outstanding	87,133,123	91,509,599	87,133,123	91,509,599
Weighted average trust units outstanding	78,996,154	79,714,539	79,140,544	74,528,093
Dilutive effect of exchangeable shares, trust unit incentive plan and convertible debentures <sup>(1)</sup>	-	-	-	-
Diluted weighted average trust units outstanding	78,996,154	79,714,539	79,140,544	74,528,093

<sup>(1)</sup> A total of 2,539,166 (2007: 6,086,832) trust incentive units, 340,642 (2007: 316,547) exchangeable shares 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 and nine month period ended September 30, 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's 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, petroleum and natural gas marketers, and financial derivative counterparties.

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.

The Trust has continued to closely monitor and reassess the creditworthiness of its counterparties, including financial institutions. This has resulted in the Trust reducing or mitigating its exposures to certain counterparties where it is deemed warranted and permitted under contractual terms.

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 a range of medium to large purchasers and to conduct credit reviews of these parties on a regular basis. 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 September 30, 2008, accounts receivable was comprised of the following:

<b>(\$000s)</b>	
Trade accounts receivable	7,323
Accrued and other accounts receivable	31,854
	<b>39,177</b>

The carrying amount of accounts receivable represents the maximum credit exposure. The Trust has an allowance for doubtful accounts as at September 30, 2008 of \$0.5 million.

As at September 30, 2008 the Trust estimates its trade accounts receivables to be aged as follows:

<b>Aging (\$000s)</b>	
Not past due (less than 90 days)	3,419
Past due (90 or more days)	3,904
<b>Total</b>	<b>7,323</b>

After considering offsetting September 30, 2008 trade accounts payable from the same companies and cash receipts received subsequent to September 30, 2008, the Trust's trade receivables aged 90 or more days of approximately \$3.9 million are reduced to a net balance of approximately \$1.1 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 make reasonable efforts to sustain 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 6, 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 as at September 30, 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	39,700	-	-	-
Distribution payable to unitholders	3,155	-	-	-
Derivative contracts	5,204	-	-	-
Bank debt – principal	-	116,591	-	-
Convertible debentures – principal	-	-	86,250	-
<b>Total</b>	<b>48,059</b>	<b>116,591</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.

***Foreign currency exchange rate risk***

Foreign currency exchange rate risk is the risk that the fair value of 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 September 30, 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 three month period ended September 30, 2008 would have been approximately \$0.8 million lower. An equal and 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 September 30, 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 utilizes both financial derivatives and physical delivery sales contracts to manage commodity price risks. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

The Trust's 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, other derivative financial instruments, and physical delivery sales contracts 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.

As at September 30, 2008, the Trust had entered into commodity price risk management arrangements as follows:

Type	Period	Volume	Price Floor	Price Ceiling	Index
Oil collar <sup>(1)</sup>	April 1, 2008 to Dec. 31, 2008	1,000 bbl/d	\$ 65.00 US	\$ 82.00 US	WTI
Oil collar <sup>(1)</sup>	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

<sup>(1)</sup> Effective November 1, 2008, the remainder of these contracts was settled for US\$550,000.

For the three and nine months ended September 30, 2008, the gain (loss) on commodity contracts was comprised of the following:

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
<b>Gain (loss) on commodity contracts</b>				
Realized <sup>(1)</sup>	\$ (11,831)	\$ 4,064	\$ (28,592)	\$ 7,090
Unrealized <sup>(2)</sup>	49,911	(2,908)	6,674	580
	\$ 38,080	\$ 1,156	\$ (21,918)	\$ 7,670

<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.

The Trust has entered into a natural gas physical delivery sales contract to sell 5,275 GJ/day at a fixed price of \$7.29/GJ and \$7.90/GJ for the third and fourth quarter of 2009, respectively.

As at September 30, 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 three month period

ended September 30, 2008 would have been approximately \$1.7 million lower. An equal and 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 September 30, 2008, if interest rates had been 1% lower with all other variables held constant, after tax net earnings for the three month period ended September 30, 2008 would have been approximately \$0.8 million higher, due to lower interest expense. An equal and 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 nine months ended September 30, 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 the liability component of convertible debentures, plus or minus working capital (excluding commodity contract assets and liabilities and future income tax assets or liabilities), divided by funds flow from operations (cash flow from operating activities before changes in non-cash working capital and deductions for asset retirement costs) 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 September 30, 2008, the Trust's ratio of net debt to annualized cash flow based on third quarter results was 2.3 times. The Trust expects this ratio to decrease during the remainder of 2008 and through 2009 as net debt levels are reduced; True continues to take a balanced approach to the priority use of cash flows between distribution levels and its capital program. This ratio as at September 30, 2008 increased from that at June 30, 2008 of 1.8 times due to lower funds flow from operations in the third quarter, in addition to slightly higher net debt due partially to the timing of the capital program in the second half of 2008. The Trust's bank debt facility is based on petroleum and natural gas reserves (see note 6).

True's calculation of net debt as at September 30, 2008 was \$193.8 million, representing \$116.6 million outstanding on the credit facility, \$80.7 million in convertible debentures (liability component) and the net balance of working capital. Funds flow from operations for the three month period ended September 30, 2008 of \$21.5 million was calculated as cash flow from operating activities of \$29.4 million plus asset retirement costs of \$0.9 million and less changes in non-cash working capital of \$8.8 million.

The Trust's ability to issue trust units is subject to external restrictions as a result of the Specified Investment Flow-Through Entities Legislation (the "SIFT tax") whereby the Trust may lose the benefit of a four year grandfathering period if the Trust exceeds the limits on the issuance of new trust units and convertible debt that constitute normal growth during the grandfathering period (subject to certain exceptions). The normal growth limits are calculated as a percentage of the Trust's market capitalization of approximately \$737 million on October 31, 2006, which the Trust may currently issue in additional equity without offending the normal growth guidelines between now and 2011. The normal growth restriction on trust unit issuance is monitored by management as part of the overall capital management objectives. The Trust is in compliance with the normal growth restrictions.

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 September 30, 2008 include accounts receivable, deposits, capital taxes recoverable, marketable securities, 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 \$80.2 million is based on exchange traded values.

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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