

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws. Accordingly, except as permitted by the Underwriting Agreement and pursuant to an exemption from the registration requirements of the United States Securities Act of 1933 and state securities laws, these securities may not be offered or sold within the United States and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

New Issue

July 30, 2004

SHORT FORM PROSPECTUS



Harvest Energy Trust

\$175,199,990

12,166,666 Subscription Receipts,

**each representing the right to receive one trust unit
and**

\$100,000,000

8.0% Convertible Unsecured Subordinated Debentures

Subscription Receipts

Harvest Energy Trust (the "Trust") is hereby qualifying for distribution 12,166,666 subscription receipts ("Subscription Receipts"), at a price of \$14.40 each and each of which will entitle the holder thereof to receive, without payment of additional consideration, one trust unit ("Unit") of the Trust upon closing of the acquisition (the "Acquisition") by the Trust of Breeze Resources Partnership from EnCana Corporation described in more detail under "Recent Developments — The Acquisition". The proceeds from the sale of the Subscription Receipts (the "Escrowed Funds") will be held by Valiant Trust Company, as escrow agent (the "Escrow Agent"), and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending completion of the Acquisition. Upon the Acquisition being completed on or before September 30, 2004, the Escrowed Funds and the interest thereon will be released to the Trust and the Units will be issued to the holders of Subscription Receipts. The Trust will utilize the Escrowed Funds to pay a portion of the purchase price for the Acquisition.

If the closing of the Acquisition does not take place by 5:00 p.m. (Calgary time) on September 30, 2004, the Acquisition is terminated at any earlier time or the Trust has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition (in any case, the "Termination Time"), holders of Subscription Receipts shall be entitled to receive an amount equal to the full subscription price therefor and their *pro rata* entitlements to interest on such amount. The Escrowed Funds will be applied towards payment of such amount.

If the closing of the Acquisition takes place prior to the Termination Time and holders of Subscription Receipts become entitled to receive Units, such holders will be entitled to receive an amount per Subscription Receipt equal to the amount per Unit of any cash distributions for which record dates have occurred during the period from the date of closing of the offering to the date immediately preceding the date the Units are issued pursuant to the Subscription Receipts. In addition, if the Acquisition closes on or before September 1, 2004 as currently contemplated, holders of Subscription Receipts will become holders of Units on or before September 30, 2004 and will be entitled, provided they hold the Units received pursuant to the Subscription Receipts on September 30, 2004, to receive the monthly distribution expected to be paid on October 15, 2004 to Unitholders of record on September 30, 2004. See "Details of the Offerings".

Debentures

The Trust is also hereby qualifying for distribution 100,000 8.0% convertible unsecured subordinated debentures (the "Debentures") of the Trust at a price of \$1,000 per Debenture. If the closing of the Acquisition does not take place by the Termination Time, the holders of Debentures will be entitled for a period of 10 Business Days from the Termination Time to deliver or cause to be delivered to the Trust a notice in writing to require the Trust to redeem all of the Debentures at a price of \$1,000 per Debenture plus accrued and unpaid interest, if any. In addition, for a period of 10 Business Days from the expiry of the holders' right to require the Trust to redeem the Debentures, the Trust may redeem the Debentures in cash on a *pro rata* basis at a price of \$1,000 per Debenture plus accrued and unpaid interest, if any, provided that after such redemption not more than 40,000 Debentures are outstanding. See "Details of the Offerings".

The Debentures bear interest at an annual rate of 8.0% payable semi-annually on March 31 and September 30 in each year commencing March 31, 2005. The Debentures are redeemable by the Trust, in addition to the early redemption right described above, at a price of \$1,050 per Debenture after September 30, 2007, and on or before September 30, 2008 and at a price of \$1,025 per Debenture after September 30, 2008 and before maturity on September 30, 2009, in each case, plus accrued and unpaid interest thereon, if any. See "Details of the Offerings".

Debenture Conversion Privilege

Each Debenture will be convertible into Units at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Trust for redemption of the Debentures, at a conversion price of \$16.25 per Unit, subject to adjustment in certain events. Holders converting their Debentures will receive accrued and unpaid interest thereon.

(continued on next page)

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In the opinion of counsel, subject to the qualifications and assumptions discussed under the heading “Canadian Federal Income Tax Considerations”, the Subscription Receipts, the Debentures and the Units issuable pursuant to the Subscription Receipts and on conversion, redemption or maturity of the Debentures, on the date of closing, (i) will be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Trust has made a contribution) and registered education savings plans; and (ii) will not be precluded as investments under certain other statutes as set forth herein under “Eligibility for Investment”.

The issued and outstanding Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “HTE.UN”. On July 14, 2004, the last trading day prior to the public announcement of the offering, the closing price of the Units on the TSX was \$14.85. The Trust has applied to list the Subscription Receipts, the Debentures and the Units issuable pursuant to the Subscription Receipts and on the conversion of the Debentures on the TSX. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSX. The offering price of the Subscription Receipts and Debentures was determined by negotiation between the Corporation on behalf of the Trust, and National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., FirstEnergy Capital Corp., Canaccord Capital Corporation, Haywood Securities Inc. and GMP Securities Ltd. (collectively, the “Underwriters”).

	<u>Price to the Public</u>	<u>Underwriters’ Fee⁽¹⁾</u>	<u>Net Proceeds to the Trust⁽²⁾</u>
Per Subscription Receipt	\$14.40	\$0.72	\$13.68
Total	\$175,199,990	\$ 8,760,000	\$166,439,990
Per Debenture	\$1,000	\$40	\$960
Total	<u>\$100,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 96,000,000</u>
Total	<u>\$275,199,990</u>	<u>\$12,760,000</u>	<u>\$262,439,990</u>

Notes:

- (1) The Underwriters’ fee with respect to the Subscription Receipts is payable as to 50% upon the closing of the offering and 50% on the release of the Escrowed Funds to the Trust. If the Acquisition is not completed, the Underwriters’ fee with respect to the Subscription Receipts will be reduced to the amount payable upon closing of the offering. The Underwriters’ fee with respect to the Debentures is payable in full upon the closing of the offering.
- (2) Excluding interest, if any, on the Escrowed Funds and before deducting expenses of the offering estimated to be \$1,000,000, which will be paid from the general funds of the Trust.

The Underwriters, as principals, conditionally offer the Subscription Receipts and the Debentures, subject to prior sale, if, as and when issued by the Trust and delivered and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters relating to the offering on behalf of the Trust by Burnet, Duckworth & Palmer LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. See “Plan of Distribution”.

Each of National Bank Financial Inc. and TD Securities Inc. is, directly or indirectly, a wholly-owned subsidiary of a Canadian chartered bank that is a lender to the Corporation, a wholly-owned subsidiary of the Trust and to which the Corporation is currently indebted. In addition, each of National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc. is, directly or indirectly, a wholly-owned subsidiary of a Canadian chartered bank that is potentially going to become a lender to the Corporation upon closing of the Acquisition. Consequently, the Trust may be considered a “connected” issuer of each of these Underwriters within the meaning of applicable Canadian securities legislation. In addition, National Bank Financial Inc. was retained by the Trust in connection with the Acquisition and will receive a fee from the Trust on completion of the Acquisition. See “Relationship Among the Trust, the Corporation and Certain Underwriters”.

There is currently no market through which the Subscription Receipts or Debentures may be sold and purchasers may not be able to resell Subscription Receipts or Debentures purchased under this short form prospectus.

Subscriptions for Subscription Receipts and Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will occur on or about August 10, 2004 or such other date not later than August 31, 2004 as the Trust and the Underwriters may agree. The Subscription Receipts will be represented by a global certificate issued in registered form to the Canadian Depository for Securities Limited (“CDS”) or its nominee under the book-based system administered by CDS. Certificates for the aggregate principal amount of the Debentures will be issued in registered form to CDS and will be deposited with CDS on the date of closing of the offering. No certificates evidencing the Subscription Receipts or Debentures will be issued to subscribers for Subscription Receipts or Debentures, except in certain limited circumstances, and registration will be made in the depository service of CDS. Subscribers for Subscription Receipts or Debentures will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Subscription Receipts or Debentures is purchased. Subject to applicable laws, the Underwriters may, in connection with the offering, effect transactions which stabilize or maintain the market price of the Subscription Receipts, the Units or the Debentures at levels other than those that might otherwise prevail on the open market. See “Plan of Distribution”.

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

TABLE OF CONTENTS

	<u>Page</u>
SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS AND OTHER DISCLOSURES	1
SELECTED ABBREVIATIONS AND DEFINITIONS	2
DOCUMENTS INCORPORATED BY REFERENCE	7
HARVEST ENERGY TRUST	8
RECENT DEVELOPMENTS	10
INFORMATION CONCERNING THE NEW PROPERTIES	12
INFORMATION CONCERNING STORM PROPERTIES	23
EFFECT OF THE STORM ARRANGEMENT AND ACQUISITION ON THE TRUST	30
DESCRIPTION OF UNITS	32
EXCHANGEABLE SHARES	33
INTEREST COVERAGE	36
CONSOLIDATED CAPITALIZATION OF THE TRUST	37
PRICE RANGE AND TRADING VOLUME OF THE UNITS	38
RECORD OF CASH DISTRIBUTIONS	39
USE OF PROCEEDS	39
DETAILS OF THE OFFERINGS	40
PLAN OF DISTRIBUTION	47
RELATIONSHIP AMONG THE TRUST, THE CORPORATION AND CERTAIN UNDERWRITERS	48
INTEREST OF EXPERTS	48
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	49
ELIGIBILITY FOR INVESTMENT	56
RISK FACTORS	57
MATERIAL CONTRACTS	63
PROMOTERS	63
LEGAL PROCEEDINGS	64
AUDITORS, TRANSFER AGENT AND REGISTRAR	64
STATUTORY AND CONTRACTUAL RIGHTS OF RESCISSION AND STATUTORY RIGHTS OF WITHDRAWAL	64
AUDITORS' CONSENT	65
AUDITORS' CONSENT	66
AUDITORS' CONSENT	67
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST	F-1
CERTIFICATE OF THE TRUST	C-1
CERTIFICATE OF THE UNDERWRITERS	C-2

SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS AND OTHER DISCLOSURES

Forward-Looking Statements

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference into this short form prospectus, constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Trust and the Corporation believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be.

In particular, this short form prospectus, and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- oil and natural gas production levels;
- the size of the oil and natural gas reserves;
- projections of market prices and costs and related sensitivities to distributions;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;
- treatment under governmental regulatory regimes; and
- capital expenditure programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this short form prospectus:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of oil and natural gas reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems and other difficulties in producing oil and natural gas reserves;
- domestic and international political and economic uncertainty;
- terrorism;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- failure to realize the anticipated benefits of acquisitions, including the Acquisition; and
- the other factors described under “Risk Factors”.

These factors should not be construed as exhaustive. Neither the Trust nor the Corporation undertakes any obligation to publicly update or revise any forward-looking statements.

Use of Non-GAAP Measures

Although the Trust does not present distributable income, cash available for distribution or distributable cash in its financial statements or management's discussion and analysis, it has used one or more of these terms in this short form prospectus or elsewhere in its public record.

These terms do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and therefore are unlikely to be comparable to similar measures presented by other issuers. Each of these terms refers to cash flow from operations after deducting capital expenditures, debt service payments, site restoration expenditures and any other cash payments made by the Trust other than cash distributions to Unitholders. These terms are typically used by trusts to provide an indication of their ability to make distributions to their unitholders.

SELECTED ABBREVIATIONS AND DEFINITIONS

In this short form prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

“**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**Acquisition**” means the acquisition of the Breeze Resources Partnership, which owns the New Properties, from the Vendor by Harvest Breeze Trust No. 1 and Harvest Breeze Trust No. 2 pursuant to the Purchase Agreement;

“**Administration Agreement**” means the agreement dated September 27, 2002 between the Trustee and the Corporation pursuant to which the Corporation provides certain administrative and advisory services in connection with the Trust;

“**AIF**” means the Renewal Annual Information Form of the Trust dated April 30, 2004;

“**Board of Directors**” means the board of directors of the Corporation;

“**Bridge Lenders**” means, collectively, Caribou and the Chairman of the Corporation;

“**Bridge Note**” means the bridge note dated September 29, 2003 between the Trust and Caribou providing for advances of up to \$25,000,000 to the Trust to assist with the payout of the then existing credit facility and the payment of the Deferred Purchase Price Obligation as a result of the acquisition of the Carlyle Properties;

“**Breeze Resources Partnership**” means Breeze Resources Partnership, a general partnership formed under the laws of Alberta;

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Calgary, in the Province of Alberta, for the transaction of banking business;

“**Caribou**” means Caribou Capital Corp.;

“**Carlyle Properties**” means various working, royalty, proprietary 3D seismic and other interests acquired pursuant to the Carlyle Properties Transaction;

“**Carlyle Properties Acquisition Agreement**” means the agreement of purchase and sale between the Carlyle Properties Vendor and the Corporation dated effective October 1, 2003 for the purchase of the Carlyle Properties;

“**Carlyle Properties Transaction**” means the acquisition of the Carlyle Properties by the Corporation pursuant to the Carlyle Properties Acquisition Agreement;

“**Carlyle Properties Vendor**” means a senior oil and natural gas partnership;

“**CDS**” means The Canadian Depositary for Securities Limited;

“**Corporation**” means Harvest Operations Corp., a corporation amalgamated under the ABCA on June 30, 2004;

“**Current Bank Facility**” means the credit facility provided by the Current Lenders;

“**Current Lenders**” means a syndicate of Canadian chartered banks and Alberta Treasury Branch;

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

“**Debenture Trustee**” means Valiant Trust Company or its successor as trustee under the Indenture;

“**Debentures**” means the 8.0% convertible unsecured subordinated debentures of the Trust offered hereby;

“**Deferred Purchase Price Obligation**” means, collectively, the ongoing obligation of the Trust to pay to the Corporation and HST, to the extent of the Trust’s available funds, an amount equal to 99% of the cost of, including any amount borrowed to acquire, any Canadian resource property acquired by an Operating Subsidiary, and the cost of, including any amount borrowed to fund, certain designated capital expenditures in relation to the Properties;

“**Direct Royalties**” means royalty interests in petroleum and natural gas rights acquired by the Trust from time to time pursuant to a Direct Royalties Sale Agreement;

“**Direct Royalties Sale Agreement**” means any purchase and sale agreement between the Trust and an Operating Subsidiary providing for the purchase by the Trust from such Operating Subsidiary of Direct Royalties;

“**DRIP Plan**” means the Trust’s Distribution Reinvestment and Optional Unit Purchase Plan;

“**Equity Bridge Notes**” means, collectively, the equity bridge notes dated July 28, 2003 and amended September 29, 2003 between the Trust and each of the Bridge Lenders providing for advances of up to \$50 million to the Trust to assist in the payout of the Corporation’s then existing credit facility and the payment of the Deferred Purchase Price Obligation as a result of the Carlyle Properties Transaction and the equity bridge notes, as further amended June 29, 2004 and July 7, 2004 to assist in the payment of the Deferred Purchase Price Obligation as a result of the Storm Arrangement and the Acquisition;

“**Escrow Agent**” means Valiant Trust Company or its successor as escrow agent under the Subscription Receipt Agreement;

“**Escrowed Funds**” means the proceeds from the sale of the Subscription Receipts;

“**Exchange Ratio**” at any time and in respect of each Harvest Exchangeable Share, shall be equal to 1.00000, as at June 30, 2004, and shall be cumulatively adjusted between the time at which that Harvest Exchangeable Share was issued and the time as of which the Exchange Ratio is being calculated by: (a) increasing the Exchange Ratio on each distribution payment date by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the distribution, expressed as an amount per Unit, paid on that distribution payment date, and having as its denominator the Current Market Price on the first business day following the distribution record date for such distribution; and (b) decreasing the Exchange Ratio on each dividend record date by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the amount of the dividend payable to holders of Harvest Exchangeable Shares, expressed as an amount per Harvest Exchangeable Share, and having as its denominator the Current Market Price on the date that is seven business days prior to that dividend record date;

“**GLJ**” means Gilbert Laustsen Jung Associates Ltd., independent petroleum consultants of Calgary, Alberta;

“**GLJ Report**” means the report of GLJ dated July 16, 2004 evaluating the crude oil, NGL and natural gas reserves attributable to the New Properties of the Vendor in east central Alberta as at July 1, 2004 developed during May 2004 for the Vendor;

“**Harvest Breeze Trust No. 1**” means Harvest Breeze Trust No. 1, a trust formed pursuant to the laws of Alberta;

“**Harvest Breeze Trust No. 2**” means Harvest Breeze Trust No. 2, a trust formed pursuant to the laws of Alberta;

“**Harvest Exchangeable Shares**” means exchangeable shares, series 1, of the Corporation;

“**HST**” means Harvest Sask Energy Trust, a trust formed pursuant to the laws of the Province of Alberta, wholly-owned by the Trust;

“**Indenture**” means, collectively, the trust indenture dated January 29, 2004 and a supplemental indenture thereto to be dated the date of closing of the offering between the Trust, the Corporation and the Debenture Trustee governing the terms of the Debentures;

“**Initial Public Offering**” means the initial public offering of 3,750,000 Units at a price of \$8.00 per Unit completed on December 5, 2002, resulting in gross proceeds of \$30,000,000, and includes the over allotment option granted in favour of and exercised by the underwriters to acquire an additional 562,500 Units at a price of \$8.00 per Unit, resulting in gross proceeds of \$4,500,000;

“**Maturity Date**” means September 30, 2009;

“**McDaniel**” means McDaniel & Associates Consultants Ltd., independent petroleum consultants of Calgary, Alberta;

“**McDaniel Report**” means, collectively, the reports of McDaniel dated July 19, 2004 evaluating the crude oil, NGL and natural gas reserves attributable to New Properties of the Vendor in the Crossfield area of Alberta and in southeast Alberta as at July 1, 2004 developed during May 2004 for the Vendor;

“**New Credit Facilities**” has the meaning ascribed thereto in Note 1 to the table under “Consolidated Capitalization of the Trust”;

“**New Properties**” means crude oil and natural gas properties and related assets owned by Breeze Resources Partnership to be acquired by Harvest Breeze Trust No. 1 and Harvest Breeze Trust No. 2 pursuant to the Purchase Agreement, described in more detail under the heading “Information Concerning the New Properties”;

“**9% Debentures**” means the 9% convertible unsecured subordinated debentures of the Trust issued on January 29, 2004;

“**Notes**” means the unsecured, subordinated promissory notes issued by the Corporation to the Trust;

“**NPI**” means, collectively, the net profit interest owing by the Operating Subsidiaries to the Trust pursuant to the NPI Agreements;

“**NPI Agreements**” means, collectively, the amended and restated net profit interest agreement dated September 27, 2002 between the Corporation and the Trust, the royalty agreement dated effective January 17, 2003 between WEI and BNY Trust Company of Canada and the net profit interest agreement dated October 17, 2003 between HST and the Trust and “**NPI Agreement**” means any one of these agreements, as applicable;

“**Operating Subsidiaries**” means, collectively, the Corporation and HST, each a wholly-owned subsidiary of the Trust, Harvest Breeze Trust No. 1 and Harvest Breeze Trust No. 2 and, upon the completion of the Acquisition, the Breeze Resources Partnership, and “**Operating Subsidiary**” means any of the Corporation, HST, Harvest Breeze Trust No. 1, Harvest Breeze Trust No. 2 or the Breeze Resources Partnership, as applicable;

“**Paddock**” means Paddock Lindstrom & Associates Ltd., independent petroleum consultants of Calgary, Alberta;

“**Properties**” means the working, royalty or other interests of the Corporation and HST in any petroleum and natural gas rights, tangibles and miscellaneous interests, including properties which may be acquired by either of the Corporation or HST from time to time;

“**Purchase Agreement**” means the partnership interest purchase and sale agreement dated July 15, 2004 among Harvest Breeze Trust No. 1, Harvest Breeze Trust No. 2 and the Vendor;

“**Redemption Notes**” means promissory notes issued by the Trust;

“**Senior Indebtedness**” means all indebtedness, liabilities and obligations of the Trust (whether outstanding as at the date of the Indenture or thereafter created, incurred or assumed or for which it is liable in respect of any guarantee, indemnity, suretyship or joint and several liability) (i) in respect of borrowed money of itself or any subsidiary; (ii) in connection with the acquisition of any business, properties or asset by itself or any subsidiary; (iii) in connection with risk mitigation instruments or agreements of itself or a subsidiary; (iv) to any trade creditors of itself or any subsidiary; or (v) renewals, extensions, restructurings, refinancings and refunding of any of the foregoing; unless the instrument creating or evidencing any of the foregoing provides that such indebtedness, liabilities or obligations are to rank *pari passu*, or subordinate, in right of payment to the Debentures;

“**Special Voting Units**” means the special voting units authorized pursuant to the Trust Indenture, one of which is outstanding and held by the Voting Trustee pursuant to the Voting Trust Agreement;

“**Storm**” means Storm Energy Ltd., a corporation incorporated under the ABCA and amalgamated with the Corporation on June 30, 2004 pursuant to the Storm Arrangement;

“**Storm Arrangement**” means the Plan of Arrangement of Storm pursuant to which the Corporation acquired all of the issued and outstanding shares of Storm, described in more detail under “Recent Developments — Storm Arrangement”;

“**Storm Properties**” means the crude oil and natural gas properties and related assets of Storm, described in more detail under the heading “Information Concerning the Storm Properties”;

“**Storm Report**” means, collectively, the reports of McDaniel dated January 28, 2004 based on constant prices and costs and dated July 28, 2004 based on forecast prices and costs evaluating certain crude oil, NGL and natural gas reserves attributable to the Loon Lake area of the Storm Properties as at January 1, 2004 and the report of Paddock dated April 20, 2004 evaluating certain crude oil, NGL and natural gas reserves attributable to the remainder of the Storm Properties as at January 1, 2004;

“**Subscription Receipt Agreement**” means the agreement to be dated the date of closing of the offering between the Trust, the Underwriters and the Escrow Agent governing the terms of the Subscription Receipts;

“**Subscription Receipts**” means the subscription receipts of the Trust offered hereby;

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

“**Trust**” means Harvest Energy Trust, a trust formed pursuant to the laws of Alberta, and, unless the context otherwise requires, includes its subsidiaries, trusts and partnerships;

“**Trust Indenture**” means the amended and restated trust indenture dated January 1, 2004 between the Trustee and the Corporation as such indenture may be further amended by supplemental indentures from time to time;

“**Trustee**” means Valiant Trust Company, or its successor as trustee of the Trust;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriting Agreement**” means the agreement dated as of July 15, 2004 among the Trust, the Corporation and the Underwriters in respect of the offering;

“**Underwriters**” means, collectively, National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., FirstEnergy Capital Corp., Canaccord Capital Corporation, Haywood Securities Inc. and GMP Securities Ltd.;

“**United States**” or “**U.S.**” means the United States of America;

“**Unitholders**” means the holders from time to time of the Units;

“**Units**” means trust units of the Trust;

“**Vendor**” means, collectively, EnCana Corporation and a general partnership controlled by it;

“**Voting Trust Agreement**” means the voting and exchange trust agreement dated June 30, 2004 among the Trust, the Corporation, Harvest Exchangeco Ltd. and Valiant Trust Company, as trustee, and the Trust;

“**Voting Trustee**” means Valiant Trust Company, in its capacity as trustee under the Voting Trust Agreement; and

“**WEI**” means the Trust’s former wholly-owned subsidiary, Westcastle Energy Inc., a corporation incorporated under the ABCA which amalgamated with the Corporation on January 1, 2004, with the amalgamated corporation continuing under the name “Harvest Operations Corp.”.

“**bbl**” means one barrel

“**bbls**” means barrels

“**bbls/d**” means barrels per day

“**bcf**” means one billion cubic feet

“**boe**” means barrels of oil equivalent. A barrel of oil equivalent is determined by converting a volume of natural gas to barrels using the ratio of six mcf to one barrel. Boes may be misleading, particularly if used in isolation. The boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

“**boe/d**” means barrels of oil equivalent per day

“**mbbls**” means one thousand barrels

“**mboe**” means one thousand barrels of oil equivalent

“**MMBTU**” means million British thermal units

“**mmcf**” means one million cubic feet

“**mmcf/d**” means one million cubic feet per day

“**NGL**” or “**NGLs**” means natural gas liquids

“**\$m**” or “**m\$**” means thousands of dollars

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Corporation at 1900, 330 - 5th Avenue S.W., Calgary, Alberta, T2P 0L4 (toll free number 1 866 666 1178). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of the Corporation at the above mentioned address and telephone number. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com. The Trust's SEDAR profile number is 18577 and Storm's SEDAR profile number is 18616.

The following documents, filed with the various provincial securities commissions or similar regulatory authorities in Canada, are specifically incorporated into and form an integral part of this short form prospectus:

- (a) the Renewal Annual Information Form of the Trust dated April 30, 2004;
- (b) the audited comparative consolidated financial statements and notes thereto of the Trust as at and for the year ended December 31, 2003, together with the report of the auditors thereon;
- (c) management's discussion and analysis of the financial condition and operating results of the Trust for the year ended December 31, 2003;
- (d) the unaudited comparative interim consolidated financial statements of the Trust as at and for the three months ended March 31, 2004;
- (e) management's discussion and analysis of the financial condition and operating results of the Trust for the three months ended March 31, 2004;
- (f) the Information Circular — Proxy Statement of the Trust dated May 12, 2004, relating to the annual and special meeting of Unitholders held on June 22, 2004 (excluding those portions thereof which appear under the headings "Performance Chart" and "Corporate Governance");
- (g) the Material Change Report of the Trust dated July 8, 2004, relating to the Storm Arrangement;
- (h) the audited comparative consolidated financial statements of Storm as at and for for the year ended December 31, 2003, together with the notes thereto, together with the report of the auditors thereon;
- (i) the unaudited comparative interim consolidated financial statements of Storm as at and for the three months ended March 31, 2004;
- (j) the Material Change Report of the Trust dated July 23, 2004, relating to the Acquisition.

Any material change report and any document of the type referred to in the preceding paragraph (excluding confidential material change reports) filed by the Trust with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

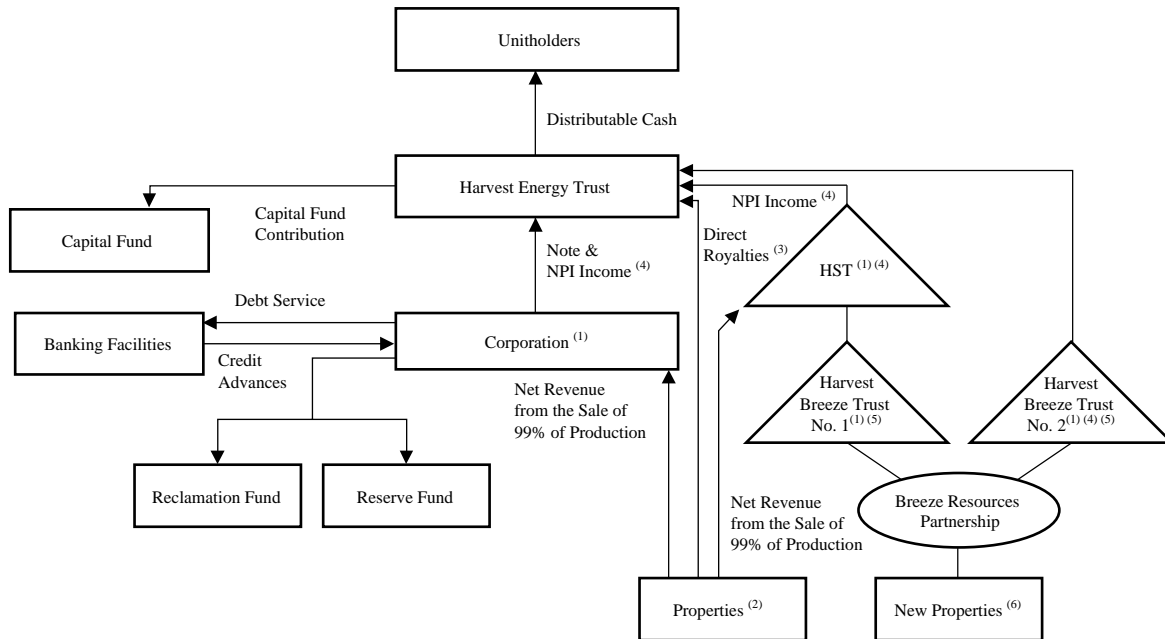
HARVEST ENERGY TRUST

General

The Trust is an open-ended, unincorporated investment trust established under the laws of the Province of Alberta and created pursuant to the Trust Indenture. The head and principal office of the Trust is located at Suite 1900, 330 - 5th Avenue S.W., Calgary, Alberta T2P 0L4. Although the Trust receives income from the NPI from each of the Corporation and HST, all oil and natural gas operations are conducted through the Corporation and the Trust is managed solely by the Corporation pursuant to the Trust Indenture and the Administration Agreement.

Structure of the Trust

After giving effect to the Acquisition, the structure of the Trust and the flow of cash from the Properties and the New Properties to the Operating Subsidiaries, from the Operating Subsidiaries to the Trust, and from the Trust to Unitholders are set forth below:



Notes:

- (1) All operations and management of the Trust and the Operating Subsidiaries are conducted through the Corporation. The Trust holds all of the voting securities of the Corporation and of HST.
- (2) The Corporation and HST own the Properties.
- (3) In addition to the NPI, the Trust holds various Direct Royalties.
- (4) The Trust receives regular monthly payments in accordance with the Notes and NPI Agreements as well as distributions and interest payments from HST and Harvest Breeze Trust No. 2.
- (5) Harvest Breeze Trust No. 1 and Harvest Breeze Trust No. 2 will also issue priority units to the Corporation.
- (6) After giving effect to the Acquisition. See “Recent Developments — The Acquisition”.

General Development of the Business

The following is a description of the general development of the business of the Trust.

The Corporation was incorporated on May 14, 2002 to carry on oil and natural gas acquisition, development and production activities. The Board of Directors then reviewed its strategic alternatives and based on such review determined that the formation of an energy royalty trust was the optimal structure. On July 10, 2002, the

Trust was formed pursuant to the Trust Indenture. On the same date, the Corporation and the Trust entered into a net profit interest agreement which has been amended and restated effective September 27, 2002 pursuant to which the Corporation granted to the Trust the right to receive income from the net profit interest created thereby on Properties held by the Corporation from time to time. Pursuant to that NPI Agreement, the Trust paid to the Corporation \$12.6 million using the proceeds from an interim loan provided by Caribou to the Trust.

On July 10, 2002 the Corporation acquired certain direct royalties and properties from a major oil and natural gas producer for an aggregate purchase price of \$26.1 million. The acquisition consisted of an overriding royalty interest of 7.10688% in the Choice Viking Gas Unit No. 1, and an approximate 99% working interest in oil and natural gas producing properties that are both unitized and non-unitized. The purchase price was funded by an advance under the Corporation's credit facilities and, indirectly, through an interim loan provided by Caribou to the Trust.

On August 1, 2002 the Corporation entered into an Agreement of Purchase and Sale with a major oil and natural gas producer to purchase certain direct royalties and properties effective June 1, 2002 for an aggregate purchase price of \$71.8 million. The Corporation completed the acquisition on November 15, 2002. The acquisition consisted of a direct royalty interest and an interest in oil and natural gas producing properties located in East Central Alberta. The purchase price was funded by an advance under the Corporation's credit facilities and, indirectly, through an interim loan provided by Caribou to the Trust.

On December 5, 2002, the Trust completed the Initial Public Offering, which resulted in the issuance of 3,750,000 Units and aggregate gross proceeds of \$30.0 million. Approximately \$22.9 million from the net proceeds of the Initial Public Offering was used to repay interim loans which had been provided by Caribou to the Trust (including accrued interest) and approximately \$5.4 million from the net proceeds of the Initial Public Offering was used to partially repay bank indebtedness. The balance was used for general working capital purposes.

On December 17, 2002, the Trust issued 562,500 Units to FirstEnergy Capital Corp. and Haywood Securities Inc. as a result of the exercise of an over-allotment option granted to them in connection with the Initial Public Offering. The gross proceeds from the sale of such Units were \$4.5 million.

On February 4, 2003, the Trust sold 1,500,000 special trust unit purchase warrants ("**Special Warrants**") to a syndicate of underwriters at a price of \$10.00 per Special Warrant for net proceeds of \$13.7 million. Each Special Warrant entitled the holder to receive on exercise or deemed exercise one Unit for the payment of no additional consideration. On March 7, 2003, the Trust received receipts for a prospectus qualifying the Units issuable on exercise of the Special Warrants and on March 7, 2003, the Trust issued 1,500,000 Units on the deemed exercise of the Special Warrants. The net proceeds were used to partially repay bank indebtedness and for working capital.

During April and May, 2003, the Corporation closed the acquisition of various interests in two properties in the Killarney area of Alberta. The properties were acquired from two major oil and natural gas producers for \$13.2 million and the issuance of 200,000 Units, respectively. The cash acquisition was financed through the Corporation's credit facilities. Included with the acquisition was an interest in two oil batteries.

On June 27, 2003, the Trust completed the acquisition of all of the common shares of WEI and an NPI in certain producing oil and natural gas properties held by WEI in exchange for total consideration of approximately \$10.1 million (consisting of the issuance of 625,000 Units, \$3 million in cash and a \$850,000 unsecured promissory note) plus the assumption of \$2.8 million in bank debt and \$2.3 million in working capital deficit. The oil and natural gas producing properties acquired included working interests ranging from 20% to 100% in the fields of Amisk, Czar and Killarney, all of which are operated by the Corporation.

On July 29, 2003, the Corporation entered into an agreement in respect of the purchase of partnership interests in a New Brunswick limited partnership which held the Carlyle Properties and certain other properties. On September 29, 2003 the Corporation entered into an agreement wherein the interests of the Corporation in the July 29, 2003 agreement referred to above were assigned to the Carlyle Properties Vendor and wherein it was agreed that the Carlyle Properties would be conveyed to the Corporation. On October 1, 2003, the Corporation entered into the Carlyle Properties Acquisition Agreement with the Carlyle Properties Vendor to acquire the Carlyle Properties effective October 1, 2003 for total consideration of approximately \$80 million, prior to

adjustments and transaction costs. Closing of the Carlyle Properties Acquisition occurred on October 16, 2003. Subsequent to the purchase of the Carlyle Properties, the Corporation sold such properties to HST and HST granted an NPI on such properties to the Trust.

On July 28, 2003, the Trust entered into the Equity Bridge Notes to provide funds to pay the Deferred Purchase Price Obligation associated with the Carlyle Properties Transaction. On July 29, 2003, \$11 million was advanced to the Trust pursuant to the Equity Bridge Notes to fund a deposit relating to the purchase of the Carlyle Properties. On September 29, 2003, the Trust amended the Equity Bridge Notes to allow advances to be used to pay out the Corporation's then existing credit facility and entered into the Bridge Note. On September 29, 2003, the Trust received additional advances under the Equity Bridge Notes in the amount of \$22.5 million and also received advances of \$25.0 million under the Bridge Note. These amounts were advanced by the Trust to the Corporation on September 30, 2003 and used to pay out in part the approximately \$48.1 million owing under the Corporation's then existing credit facility. On October 1, 2003, the \$11 million deposit in connection with the Carlyle Properties Transaction was refunded and the Trust used this amount to repay \$11 million of principal in respect of the Bridge Note.

On October 1, 2003, the Corporation entered into an agreement with a Canadian chartered bank to provide a \$15 million interim credit facility to be used to pay out WEI's credit facility and to fund working capital requirements. On October 3, 2003, the Corporation paid out approximately \$3.8 million in respect of the borrowings plus accrued interest under WEI's credit facility. Upon closing of the Carlyle Properties Transaction on October 16, 2003, the interim credit facility was paid out and replaced with the Current Bank Facility and the Corporation used a portion of this facility to repay \$8.5 million of the Equity Bridge Notes and approximately \$14 million was used to repay in full the Bridge Note.

On October 16, 2003, the Trust completed the offering of 4,312,500 Units at a price of \$12.00 per Unit for gross proceeds of \$51.8 million. The Units were offered to the public through a syndicate of underwriters, which was led by National Bank Financial Inc. and included CIBC World Markets Inc., FirstEnergy Capital Corp. and Haywood Securities Inc.

RECENT DEVELOPMENTS

Amalgamation of Subsidiaries

On January 1, 2004 WEI amalgamated with the Corporation and the amalgamated corporation continued under the name "Harvest Operations Corp."

Public Offering of 9% Debentures

On January 29, 2004, the Trust completed a public offering of \$60 million of 9% Debentures. The net proceeds from the offering were used by the Trust to repay the Equity Bridge Notes and the balance was initially used to repay bank indebtedness until needed for general trust purposes.

Amendment of the Corporation's Articles

On June 22, 2004, the Unitholders of the Trust approved a resolution authorizing the amendments of the articles of incorporation of the Corporation to create the Harvest Exchangeable Shares. See "Exchangeable Shares".

Storm Arrangement

On June 30, 2004, the Trust completed a business combination through a plan of arrangement with Storm whereby the Trust acquired all of the outstanding shares of Storm for approximately \$189 million, including assumed net debt and transaction costs of approximately \$65 million. Pursuant to the plan of arrangement the Trust and Storm combined their assets and transferred certain of Storm's assets into a separate junior exploration and development company whose shares were initially held by the former shareholders of Storm ("**ExploreCo**"). Each shareholder of Storm was entitled to receive \$4.15 per share in cash to a maximum aggregate cash amount of \$75 million; or 0.281 of a Harvest Exchangeable Share, exchangeable into 0.281 of a Unit, to a maximum aggregate of 2 million Harvest Exchangeable Shares; or 0.281 of a Unit, to a maximum

aggregate of 8 million Units and Harvest Exchangeable Shares combined. In addition, each Storm shareholder was entitled to receive one common share of ExploreCo or a cash payment and approximately 0.053 common shares of Rock Energy Inc., a public company in which Storm had an interest. Pursuant to the plan of arrangement the Trust paid \$75 million in cash and issued 2,720,837 Units and 600,587 Harvest Exchangeable Shares to former shareholders of Storm. Pursuant to the plan of arrangement Storm amalgamated with Harvest Operations Corp. and the amalgamated company continued under the name “Harvest Operations Corp.”.

The Storm Properties acquired by the Trust produced approximately 4,177 boe/d during the three months ended March 31, 2004 and are primarily concentrated in the Red Earth area of north central Alberta. See “Information Concerning Storm Properties”.

Status of Unitholder Limited Liability Legislation

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) (the “ITLA”) came into force. The ITLA protects unitholders of Alberta income trusts, such as the Trust, from legal uncertainties regarding potential liability by providing a statutory limitation on unitholders’ liability. Specifically, the ITLA provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the ITLA comes into force. The ITLA has not been subject to interpretation by courts in the Province of Alberta or elsewhere. For additional information, see “Risk Factors — Unitholder Limited Liability”.

The Acquisition

On July 15, 2004, Harvest Breeze Trust No. 1 and Harvest Breeze Trust No. 2 entered into the Purchase Agreement with the Vendor providing for the acquisition of the Breeze Resources Partnership for the purchase price of approximately \$526 million. The acquisition of the Breeze Resources Partnership will have an adjustment date of July 1, 2004 and expected closing date of September 1, 2004. The Breeze Resources Partnership owns 100% of the New Properties. Pursuant to the Purchase Agreement, Harvest Breeze Trust No. 1 and Harvest Breeze Trust No. 2 paid a deposit of \$25,000,000 to the Vendor which amount will be credited to the purchase price in the event the Acquisition is completed. See “Risk Factors — Possible Failure to Complete the Acquisition”.

The New Properties consists of crude oil and natural gas assets located in the Crossfield area of Alberta, in southeast Alberta and in east central Alberta which had average net production for the first quarter of 2004 of approximately 20,066 boe/d. See “Information Concerning the New Properties”.

Potential Acquisitions

The Trust continues to evaluate potential acquisitions of all types of petroleum and natural gas and other energy-related assets as part of its ongoing acquisition program. The Trust is normally in the process of evaluating several potential acquisitions at any one time which individually or together could be material. As of the date hereof, other than as otherwise disclosed herein, the Trust has not reached agreement on the price or terms of any potential material acquisitions. The Trust cannot predict whether any current or future opportunities will result in one or more acquisitions for the Trust.

INFORMATION CONCERNING THE NEW PROPERTIES

As the Trust does not currently own the New Properties, information in this short form prospectus in respect of the New Properties has been taken from information provided by the Vendor.

Drilling History

The following table sets forth the number of gross and net wells in which the Vendor drilled or participated in drilling on the New Properties during the periods indicated:

	Year Ended December 31, 2003		Year Ended December 31, 2002	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Oil Wells	100	97.8	58	57.8
Gas Wells	7	6.1	4	3.0
Dry and Abandoned ⁽³⁾	3	3.0	10	10.0
Total	<u>110</u>	<u>106.9</u>	<u>72</u>	<u>70.8</u>

Notes:

- (1) “**Gross**” wells are defined as the total number of wells in which the Vendor has an interest.
- (2) “**Net**” wells are defined as the aggregate of the numbers obtained by multiplying each gross well by the Vendor’s percentage working interest therein.
- (3) “**Dry**” refers to a well that is not productive. A productive well is a well which is capable of producing hydrocarbons in quantities considered by the operator to be sufficient to justify the costs required to complete, equip and produce the well.

Oil and Gas Wells

The following table sets forth the number and status of wells in which the Vendor has a material royalty or working interest which will be acquired effective July 1, 2004, which were producing or which the Vendor considered to be capable of production.

	Producing				Shut-in ⁽¹⁾			
	Crude Oil		Natural Gas		Crude Oil		Natural Gas	
	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾
Alberta	640	606	100	74	60	54	25	16

Notes:

- (1) “**Shut-in**” wells means wells which have encountered and are capable of producing crude oil or natural gas but which are not producing due to lack of available transportation facilities, available markets or other reasons.
- (2) “**Gross**” wells are defined as the total number of wells in which the Vendor has an interest.
- (3) “**Net**” wells are defined as the aggregate of the numbers obtained by multiplying each gross well by the Vendor’s percentage working interest therein.

Principal Producing Properties

The following is a description of the principal properties comprising the New Properties on production or under development as at July 1, 2004. The term “net”, when used to describe the Vendor’s share of production, means the aggregate of the Vendor’s working interest share before deduction of royalties owned by others. Reserve amounts are stated, before deduction of royalties, at July 1, 2004, based on forecast cost and price assumptions as evaluated in the GLJ Report and McDaniel Report. See “— Statement of Reserves Data and Other Oil and Gas Information for the New Properties”. The following information in respect of gross and net acres of land is as at July 1, 2004 and information in respect of production is net to the Vendor and is as at July 1, 2004 except where otherwise indicated. The reserves set forth in the principal property descriptions below are as presented in the GLJ Report and McDaniel Report. Such additional reserves are set forth on a consolidated

basis in the oil and natural gas reserve tables set forth under the heading “Statement of Reserves Data and Other Oil and Gas Information for the New Properties”. All of the Vendor’s proved producing reserves are anticipated to be on production on July 1, 2004. The New Properties do not include coalbed methane rights or interests in certain non-producing zones.

Southeast Alberta Area

The Vendor has an average 93% working interest in 272,472 gross acres (253,845 net acres) of land, of which 192,442 net acres are undeveloped and are strategically positioned for further oil and natural gas exploitation and development. The Vendor’s average net production for the first quarter of 2004 from this area was approximately 11,440 boe/d, being 9,163 bbls/d of oil, 13.1 mmcf/d of natural gas and 94 bbls/d of NGLs. The Vendor operates 100% of the production from these properties.

The McDaniel Report assigned proven reserves of 615 mbbbls of light/medium oil, 13,602 mbbbls of heavy oil, 16.1 bcf of natural gas and 122 mbbbls of NGLs to these properties. In addition, probable reserves of 179 mbbbls of light/medium oil, 10,868 mbbbls of heavy oil, 5.8 bcf of natural gas and 38 mbbbls of NGLs have been assigned to these properties.

Crossfield Alberta Area

The Vendor has an average 94% working interest in 162,645 gross acres (153,658 net acres) of land, of which 144,632 net acres are undeveloped and are strategically positioned for further natural gas exploitation and development. The Vendor’s average net production for the first quarter of 2004 from this area was approximately 3,390 boe/d, being 17.0 mmcf/d of natural gas and 557 bbls/d of NGLs. All of the production from these properties is operated by the Vendor and another Canadian senior oil and gas producer.

The McDaniel Report assigned proven reserves of 42.6 bcf of natural gas and 1,371 mbbbls of NGLs to these properties. In addition, probable reserves of 9.3 bcf of natural gas and 301 mbbbls of NGLs have been assigned to these properties.

East Central Alberta Area

The Vendor has an average 86% working interest in 37,248 gross acres (31,896 net acres) of land, of which 6,123 net acres are undeveloped and are strategically positioned for further oil and natural gas exploitation and development. The Vendor’s average net production for the first quarter of 2004 from this area was approximately 5,236 boe/d, being 4,673 bbls/d of oil, 2.9 mmcf/d of natural gas and 80 bbls/d of NGLs. The Vendor operates 95 % of the production from these properties.

The GLJ Report assigned proven reserves of 1,054 mbbbls of light/medium oil, 13,505 mbbbls of heavy oil, 2.7 bcf of natural gas and 93 mbbbls of NGLs to these properties. In addition, probable reserves of 214 mbbbls of light/medium oil, 2,911 mbbbls of heavy oil, 1.1 bcf of natural gas and 28 mbbbls of NGLs have been assigned to these properties.

Undeveloped Lands

The following table summarizes the Vendor’s undeveloped land holdings, in acres, as at July 1, 2004 associated with the New Properties.

	<u>Gross⁽¹⁾</u>	<u>Net⁽²⁾</u>	<u>Average Working Interest</u>
Alberta	217,127	208,136	96%
Saskatchewan	147,025	135,061	92%
Total	<u>364,152</u>	<u>343,197</u>	94%

Notes:

- (1) “Gross” refers to the total acres in which the Vendor has an interest.
- (2) “Net” refers to the total acres in which the Vendor has an interest, multiplied by the percentage working interest therein owned by the Vendor.

Statement of Reserves Data and Other Oil and Gas Information for the New Properties

The statement of reserves data and other oil and gas information set forth below (the “**Statement**”) is dated July 16, 2004 in respect of the reserves data for the East Central Alberta Area and July 19, 2004 for the Crossfield Alberta and Southeast Alberta areas. The effective date of the Statement is July 1, 2004 and the preparation date of the Statement is July 19, 2004.

Disclosure of Reserves Data

The reserves data set forth below (the “**Reserves Data**”) for the New Properties are based upon an evaluation by McDaniel and GLJ with an effective date of July 1, 2004 as contained in the McDaniel Report and GLJ Report, respectively. The Reserves Data summarizes the crude oil, liquids and natural gas reserves of the New Properties and the net present values of future net revenue for these reserves using constant prices and costs and forecast prices and costs. The Reserves Data conforms with the requirements of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“**NI 51-101**”). Additional information not required by NI 51-101 has been presented to provide continuity and additional information which we believe is important to the readers of this information. McDaniel and GLJ were engaged to provide an evaluation of proved and proved plus probable reserves.

All of the New Properties’ reserves are located in Canada and, specifically, in the province of Alberta.

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

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the constant prices and costs assumptions and forecast prices and costs assumptions will be attained and variances could be material.

Reserves Data (Constant Prices and Costs)

**SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of July 1, 2004
CONSTANT PRICES AND COSTS**

<u>Reserves Category</u>	<u>Natural Gas</u>		<u>Natural Gas Liquids</u>		<u>Light/Medium Oil</u>		<u>Heavy Oil</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
	(mmcf)	(mmcf)	(mdbl)	(mdbl)	(mdbl)	(mdbl)	(mdbl)	(mdbl)
Proved Producing	55,607	50,105	1,544	1,361	1,679	1,577	24,261	22,201
Proved Non-Producing	5,074	4,995	34	34	38	38	0	0
Total Proved Developed	60,681	55,100	1,578	1,395	1,717	1,615	24,261	22,201
Proved Undeveloped	786	606	11	10	29	24	3,112	2,612
Total Proved	61,467	55,706	1,589	1,405	1,746	1,639	27,373	24,813
Probable	16,239	14,705	366	332	388	368	13,773	11,894
Total Proved + Probable	<u>77,706</u>	<u>70,411</u>	<u>1,955</u>	<u>1,737</u>	<u>2,134</u>	<u>2,007</u>	<u>41,146</u>	<u>36,707</u>

**NET PRESENT VALUES OF FUTURE NET REVENUE
BEFORE INCOME TAXES DISCOUNTED AT**

(%/year)

<u>Reserves Category</u>	<u>0</u>	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Producing	1,012,621	803,729	674,263	586,204	522,153
Proved Non-Producing	31,829	27,102	23,506	20,704	18,479
Total Proved Developed	1,044,450	830,831	697,769	606,908	540,632
Proved Undeveloped	67,726	58,360	50,906	44,897	37,604
Total Proved	1,112,176	889,191	748,675	651,805	578,236
Probable	452,089	321,291	246,930	198,804	163,773
Total Proved + Probable	1,564,265	1,210,482	995,605	850,609	742,009

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)**

as of July 1, 2004

CONSTANT PRICES AND COSTS

<u>Reserves Category</u>	<u>Revenue</u>	<u>Royalties</u>	<u>Operating Costs</u>	<u>Development Costs</u>	<u>Well Abandonment Costs</u>	<u>Future Net Revenue Before Income Taxes</u>
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Reserves	1,768,342	178,225	398,964	52,075	26,902	1,112,176
Proved + Probable Reserves	2,470,147	269,931	513,683	93,720	28,547	1,564,265

**FUTURE NET REVENUE
BY PRODUCTION GROUP**

as of July 1, 2004

CONSTANT PRICES AND COSTS

<u>Reserves Category</u>	<u>Production Group</u>	<u>Future Net Revenue Before Income Taxes (discounted at 10%/year)</u>
		(M\$)
Proved Reserves	Light and Medium Crude Oil	43,929
	Heavy Oil	449,409
	Natural Gas (including by-products and solution gas from oil wells)	255,337
Proved + Probable Reserves	Light and Medium Crude Oil	55,198
	Heavy Oil	638,175
	Natural Gas (including by-products and solution gas from oil wells)	302,232

Reserves Data (Forecast Prices and Costs)

**SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of July 1, 2004
FORECAST PRICES AND COSTS**

<u>Reserves Category</u>	<u>Natural Gas</u>		<u>Natural Gas Liquids</u>		<u>Light/Medium Oil</u>		<u>Heavy Oil</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
	(mmcf)	(mmcf)	(mmbbl)	(mmbbl)	(mmbbl)	(mmbbl)	(mmbbl)	(mmbbl)
Proved Producing	55,557	50,062	1,541	1,360	1,611	1,516	23,997	22,237
Proved Non-Producing	5,074	4,997	34	34	38	38	0	0
Total Proved Developed	60,631	55,059	1,575	1,394	1,649	1,554	23,997	22,237
Proved Undeveloped	784	605	11	10	20	16	3,110	2,774
Total Proved	61,414	55,664	1,586	1,403	1,669	1,570	27,107	25,011
Probable	16,242	14,708	367	332	393	374	13,779	12,490
Total Proved + Probable	<u>77,656</u>	<u>70,372</u>	<u>1,953</u>	<u>1,736</u>	<u>2,062</u>	<u>1,944</u>	<u>40,886</u>	<u>37,501</u>

**NET PRESENT VALUES OF FUTURE NET REVENUE
BEFORE INCOME TAXES DISCOUNTED AT
(%/year)**

<u>Reserves Category</u>	<u>0</u>	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Producing	478,633	401,598	350,571	314,246	286,915
Proved Non-Producing	18,441	15,925	13,992	12,475	11,261
Total Proved Developed	497,074	417,523	364,563	326,721	298,177
Proved Undeveloped	27,399	23,601	20,447	17,850	15,697
Total Proved	524,473	441,124	385,010	344,571	313,874
Probable	215,123	155,475	120,885	98,072	81,794
Total Proved + Probable	<u>739,596</u>	<u>596,599</u>	<u>505,895</u>	<u>442,643</u>	<u>395,668</u>

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of July 1, 2004
FORECAST PRICES AND COSTS**

<u>Reserves Category</u>	<u>Revenue</u>	<u>Royalties</u>	<u>Operating Costs</u>	<u>Development Costs</u>	<u>Well Abandonment Costs</u>	<u>Future Net Revenue Before Income Taxes</u>
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Reserves	1,151,179	103,622	432,741	56,125	34,218	524,473
Proved + Probable Reserves	1,593,780	146,948	570,448	100,079	36,709	739,596

**FUTURE NET REVENUE
BY PRODUCTION GROUP
as of July 1, 2004
FORECAST PRICES AND COSTS**

<u>Reserves Category</u>	<u>Production Group</u>	<u>Future Net Revenue Before Income Taxes (discounted at 10%/year)</u> (M\$)
Proved Reserves	Light and Medium Crude Oil	19,950
	Heavy Oil	206,890
	Natural Gas (including by-products and solution gas from oil wells)	158,170
Proved + Probable Reserves	Light and Medium Crude Oil	24,251
	Heavy Oil	296,918
	Natural Gas (including by-products and solution gas from oil wells)	184,726

Definitions and Other Notes

In the tables set forth above and elsewhere in this short form prospectus except where indicated otherwise, the following definitions and other notes are applicable:

- (1) “**Gross**” means:
 - (a) in relation to the Vendor’s interest in production and reserves, its “Vendor gross reserves”, which are the Vendor’s interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Vendor;
 - (b) in relation to wells, the total number of wells in which the Vendor has an interest; and
 - (c) in relation to properties, the total area of properties in which the Vendor has an interest.
- (2) “**Net**” means:
 - (a) in relation to the Vendor’s interest in production and reserves, its “Vendor net reserves”, which are the Vendor’s interest (operating and non-operating) share after deduction of royalties obligations, plus the Vendor’s royalty interest in production or reserves;
 - (b) in relation to wells, the number of wells obtained by aggregating the Vendor’s working interest in each of its gross wells; and
 - (c) in relation to the Vendor’s interest in a property, the total area in which the Vendor has an interest multiplied by the working interest owned by the Vendor.
- (3) “**Exploration well**” means a well that is not a development well, a service well or a stratigraphic test well.
- (4) “**Development costs**” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:
 - (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;
 - (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
 - (d) provide improved recovery systems.
- (5) “**Development well**” means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
- (6) “**Exploration costs**” means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:
- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
 - (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
 - (c) dry hole contributions and bottom hole contributions;
 - (d) costs of drilling and equipping exploratory wells; and
 - (e) costs of drilling exploratory type stratigraphic test wells.
- (7) “**Service well**” means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
- (8) Definitions used for reserve categories are as follows:

The following definitions apply to both estimates of individual reserves entities and the aggregate of reserves for multiple entities.

Reserve Categories

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

- (a) analysis of drilling, geological, geophysical and engineering data;
- (b) the use of established technology; and
- (c) specified economic conditions (see the discussion of “Economic Assumptions” below).

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

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

“Economic Assumptions” will be the prices and costs used in the estimate, namely:

- (a) constant prices and costs as at June 1, 2004; and
- (b) forecast prices and costs.

Development and Production Status

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

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

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

Levels of Certainty for Reported Reserves

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

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

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

(9) Forecast prices and costs

Future prices and costs that are:

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

The forecast summary table under “— Pricing Assumptions” identifies benchmark reference pricing that apply to the Vendor.

(10) Constant prices and costs

Prices and costs used in an estimate that are:

- (a) the Corporation’s prices and costs as at June 1, 2004, held constant throughout the estimated lives of the properties to which the estimate applies; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Vendor is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

For the purposes of paragraph (a), the Corporation’s prices are the posted prices for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.

- (11) Estimated future well abandonment costs related to a property have been taken into account by McDaniel and GLJ in determining reserves that should be attributed to a property and in determining the aggregate future net revenue therefrom.
- (12) Numbers may not add due to rounding.
- (13) Both the constant and forecast price and cost assumptions assumed the continuance of current laws and regulations.
- (14) The extended character of all factual data supplied to McDaniel and GLJ were accepted by McDaniel and GLJ as represented. No field inspection was conducted.
- (15) The estimates of future net revenue presented in the tables above do not represent fair market value.

Pricing Assumptions

The following sets forth the benchmark reference prices, reflected in the Reserves Data. These forecast price assumptions were provided by GLJ. The constant prices as of June 1, 2004 were supplied by GLJ.

**SUMMARY OF PRICING ASSUMPTIONS
as of June 1, 2004
CONSTANT PRICES AND COSTS**

Year	Oil		Natural Gas	Natural Gas Liquids			Exchange Rate ⁽¹⁾ (\$US/\$Cdn)
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	AECO Gas Price (\$Cdn/MMBTU)	Edmonton Butane (\$Cdn/bbl)	Edmonton Propane (\$Cdn/bbl)	Edmonton Pentanes (\$Cdn/bbl)	
July 1, 2004 and thereafter	42.33	56.08	7.70	48.08	45.08	56.58	0.7307

Note:

- (1) The exchange rate used to generate the benchmark reference prices in this table.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS

as of April 1, 2004

FORECAST PRICES AND COSTS

Year	Oil		Natural Gas	Natural Gas Liquids			Inflation Rates ⁽¹⁾ (%/Year)	Exchange Rate ⁽²⁾ (\$US/\$Cdn)
	WTI Cushing Oklahoma	Edmonton Par Price 40° API	AECO Gas Price	Edmonton Butane	Edmonton Propane	Edmonton Pentanes		
	(\$US/bbl)	(\$Cdn/bbl)	(\$Cdn/MMBTU)	(\$Cdn/bbl)	(\$Cdn/bbl)	(\$Cdn/bbl)		
Forecast								
2004	34.25	44.75	6.70	36.75	33.75	45.25	1.5	0.75
2005	29.00	37.75	5.55	28.75	25.75	38.25	1.5	0.75
2006	27.00	35.25	5.20	25.25	23.25	35.75	1.5	0.75
2007	25.00	32.50	5.00	22.50	20.50	33.00	1.5	0.75
2008	25.00	32.50	5.00	22.50	20.50	33.00	1.5	0.75
2009	25.00	32.50	5.00	22.50	20.50	33.00	1.5	0.75
2010	25.50	33.00	5.10	23.00	21.00	33.50	1.5	0.75
2011	25.75	33.50	5.20	23.50	21.50	34.00	1.5	0.75
Thereafter . . .	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year		

Notes:

(1) Inflation rates for forecasting prices and costs.

(2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by the Vendor for the year ended December 31, 2003, were \$29.95/bbl for oil, \$7.05/mcf for natural gas and \$30.64/bbl for natural gas liquids.

Additional Information Relating to Reserves Data

The recovery of the Proven Undeveloped and Probable reserves of the New Properties will occur primarily through the drilling of infill development locations on the Suffield property included in the Southeast Alberta area. The recovery of these reserves will be dependent on these future wells exhibiting similar performance characteristics to the existing wells drilled into the pool.

Future Development Costs

The following table sets forth development costs deducted in the estimation of the Vendor's future net revenue attributable to the reserve categories noted below.

Year	Forecast Prices and Costs				Constant Prices and Costs			
	Proved Reserves		Proved Plus Probable Reserves		Proved Reserves		Proved Plus Probable Reserves	
	0%	10%	0%	10%	0%	10%	0%	10%
2004	2,869		5,862		2,869		5,862	
2005	27,138		62,844		26,738		61,916	
2006	1,870		1,870		1,815		1,815	
Thereafter	24,247		29,502		20,653		24,127	
Total	<u>56,124</u>	<u>37,664</u>	<u>100,078</u>	<u>73,550</u>	<u>52,075</u>	<u>36,235</u>	<u>93,720</u>	<u>71,452</u>

These future development costs will be financed with undrawn capacity under the Corporation's New Credit Facilities. See Note (1) to the table under "Consolidated Capitalization of the Trust".

Capital Expenditures

The following table summarizes capital expenditures made by the Vendor on acquisitions, development and exploration drilling and production facilities and other equipment in respect of the New Properties for the periods indicated.

	Three Months Ended March 31, 2004 ⁽¹⁾	Year Ended December 31, ⁽¹⁾	
		2003	2002
	(unaudited) (\$000's)	(unaudited) (\$000's)	(unaudited) (\$000's)
Property acquisitions ⁽²⁾	—	—	—
Development expenditures ⁽³⁾	4,248	43,565	22,520
Production equipment ⁽⁴⁾	3,786	24,668	17,661
Exploration expenditures ⁽⁵⁾	764	374	318
TOTAL	8,798	68,607	40,499

Notes:

- (1) Based on information provided to the Corporation by the Vendor.
- (2) Property acquisitions include production lease/royalty purchases and property exchanges of lease and royalty interests.
- (3) Development expenditures include development drilling and miscellaneous intangible expenditures.
- (4) Production equipment includes production and facility equipment and miscellaneous tangible assets.
- (5) Exploration expenditures include exploration drilling, geological and geophysical costs and miscellaneous intangible expenditures.

Production History and Prices Received

The following table sets forth certain information in respect of production, product prices received, royalties, production expenses and netbacks received by the Vendor in respect of the New Properties for the period indicated.

	Natural Gas Production ⁽¹⁾	Oil and NGLs Production ⁽¹⁾	Natural Gas Price Received ⁽²⁾	Oil and NGLs Price Received ⁽²⁾	Royalty Expense ⁽⁴⁾	Production Expenses ⁽³⁾⁽⁴⁾	Netback Received ⁽⁴⁾
	(mmcf/d)	(bbls/d)	(\$/mcf)	(\$/bbl)	(\$/boe)	(\$/boe)	(\$/boe)
2004							
First Quarter	33.0	14,566	6.85	31.55	4.16	5.75	24.26
2003							
First Quarter	44.5	14,861	8.38	37.54	5.23	5.84	30.69
Second Quarter	41.9	14,590	7.29	29.19	4.25	5.45	24.20
Third Quarter	39.9	15,769	6.54	28.31	3.95	5.86	21.73
Fourth Quarter	36.3	16,151	5.83	25.39	3.56	5.33	19.51
2002							
First Quarter	48.2	13,897	3.37	24.62	2.72	4.45	15.72
Second Quarter	39.9	13,392	4.50	30.41	3.47	7.21	18.50
Third Quarter	50.6	14,913	3.40	33.57	3.42	4.91	20.44
Fourth Quarter	47.4	15,410	5.51	30.77	3.75	5.76	22.05

Notes:

- (1) Before deduction of royalties.
- (2) Product prices are net of costs to transport the product to market.
- (3) This figure includes all field operating expenses.
- (4) The Vendor does not report royalties, production expenses or netbacks received on a commodity basis.

INFORMATION CONCERNING STORM PROPERTIES

Drilling History

The following table sets forth the number of gross and net wells in which Storm drilled or participated in drilling on the Storm Properties during the periods indicated:

	Three Months Ended March 31, 2004		Year Ended December 31, 2003	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Oil Wells	—	—	20	11.3
Gas Wells	—	—	3	1.4
Dry and Abandoned ⁽³⁾	—	—	6	3.9
Total	—	—	29	16.6

Notes:

- (1) “Gross” wells are defined as the total number of wells in which Storm had an interest.
- (2) “Net” wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Storm’s percentage working interest therein.
- (3) “Dry” refers to a well that is not productive. A productive well is a well which is capable of producing hydrocarbons in quantities considered by the operator to be sufficient to justify the costs required to complete, equip and produce the well.

Oil and Gas Wells

The following table sets forth the number and status of wells in which Storm had a material royalty or working interest which were producing or which Storm considered to be capable of production effective June 30, 2004 and which are included in the Storm Properties:

	Producing				Shut-in ⁽¹⁾			
	Crude Oil		Natural Gas		Crude Oil		Natural Gas	
	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾
Alberta	228	141.5	2	1.9	60	38.3	—	—

Notes:

- (1) “Shut-in” wells means wells which have encountered and are capable of producing crude oil or natural gas but which are not producing due to lack of available transportation facilities, available markets or other reasons.
- (2) “Gross” wells are defined as the total number of wells in which Storm has an interest.
- (3) “Net” wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Storm’s percentage working interest therein.

Principal Producing Properties

The following is a description of the principal properties comprising the Storm Properties on production or under development as at July 1, 2004. The term “net”, when used to describe Storm’s share of production, means the aggregate of Storm’s working interest share before deduction of royalties owned by others. Reserve amounts are stated, before deduction of royalties, at January 1, 2004, based on forecast cost and price assumptions as evaluated in the Storm Report. See “— Statement of Reserves Data and Other Oil and Gas Information for the Storm Properties”. The following information in respect of gross and net acres of land is as at July 1, 2004 and information in respect of production is net to Storm and is as at March 31, 2004 except where otherwise indicated. The reserves set forth in the principal property description below are as presented in the Storm Report. Such additional reserves are set forth on a consolidated basis in the oil and natural gas reserve tables set forth under the heading “— Statement of Reserves Data and Other Oil and Gas Information for the Storm Properties”. All of Storm’s proved producing reserves were on production as at December 31, 2003.

Red Earth, Alberta

Storm had an average 74% working interest in 73,416 gross acres (54,156 net acres) of land, of which 25,785 net acres are undeveloped and are strategically positioned for further natural gas exploitation and development. Storm's average net production for the first quarter of 2004 from this area was approximately 4,177 boe/d, being 3,939 bbls/d of light oil and NGLs and 1.4 mmcf/d of natural gas. Storm operated 100% of the production from these properties.

The Storm Report, effective December 31, 2003, assigned proved reserves of 9,170 mbbbls of light oil, 6.3 bcf of natural gas and 553 mbbbls of NGLs to these properties. In addition, probable reserves of 2,683 mbbbls of light oil, 1.5 bcf of natural gas and 93 mbbbls of NGLs have been assigned to these properties.

Undeveloped Lands

The following table summarizes Storm's undeveloped land holdings, in acres, as at December 31, 2003.

	<u>Gross⁽¹⁾</u>	<u>Net⁽²⁾</u>	<u>Average Working Interest</u>
Alberta	33,816	25,785	76.3%

Notes:

- (1) "Gross" refers to the total acres in which Storm had an interest.
- (2) "Net" refers to the total acres in which Storm had an interest, multiplied by the percentage working interest therein owned by the Vendor.

Statement of Reserves Data and Other Oil and Gas Information for the Storm Properties

The statement of reserves data and other oil and gas information set forth below (the "**Storm Properties Statement**") is dated April 20, 2004 with respect to the data evaluated by Paddock and July 28, 2004 with respect to the data evaluated by McDaniel. The effective date of the Statement is January 1, 2004 and the preparation date of the Storm Properties Statement is July 28, 2004.

Disclosure of Reserves Data

The reserves data set forth below (the "**Storm Reserves Data**") for the Storm Properties are based upon an evaluation by McDaniel and Paddock with an effective date of January 1, 2004 as contained in the Storm Report. The Storm Reserves Data summarizes the crude oil, liquids and natural gas reserves of the Storm Properties and the net present values of future net revenue for these reserves using constant prices and costs and forecast prices and costs. The Storm Reserves Data conforms with the requirements of NI 51-101 except as it utilizes forecast prices and costs as of April 1, 2004. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which we believe is important to the readers of this information. McDaniel and Paddock were engaged to provide an evaluation of proved and proved plus probable reserves.

All of the Storm Properties' reserves are located in Canada and, specifically, in the province of Alberta.

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

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the constant prices and costs assumptions and forecast prices and costs assumptions will be attained and variances could be material.

Storm Reserves Data (Forecast Prices and Costs)

**SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of January 1, 2004
FORECAST PRICES AND COSTS**

<u>Reserves Category</u>	<u>Natural Gas</u>		<u>Natural Gas Liquids</u>		<u>Light/Medium Oil</u>	
	<u>Gross</u> (mmcf)	<u>Net</u> (mmcf)	<u>Gross</u> (mdbl)	<u>Net</u> (mdbl)	<u>Gross</u> (mdbl)	<u>Net</u> (mdbl)
Proved Producing	3,423	2,353	497	451	7,182	6,197
Proved Non-Producing	1,805	1,551	12	11	366	338
Total Proved Developed	5,228	3,904	509	462	7,548	6,535
Proved Undeveloped	1,091	656	44	44	1,622	1,452
Total Proved	6,319	4,560	553	506	9,170	7,987
Probable	1,505	1,085	93	85	2,683	2,396
Total Proved + Probable	<u>7,824</u>	<u>5,645</u>	<u>646</u>	<u>591</u>	<u>11,852</u>	<u>10,383</u>

**NET PRESENT VALUES OF FUTURE NET REVENUE
BEFORE INCOME TAXES DISCOUNTED AT
(%/year)**

<u>Reserves Category</u>	<u>0</u> (M\$)	<u>5</u> (M\$)	<u>10</u> (M\$)	<u>15</u> (M\$)	<u>20</u> (M\$)
Proved Producing	169,551	138,712	118,667	104,627	101,238
Proved Non-Producing	10,804	7,831	6,102	4,974	4,790
Total Proved Developed	180,355	146,543	124,769	109,601	106,028
Proved Undeveloped	33,437	21,304	14,267	9,901	7,532
Total Proved	213,792	167,847	139,036	119,501	113,560
Probable	64,875	37,175	24,028	16,906	14,405
Total Proved + Probable	<u>278,667</u>	<u>205,022</u>	<u>163,064</u>	<u>136,407</u>	<u>127,965</u>

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of January 1, 2004
FORECAST PRICES AND COSTS**

<u>Reserves Category</u>	<u>Revenue</u> (M\$)	<u>Royalties</u> (M\$)	<u>Operating Costs</u> (M\$)	<u>Development Costs</u> (M\$)	<u>Well Abandonment Costs</u> (M\$)	<u>Future Net Revenue Before Income Taxes</u> (M\$)
Proved Reserves	385,580	55,362	98,799	13,138	4,489	213,792
Proved + Probable Reserves	497,746	68,551	127,783	17,792	4,954	278,667

**FUTURE NET REVENUE
BY PRODUCTION GROUP
as of January 1, 2004
FORECAST PRICES AND COSTS**

<u>Reserves Category</u>	<u>Production Group</u>	<u>Future Net Revenue Before Income Taxes (discounted at 10%/year)</u> (M\$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	125,821
	Natural Gas (including by-products but excluding solution gas from oil wells)	13,215
Proved + Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	147,447
	Natural Gas (including by-products but excluding solution gas from oil wells)	15,617

Storm Reserves Data (Constant Prices and Costs)

**SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of January 1, 2004
CONSTANT PRICES AND COSTS**

<u>Reserves Category</u>	<u>Natural Gas</u>		<u>Natural Gas Liquids</u>		<u>Light/Medium Oil</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
	(mmcf)	(mmcf)	(mdbl)	(mdbl)	(mdbl)	(mdbl)
Proved Producing	3,423	2,361	497	450	7,221	6,165
Proved Non-Producing	1,786	1,538	12	10	374	342
Total Proved Developed	5,209	3,899	509	460	7,595	6,507
Proved Undeveloped	1,091	656	44	44	1,624	1,432
Total Proved	6,300	4,555	553	504	9,219	7,939
Probable	1,525	1,103	93	86	2,700	2,371
Total Proved + Probable	<u>7,825</u>	<u>5,658</u>	<u>646</u>	<u>590</u>	<u>11,919</u>	<u>10,310</u>

**NET PRESENT VALUE OF FUTURE NET REVENUE
BEFORE INCOME TAXES DISCOUNTED AT
(%/year)**

<u>Reserves Category</u>	<u>0</u>	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Producing	196,907	156,798	131,381	112,888	109,594
Proved Non-Producing	13,227	9,293	7,069	5,644	5,403
Total Proved Developed	210,134	166,091	138,450	118,532	114,997
Proved Undeveloped	41,728	27,277	18,816	14,500	10,559
Total Proved	251,862	193,368	157,266	133,033	125,556
Probable	74,771	43,157	28,199	20,027	16,177
Total Proved + Probable	<u>326,633</u>	<u>236,525</u>	<u>185,465</u>	<u>153,060</u>	<u>141,733</u>

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of January 1, 2004
CONSTANT PRICES AND COSTS**

<u>Reserves Category</u>	<u>Revenue</u>	<u>Royalties</u>	<u>Operating Costs</u>	<u>Development Costs</u>	<u>Well Abandonment Costs</u>	<u>Future Net Revenue Before Income Taxes</u>
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Reserves	415,549	62,713	84,840	12,691	3,443	251,862
Proved + Probable Reserves	533,646	78,852	107,210	17,220	3,731	326,633

**FUTURE NET REVENUE
BY PRODUCTION GROUP
as of January 1, 2004
CONSTANT PRICES AND COSTS**

<u>Reserves Category</u>	<u>Production Group</u>	<u>Future Net Revenue Before Income Taxes (discounted at 10%/year)</u>
		(M\$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	142,386
	Natural Gas (including by-products but excluding solution gas from oil wells)	14,880
Proved + Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	167,736
	Natural Gas (including by-products but excluding solution gas from oil wells)	17,729

Definitions and Other Notes

In the tables set forth above and elsewhere in “Information Concerning Storm Properties — Statement of Storm Reserves Data and Other Oil and Gas Information for the Storm Properties” the definitions and other notes set forth under the heading “Information Concerning the New Properties — Statement of Reserves Data and Other Oil and Gas Information by the New Properties — Definitions and Other Notes” are applicable, except that reference to constant prices are as at January 1, 2004, references to Vendor are to Storm and references to “McDaniel and GLJ” are to “McDaniel and Paddock”.

Pricing Assumptions

The following sets forth the benchmark reference prices, as at April 1, 2004, reflected in the Storm Reserves Data. These forecast price assumptions were provided by McDaniel and Paddock. The constant prices as of the report date (January 1, 2004) were supplied by Storm.

**SUMMARY OF PRICING ASSUMPTIONS
as of January 1, 2004
CONSTANT PRICES AND COSTS**

<u>Year</u>	<u>Oil</u>		<u>Natural Gas</u>	<u>Natural Gas Liquids</u>
	<u>WTI Cushing Oklahoma</u>	<u>Edmonton Par Price 40° API</u>	<u>AECO Gas Price</u>	<u>FOB⁽¹⁾ Field Gate</u>
	(\$US/bbl)	(\$Cdn/bbl)	(\$Cdn/MMBtu)	(\$Cdn/BBL)
January 1, 2004 and thereafter	32.78	39.76	5.87	31.50

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
as of April 1, 2004
FORECAST PRICES AND COSTS

Year	Oil		Natural Gas	Natural Gas Liquids	Inflation Rates ⁽¹⁾	Exchange Rate ⁽¹⁾
	WTI Cushing Oklahoma	Edmonton Par Price 40° API	AECO Gas Price	FOB ⁽¹⁾ Field Gate		
	(\$US/bbl)	(\$Cdn/bbl)	(\$Cdn/MMBtu)	(\$Cdn/BBL)	(%/Year)	(\$US/\$Cdn)
Forecast						
2004	29.00	37.61	6.00	26.32	2.0	0.750
2005	26.50	34.25	5.31	23.29	2.0	0.750
2006	25.50	32.90	4.83	21.71	2.0	0.750
2007	25.00	32.21	4.87	20.61	2.0	0.750
2008	25.50	32.85	4.92	20.37	2.0	0.750
2009	26.01	33.51	4.96	20.11	2.0	0.750
2010	26.53	34.18	5.01	20.51	2.0	0.750
2011	27.06	34.86	5.05	20.92	2.0	0.750
2012	27.60	35.56	5.15	21.34	2.0	0.750
2013	28.15	36.27	5.26	21.76	2.0	0.750
2014	28.72	37.00	5.39	22.20	2.0	0.750
Thereafter	Escalated at 2%/year	Escalated at 2%/year	Escalated at 2%/year	Escalated at 2%/year	2.0	0.750

Notes:

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by Storm for the year ended December 31, 2003, were \$41.54/bbl for oil and natural gas liquids and \$6.78/mcf for natural gas.

Additional Information Relating to Reserves Data

The recovery of the Proven Undeveloped and Probable reserves of the Storm Properties will occur primarily through drilling of up to 40 infill and step-out well locations at Red Earth focusing on Granite Wash and Slave Point plays as well as gas drilling activity at Parkland in connection with a joint venture with Storm Exploration Inc. The recovery of these reserves will be dependent on these future wells exhibiting similar performance characteristics to the existing wells drilled into the pool.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Storm's future net revenue attributable to the reserve categories noted below.

Year	Forecast Prices and Costs				Constant Prices and Costs			
	Proved Reserves		Proved Plus Probable Reserves		Proved Reserves		Proved Plus Probable Reserves	
	0%	10%	0%	10%	0%	10%	0%	10%
2004	5,548	5,289	7,760	7,398	5,492	5,236	7,680	7,322
2005	3,717	3,222	5,951	5,159	3,573	3,097	5,720	4,958
2006	3,419	2,694	3,529	2,781	3,222	2,538	3,325	2,620
Thereafter	455	263	552	325	404	234	495	293
Total	<u>13,139</u>	<u>11,468</u>	<u>17,792</u>	<u>15,663</u>	<u>12,691</u>	<u>11,105</u>	<u>17,220</u>	<u>15,193</u>

These expenditures will be financed with undrawn borrowing capacity under the Corporation's New Credit Facilities. See Note (1) to the table under "Consolidated Capitalization of the Trust".

Capital Expenditures

The following table summarizes capital expenditures made by Storm on acquisitions, development and exploration and production facilities and other equipment in respect of the Storm Properties for the periods indicated.

	Three Months Ended March 31, 2004 ⁽¹⁾	Year Ended December 31, ⁽¹⁾	
		2003 (unaudited) (\$000's)	2002 (unaudited) (\$000's)
Property acquisitions ⁽²⁾	(48)	40,886	7,988
Development expenditures ⁽³⁾	2,090	4,735	6,778
		—	
Exploration expenditures ⁽⁵⁾	—	11,306	1,936
Production equipment ⁽⁴⁾	<u>1,920</u>	<u>6,704</u>	<u>1,866</u>
Total	<u>3,962</u>	<u>63,631</u>	<u>18,568</u>

Notes:

- (1) Excluding expenditures made on properties transferred to Storm Exploration Inc. pursuant to the Storm Arrangement.
- (2) Property acquisitions include production lease/royalty purchases and property exchanges of lease and royalty interests.
- (3) Development expenditures include development drilling and miscellaneous intangible expenditures.
- (4) Production equipment includes production and facility equipment and miscellaneous tangible assets.
- (5) Exploration expenditures include exploration drilling, geological and geophysical expenditures and miscellaneous intangible expenditures.

Production History and Prices Received

The following table sets forth certain information in respect of production, product prices received, royalties, production expenses and netbacks received by Storm for the periods indicated.

	Natural Gas Production ⁽¹⁾ (mcf/d)	Oil and NGLs Production ⁽¹⁾ (bbls/d)	Natural Gas Price Received ⁽²⁾ (\$/mcf)	Oil and NGLs Price Received ⁽²⁾ (\$/bbl)	Royalty Expense ⁽⁴⁾ (\$/boe)	Production Expenses ⁽³⁾⁽⁴⁾ (\$/boe)	Netback Received ⁽⁴⁾ (\$/boe)
2004							
First Quarter	1,430	3,939	6.99	45.28	10.00	4.48	30.62
2003							
First Quarter	445	3,115	8.96	49.76	13.24	3.47	33.14
Second Quarter	551	3,859	10.13	39.87	9.61	3.96	26.74
Third Quarter	1,152	3,843	4.30	40.15	8.52	4.62	26.32
Fourth Quarter	1,138	3,954	6.81	38.04	7.92	4.80	25.46
2002							
Third Quarter ⁽⁵⁾	994	3,056	3.58	44.43	12.46	4.68	26.12
Fourth Quarter	1,292	3,080	5.43	41.46	10.38	4.20	26.30

Notes:

- (1) Before deduction of royalties.
- (2) Product prices are net of costs to transport the product to market.
- (3) This figure includes all field operating expenses.
- (4) Storm did not report royalties, operating expenses or netbacks received on a commodity basis.
- (5) Storm commenced operations on August 23, 2002.

EFFECT OF THE STORM ARRANGEMENT AND ACQUISITION ON THE TRUST

The following table sets out certain operational information for the Trust, the Storm Properties and the New Properties and certain pro forma combined operational information after giving effect to the Storm Arrangement and the Acquisition.

Selected Pro Forma Combined Operational Information

	<u>Trust</u>	<u>Storm Properties</u>	<u>New Properties</u>	<u>Pro Forma Combined</u>
Average Daily Production				
(before royalties, for the 3 month period ended March 31, 2004)				
Crude oil and NGL (bbls/d)	14,676	3,939	14,566	33,181
Natural gas (mcf/d)	915	1,430	33,000	35,345
Oil equivalent (boe/d)	14,829	4,177	20,066	39,072
Average Daily Production⁽¹⁾				
(before royalties, for the year ended December 31, 2003)				
Crude oil and NGL (bbls/d)	10,822	3,695	15,348	29,865
Natural gas (mcf/d)	1,311	824	40,600	42,735
Oil equivalent (boe/d)	11,040	3,832	22,115	36,987
Proved Reserves⁽²⁾⁽³⁾⁽⁴⁾				
(before royalties)				
Crude oil and NGL (mbbls)	27,103	9,723	30,362	67,188
Natural gas (mmcf)	1,997	6,319	61,414	69,730
Oil equivalent (mboe)	27,436	10,776	40,598	78,810
Proved plus Probable Reserves⁽²⁾⁽³⁾⁽⁴⁾				
(before royalties)				
Crude oil and NGL (mbbls)	33,047	12,498	44,901	90,446
Natural gas (mmcf)	2,722	7,824	77,656	88,202
Oil equivalent (mboe)	33,501	13,802	57,844	105,147

Notes:

- (1) Average daily production for the Trust for the year ended December 31, 2003 includes production from the Carlyle Properties as well as various properties in the Amisk, Czar and Killarney areas from the date of closing of the acquisitions only.
- (2) The Storm Properties reserve information is as at January 1, 2004, using the Storm Report.
- (3) New Properties reserve information is as at July 1, 2004, using the GLJ Report and the McDaniel Report.
- (4) The Trust reserve information is as at December 31, 2003.

Selected Pro Forma Consolidated Financial Information

Certain selected pro forma consolidated financial information is set forth in the following tables. **Such information should be read in conjunction with the unaudited pro forma consolidated financial statements of the Trust after giving effect to the Storm Arrangement and the Acquisition as at and for the three months ended March 31, 2004 and the year ended December 31, 2003 included in this short form prospectus.**

The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma consolidated financial statements. The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Storm Arrangement and the Acquisition actually occurred at the times contemplated by the notes to the unaudited pro forma consolidated financial statements or of the results expected in future periods.

The information presented below and in the unaudited pro forma consolidated financial statements of the Trust assumes completion of the Storm Arrangement, the Acquisition and the issuance of

12,167,000 Subscription Receipts and \$100 million principal amount of Debentures pursuant to the offering and the exercise of the Underwriters' Option.

As at and for the Three Months Ended March 31, 2004				
	Trust⁽⁴⁾	Storm Arrangement⁽⁵⁾	New Properties⁽⁶⁾	Pro Forma Consolidated⁽⁸⁾
(stated in thousands of dollars, except unit amounts)				
Revenue — net ⁽¹⁾	39,473	11,536	55,197	106,206
Net income (loss)	(1,065)	(737)	17,965	16,163
Cash flow from operations ⁽²⁾	14,839	7,124	41,224	63,187
Total Assets	260,658	242,427	550,500	1,053,585
Long term debt and working capital ⁽³⁾	28,656	115,897	275,450	420,003
Equity	150,762	74,058	246,550	471,370
Units outstanding ⁽⁹⁾	17,281,528	2,720,837	12,167,000	32,169,365

For the Year Ended December 31, 2003					
	Trust⁽⁴⁾	Carlyle Properties⁽⁷⁾	Storm Arrangement⁽⁵⁾	New Properties⁽⁶⁾	Pro Forma Consolidated
(stated in thousands of dollars)					
Revenue — net ⁽¹⁾	102,939	47,193	44,276	240,367	434,775
Net income (loss)	16,710	22,262	(2,724)	81,763	118,011
Cash flow from operations	46,487	27,768	30,902	181,096	286,253

Notes:

- (1) Revenue — net consists of gross revenue net of applicable royalties.
- (2) Cash flow from operations is before changes in non-cash working capital. As such, it is not a measure recognized by Canadian generally accepted accounting principles (“GAAP”) and does not have a standardized meaning prescribed by GAAP. Therefore, cash flow from operations of the Trust may not be comparable to similar measures presented by other issuers, and subscribers are cautioned that it should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.
- (3) Long term debt and working capital includes bank debt and all current liabilities (net of current assets).
- (4) The Trust financial information for the year ended December 31, 2003 was obtained from the Trust’s audited consolidated financial statements for the year ended December 31, 2003 and as at and for the three months ended March 31, 2004 was obtained from the Trust’s unaudited consolidated financial statements as at and for the three months ended March 31, 2004.
- (5) The Storm financial information for the year ended December 31, 2003 was obtained from Storm’s audited consolidated financial statements for the year ended December 31, 2003 and as at and for the three months ended March 31, 2004 was obtained from Storm’s unaudited consolidated financial statements as at and for the three months ended March 31, 2004. These amounts include pro forma adjustments required under the terms of the Storm Arrangement.
- (6) The New Properties financial information for the year ended December 31, 2003 was obtained from the audited schedule of revenues, royalties and operating expenses for the New Properties for the year ended December 31, 2003 included herewith and for the three months ended March 31, 2004 was obtained from the unaudited schedule of revenues, royalties and operating expenses for the New Properties for the three months ended March 31, 2004 included herewith, and reflects the pro forma adjustments as noted in the unaudited pro forma consolidated financial statements set forth herein.
- (7) The Carlyle Properties financial information for the year ended December 31, 2003 included information obtained from the unaudited schedule of revenue, royalties and operating expenses for the Carlyle Properties for the six-month period ended June 30, 2003 plus the figures from the applicable accounting information for the three months ended September 30, 2003. These amounts include the pro forma adjustments required under the purchase agreement relating to the acquisition of such properties.
- (8) See the notes to the unaudited pro forma consolidated financial statements included herewith for assumptions and adjustments. The unaudited pro forma consolidated financial statements may not be indicative of results that actually would have occurred if the events reflected herein had been in effect on the dates indicated or of the results expected in future periods.
- (9) Excluding 600,587 Harvest Exchangeable Shares issued in connection with the Storm Arrangement, and exchangeable into Units, and 1,063,725 trust unit rights outstanding as at March 31, 2004 with a weighted average exercise price of \$6.39.

DESCRIPTION OF UNITS

Units

An unlimited number of Units may be created and issued pursuant to the Trust Indenture. Each Unit represents an equal fractional undivided beneficial interest in any distribution from the Trust (whether of net income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Units outstanding from time to time are entitled to an equal share of any distributions from, and in any net assets of, the Trust in the event of the termination or winding-up of the Trust. All Units rank among themselves equally and rateably without discrimination, preference or priority. Each Unit is transferable, is not subject to any conversion or pre-emptive rights and entitles the holder thereof to require the Trust to redeem any or all of the Units held by such holder and to one vote at all meetings of Unitholders for each Unit held. Unitholders shall not be subject to any liability in contract or tort or of any other kind in connection with the assets, obligations or affairs of the Trust or with respect to any acts performed by the Trustee or any other person pursuant to the Trust Indenture.

At July 28, 2004, there were 21,002,146 Units outstanding.

Special Voting Units

In order to allow the Trust flexibility in pursuing corporate acquisitions, the Trust Indenture allows for the creation of Special Voting Units which will enable the Trust to effect exchangeable securities transactions. Exchangeable securities transactions are commonly used in corporate acquisitions to give the selling securityholder a tax deferred "rollover" on the sale of the securityholder's securities, which may not otherwise be available. In an exchangeable securities transaction the tax event is generally deferred until the exchangeable securities are actually exchanged.

An unlimited number of Special Voting Units may be created and issued pursuant to the Trust Indenture. Holders of Special Voting Units are not entitled to any distributions of any nature whatsoever from the Trust, but are entitled to such number of votes at meetings of Unitholders as may be prescribed by the Board of Directors of the Corporation in the resolution authorizing the issuance of any Special Voting Units. Except for the right to vote at meetings of the Unitholders, the Special Voting Units shall not confer upon the holders thereof any other rights.

One Special Voting Unit was issued and is outstanding in connection with the issue of the Harvest Exchangeable Shares. Each Harvest Exchangeable Share is exchangeable on a one-for-one basis for Units, subject to adjustment for distributions. The holders of the Harvest Exchangeable Shares are entitled to one vote per Harvest Exchangeable Share at all meetings of Unitholders. There were 592,156 Harvest Exchangeable Shares outstanding at July 28, 2004. See "Exchangeable Shares".

Issuance of Units

The Trust Indenture provides that Units, including rights, warrants, options and other securities to purchase, to convert into or to exchange into Units, may be created, issued, sold and delivered on such terms and conditions and at such times as the Board of Directors may determine.

Cash Distributions

The Trust makes cash distributions in amounts equal to all of the interest, royalty and dividend income of the Trust, net of the Trust's administrative expenses. In addition, Unitholders may, at the discretion of the Board of Directors of the Corporation, receive distributions in respect of repayments of principal made by the Corporation to the Trust on the Notes. The Corporation has historically endeavored to retain approximately up to 50% of its cash flow over time to fund capital expenditures and to distribute the balance to the Trust. The actual percentage retained by the Corporation is subject to the discretion of the Board of Directors of the Corporation and will vary from month to month depending on, among other things, the current and anticipated commodity price environment. Assuming completion of the Acquisition and based on current forward commodity prices, the Corporation anticipates that the portion of cash flow retained for the balance of 2004 will be approximately 70% and in 2005 will be approximately 65%.

The Trust's current policy is to distribute \$0.20 per Unit per month (\$2.40 per Unit per annum).

For additional information respecting the Units, including information respecting Unitholders' limited liability, restrictions on non-resident Unitholders, the redemption right attached to the Units, meetings of Unitholders, and amendments to the Trust Indenture, see "Trust Indenture" at pages 51 through 57, inclusive, of the AIF, incorporated by reference herein.

EXCHANGEABLE SHARES

The Corporation is authorized to issue an unlimited number of exchangeable shares without nominal or par value, issuable in one or more series, each series to consist of such number of shares and having designations, rights, privileges, restrictions and conditions attaching to each series of exchangeable shares as may be determined by the board of directors of the Corporation before the issuance thereof. The Corporation is authorized to issue an unlimited number of Harvest Exchangeable Shares, Series 1 with the rights, privileges, restrictions and conditions described below. The Harvest Exchangeable Shares rank prior to the common shares of the Corporation and any other shares ranking junior to the Harvest Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation.

Valiant Trust Company is the transfer agent for the Harvest Exchangeable Shares.

Each Harvest Exchangeable Share has economic rights (including the right to have the Exchange Ratio adjusted to account for distributions paid to Unitholders) equivalent to those of the Units into which they are exchangeable from time to time and to one vote for each Harvest Exchangeable Share (through the benefit of the Special Voting Units granted to the Trustee). In addition, holders of Harvest Exchangeable Shares have the right to receive Units at any time in exchange for their Harvest Exchangeable Shares, on the basis of the Exchange Ratio in effect at the time of the exchange. Fractional Units will not be delivered on any exchange of Harvest Exchangeable Shares. In the event that the Exchange Ratio in effect at the time of an exchange would otherwise entitle a holder of Harvest Exchangeable Shares to a fractional Unit, the number of Units to be delivered will be rounded to the nearest whole number of Units. Holders of Harvest Exchangeable Shares will not receive cash distributions from the Trust or the Corporation. Rather, the Exchange Ratio will be adjusted to account for distributions paid to Unitholders during the period the Exchangeable Shares are outstanding.

Ranking

The Harvest Exchangeable Shares rank rateably with shares of any other series of exchangeable shares and prior to any common shares of the Corporation and any other shares ranking junior to the Harvest Exchangeable Shares with respect to the payment of dividends, if any, that have been declared and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation.

Dividends

Holders of Harvest Exchangeable Shares will be entitled to receive cash dividends if, as and when declared by the board of directors of the Corporation. The Corporation may from time to time declare dividends on the Harvest Exchangeable Shares in an amount of up to but not exceeding any cash distributions on the Units into which such Harvest Exchangeable Shares are exchangeable. In the event that any such dividends are paid, the Exchange Ratio will be correspondingly reduced to reflect such dividends.

Certain Restrictions

The Corporation will not, without obtaining the approval of the holders of the Harvest Exchangeable Shares as set forth below under the subheading "Amendment and Approval":

- (a) pay any dividend on the common shares or any other shares ranking junior to the common shares, other than stock dividends payable in common shares or any other shares ranking junior to the Harvest Exchangeable Shares;

- (b) redeem, purchase or make any capital distribution in respect of the common shares of the Corporation or any other shares ranking junior to the Harvest Exchangeable Shares;
- (c) redeem or purchase any other shares of the Corporation ranking equally with the Harvest Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution; or
- (d) issue any shares, other than Harvest Exchangeable Shares or common shares, which rank superior to the Harvest Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution.

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

Liquidation or Insolvency of the Corporation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other proposed distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, a holder of Harvest Exchangeable Shares will be entitled, subject to applicable law, to receive from the Corporation, in respect of each such Harvest Exchangeable Share, that number of Units equal to the Exchange Ratio as at the effective date of such event.

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

Automatic Exchange Right on Liquidation of the Trust

The Voting Trust Agreement provides that in the event of a Trust liquidation event, as described below, or the Trust or ExchangeCo fail to exercise their call rights, as described below, the Trust or ExchangeCo will be deemed to have purchased all outstanding Harvest Exchangeable Shares and each holder of Harvest Exchangeable Shares will be deemed to have sold their Harvest Exchangeable Shares immediately prior to such Trust liquidation event at a purchase price per Harvest Exchangeable Share to be satisfied by the issuance or delivery, as the case may be, of that number of Units equal to the Exchange Ratio at such time. “Trust liquidation event” means:

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

Retraction of Harvest Exchangeable Shares by Holders and Retraction Call Right

Subject to the Retraction Call Right of the Trust and ExchangeCo described below, a holder of Harvest Exchangeable Shares will be entitled at any time to require the Corporation to redeem any or all of the Harvest Exchangeable Shares held by such holder for a retraction price (the “Retraction Price”) per Harvest Exchangeable Share equal to the value of that number of Units equal to the Exchange Ratio as at the date of redemption (the “Retraction Date”), to be satisfied by the delivery of such number of Units. Fractional Units will not be delivered. Any amount payable on account of the Retraction Price that includes a fractional Unit will be rounded to the nearest whole number of Units. Holders of the Harvest Exchangeable Shares may request

redemption by presenting to the Corporation or the transfer agent for the Harvest Exchangeable Shares a certificate or certificates representing the number of Harvest Exchangeable Shares the holder desires to have redeemed, together with a duly executed retraction request and such other documents as may be reasonably required to effect the redemption of the Harvest Exchangeable Shares. Subject to extension as described below, the redemption will become effective on the Retraction Date, which will be three business days after the date on which the Corporation or the transfer agent receives the retraction notice.

When a holder requests the Corporation to redeem the Harvest Exchangeable Shares, the Trust and ExchangeCo will have an overriding right (the “Retraction Call Right”) to purchase on the Retraction Date all but not less than all of the Harvest Exchangeable Shares that the holder has requested the Corporation to redeem at a purchase price per Harvest Exchangeable Share equal to the Retraction Price, to be satisfied by the delivery of that number of Units equal to the Exchange Ratio at such time. At the time of a Retraction Request by a holder of Harvest Exchangeable Shares, the Corporation will immediately notify the Trust and ExchangeCo. The Trust or ExchangeCo must then advise the Corporation within two business days as to whether the Retraction Call Right will be exercised. A holder may revoke his or her Retraction Request at any time prior to the close of business on the last business day immediately preceding the Retraction Date, in which case the holder’s Harvest Exchangeable Shares will neither be purchased by the Trust or ExchangeCo nor be redeemed by the Corporation. If the holder does not revoke his or her Retraction Request, the Harvest Exchangeable Shares that the holder has requested the Corporation to redeem will on the Retraction Date be purchased by the Trust or ExchangeCo or redeemed by the Corporation, as the case may be, in each case at a purchase price per Harvest Exchangeable Share equal to the Retraction Price. In addition, a holder of Harvest Exchangeable Shares may elect to instruct the Trustee to exercise the optional exchange right (the “Optional Exchange Right”) to require the Trust or ExchangeCo to acquire such holder’s Harvest Exchangeable Shares in circumstances where neither the Trust nor ExchangeCo have exercised the Retraction Call Right.

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

Redemption of Harvest Exchangeable Shares

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

- (a) will, on the fifth anniversary of the effective date of the Storm Arrangement (the “Automatic Redemption Date”), redeem all but not less than all of the then outstanding Harvest Exchangeable Shares for the Redemption Price (such redemption being an “Automatic Redemption”);
- (b) may, on any date that is after the second anniversary date of the Effective Date (the “Optional Redemption Date”), redeem all but not less than all of the then outstanding Harvest Exchangeable Shares (such redemption being an “Optional Redemption”);
- (c) may, on any date when the aggregate number of issued and outstanding Harvest Exchangeable Shares is less than 500,000 (such redemption date being the “De Minimus Redemption Date”), redeem all but not less than all of the then outstanding Harvest Exchangeable Shares for the Redemption Price (such redemption being a “De Minimus Redemption”); and
- (d) may, on any date that is within the first 90 days of any calendar year commencing after 2005 (such redemption date being the “Annual Redemption Date”), redeem up to that number of Harvest Exchangeable Shares equal to 20% of the Harvest Exchangeable Shares outstanding on the Effective Date (such redemption being an “Annual Redemption”).

The Corporation will, at least 90 days prior to any of the Automatic Redemption Date, Optional Redemption Date, De Minimus Redemption Date or Annual Redemption Date (collectively, a “Redemption

Date”), provide the registered holders of the Harvest Exchangeable Shares with written notice of the prospective redemption of the Harvest Exchangeable Shares by the Corporation.

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

Voting Rights

Except as required by Applicable Law, the holders of the Harvest Exchangeable Shares are not entitled as such to receive notice of or attend any meeting of the shareholders of the Corporation or to vote at any such meeting. Holders of Harvest Exchangeable Shares will have the notice and voting rights respecting meetings of the Trust that are provided in the Voting Trust Agreement.

Amendment and Approval

The rights, privileges, restrictions and conditions attaching to the Harvest Exchangeable Shares may be changed only with the approval of the holders thereof. Any such approval or any other approval or consent to be given by the holders of the Harvest Exchangeable Shares will be sufficiently given if given in accordance with Applicable Law and subject to a minimum requirement that such approval or consent be evidenced by a resolution passed by not less than two-thirds of the votes cast thereon (other than shares beneficially owned by the Trust, or any of its subsidiaries and other affiliates) at a meeting of the holders of the Harvest Exchangeable Shares duly called and held at which holders of at least 10% of the then outstanding Harvest Exchangeable Shares are present in person or represented by proxy. In the event that no such quorum is present at such meeting within one-half hour after the time appointed therefor, then the meeting will be adjourned to such place and time (not less than ten days later) as may be determined at the original meeting and the holders of Harvest Exchangeable Shares present in person or represented by proxy at the adjourned meeting will constitute a quorum thereat and may transact the business for which the meeting was originally called. At the adjourned meeting, a resolution passed by the affirmative vote of not less than two-thirds of the votes cast thereon (other than shares beneficially owned by the Trust or any of its subsidiaries and other affiliates) will constitute the approval or consent of the holders of the Harvest Exchangeable Shares.

INTEREST COVERAGE

The following interest coverages are calculated on a consolidated basis for the twelve month periods ended December 31, 2003 and March 31, 2004 and are based on audited financial information in the case of December 31, 2003, and unaudited financial information in the case of March 31, 2004. In accordance with Canadian generally accepted accounting principles, the Debentures will be included in Unitholders’ Equity and the interest paid on the Debentures will be charged to accumulated earnings as distributions to Unitholders.

The earnings of the Trust before interest and income tax expense for the year ended December 31, 2003 and the twelve-month period ended March 31, 2004 were \$11.7 million and \$11.6 million, respectively. The pro forma interest expense for the year ended December 31, 2003 and the twelve-month period ended March 31, 2004, was \$23.4 million and \$22.7 million, respectively, for a ratio of 0.5 and 0.4 times, respectively. These ratios reflect historical earnings, excluding the pro forma impact of the Storm Arrangement and the Acquisition, but including the related interest expense on debt associated with these acquisitions.

After giving effect to the issuance of the Debentures, the Storm Arrangement and the Acquisition, the pro forma earnings of the Trust before interest and income tax expense for the year ended December 31, 2003 and the twelve-month period ended March 31, 2004 would be \$136.4 million and \$120.1 million, respectively.

After giving effect to the equity treatment of the Debentures, the pro forma interest expense for the year ended December 31, 2003 and the twelve-month period ended March 31, 2004 were \$23.4 million and \$22.7 million, respectively, for a ratio of 5.8 and 5.3 times, respectively.

If the Debentures, the Equity Bridge Notes and the Trust's previously issued 9% Debentures were included in long-term debt, the pro forma interest coverage after giving effect to the Storm Arrangement and the Acquisition would be 3.6 times for the year ended December 31, 2003 and 3.3 times for the twelve-month period ended March 31, 2004, based on a pro forma interest expense of \$37.5 million and \$36.8 million, respectively.

See also **“Risk Factors — Future Changes in Accounting Standards Applicable to Convertible Debentures”**.

CONSOLIDATED CAPITALIZATION OF THE TRUST

The following table sets forth the consolidated capitalization of the Trust as at December 31, 2003 and as at March 31, 2004 both before and after giving effect to the offering, the Storm Arrangement and the Acquisition.

<u>Designation (Authorized)</u>	<u>As at December 31, 2003</u>	<u>As at March 31, 2004 before giving effect to the offering, the Storm Arrangement and the Acquisition</u>	<u>As at March 31, 2004 after giving effect to the offering, the Storm Arrangement and the Acquisition⁽⁷⁾⁽⁸⁾</u>
	(\$ thousands, except unit, share and vote amounts)		
Bank Debt	63,349	35,611	418,389
(\$440 million) ⁽¹⁾			
Equity Bridge Notes	25,000	—	10,110
(\$50 million) ⁽²⁾			
Unitholders' Capital			
Debentures	—	—	95,500
(\$100 million)			
9% Debentures ⁽³⁾	—	56,374	56,374
(\$60 million)			
Units ⁽⁴⁾	117,407	119,527	325,654
(unlimited)	(17,109,006 Units)	(17,281,528 Units)	(32,169,365 Units)
Harvest Exchangeable Shares ⁽⁵⁾	—	—	8,871
(unlimited)			(600,587 shares)
Special Voting Units ⁽⁶⁾	—	—	Nil
(unlimited)			(1 Unit; 600,587 votes)

Notes:

- (1) The Corporation has credit facilities (the **“Current Credit Facilities”**) with a syndicate of banks that includes a \$160 million revolving credit facility that reflects the properties acquired through the Storm Arrangement. The Current Credit Facilities bear interest at the lenders' prime rate or bankers acceptances plus an applicable margin, based on the debt to cash flow ratio. The Current Credit Facilities are secured by a \$250 million principal amount fixed and floating charge debenture with a charge over substantially all of the Trust's assets. The Corporation has obtained committed replacement credit facilities (the **“New Credit Facilities”**) in the aggregate amount of \$440 million to be available for the closing of the Acquisition. The New Credit Facilities include a \$400 million revolving credit facility and a \$40 million bridge loan facility. The New Credit Facilities will bear interest at the lenders' prime rate or bankers' acceptances plus an applicable margin, based on the debt to cash flow ratio. The New Credit Facilities will be secured by a \$750 million principal amount fixed and floating charge debenture with a charge over substantially all of the Trust's assets. The bridge loan facility will be payable 9 months from the date it is issued and bears increasing rates of interest during the period it is outstanding.
- (2) See Note 10 to the audited consolidated financial statements of the Trust which are incorporated by reference herein. The Equity Bridge Notes were amended as described in the definition of “Equity Bridge Notes” contained in “Selected Abbreviations and Definitions”.
- (3) The Trust issued 60,000 9% Debentures at a price of \$1,000 per debenture on January 29, 2004. On March, 15, 2004, 1,000 of the 9% Debentures were converted into Units, at the option of the holder. The 9% Debentures bear interest at an annual rate of 9% payable semi-annually on May 31 and November 30 of each year. The 9% Debentures are redeemable by the Trust at a price of \$1,050 per debenture after May 31, 2007 and on or before May 31, 2008 and at a price of \$1,025 per debenture after May 31, 2008 and before maturity on May 31, 2009, in each case, together with accrued and unpaid interest. The 9% Debentures are convertible into Units at the option of the holder at any time prior to maturity at a conversion price of \$14.00 per Unit. The Trust may elect, from time to time, to

satisfy its obligation to pay interest on the 9% Debentures by delivering sufficient Units to the trustee of the 9% Debentures for sale in order to satisfy the cash interest payment to holders. The Trust may also satisfy its obligation to pay the principal owing on redemption or maturity by the issue of Units at a deemed price of 95% of the weighted average trading price of the Units preceding the redemption or maturity date.

- (4) In addition, at March 31, 2004, 1,063,725 Units were reserved for issuance on exercise of rights to purchase Units under the Trust's unit incentive plan.
- (5) See "Exchangeable Shares" for a description of the Harvest Exchangeable Shares.
- (6) See "Description of Units — Special Voting Units" for a description of the Special Voting Units.
- (7) Based on the issuance of 12,166,666 Subscription Receipts (and the issue of 12,166,666 Units pursuant thereto) and \$100,000,000 principal amount of Debentures for aggregate gross proceeds of \$275,199,990 less the Underwriters' fee of \$12,760,000 and expenses of the issue estimated to be \$1,000,000, the net proceeds from this issue are estimated to be \$261,439,990.
- (8) Also gives effect to the issue of 2,720,837 Units, 600,587 Harvest Exchangeable Shares, an increase in bank debt of \$107.3 million on June 30, 2004 pursuant to the Storm Arrangement (See "Recent Developments — Storm Arrangement") and advances under the Equity Bridge Notes in connection with the Storm Arrangement and the Acquisition.
- (9) At March 31, 2004, the Trust had accumulated earnings of \$17.3 million and accumulated Unitholder distributions of \$42.9 million.

PRICE RANGE AND TRADING VOLUME OF THE UNITS

The outstanding Units are listed on the TSX under the trading symbol "HTE.UN". The following table sets forth the closing price range and trading volume of the Units as reported by the TSX for the periods indicated.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
	(\$)	(\$)	(000's)
2003			
First Quarter	\$11.75	\$ 9.45	891,879
Second Quarter	\$10.50	\$ 9.55	1,795,326
Third Quarter	\$12.75	\$ 9.82	1,883,552
Fourth Quarter	\$14.20	\$11.97	2,925,275
2004			
January	\$14.40	\$12.65	1,091,793
February	\$13.99	\$12.15	1,061,991
March	\$15.18	\$13.60	1,316,461
April	\$15.49	\$14.55	1,397,530
May	\$15.45	\$14.60	1,862,143
June	\$15.07	\$13.80	959,139
July (to July 29)	\$16.68	\$14.75	3,452,426

On July 14, 2004, the last trading day prior to the public announcement of the offering, the closing price of the Units on the TSX was \$14.85. On July 29, 2004, the closing price of the Units on the TSX was \$16.61.

RECORD OF CASH DISTRIBUTIONS

The following table sets forth the per Unit amount of monthly cash distributions paid by the Trust since December 2002.

	<u>Distribution Per Unit⁽¹⁾</u>
2002	
December	\$0.20
2003	
January	\$0.20
February	\$0.20
March	\$0.20
April	\$0.20
May	\$0.20
June	\$0.20
July	\$0.20
August	\$0.20
September	\$0.20
October	\$0.20
November	\$0.20
December	\$0.20
2004	
January	\$0.20
February	\$0.20
March	\$0.20
April	\$0.20
May	\$0.20
June	\$0.20

Notes:

- (1) Monthly information makes reference to the month in which the record date for the relevant distribution occurs, with the distribution being paid in the following month.
- (2) The Trust announced on July 14, 2004 that the next monthly distribution of \$0.20 per Unit would be paid on August 16, 2004 to Unitholders of record on July 30, 2004.

The Trust makes cash distributions on the 15th day of each month (or the first business day thereafter) to holders of Units of record on the immediately preceding record date.

Accordingly, if the Acquisition closes on or before September 1, 2004 as currently contemplated, holders of Subscription Receipts will become holders of Units on or before September 30, 2004 and will be entitled as Unitholders, provided they hold the Units received pursuant to the Subscription Receipts on September 30, 2004, to receive the monthly distribution expected to be paid on October 15, 2004 to Unitholders of record on September 30, 2004.

USE OF PROCEEDS

The net proceeds to the Trust from the sale of the Subscription Receipts and the Debentures hereunder are estimated to be \$261.44 million after deducting the fees of \$12.76 million payable to the Underwriters and the estimated expenses of the issue of \$1.0 million. See "Plan of Distribution". The net proceeds of the offering will be used by the Trust to pay a portion of the purchase price of the Acquisition. See "Relationship Among the Trust, the Corporation and Certain Underwriters".

If the Acquisition does not close, the Trust may redeem the Debentures provided that after such redemption, not more than 40,000 Debentures are outstanding, resulting in \$35.5 million of net proceeds after

\$4.0 million in fees payable to the Underwriter and \$0.5 million in estimated expenses of the offering. Such net proceeds will be used to repay other outstanding debt and also for general Trust purposes.

DETAILS OF THE OFFERINGS

Subscription Receipts

The following is a summary of the material attributes and characteristics of the Subscription Receipts. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Subscription Receipt Agreement.

At closing, a certificate representing the Subscription Receipts will be issued in registered form to CDS or its nominee, CDS & Co., and will be deposited with CDS on the closing date of this offering pursuant to the book-entry only system. Unless the book-entry only system is terminated, and except in certain limited circumstances, owners of beneficial interests in Subscription Receipts shall not receive a certificate for Subscription Receipts or, unless requested, for the Trust Units issuable on the exchange of the Subscription Receipts. Beneficial interests in Subscription Receipts will generally be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the Underwriters.

The Escrowed Funds will be delivered to and held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending the closing of the Acquisition. Provided that the closing of the Acquisition occurs by 5:00 p.m. (Calgary time) on September 30, 2004, the Escrowed Funds and the interest earned thereon will be released to the Trust and the Units will be issued to holders of Subscription Receipts who will receive, without payment of additional consideration or further action, one Unit for each Subscription Receipt held.

Forthwith upon the closing of the Acquisition, the Trust will execute and deliver to the Escrow Agent a notice thereof, and will issue and deliver the Units to the Escrow Agent. Contemporaneously with the delivery of such notice, the Trust will issue a press release specifying that the Units have been issued.

If the closing of the Acquisition does not take place by 5:00 p.m. (Calgary time) on September 30, 2004, the Acquisition is terminated at any earlier time or the Trust has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition (in any case, the “**Termination Time**”), holders of Subscription Receipts shall be entitled to receive an amount equal to the full subscription price therefor and their *pro rata* entitlements to interest on such amount. The Escrowed Funds will be applied toward payment of such amount. The issuance of a cheque in payment of the subscription price for the Subscription Receipts will require the surrender of the certificate(s) representing the same at the principal office of the Escrow Agent in Calgary, Alberta. If any certificates representing Subscription Receipts have not been surrendered one year after the Termination Time, the Escrow Agent will mail the cheques that the holders thereof are entitled to receive to their last addresses of record.

If the closing of the Acquisition takes place prior to the Termination Time and holders of Subscription Receipts become entitled to receive Units pursuant to the Subscription Receipt Agreement, such holders will be entitled to receive an amount per Subscription Receipt equal to the amount per Unit of any cash distributions for which record dates have occurred during the period from the date of closing of the offering to the date immediately preceding the date the Units are issued pursuant to the Subscription Receipts. All or a portion of this amount will be satisfied by the payment by the Escrow Agent to holders of Subscription Receipts of interest earned on the Escrowed Funds. The difference, if any, between the amount of interest earned on the Escrowed Funds and the distribution that would have been payable on the Units will be paid by the Trust. If holders of Subscription Receipts become entitled to receive Units, the Escrow Agent and the Trust will pay such amounts to holders on the later of the date the Units are issued and the date such distribution(s) is paid to Unitholders. For greater certainty, if the closing of the Acquisition takes place on a date that is a Unit distribution record date, holders of Subscription Receipts shall not be entitled as such to receive a payment in respect of the cash distribution for such record date but shall instead be deemed to be holders of Units on such date and will be entitled as Unitholders to receive such monthly distribution.

In addition, if the Acquisition closes on or before September 1, 2004 as currently contemplated, holders of Subscription Receipts will become holders of Units on or before September 30, 2004 and will be entitled as Unitholders, provided they hold the Units received pursuant to the Subscription Receipts on September 30, 2004, to receive the monthly distribution expected to be paid on October 15, 2004 to Unitholders of record on September 30, 2004.

Under the Subscription Receipt Agreement, original purchasers of Subscription Receipts under the offering will have a contractual right of rescission following the issuance of Units to such purchaser upon the exchange of the Subscription Receipts to receive the amount paid for the Subscription Receipts if this short form prospectus (including documents incorporated by reference) and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of closing of the offering.

Holders of Subscription Receipts are not Unitholders. Holders of Subscription Receipts are entitled only to receive Units on surrender of their Subscription Receipts to the Escrow Agent or to a return of the subscription price for the Subscription Receipts together with any payments in lieu of interest or distributions, as applicable, as described above.

Debentures

The offering of Debentures consists of 100,000 Debentures at a price of \$1,000 per Debenture. The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Indenture referred to below.

General

The Debentures will be issued under the Indenture. The Debentures authorized for issue under this offering will be limited in aggregate principal amount to \$100,000,000. The Trust may, however, from time to time, without the consent of the holders of the Debentures but subject to the limitations described herein, issue additional debentures of the same series or of a different series under the Indenture, in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof.

If closing of the Acquisition does not take place by the Termination Time, the holders of Debentures will be entitled for a period of 10 Business Days from the Termination Time to require the Trust to redeem all of the Debentures at a price of \$1,000 per Debenture plus accrued and unpaid interest, if any. In addition, for a period of 10 Business Days from the expiry of the holders' right to deliver or cause to be delivered to the Trust a notice in writing to require the Trust to redeem the Debentures, the Trust may redeem the Debentures in cash on a pro rata basis at a price of \$1,000 per Debenture plus accrued and unpaid interest, if any, provided that after such redemption (the "**Early Redemption**") not more than 40,000 Debentures are outstanding.

The Debentures will bear interest from the date of issue at 8% per annum, which will be payable semi-annually in arrears on March 31 and September 30 in each year, commencing with March 31, 2005. The first interest payment will include interest accrued from the closing of the offering to March 31, 2005. The Debentures mature on September 30, 2009.

The principal amount of the Debentures will be payable in lawful money of Canada or, at the option of the Trust and subject to applicable regulatory approval, by payment of Units as further described under "Payment upon Redemption or Maturity" and "Redemption and Purchase". The interest on the Debentures will be payable in lawful money of Canada including, at the option of the Trust and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under "Interest Payment Option".

The Debentures will be direct obligations of the Trust and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Trust as described under "Subordination". The Indenture will not restrict the Trust from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness. The Debentures will rank pari-passu with the 9% Debentures.

Conversion Privilege

The Debentures will be convertible at the holder's option into fully paid and non-assessable Units at any time prior to 5:00 p.m. (Calgary time) on the earlier of the Maturity Date, and the business day immediately preceding the date specified by the Trust for redemption of the Debentures, at a conversion price of \$16.25 per Unit (the "**Conversion Price**"), being a conversion rate of 61.538462 Units for each \$1,000 principal amount of Debentures. No adjustment will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures will receive accrued and unpaid interest thereon.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units to holders of Units by way of distribution or otherwise other than an issue of securities to holders of Units who have elected to receive distributions in securities of the Trust in lieu of receiving cash distributions paid in the ordinary course; (c) the issuance of options, rights or warrants to holders of Units entitling them to acquire Units or other securities convertible into Units at less than 95% of the then current market price (as defined below under "Payment upon Redemption or Maturity") of the Units; and (d) the distribution to all holders of Units of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Trust will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, amalgamation or merger of the Trust with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Trust as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Trust, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding up, be entitled to receive the number of Units or other securities or property such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Units into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding up.

No fractional Units will be issued on any conversion but in lieu thereof the Trust shall satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

Redemption and Purchase

Except for the Early Redemption, the Debentures will not be redeemable on or before September 30, 2007. After September 30, 2007 and prior to maturity, the Debentures may be redeemed in whole or in part from time to time at the option of the Trust on not more than 60 days and not less than 40 days prior notice, at a redemption price of \$1,050 per Debenture after September 30, 2007 and on or before September 30, 2008 and at a redemption price of \$1,025 per Debenture after September 30, 2008 and before maturity (each a "**Redemption Price**"), in each case, plus accrued and unpaid interest thereon, if any.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX.

The Trust will have the right to purchase Debentures in the market, by tender or by private contract.

Payment upon Redemption or Maturity

On redemption or at maturity, the Trust will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding

Debentures which have matured, as the case may be, together with accrued and unpaid interest thereon. The Trust may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to pay the Redemption Price of the Debentures which are to be redeemed or the principal amount of the Debentures which have matured, as the case may be, by issuing Units to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, by 95% of the current market price on the date fixed for redemption or the maturity date, as the case may be. No fractional Units will be issued on redemption or maturity but in lieu thereof the Trust shall satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

The term “current market price” will be defined in the Indenture to mean the weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Trust and indebtedness to trade creditors of the Trust. “Senior Indebtedness” of the Trust will be defined in the Indenture as the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness of the Trust (whether outstanding as at the date of the Indenture or thereafter incurred), other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instruments of the Trust which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Trust, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Trust, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Trust, then those holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture will also provide that the Trust will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (b) at any time when an event of default has occurred under the Senior Indebtedness and is continuing and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the Trust, unless the Senior Indebtedness has been repaid in full. No holder of a Debenture has the right to institute any act or proceeding to enforce the Debentures in a manner inconsistent with the terms of the Indenture.

The Debentures will also be effectively subordinate to claims of creditors of the Trust’s subsidiaries except to the extent the Trust is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. Specifically, the Debentures will be subordinated in right of payment to the prior payment in full of all indebtedness under the Current Credit Facilities and the New Credit Facilities.

Priority over Trust Distributions

The Trust Indenture provides that certain expenses of the Trust must be deducted in calculating the amount to be distributed to the Unitholders. Accordingly, the funds required to satisfy the interest payable on the Debentures, as well as the amount payable upon redemption or maturity of the Debentures or upon an Event of Default (as defined below), will be deducted and withheld from the amounts that would otherwise be payable as distributions to Unitholders.

Change of Control of the Trust

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

The Indenture contains notification and repurchase provisions requiring the Trust to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Trust pursuant to the Debenture Offer, the Trust will have the right and obligation to redeem all the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Trust to the Debenture Trustee within 10 days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

Interest Payment Option

The Trust may elect, from time to time, to satisfy its obligation to pay all or any part of the interest on the Debentures (the “**Interest Obligation**”), on the date it is payable under the Indenture (an “**Interest Payment Date**”), by delivering sufficient Units to the Debenture Trustee to satisfy all or any part, as the case may be, of the Interest Obligation in accordance with the Indenture (the “**Unit Interest Payment Election**”). The Indenture will provide that, upon such election, the Debenture Trustee shall (a) accept delivery from the Trust of Units, (b) accept bids with respect to, and consummate sales of, such Units, each as the Trust shall direct in its absolute discretion, (c) invest the proceeds of such sales in short-term permitted government securities (as defined in the Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such permitted government securities, together with any proceeds from the sale of Units not invested as aforesaid, to satisfy the Interest Obligation, and (d) perform any other action necessarily incidental thereto.

The Indenture will set forth the procedures to be followed by the Trust and the Debenture Trustee in order to effect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the Trust attributable to any fractional Units) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Trust in respect of the Interest Obligation.

Neither the Trust’s making of the Unit Interest Payment Election nor the consummation of sales of Units will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

Events of Default

The Indenture will provide that an event of default (“**Event of Default**”) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect of the Debentures: (a) failure for 10 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, on the Debentures when due, whether at maturity, upon redemption, by declaration or otherwise; (c) certain events of bankruptcy, insolvency or reorganization of the Trust under bankruptcy or insolvency laws; or (d) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Trust specifying such default and requiring the Trust to rectify the same. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% of the principal amount of Debentures then outstanding,

declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the *Securities Act* (Alberta) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all Debenture holders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

Limitation on Issuance of Additional Debentures

The Indenture will provide that the Trust shall not issue additional convertible debentures of equal ranking if the principal amount of all issued and outstanding convertible debentures of the Trust exceeds 25% of the Total Market Capitalization of the Trust immediately after the issuance of such additional convertible debentures. "Total Market Capitalization" will be defined in the Indenture as the total principal amount of all issued and outstanding debentures of the Trust which are convertible at the option of the holder into Units of the Trust plus the amount obtained by multiplying the number of issued and outstanding Units of the Trust and any outstanding exchangeable equity interests of the Trust (other than subordinated convertible debt) by the current market price of the Units on the relevant date.

Limitation on Non-Resident Ownership

At no time may non-residents of Canada be the beneficial owners of a majority of the Units, on a fully diluted basis, including any Units which may be issued upon conversion, redemption or maturity of the Debentures. The Debenture Trustee may require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If the Debenture Trustee becomes aware as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% of the Units then outstanding, on a fully diluted basis, are, or may be, non-residents or that such a situation is imminent, the Debenture Trustee may make a public announcement thereof and shall not register a transfer of Debentures to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Debenture Trustee determines that a majority of the Units are held by non-residents, the Debenture Trustee may send a notice to non-resident holders of Debentures, chosen in inverse order to the order of acquisition or registration of the Debentures or in such manner as the Debenture Trustee may consider equitable and practicable, requiring them to sell their Debentures or a portion thereof within a specified period of not less than 60 days. If the Debenture holders receiving such notice have not sold the specified number of Debentures or provided the Debenture Trustee with satisfactory evidence that they are not non-residents within such period, the Debenture Trustee may on behalf of such Debenture holder sell such Debentures, and, in the interim, shall suspend the rights attached to such Debentures. Upon such sale the affected holders shall cease to be holders of Debentures, and their rights shall be limited to receiving the net proceeds of sale upon surrender of such Debentures. The trustee of

the Trust has similar obligations in respect of the Units. More information regarding these obligations is set forth at page 53 of the Trust's AIF, incorporated herein by reference.

Book-Entry System for Debentures

The Debentures will be issued in "book-entry only" form and must be purchased or transferred through a participant in the depository service of CDS (a "**Participant**"). On the closing date of the offering, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures will be evidenced by a single book-entry only certificate. Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Debentures (a "**Beneficial Owner**") will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a Participant. Such purchaser will receive a confirmation of purchase from the Underwriter or other registered dealer from whom Debentures are purchased.

Neither the Trust nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Trust to CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners in fully registered and certificate form (the "Debenture Certificates") only if: (a) required to do so by applicable law; (b) the book-entry only system ceases to exist; (c) the Trust or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Trust is unable to locate a qualified successor; (d) the Trust, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default (as defined herein), Participants acting on behalf of Beneficial Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the single certificate representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Trust will recognize the holders of such Debenture Certificates as debentureholders under the Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Trust and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Units if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Trust has agreed to issue and sell an aggregate of 8,000,000 Subscription Receipts and an aggregate of 80,000 Debentures to the Underwriters, and the Underwriters have severally agreed to purchase such Subscription Receipts and Debentures on August 10, 2004, or such other date not later than August 31, 2004 as may be agreed among the parties to the Underwriting Agreement. Delivery of the Subscription Receipts and Debentures is conditional upon payment on closing of \$14.40 per Subscription Receipt by the Underwriters to the Escrow Agent and \$1,000 per Debenture by the Underwriters to the Trust. The Underwriting Agreement provides that the Trust will pay the Underwriters' fee of \$0.72 per Subscription Receipt for Subscription Receipts issued and sold by the Trust and \$40 per Debenture for Debentures issued and sold by the Trust, for an aggregate fee payable by the Trust of \$8,960,000, in consideration for their services in connection with the offering. The Underwriters' fee in respect of the Subscription Receipts is payable as to 50% upon the closing of the offering and 50% upon closing of the Acquisition. If the Acquisition is not completed by September 30, 2004, the Underwriters' fee in respect of the Subscription Receipts will be reduced to the amount payable upon closing of the offering. The Underwriters fee for the Debentures is payable at closing of the offering. The terms of the offering were determined by negotiation between the Corporation, on behalf of the Trust, and the Underwriters.

Pursuant to the Underwriting Agreement the Trust had granted to the Underwriters an Underwriters' option to purchase up to an additional \$80,000,000 of Subscription Receipts and/or Debentures on the same terms and conditions as the offering, exercisable in whole or in part, at any time up to 48 hours prior to the closing of the offering. The Underwriters exercised the option in full on July 29, 2004 as to \$59,999,990 of Subscription Receipts and \$20,000,000 in Debentures, increasing the offering to 12,166,666 Subscription Receipts and 100,000 Debentures.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. The obligations of the Trust and the Underwriters under the Underwriting Agreement to complete the purchase and sale of the Subscription Receipts and Debentures will terminate automatically if the Acquisition is terminated or the Trust has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition. If an Underwriter fails to purchase the Subscription Receipts or the Debentures that it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Subscription Receipts or Debentures. The Underwriters are, however, obligated to take up and pay for all Subscription Receipts, if any, purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Trust and the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

Except in certain limited circumstances, the Subscription Receipts and the Debentures will be issued in "book-entry only" form and must be purchased or transferred through a participant in the depository service of CDS. See "Details of the Offering — Subscription Receipts" and "Details of the Offering — Debentures — Book-Entry System for Debentures".

The Trust has been advised by the Underwriters that, in connection with the offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Subscription Receipts, the Units or the Debentures at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Trust has agreed that, subject to certain exceptions, it will not offer or issue, or enter into an agreement to offer or issue, Units or any securities convertible or exchangeable into Units for a period of 90 days subsequent to the closing date of the offering without the consent of National Bank Financial Inc. on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Trust has applied to list Subscription Receipts and the Debentures offered hereunder and the Units issuable pursuant to the Subscription Receipts and on the conversion of the Debentures on the TSX. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSX.

The Subscription Receipts and the Debentures offered hereby and the Units issuable pursuant to the Subscription Receipts and on conversion of the Debentures (the "**Securities**") have not been and will not be

registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws, and accordingly may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters to offer and resell the Securities that they have acquired pursuant to the Underwriting Agreement to certain qualified institutional buyers in the United States, provided such offers and sales are made in accordance with Rule 144A under the U.S. Securities Act. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Securities outside the United States only in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

RELATIONSHIP AMONG THE TRUST, THE CORPORATION AND CERTAIN UNDERWRITERS

Each of National Bank Financial Inc. and TD Securities Inc. is, directly or indirectly, a wholly-owned subsidiary of a Canadian chartered bank (collectively, the “**Existing Banks**”) that is a lender to the Corporation. In addition, each of National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Securities Inc. and RBC Dominion Securities Inc. is, directly or indirectly, a wholly-owned subsidiary of a Canadian chartered bank (collectively, the “**New Banks**”) that are potentially going to become lenders to the Corporation upon closing of the Acquisition. Accordingly, the Trust may be considered a “connected issuer” of these Underwriters under applicable Canadian securities legislation. Under the Current Credit Facilities described in Note 1 to the table under “Consolidated Capitalization of the Trust” the Corporation was indebted to the Existing Banks for an aggregate amount of approximately \$156 million as at July 1, 2004. The Corporation is in compliance with all material terms of the agreements governing the Current Credit Facilities, and none of the Existing Banks has waived any material breach by the Corporation of such agreements since their execution. Neither the financial position of the Corporation nor the value of the security under the Current Credit Facilities has changed substantially since the indebtedness under the Current Credit Facilities was incurred. In addition, the Corporation has obtained a commitment for the New Credit Facilities from the Canadian chartered bank of which National Bank Financial Inc. is a subsidiary to, among other things, repay amounts outstanding under the Current Credit Facilities and to pay a portion of the purchase price of the Acquisition. The net proceeds of the offering will be used to fund a portion of the purchase price of the Acquisition and the balance of the purchase price will be funded from the New Credit Facilities.

In addition, National Bank Financial Inc. was retained by the Trust in connection with the Acquisition and will receive a fee from the Trust on completion of the Acquisition.

The decision to distribute the Subscription Receipts and the Debentures offered hereby and the determination of the terms of the offering were made through negotiations between the Corporation on behalf of the Trust and the Underwriters. The Existing Banks and the New Banks did not have any involvement in such decision or determination, but have been advised of the issuance and terms thereof. As a consequence of the offering, each of the Underwriters will receive its share of the underwriting fee payable by the Trust to the Underwriters.

INTEREST OF EXPERTS

Certain legal matters relating to the offering will be passed upon by Burnet, Duckworth & Palmer LLP on behalf of the Trust, and by Blake, Cassels & Graydon LLP on behalf of the Underwriters. As at the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, owned less than 2% of outstanding Units and Blake, Cassels & Graydon LLP, as a group, own, directly or indirectly, less than 1% of the Units. Further, as of the date hereof, the directors, officers and associates of each of McDaniel, Paddock and GLJ, as a group, own, directly or indirectly, less than 1% of the Units.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP and Blake, Cassels & Graydon LLP (collectively, “**Counsel**”), the following summary fairly describes the principal Canadian federal income tax considerations pursuant to the Tax Act and the regulations thereunder (the “**Regulations**”) generally applicable to a subscriber who acquires Subscription Receipts or Debentures pursuant to the offering and who, for purposes of the Tax Act, holds the Subscription Receipts, the Debentures and the Units issued pursuant to the Subscription Receipts and the Units issued on the conversion, redemption or repayment of the Debentures (collectively, the “**Securities**”) as capital property and deals at arm’s length with the Trust and the Underwriters for the purposes of the Tax Act. Generally speaking, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Debentures and Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to: (i) a holder that is a “financial institution”, as defined in the Tax Act for purposes of the mark-to-market rules; (ii) a holder an interest in which would be a “tax shelter investment” as defined in the Tax Act; or (iii) a holder that is a “specified financial institution” as defined in the Tax Act. Any such holder should consult its own tax advisor with respect to an investment in the Securities.

This summary is based upon the provisions of the Tax Act and the Regulations in force as of the date hereof and Counsel’s understanding of the current published administrative practices of the Canada Revenue Agency (“**CRA**”). Except for specifically proposed amendments (the “**Proposed Amendments**”) to the Tax Act and the Regulations that have been publicly announced by the federal Minister of Finance prior to the date hereof, this summary does not take into account or anticipate changes thereto, whether by legislative, governmental or judicial action, nor any changes in the administrative practices of the CRA. This summary is not exhaustive of all Canadian federal income tax considerations nor does it take into account any provincial, territorial or foreign tax considerations arising from the acquisition, ownership or disposition of the Securities. Except as otherwise indicated, this summary is based on the assumption that all transactions described herein occur at fair market value.

Proposed Amendments announced by the Minister of Finance (Canada) in the Canadian Federal Budget presented in the House of Commons on March 23, 2004 (the “**Budget**”) to impose a tax on a registered pension plan’s investment in trust units above certain limits unless 90% or more of the fair market value of the particular trust’s property is attributable to, *inter alia*, real property was suspended by the Minister of Finance (Canada) on May 18, 2004 pending further consultation and review. Further, the Budget proposes to introduce changes to the Tax Act that will subject persons who are not resident (or deemed to be resident) in Canada to tax in respect of certain distributions made by mutual fund trusts that currently are not subject to taxation in Canada. Insofar as these proposals are not in legislative form, it is not clear whether these proposals, if enacted, will result in tax consequences to Unitholders that are materially different from those disclosed herein. **Prospective Unitholders that are registered pension plans or who are not resident (or deemed to be resident) in Canada should consult their own tax advisors regarding the income tax considerations applicable to them in their particular circumstances.**

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser or holder of Securities, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made. Consequently, prospective holders should consult their own tax advisors with respect to their particular circumstances.

Holders of Securities Resident in Canada

This portion of the summary is applicable to holders of Securities who, for the purposes of the Tax Act and at all relevant times, are resident or deemed to be resident in Canada.

Subscription Receipts

No gain or loss will be realized by a holder on the issuance of a Unit pursuant to a Subscription Receipt. If the Acquisition is completed prior to the Termination Time, the holder of a Subscription Receipt will be required to include in income the amount equal to the distributions that the holder would have received on such Unit had the Unit been issued to the holder on the date of closing of this offering, and such amount will not reduce the cost of the acquired Units. The cost of any Units acquired must be averaged with the cost of any other Units held by the Unitholder to determine the adjusted cost base of each Unit held.

In the event the Acquisition does not close before the Termination Time or if the Acquisition is terminated at an earlier time, holders of Subscription Receipts will be required to include their proportionate share of interest on the Escrowed Funds in computing their income for purposes of the Tax Act.

A disposition or deemed disposition by a holder of a Subscription Receipt, other than on the exchange thereof for a Unit, will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition. Prior to delivery of a Unit pursuant to a Subscription Receipt, the cost of a Subscription Receipt need not be averaged with the cost of any Units held. Any such capital gains or capital losses will be treated, for tax purposes in the same manner as capital gains and capital losses arising from a disposition of Units, which treatment is described below under "Holders of Securities Resident in Canada — Units".

Debentures

Interest on Debentures

A holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues to it to the end of the particular taxation year or that has become receivable by or is received by it before the end of that taxation year, except to the extent that such interest was included in computing the holder's income for a preceding taxation year.

Any other holder will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), except to the extent that the interest was included in the holder's income for a preceding taxation year. In addition, although the Debenture is not an "investment contract" (as defined in the Tax Act), if at any time a Debenture should become an "investment contract" in relation to a holder, such holder will be required to include in computing income for a taxation year any interest that accrues to the holder on the Debenture to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the holder's income for that year or a preceding year.

A transferor of a Debenture will generally be required to include as interest, and not as proceeds of disposition, the amount of accrued but unpaid interest on such Debenture at the time of transfer except to the extent such amount was otherwise included in the transferor's name. The computation of the amount of such interest on a transfer of Debentures is complex, and in some circumstances unclear. Sellers or transferors of Debentures should consult their own advisors regarding the tax consequences applicable to them.

Exercise of Conversion Privilege

A holder of a Debenture who exchanges the Debenture for Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the exchange and the amount of any cash received in lieu of fractional Units (other than Units issued or cash received in respect of interest). The holder will realize a capital gain or capital loss computed as described below under "Other Dispositions of Debentures".

The cost to the holder of the Units so acquired will also be equal to their fair market value at the time of the exchange and must be averaged with the adjusted cost base of all other Units held as capital property by the holder for the purpose of calculating the adjusted cost base of such Units.

Redemption or Repayment of Debentures

If the Trust redeems a Debenture prior to maturity or repays a Debenture upon maturity, the holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the holder (other than the amount received as or in lieu of unpaid interest) on such redemption or repayment. If the holder receives Units on redemption or repayment (otherwise than in respect of interest), the holder will be considered to have proceeds of disposition equal to the fair market value of the Units so received and the amount of any cash received in lieu of fractional Units. The holder may realize a capital gain or capital loss computed as described below under “Other Dispositions of Debentures”. The cost to the holder of the Units so received will also be equal to their fair market value at the time of the exchange and must be averaged with the adjusted cost base of all other Units held as capital property by the holder for the purpose of calculating the adjusted cost base of such Units.

Other Dispositions of Debentures

A disposition or deemed disposition by a holder of a Debenture will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described above, in respect of accrued interest) are greater (or less) than the aggregate of the holder’s adjusted cost base thereof and any reasonable costs of disposition. Any such capital gains or capital losses will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of Units which treatment is discussed below under “Holders of Securities Resident in Canada — Units”.

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition will generally be excluded in computing the holder’s proceeds of disposition of the Debenture.

Units

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder the portion of the net income of the Trust for a taxation year, including taxable dividends and net realized taxable capital gains, that is paid or payable to the Unitholder in that particular taxation year, irrespective of whether such amount is payable in cash or by the issuance of additional Units. Income of a Unitholder from the Units will be considered to be income from property. Any loss of the Trust for the purposes of the Tax Act cannot be allocated to and treated as a loss of a Unitholder.

Provided that appropriate designations are made by the Trust, such portions of its net taxable capital gains and taxable dividends as are paid or payable to a Unitholder will effectively retain their character as taxable capital gains and taxable dividends, respectively, and shall be treated as such in the hands of the Unitholder for purposes of the Tax Act.

The non-taxable portion of net realized capital gains of the Trust that is paid or payable to a Unitholder in a year will not be included in computing the Unitholder’s income for the year. Any other amount in excess of the net income of the Trust that is paid or payable by the Trust to a Unitholder in a year will not generally be included in the Unitholder’s income for the year. However, where such an amount becomes payable to a Unitholder, other than as proceeds of disposition of Units or fractions thereof, the adjusted cost base of the Units held by such Unitholder will generally be reduced by such amount. To the extent that the adjusted cost base to a Unitholder of a Unit is less than zero at the end of a taxation year, such negative amount will be deemed to be a capital gain of the Unitholder from the disposition of the Unit in that year.

The initial cost to a holder of a Unit issued pursuant to a Subscription Receipt will be equal to the cost of such Subscription Receipt to the holder. This initial cost will be averaged with the adjusted cost base of all other Units held by the holder in order to determine the respective adjusted cost base of each such Unit.

The cost to a Unitholder of Units acquired on conversion of a Debenture will equal the fair market value of the Units at that time (including Units issued in respect of accrued but unpaid interest) plus the amount of any other reasonable costs incurred in connection therewith. This cost will be averaged with the adjusted cost base of all other Units held by the Unitholder at that time as capital property to determine the adjusted cost base to the Unitholder of each Unit.

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount which represents an amount that must otherwise be included in the Unitholder's income as described above) are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the Unit and any reasonable costs of disposition. Where Units are redeemed and Redemption Notes (as defined in the AIF) are issued to the Unitholder, the proceeds of disposition will include the fair market value of the Redemption Notes. Where Units are redeemed and Notes are distributed to the Unitholder in payment thereof, the proceeds of disposition to the Unitholder of the Units will generally be equal to the fair market value of the Notes so distributed. Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Unitholder in a taxation year must be included in the Unitholder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Unitholder in a taxation year must be deducted from taxable capital gains realized by the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may generally be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A capital loss realized on the disposition of a Unit will generally be reduced by the amount of any non-taxable dividends which are received by the Trust and payable to the Unitholder and, where the Unitholder is a corporation, the amount of any taxable dividends which are received by the Trust, are payable to such Unitholder and are deductible by the corporation in computing its taxable income. Similar rules apply where the Unitholder is a partnership or a trust.

Taxable capital gains realized by a Unitholder who is an individual may give rise to "alternative minimum tax" depending on the particular Unitholder's circumstances. A Unitholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income including taxable capital gains.

The adjusted cost base of any Note or Redemption Note distributed or issued to a Unitholder by the Trust upon a redemption of Units will be equal to the fair market value of the Note or Redemption Note at the time of the distribution or issuance, as the case may be, less any accrued interest thereon. Such a Unitholder will be required to include in income interest on the Note or Redemption Note (including interest that had accrued to the date of the acquisition of the Note by a Unitholder) in accordance with the provisions of the Tax Act. To the extent that a Unitholder is required to include in income any interest that had accrued to the date of the acquisition of the Note, an offsetting deduction may be available.

Holders of Securities Not Resident in Canada

This portion of the summary applies to a holder of Securities who, for the purposes of the Tax Act and at all relevant times, is not resident in Canada and is not deemed to be resident in Canada, does not use or hold, and is not deemed to use or hold, Securities in, or in the course of, carrying on a business in Canada, and is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere (a "**Non-Resident**").

Subscription Receipts

No gain or loss will be realized by a holder on the issuance of a Unit pursuant to a Subscription Receipt. However, if the Acquisition is completed prior to the Termination Time, the Non-Resident holder of a Subscription Receipt, in addition to receiving a Unit in exchange therefor, will be entitled to receive an amount equal to the distributions that the holder would have received on such Unit had the Unit been issued to the holder on the date of closing of this offering. Although the nature of such payment is not entirely clear, the payment may be subject to Canadian withholding tax at the rate of 25%, and the Trust intends to withhold such amount from any payment. Non-Residents are urged to consult their own advisors as to the treatment of such payment.

In the event the Acquisition does not close before the Termination Time or if the Acquisition is terminated at an earlier time, a Non-Resident holder of Subscription Receipts who is not resident or deemed to be resident in Canada will be subject to withholding tax on such holder's proportionate share of interest on the Escrowed

Funds which is paid or credited to such holders at the rate of 25%, unless such rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident's jurisdiction of residence. A holder resident in the United States for the purposes of the Canada — US Income Tax Convention (the "US Treaty") will generally be entitled to have the rate of withholding reduced to 10% of the amount of any interest paid or credited. To the extent the Escrowed Funds are invested in obligations of, or guaranteed by, the Government of Canada, interest on such obligations that is paid or credited to a Non-Resident holder of Subscription Receipts as, on account of, in lieu of, or in satisfaction of such interest will not be subject to Canadian withholding tax.

A disposition or deemed disposition of Subscription Receipts by a Non-Resident will not be subject to tax under the Tax Act provided that Units to be issued thereunder to a particular holder (including Units issued pursuant to Subscription Receipts) would not constitute "taxable Canadian property" as described under "Holders of Securities Not Resident in Canada — Units".

Debentures

Interest paid or credited, or deemed to be paid or credited (including any premium on redemptions and accrued interest on sales or transfers described below), to a Non-Resident holder of Debentures, Notes or Redemption Notes will generally be subject to Canadian withholding tax at a rate of 25% unless such rate is reduced under the provisions of an applicable tax treaty. The rate of withholding is reduced to 10% where such interest is paid or credited, or deemed paid or credited, to Non-Resident holders of Debentures, Notes or Redemption Notes who are residents of the United States for purposes of the US Treaty. A transfer or sale of a Debenture by a Non-Resident where there is accrued or unpaid interest will, in certain circumstances, be treated as the receipt of interest by the Non-Resident and will also be subject to Canadian withholding tax, as described herein, and the vendor or transferee will be subject to the obligation to withhold and remit such tax in the manner prescribed in the Tax Act.

Interest paid or credited, or deemed to be paid or credited, to a Non-Resident on a Note or Redemption Note will generally be subject to Canadian withholding tax at the rate of 25%, unless such rate is reduced under the provisions of an applicable tax treaty. The rate of withholding generally is reduced to 10% where such interest is paid or credited, or deemed to be paid or credited, to Non-Residents who are residents of the United States for purposes of the US Treaty.

The disposition of a Debenture by a Non-Resident holder will generally not be subject to tax under the Tax Act for the same reasons as discussed below if Units held by a particular holder (including Units acquired upon a conversion or repayment of Debentures) would not constitute "taxable Canadian property" as described under "Holders of Securities Not Resident in Canada — Units" except to the extent that the disposition is to a Canadian resident and a portion of the proceeds are deemed to be interest. Such interest will generally be subject to Canadian withholding tax as described above.

The computation of the amount of interest which is deemed to have been paid on a transfer of Debentures is complex, and in some circumstances unclear. Sellers or transferors of Debentures should consult their own advisors as to whether any withholding obligation applies.

Units

Where the Trust pays or credits, or is deemed to pay or credit, an amount to a Non-Resident Unitholder out of the income of the Trust, such amount will be subject to Canadian withholding tax at the rate of 25%, unless such rate is reduced under the provisions of an applicable tax treaty. The rate of withholding is reduced to 15% where such distributions are paid or credited, or deemed to be paid or credited, to Non-Resident Unitholders who are residents of the United States for purposes of the US Treaty.

Pursuant to certain Proposed Amendments included in the Budget, the Trust will be required to maintain a separate account (the "TCP Gains Distribution Account") to which it will add its net capital gains from dispositions after March 22, 2004 of "taxable Canadian property" and from which it will deduct losses from dispositions of such property and distributions designated by the Trust to be capital gains. Amounts paid by the Trust to a Non-Resident Unitholder, which the Trust designates as capital gains, will be subject to Canadian

withholding tax at the same rate as distributions in respect of Trust income to the extent the Trust has a positive balance in its TCP Gains Distribution Account.

Also under the Proposed Amendments, effective for distributions after 2004, if the value of the Units is considered to be primarily attributable to real property in Canada, all distributions by the Trust that would otherwise not be subject to withholding tax as described above may be subject to a special Canadian withholding tax of 15% of the amount of the distribution. This withholding tax, if applicable, may be refunded in certain circumstances where the holder disposes of Units at a loss, subject to detailed provisions contained in the Proposed Amendments. It is not certain whether this special withholding tax will apply to distributions by the Trust. Insofar as the Proposed Amendments in the Budget are not in legislative form, it is unclear whether the Trust will be subject to these provisions.

A capital gain realized by a Non-Resident Unitholder from a disposition or deemed disposition of a Unit will not be subject to tax under the Tax Act provided that the Unit does not constitute “taxable Canadian property” to the particular holder. Units of a Non-Resident Unitholder will generally not constitute “taxable Canadian property” under the Tax Act unless either: (a) at any time during the period of sixty months immediately preceding the disposition of Units by such Non-Resident Unitholder, not less than 25% of the issued Units, or rights to acquire not less than 25% of the issued Units (including rights arising under the Subscription Receipts or Debentures), were owned by the Non-Resident Unitholder, by persons with whom the Non-Resident Unitholder did not deal at arm’s length or by any combination thereof; or (b) the Non-Resident Unitholder’s Units are otherwise deemed to be taxable Canadian property. A Non-Resident Unitholder will generally compute the adjusted cost base of the Units under the same rules that apply to residents of Canada.

If the Trust ceases to qualify as a mutual fund trust, there may be adverse income tax consequences for Non-Resident Unitholders who acquire an interest in the Trust.

Status of the Trust

Based on representations made to Counsel by the Corporation, the Trust currently qualifies, and will qualify on the date of the closing of this Offering, as a “unit trust” and a “mutual fund trust” as defined in the Tax Act and this summary assumes that the Trust will continue to so qualify thereafter for the duration of its existence. The qualification of the Trust as a mutual fund trust under the Tax Act requires that certain factual conditions generally be met throughout its existence. Firstly, in order for the Trust to qualify as a mutual fund trust, it must not have been established or at any time be maintained primarily for the benefit of persons who are not residents of Canada for the purposes of the Tax Act. Secondly, the Trust must have at least 150 Unitholders each of whom owns not less than one “block” of Units and each of whom owns Units having an aggregate fair market value of not less than \$500. In this case, a “block” of Units generally means 100 Units if the fair market value of one Unit is less than \$25. Thirdly, the Trust is required to restrict its activities to investing in property (other than real property or an interest in real property) and acquiring, holding, maintaining, improving, leasing or managing real property (or an interest in real property) that is capital property to the Trust.

Should the Trust not qualify as a mutual fund trust, the income tax considerations applicable to the Trust and to holders of Securities would in some respects be materially different than those described in this summary.

Taxation of the Trust

The Trust is subject to taxation in each taxation year on its income for the year, including net realized taxable capital gains, less the portion thereof that is paid or payable in the year to Unitholders (whether paid in cash or Units) and which is deducted by the Trust in computing its income for the purposes of the Tax Act. An amount will be considered to be payable to a Unitholder in a taxation year only if it is paid in the year by the Trust or the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the Trust is the calendar year.

The Trust is required to include in its income for each taxation year all amounts that are receivable during the year on royalties held by it, including the NPI. The Trust will also be required to include in its income all interest, including interest on indebtedness of the Operating Subsidiaries that accrues to it to the end of the year or becomes receivable or is received by it before the end of the year, except to the extent that such interest was

included in computing its income for a preceding taxation year and distributions from HST and Harvest Breeze Trust No. 2. Provided that appropriate designations are made by the Trust, all dividends which would otherwise be included in its income as dividends received on shares owned by the Trust will be deemed to have been received by Unitholders and not to have been received by the Trust.

The Trust will be entitled to deduct, on an annual basis, reasonable administrative expenses incurred in its ongoing operations. The Trust generally will be entitled to deduct a portion of any costs incurred by it in connection with the issuance of Securities. The amount of such issue costs deductible by the Trust in a taxation year is 20% of such costs, pro-rated for short taxation years, to the extent such amount was not deductible by the Trust in computing income for a preceding taxation year. The Trust generally will be able to deduct interest paid or payable on the 9% Debentures, the Bridge Notes, the Equity Bridge Notes and the Debentures. Interest on the Redemption Notes may not be deductible by the Trust. The Trust may also deduct, in computing its income from all sources for a taxation year, an amount not exceeding 10% on a declining balance basis of its cumulative Canadian oil and gas property expense (“**COGPE**”) account at the end of that year, prorated for short taxation years. Counsel is advised that the cost of the NPI has been added to the Trust’s cumulative COGPE account. Provided that the NPI constitutes a “Canadian resource property”, where, as a result of a sale of a property by an Operating Subsidiary and the extinguishment of the NPI with respect thereto, proceeds of disposition become receivable by the Trust in a taxation year, the amount of such proceeds (“**Royalty Disposition Proceeds**”) will be required to be deducted from the balance of the Trust’s cumulative COGPE account otherwise determined. If all or a portion of the Royalty Disposition Proceeds receivable in a taxation year is utilized in that year by the Trust to acquire additional oil and gas royalty interests in respect of one or more “Canadian resource properties”, as defined under the Tax Act, the amount so utilized will be added, in that year, to its cumulative COGPE account. If, after taking into account all additions and deductions for any taxation year, the balance of the cumulative COGPE account of the Trust is negative at the end of such taxation year, the negative balance will be included in the income of the Trust for such year. Recent amendments to the Tax Act clarify that the NPI will only constitute a “Canadian resource property” if, generally speaking, 90% or more of the revenue therefrom is derived from production.

Subject to the comments below, the Trust may generally deduct in computing its income for a year a “resource allowance” computed by reference to its “adjusted resource profits” calculated in accordance with the Regulations and a portion of Crown charges paid or reimbursed by it in respect of the NPI. Generally, the Trust’s adjusted resource profits will equal its income from any royalties less amounts deducted in computing its income other than deductions in respect of its cumulative COGPE, interest expense or any amount deducted in respect of distributions to Unitholders. Recent amendments to the Tax Act will phase out the resource allowance and phase in the deductibility of Crown charges commencing in 2003. After 2006, the resource allowance will be eliminated and Crown charges will be fully deductible.

Under the Trust Indenture, an amount equal to all of the royalty, interest and dividend income of the Trust for each year, together with the taxable and non-taxable portions of any capital gains realized by the Trust in the year (net of the Trust’s expenses, including interest on the 9% Debentures, the Bridge Notes, the Equity Bridge Notes and the Debentures, and amounts, if any, required to be retained to pay any tax liability of the Trust) will be payable to the Unitholders. Royalty Disposition Proceeds will also be payable to the Unitholders to the extent such proceeds create a negative balance in the cumulative COGPE account of the Trust as at December 31 of any year. Subject to the exceptions described below, all amounts payable to the Unitholders shall be paid by way of cash distributions.

Under the Trust Indenture, income received by the Trust may be used to finance cash redemptions of Units. Further, it is possible that income received by the Trust will be used to repay the principal amount of any outstanding indebtedness (including the Debentures and the Redemption Notes). Accordingly, such income so utilized will not be payable to holders of the Units by way of cash distributions. In such circumstances, such income may be payable to holders of Units in the form of additional Units in lieu of the Trust paying tax thereon.

For purposes of the Tax Act, Counsel is advised that the Trust intends to deduct, in computing its income, the full amount available for deduction in each year to the extent of its income for the year otherwise determined. As a result of such deduction from income, it is expected that the Trust will not be liable for any material amount of tax under the Tax Act.

ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, based on representations from the Corporation and the Trust as to certain factual matters, and subject to the qualifications and assumptions discussed under the heading “Canadian Federal Income Tax Considerations”, the Subscription Receipts, Debentures and the Units issuable pursuant to a Subscription Receipt or on the conversion, redemption or at maturity of the Debentures will, on the date of closing, be qualified investments for trusts governed by registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), deferred profit sharing plans (other than, with respect to the Debentures, a trust governed by a deferred profit sharing plan to which contributions are made by the Trust or a corporation with which the Trust does not deal at arm’s length within the meaning of the Tax Act) (“DPSP”) and registered education savings plans (“RESP”) under the Tax Act (collectively, the “Deferred Plans”) as in effect on the date hereof. If the Trust ceases to qualify as a mutual fund trust, Subscription Receipts, the Debentures and the Units issuable pursuant to the Subscription Receipts and on conversion, redemption or maturity of the Debentures will cease to be qualified investments for Deferred Plans. Adverse tax consequences may apply to a Deferred Plan, or an annuitant thereunder, if the Deferred Plan acquires or holds property that is not a qualified investment for the Deferred Plan.

It is not certain whether the Trust would be a “business income trust” or whether the Units would constitute “restricted investment property” as described in Proposed Amendments announced in Budget. Under that Budget proposal, certain investors, including registered pension funds or plans and pension corporations, but not Deferred Plans, were to be liable to a penalty tax commencing in 2005 in respect of their holdings of restricted investment property and units of business income trusts in excess of the limits described in the Budget proposal. On May 18, 2004, the Minister of Finance (Canada) announced that this Budget proposal will be suspended pending further consultation and review. See “Canadian Federal Income Tax Considerations”.

The Corporation has advised Counsel that the cost amount of foreign property of the Trust has always been and will be less than 30% of the cost amount of all property of the Trust and, accordingly, provided the Trust qualifies as a mutual fund trust, the Subscription Receipts, the Debentures and the Units issuable pursuant to the Subscription Receipts and on conversion, redemption or maturity of the Debentures will not be foreign property for the purposes of the Tax Act.

See also “Risk Factors — Mutual Fund Trust Status”.

In the opinion of Counsel, based on the legislation in effect on the date hereof, the provisions of:

Insurance Companies Act (Canada); *Trust and Loan Companies Act* (Canada);
Cooperative Credit Associations Act (Canada);
Pension Benefits Standards Act, 1985 (Canada);
Loan and Trust Corporations Act (Alberta);
Employment Pension Plans Act (Alberta);
Financial Institutions Act (British Columbia);
The Pension Benefits Act, 1992 (Saskatchewan);
The Insurance Act (Manitoba);
The Trustee Act (Manitoba);
The Pension Benefits Act (Manitoba);

Pension Benefits Act (Ontario);
Loan and Trust Corporations Act (Ontario);
an Act respecting insurance (Québec)
(in respect of insurers other than guarantee fund corporations);
an Act respecting trust companies and savings companies (Québec) (for a trust company investing its own funds and deposits it receives and a savings company investing its funds); and
Supplemental Pension Plans Act (Québec);

would not preclude, subject to compliance with prudent investment standards or criteria, or, if applicable, investment policies, procedures or goals which have been filed, where required, with the appropriate regulatory authorities and the general investment provisions of such statutes, an investment in the Subscription Receipts, the Debentures and the Units by companies, corporations, pension plans or persons registered thereunder or governed thereby.

RISK FACTORS

An investment in the Subscription Receipts, Units and Debentures are subject to certain risks. Investors should carefully consider the following risk factors and the Risk Factors of the Trust set forth at pages 64 to 71 of the AIF incorporated by reference herein.

General

The Trust is a limited purpose trust that is entirely dependent upon the operations and assets of the Operating Subsidiaries through its ownership of the common shares of the Corporation, the Notes and the NPI. Accordingly, the Trust is dependent upon the ability of the Corporation to meet its interest and principal repayment obligations under the Notes and generate payments to the Trust under the NPI and the ability of Harvest Breeze Trust No. 1 and Harvest Breeze Trust No. 2 to distribute income on their units. The Trust's income is received from the production of oil and natural gas from the existing Canadian resource properties and properties subsequently acquired by the Corporation as well as the New Properties and is susceptible to the risks and uncertainties associated with the oil and natural gas industry generally. If the oil and natural gas Reserves associated with the Operating Subsidiaries' Canadian resource properties are not supplemented through additional development or the acquisition of additional oil and natural gas properties, the ability of the Operating Subsidiaries to meet their obligations to the Trust may be adversely affected. Unitholders and potential Unitholders should consider carefully the information contained or incorporated by reference in this short form prospectus and, in particular, the following risk factors.

Possible Failure to Realize Anticipated Benefits of Acquisitions

Since July 2002, the Trust has completed a number of acquisitions and is proposing to complete the Acquisition to strengthen its position in the oil and natural gas industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of these and future acquisitions the Trust may complete depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Trust's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Operating Subsidiaries. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Trust's ability to achieve the anticipated benefits of these and future acquisitions.

Possible Failure to Complete the Acquisition

The Acquisition is subject to normal commercial risk that the Acquisition may not be completed on the terms negotiated or at all. If closing of the Acquisition does not take place by the Termination Time, the Escrow Agent and the Trust will repay to holders of Subscription Receipts, commencing on or before the second business day following the Termination Time, an amount equal to the issue price therefor plus a *pro rata* share of the interest earned on the Escrowed Funds. In addition, the holders of Debentures will be entitled for a period of 10 Business Days from the Termination Time to deliver or cause to be delivered to the Trust a notice in writing to require the Trust to redeem all of the Debentures at a price of \$1,000 per Debenture plus accrued and unpaid interest, if any. In addition, for a period of 10 Business Days from the expiry of the holders' right to require the Trust to redeem the Debentures, the Trust may redeem the Debentures in cash on a *pro rata* basis at a price of \$1,000 per Debenture plus accrued and unpaid interest, if any, provided that after such redemption not more than 40,000 Debentures are outstanding.

Pursuant to the Purchase Agreement, Harvest Breeze Trust No. 1 and Harvest Breeze Trust No. 2 (the "**Harvest Parties**") paid a deposit of \$25,000,000 (the "**Deposit**") to the Vendor which amount will be credited to the purchase price in the event the Acquisition is completed. If the Acquisition does not occur due to a default by the Harvest Parties, the Vendor shall be entitled to retain the Deposit, plus interest, and the Harvest Parties have agreed to make a further payment to the Vendor of \$25,000,000. In all other cases where the Harvest Parties are not in default and the Acquisition does not occur, the Deposit and interest accrued thereon shall be refunded to the Harvest Parties.

Approximately 5% of the New Properties to be acquired by the Trust pursuant to the Acquisition are subject to “rights of first refusal” in favour of third parties. To the extent such rights are exercised, the affected properties and assets will be acquired under the Acquisition and the Trust will convey such properties to the holders of the rights of first refusal, and retain the funds received from the sale of such properties.

Operational and Reserve Risks Relating to the New Properties

The risk factors set forth in the Trust’s AIF and in this short form prospectus relating to the oil and natural gas business and the operations and reserves of the Trust apply equally in respect of the New Properties that the Trust is acquiring pursuant to the Acquisition. In particular, the Reserve and recovery information contained in the McDaniel Report and GLJ Report in respect of the New Properties is only an estimate and the actual production from and ultimate Reserves of those properties may be greater or less than the estimates contained in such report.

Market for Securities

There is currently no market through which the Subscription Receipts or the Debentures may be sold and purchasers may not be able to resell Subscription Receipts or Debentures purchased under this short form prospectus. There can be no assurance that an active trading market will develop for the Subscription Receipts or the Debentures after the offering, or if developed, that such a market will be sustained at the price level of the offering.

Prior Ranking Indebtedness; Absence of Covenant Protection

The Debentures will be subordinate to all Senior Indebtedness and to any indebtedness of creditors of the Trust. The Debentures will also be effectively subordinate to claims of creditors of the Trust’s subsidiaries except to the extent the Trust is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

The Indenture will not limit the ability of the Trust to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions. The Indenture does not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Trust other than a restrictions on issuance of additional convertible debentures of equal ranking such that the total of all issued and outstanding convertible debentures cannot exceed 25% of the Total Market Capitalization of the Trust. However, the Trust Indenture, among other things, restricts the Trust’s level of indebtedness, provides operating investment guidelines, mandates the making of distributions and specifies the nature of its business.

Future Changes in Accounting Standards Applicable to Convertible Debentures

On November 3, 2003, the Accounting Standards Board of the Canadian Institute of Chartered Accountants approved a change to the accounting standards applicable to convertible debt, such as the Debentures, the 9% Debentures and the Equity Bridge Notes. The new standard will require that the amounts outstanding under the Debentures, the 9% Debentures and the Equity Bridge Notes be classified as liabilities and that the interest costs on the Debentures, the 9% Debentures and the Equity Bridge Notes be included as interest expense in the determination of net earnings. The new standards will be effective for fiscal periods beginning on or after November 1, 2004. The Trust estimates that this change, if applied for the fiscal year ended December 31, 2003 and the 3 months ended March 31, 2004 would result in a reduction of net earnings by approximately \$14.2 million and \$3.6 million, respectively, on a pro forma basis assuming the issuance of the Debentures.

Redemption of Units

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

Reserve Estimates

The reserve and recovery information contained in the independent engineering reports incorporated by reference in this short form prospectus are only estimates and the actual production and ultimate reserves from the properties may be greater or less than the estimates prepared. In addition, probable reserve estimates for properties may require revision based on the actual development strategies employed to prove such reserves. Estimated reserves may also be affected by changes in oil and natural gas prices. Declines in the reserves of the Operating Subsidiaries which are not offset by the acquisition or development of additional reserves may reduce the underlying value of Units to Unitholders.

Volatility of Oil and Natural Gas Prices

The Trust's operational results and financial condition are dependent on the prices received by the Operating Subsidiaries for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions as well as economic, political and other conditions in other oil and natural gas regions, all of which are beyond the Trust's control. Any decline in oil and natural gas prices could have an adverse effect on the Trust's financial condition and therefore on the distributable income to be distributed to holders of Units as well as on the future value of the Trust's reserves as determined by independent evaluators.

Variations in Foreign Exchange Rates and Interest Rates

The exchange rate for the Canadian dollar versus the U.S. dollar has increased significantly over the last 12 months, resulting in the receipt by the Trust of fewer Canadian dollars for its production, which may affect future distributions. The Corporation has initiated certain hedges to mitigate these risks. Future fluctuations in Canadian/United States exchange rates may impact future distributions and the future value of the Trust's Reserves as determined by independent evaluators.

In addition, variations in interest rates could result in a significant change in the amount the Trust pays to service debt, potentially impacting distributions to Unitholders.

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the Trust or the oil and gas industry generally, such as the status of mutual fund trusts, will not be changed in a manner which adversely affects Unitholders.

Investment Eligibility; Mutual Fund Trust Status

If the Trust ceases to qualify as a mutual fund trust, the Subscription Receipts, the Debentures and the Units will cease to be qualified investments for Deferred Plans. Where at the end of any month a Deferred Plan holds Subscription Receipts, Debentures or Units that are not qualified investments, the Deferred Plan must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1% of the fair market value of the Subscription Receipts, Debentures or Units, as the case may be, at the time such Subscription Receipts, Debentures or Units were acquired by the Deferred Plan. In addition, where a trust governed by an RRSP or RRIF holds Subscription Receipts, Debentures or Units that are not qualified investments, the trust will become taxable on its income attributable to the Subscription Receipts, Debentures or Units, as the case may be, while they are not qualified investments, including the full amount of any capital gain realized on a disposition of Subscription Receipts, Debentures or Units while they are not qualified investments. Where a trust governed by an RESP holds Subscription Receipts, Debentures or Units that are not qualified investments, the plan's registration may be revoked. In addition, if the Trust were to cease to qualify as a mutual fund trust:

- (a) Subscription Receipts, Debentures and Units would become foreign property for the purposes of the Tax Act;
- (b) The Trust would be taxed on certain types of income distributed to Unitholders including income generated by the NPI held by the Trust. Payment of this tax may have adverse consequences for some Unitholders, particularly Unitholders that are not residents of Canada and residents of Canada that are otherwise exempt from Canadian income tax; and

- (c) Units, Debentures and Subscription Receipts held by Unitholders that are not residents of Canada would become taxable Canadian property. These non-resident holders would be subject to Canadian income tax on any gains realized on a disposition of Debentures, Subscription Receipts and Units held by them.

Operational Matters

The operation of oil and gas wells involves a number of operating and natural hazards which may result in blowouts, environmental damage and other unexpected or dangerous conditions resulting in damage to the Trust and possible liability to third parties. The Operating Subsidiaries will maintain liability insurance, where available, in amounts consistent with industry standards. Business interruption insurance may also be purchased for selected facilities, to the extent that such insurance is available. The Operating Subsidiaries may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Costs incurred to repair such damage or pay such liabilities will have an adverse effect on the Trust's financial condition and therefore on the distributable income to be distributed to holders of Units. The ability of the Trust to produce its stated oil and natural gas reserves is also subject to geological, technical, drilling and processing problems or events which the Trust may not be able to anticipate. Such issues may have an adverse effect on the Trust's financial position and stated reserves.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although satisfactory title reviews are generally conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of an Operating Subsidiary to certain properties. A reduction of distributable income could result in such circumstances.

Environmental Concerns

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines, issuance of clean up orders or shut down in operations in respect of an Operating Subsidiary or its properties. Such legislation may be changed to impose higher standards and potentially more costly obligations on the Corporation.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". The Operating Subsidiaries exploration and production facilities and other operations and activities emit a small amount of greenhouse gases which may subject the Operating Subsidiaries to legislation regulating emissions of greenhouse gases. The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse gases emission reduction requirements for various industrial activities, including oil and gas exploration and production. Future federal legislation, together with provincial emission reduction requirements, such as those proposed in Alberta's Bill 32: Climate Change and Emissions Management, may require the reduction of emissions or emissions intensity of the Operating Subsidiaries' operations and facilities. The direct or indirect costs of these regulations may adversely affect the Operating Subsidiaries' business.

Debt Service

Amounts paid in respect of interest and principal on debt incurred in respect of the Operating Subsidiaries' properties will reduce distributable income. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment of the distributable income. Certain covenants of the agreements with the Operating Subsidiaries' lenders may also limit distributions to the Trust. Although the Trust believes the Operating Subsidiaries' credit facilities will be

sufficient for their immediate requirements, there can be no assurance that the amount will be adequate for their future financial obligations or that additional funds will be able to be obtained.

The Operating Subsidiaries' bankers have security over substantially all of the assets of the Operating Subsidiaries. If the Operating Subsidiaries become unable to pay their debt service charges or otherwise commit an event of default such as bankruptcy, the lender may foreclose on or sell the properties. See also, "Structural Subordination of the Units" below.

Structural Subordination of the Units

In the event of a bankruptcy, liquidation or reorganization of the Corporation or any of the other Operating Subsidiaries, holders of the Operating Subsidiaries' indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of the Corporation and the other Operating Subsidiaries, before any assets are made available for distribution to the Trust (including pursuant to the Notes). The Units are therefore effectively junior to the bank indebtedness and most other liabilities (including trade payables) of the Corporation and the other Operating Subsidiaries. Neither the Corporation nor any of the other Operating Subsidiaries is limited in their ability to incur secured or unsecured indebtedness.

Delay in Cash Receipts

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of the Operating Subsidiaries' properties, and by the operator to the Operating Subsidiaries, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of the Operating Subsidiaries' properties or the establishment by the operator of reserves for such expenses.

Reliance on Senior Management

Unitholders are dependent on the senior management and Board of Directors of the Corporation in respect of all aspects of the management of matters relating to the Operating Subsidiaries and their properties and all material matters relating to the Trust.

Depletion of Reserves

The Trust has certain unique attributes which differentiate it from other oil and gas industry participants. Distributions of distributable income in respect of the Operating Subsidiaries' properties, absent commodity price increases or cost effective acquisition and development activities, will decline over time in a manner consistent with declining production from typical oil, natural gas and natural gas liquids reserves. The Operating Subsidiaries will not be reinvesting cash flow in the same manner as other industry participants. Accordingly, absent capital injections, the Operating Subsidiaries' production levels and reserves will decline.

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

There can be no assurance that the Operating Subsidiaries will be successful in developing or acquiring additional reserves on terms that meet the Trust's investment objectives.

Additional Financing

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

Competition

There is strong competition relating to all aspects of the oil and gas industry. The Trust and the Operating Subsidiaries actively compete for reserve acquisitions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial and other resources than the Trust or the Operating Subsidiaries.

Return of Capital

Units will have no value when reserves from the Operating Subsidiaries' properties can no longer be economically produced and, as a result, cash distributions do not represent a "yield" in the traditional sense as they represent both return of capital and return on investment.

Potential Conflicts of Interest

Circumstances may arise where members of the Board of Directors of the Corporation are directors or officers of corporations which are in competition to the interests of the Corporation and the Trust. No assurances can be given that opportunities identified by such board members will be provided to the Corporation and the Trust.

Nature of Units

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

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

Unitholder Limited Liability

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

The Trust Indenture provides that all written instruments signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. However, personal liability to Unitholders may also arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trust considers the possibility of any personal liability of this nature arising to be unlikely.

The operations of the Trust will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the Unitholders for claims against the Trust.

See "Recent Developments — Status of Unitholder Limited Liability Legislation".

Restrictions on Non-Resident Ownership

The Trust Indenture restricts the ownership of Units by Unitholders who are non-residents of Canada for the purposes of the Tax Act. If the Trustee becomes aware that the beneficial owners of 49% of the Units are or may be non-residents or that such a situation is imminent, the Trustee may not accept subscriptions for or issue or register transfers of Units to non-residents and if the Trustee determines that a majority of the Units are held by non-residents, the Trustee may require non-resident Unitholders to sell all or a specified portion of their Units within a specified period of not less than 60 days. Additional information respecting the non-resident ownership restrictions is found at page 53 of the Trust's AIF under "Non-Resident Unitholders". Similar restrictions are contained in the Indenture governing the Debentures. See "Details of the Offering — Debentures — Limitation on Non-Resident Ownership".

Taxation

The Trust will distribute all of its taxable income to the Unitholders in each taxation year. See "Canadian Federal Income Tax Considerations — Taxation of the Trust". To the extent the Trust has insufficient deductions to offset its taxable income, such amounts will be taxable to Unitholders and the portion of cash distributions paid to Unitholders that is taxable may change from time to time.

MATERIAL CONTRACTS

The material contracts entered into or to be entered into by the Trust in connection with the offering are as follows:

- (a) the Subscription Receipt Agreement referred to under "Details of the Offering — Subscription Receipts";
- (b) the Indenture referred to under "Details of the Offering — Debentures"; and
- (c) the Underwriting Agreement referred to under "Plan of Distribution".

Copies of each of the foregoing agreements (in draft form prior to closing in the case of the Subscription Receipt Agreement and the Indenture) may be inspected during regular business hours at the offices of the Trust, at 1900, 330 - 5th Avenue S.W., Calgary, Alberta, T2P 0L4 until the expiry of the 30-day period following the date of the final short form prospectus.

PROMOTERS

M. Bruce Chernoff and Kevin A. Bennett may be considered to be the promoters of the Trust by reason of their initiative in organizing the business and affairs of the Trust. The following table sets forth the number of Units owned, directly or indirectly, by Mr. Chernoff and Mr. Bennett.

<u>Name and Municipality of Residence of Unitholder</u>	<u>Type of Ownership</u>	<u>Number of Units Owned</u>	<u>Percentage of Units</u>
M. Bruce Chernoff Calgary, Alberta	Direct and Beneficial	5,691,018 ⁽¹⁾	27.3%
Kevin A. Bennett Calgary, Alberta	Direct and Beneficial	700,000 ⁽²⁾	3.4%

Notes:

- (1) Includes Units held by Caribou, a company controlled by Mr. Chernoff and Units held in RESP accounts for the benefit of Mr. Chernoff's children. Does not include Units held by Mr. Chernoff's spouse.
- (2) Does not include Units held by Mr. Bennett's spouse.

Mr. Chernoff has from time to time, directly or indirectly, provided various loans to the Trust. The terms of such loans are described in note 10 to the audited consolidated financial statements of the Trust for the year ended December 31, 2003 and in note 4 to the unaudited interim consolidated financial statements of the Trust for the three months ended March 31, 2004, all of which are incorporated by reference in this short form

prospectus, and in the definition of “Equity Bridge Notes” contained in “Selected Abbreviations and Definitions”.

Messrs. Chernoff and Bennett have advised the Corporation that they intend to purchase, directly or indirectly, 1,513,500 and 17,500 Subscription Receipts, respectively, and \$100,000 and \$Nil principal amount of Debentures, respectively, in this offering.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to the Trust to which the Trust or the Corporation is a party or in respect of which any of their respective properties are subject, nor are there any such proceedings known to be contemplated.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Trust are KPMG LLP, Chartered Accountants, 1200, 205 - 5th Avenue S.W., Calgary, Alberta T2P 0S7.

The transfer agent and registrar for the Units, the Subscription Receipts and Debentures is Valiant Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

STATUTORY AND CONTRACTUAL RIGHTS OF RESCISSION AND STATUTORY RIGHTS OF WITHDRAWAL

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

In addition, original purchasers of Subscription Receipts will have the benefit of a contractual right of rescission exercisable following the issuance of Units to such purchasers. See “Details of the Offering — Subscription Receipts”.

AUDITORS' CONSENT

To: The Board of Directors of Harvest Operations Corp.

We have read the short form prospectus of Harvest Energy Trust (the "**Trust**") dated July 30, 2004 relating to the qualification for distribution of 12,166,666 subscription receipts each representing the right to receive one trust unit of the Trust and \$100 million principal amount of convertible unsecured subordinated debentures of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned short form prospectus of:

- (1) Our report dated April 15, 2004 to the Trustee of the Trust and the Directors of Harvest Operations Corp. (the "**Corporation**") on the audited consolidated financial statements of the Trust for the year ended December 31, 2003 and for the period from formation on July 10, 2002 to December 31, 2002;
- (2) Our report dated September 18, 2002 to the Board of Directors of the Corporation on the audited schedule of revenue and expenses for the Initial Properties for the three years ended December 31, 2001;
- (3) Our report dated September 18, 2002 to the directors of the Corporation on the audited schedule of revenue and expenses for the Additional Properties for the three years ended December 31, 2001; and
- (4) Our report dated October 3, 2003 to the directors of the Corporation on the audited schedule of revenue and expenses for the Carlyle Properties for the three years ended December 31, 2002.

Calgary, Canada
July 30, 2004

(Signed) "KPMG LLP"
Chartered Accountants

AUDITORS' CONSENT

To: The Board of Directors of Harvest Operations Corp.

We have read the short form prospectus of Harvest Energy Trust (the "**Trust**") dated July 30, 2004 relating to the qualification for distribution of 12,166,666 subscription receipts each representing the right to receive one trust unit of the Trust and \$100 million principal amount of convertible unsecured subordinated debentures of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned short form prospectus of our report dated July 16, 2004 to the Trustee of the Trust and the Board of Directors of Harvest Operations Corp. on the schedule of revenues, royalties and operating expenses of the New Properties for the two years ended December 31, 2003 and 2002.

Calgary, Alberta
July 30, 2004

(Signed) "PRICEWATERHOUSECOOPERS LLP"
Chartered Accountants

AUDITORS' CONSENT

We have read the short form prospectus of Harvest Energy Trust (the "**Trust**") dated July 30, 2004 relating to the qualification for distribution of 12,166,666 subscription receipts each representing the right to receive one trust unit of the Trust and \$100,000,000 of 8.0% convertible unsecured subordinated debentures of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned short form prospectus of our report dated February 18, 2004 to the shareholders of Storm Energy Ltd. ("**Storm**") on the consolidated balance sheets of Storm as at December 31, 2003 and 2002 and the consolidated statements of income and retained earnings and cash flows for the year ended December 31, 2003 and for the period from commencement of operations on August 23, 2002 to December 31, 2002.

Calgary, Alberta
July 30, 2004

(Signed) "DELOITTE & TOUCHE LLP"
Chartered Accountants

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST

Compilation Report on Pro Forma Financial Statements

To the Trustee of Harvest Energy Trust and the Directors of Harvest Operations Corp.

We have read the accompanying unaudited pro forma consolidated balance sheet and consolidated statement of income of Harvest Energy Trust (the "Trust") as at and for the three month period ended March 31, 2004, and the consolidated statement of income of the Trust for the year ended December 31, 2003, and have performed the following procedures:

- (1) Compared the figures in the columns captioned "Harvest Energy Trust" to the consolidated financial statements of the Trust as at and for the three month period ended March 31, 2004, and the statement of income for the year ended December 31, 2003 and found them to be in agreement.
- (2) Compared the figures in the columns captioned "Storm Energy Ltd." to the consolidated financial statements of Storm Energy Ltd. as at and for the three month period ended March 31, 2004, and the statement of income for the year ended December 31, 2003 and found them to be in agreement.
- (3) Compared the figures in the columns captioned "New Properties" to the financial information of the properties for the three month period ended March 31, 2004, and for the year ended December 31, 2003 and found them to be in agreement.
- (4) Compared the figures in the column captioned "Carlyle Properties" to the financial information of the properties for the nine month period ended September 30, 2003, and found them to be in agreement.
- (5) Made enquiries of certain officials of the Trust who have responsibility for financial and accounting matters about:
 - (a) The basis for the determination of the pro forma adjustments; and
 - (b) Whether the pro forma consolidated financial statements comply in all material respects with the applicable regulatory requirements.

The officers:

- (a) Described to us the basis for determination of the pro forma adjustments; and
 - (b) Stated that the pro forma consolidated financial statements comply as to form in all material respects with the applicable regulatory requirements.
- (6) Read the notes to the pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
 - (7) Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the other columns as at and for the three month period ended March 31, 2004 and the year ended December 31, 2003 and found the amounts in the column captioned "Pro forma Consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Calgary, Canada
July 30, 2004

(Signed) "KPMG LLP"
Chartered Accountants

HARVEST ENERGY TRUST
PRO FORMA CONSOLIDATED BALANCE SHEET

As at March 31, 2004
(Thousands of dollars)
(Unaudited)

	Harvest Energy Trust	Storm Energy Ltd.	Adjustments	Notes	Harvest Energy Trust Subtotal	New Properties	Adjustments	Notes	Pro Forma Consolidated
ASSETS									
Current assets									
Cash and short-term investments	\$ —	\$ 2,953	\$ (2,953)	2b	\$ —	\$ —	\$ —		\$ —
Accounts receivable	13,696	15,367	—		29,063	—	—		29,063
Prepaid expenses and deposits	19,309	769	—		20,078	—	—		20,078
	<u>33,005</u>	<u>19,089</u>	<u>(2,953)</u>		<u>49,141</u>	<u>—</u>	<u>—</u>		<u>49,141</u>
Investment	—	2,810	(2,810)	2b	—	—	—		—
Deferred financing charges, net of amortization .	1,245	—	775	2b, 3a	2,020	—	4,000	2d	6,020
Future income tax	15,172	—	(15,172)	3c	—	—	—		—
Property, plant and equipment	211,236	138,335	102,353	2b	451,924	518,000	28,500	2a	998,424
	<u>\$260,658</u>	<u>\$160,234</u>	<u>\$ 82,193</u>		<u>\$503,085</u>	<u>\$518,000</u>	<u>\$32,500</u>		<u>\$1,053,585</u>
LIABILITIES AND UNITHOLDERS' EQUITY									
Current liabilities									
Bank indebtedness	\$ 2,819	\$ —	\$ —		\$ 2,819	\$ —	\$ —		\$ 2,819
Accounts payable and accrued liabilities	18,714	24,705	—		43,419	—	—		43,419
Cash distributions payable	3,456	—	—		3,456	—	—		3,456
Accrued interest payable	1,061	—	—		1,061	—	—		1,061
Bridge note	—	—	—		—	40,000	—		40,000
Demand loan	35,611	—	107,328	3b	142,939	231,450	4,000	2d	378,389
	<u>61,661</u>	<u>24,705</u>	<u>107,328</u>		<u>193,694</u>	<u>271,450</u>	<u>4,000</u>		<u>469,144</u>
Long-term debt	—	57,328	(57,328)	2b	—	—	—		—
Future income tax	—	15,283	12,761	2b, 3c	28,044	—	—		28,044
Minority interest	—	1,476	(1,476)	2b	—	—	—		—
Commodity derivative contracts	5,491	—	—		5,491	—	—		5,491
Asset retirement obligation	42,744	9,003	(711)	2b	51,036	—	28,500	2a	79,536
	<u>109,896</u>	<u>107,795</u>	<u>60,574</u>		<u>278,265</u>	<u>271,450</u>	<u>32,500</u>		<u>582,215</u>
Unitholders' equity									
Unitholders' capital	119,527	—	40,187	2b	159,714	165,940	—		325,654
Exchangeable shares	—	—	8,871	2b	8,871	—	—		8,871
Equity bridge notes	—	—	25,000	2b	25,000	(14,890)	—		10,110
Share capital	—	32,400	(32,400)	2b	—	—	—		—
Retained earnings	—	19,888	(19,888)	2b	—	—	—		—
Convertible debentures	56,374	—	—		56,374	95,500	—		151,874
Accumulated income	17,311	—	—		17,311	—	—		17,311
Contributed surplus	422	151	(151)	2b	422	—	—		422
Accumulated cash distributions	(42,872)	—	—		(42,872)	—	—		(42,872)
	<u>150,762</u>	<u>52,439</u>	<u>21,619</u>		<u>224,820</u>	<u>246,550</u>	<u>—</u>		<u>471,370</u>
	<u>\$260,658</u>	<u>\$160,234</u>	<u>\$ 82,193</u>		<u>\$503,085</u>	<u>\$518,000</u>	<u>\$32,500</u>		<u>\$1,053,585</u>

HARVEST ENERGY TRUST
PRO FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS)
Three Month Period ended March 31, 2004
(Thousands of dollars)
(Unaudited)

	Harvest Energy Trust	Storm Energy Ltd.	Adjustments	Notes	Harvest Energy Trust Subtotal	New Properties	Adjustments	Notes	Pro Forma Consolidated
Revenue									
Oil and natural gas sales	\$47,500	\$17,588	\$ (2,448)	2b	\$ 62,640	\$62,794	\$ —		\$125,434
Royalty expense, net	(8,027)	(4,225)	520	2b	(11,732)	(7,597)	—		(19,329)
Alberta royalty tax credit	—	101	—		101	—	—		101
Other	—	47	—		47	—	—		47
Hedging loss	(9,055)	—	—		(9,055)	—	—		(9,055)
Mark to market loss of commodity derivative contracts	(5,491)	—	—		(5,491)	—	—		(5,491)
	<u>24,927</u>	<u>13,511</u>	<u>(1,928)</u>		<u>36,510</u>	<u>55,197</u>	<u>—</u>		<u>91,707</u>
Expenses									
Operating	13,674	2,172	(472)	2b	15,374	10,498	—		25,872
General and administrative	1,554	927	(488)	4c	1,993	—	313	4c	2,306
Interest	519	663	769	4a	1,951	—	3,162	4a	5,113
Finance charges and amortization of deferred finance charges	744	—	194	4a	938	—	1,000	4a	1,938
Depletion, depreciation and accretion	12,116	4,565	4,906	4b	21,587	—	22,259	4b	43,846
Foreign exchange gain	(68)	—	—		(68)	—	—		(68)
	<u>28,539</u>	<u>8,327</u>	<u>4,909</u>		<u>41,775</u>	<u>10,498</u>	<u>26,734</u>		<u>79,007</u>
Income (loss) before taxes	(3,612)	5,184	(6,337)		(4,765)	44,699	(26,734)		12,700
Taxes									
Current taxes	—	841	—		841	—	—		841
Large corporation tax	16	47	—		63	—	—		63
Future tax expense (recovery)	(2,563)	708	(2,512)	4d	(4,367)	—	—		(4,367)
	<u>(2,547)</u>	<u>1,596</u>	<u>(2,512)</u>		<u>(3,463)</u>	<u>—</u>	<u>—</u>		<u>(3,463)</u>
Net income (loss)	<u>(1,065)</u>	<u>3,588</u>	<u>(4,325)</u>		<u>(1,802)</u>	<u>44,699</u>	<u>(26,734)</u>		<u>16,163</u>
Net income (loss) per trust unit									
Basic	\$ (0.06)							4e	0.36
Diluted	\$ (0.06)							4e	0.36

HARVEST ENERGY TRUST
PRO FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS)
Year ended December 31, 2003
(Thousands of dollars)
(Unaudited)

	Harvest Energy Trust	Carlyle Properties	Adjustments	Storm Energy Ltd.	Adjustments	Notes	Harvest Energy Trust Subtotal	New Properties	Adjustments	Notes	Pro Forma Consolidated
Revenue											
Oil and natural gas sales	\$119,351	\$ 59,839	\$ —	\$ 59,547	\$ (1,811)	2b, 2c	\$236,926	\$274,617	\$ —		\$511,543
Royalty expense, net	(16,412)	(12,646)	—	(13,674)	214	2b, 2c	(42,518)	(34,250)	—		(76,768)
Other	—	—	—	467	—		467	—	—		467
Hedging loss	(18,924)	—	—	—	—		(18,924)	—	—		(18,924)
	<u>84,015</u>	<u>47,193</u>	<u>—</u>	<u>46,340</u>	<u>(1,597)</u>		<u>175,951</u>	<u>240,367</u>	<u>—</u>		<u>416,318</u>
Expenses											
Operating	36,045	18,057	—	6,318	(340)	2b, 2c	60,080	45,397	—		105,477
General and administrative . .	4,340	—	—	2,410	(1,286)	2b, 4c	5,464	—	1,250	4c	6,714
Interest	2,975	—	1,368	3,194	3,236	2b, 2c, 4a	10,773	—	12,624	4a	23,397
Finance charges and amortization of deferred finance charges .	2,607	—	—	—	775	2b, 4a	3,382	—	4,000	4a	7,382
Site restoration and reclamation .	4,355	—	1,290	804	281	2b, 2c, 4b	6,730	—	6,824	2a, 4b	13,554
Depletion, depreciation and accretion	29,362	—	4,216	13,919	15,175	2b, 2c, 4b	62,672	—	88,509	2a, 4b	151,181
Foreign exchange gain	(4,374)	—	—	—	—		(4,374)	—	—		(4,374)
	<u>75,310</u>	<u>18,057</u>	<u>6,874</u>	<u>26,645</u>	<u>17,841</u>		<u>144,727</u>	<u>45,397</u>	<u>113,207</u>		<u>303,331</u>
Income (loss) before taxes	8,705	29,136	(6,874)	19,695	(19,438)		31,224	194,970	(113,207)		112,987
Taxes											
Large corporation tax	157	—	—	309	—		466	—	—		466
Future tax expense (recovery)	(8,162)	—	—	7,738	(5,066)	4d	(5,490)	—	—		(5,490)
	<u>(8,005)</u>	<u>—</u>	<u>—</u>	<u>8,047</u>	<u>(5,066)</u>		<u>(5,024)</u>	<u>—</u>	<u>—</u>		<u>(5,024)</u>
Net income (loss)	<u>16,710</u>	<u>29,136</u>	<u>(6,874)</u>	<u>11,648</u>	<u>(14,372)</u>		<u>36,248</u>	<u>194,970</u>	<u>(113,207)</u>		<u>118,011</u>
Net income per trust unit											
Basic \$	1.33									4e	3.06
Diluted \$	1.29									4e	3.05

HARVEST ENERGY TRUST

NOTES TO PRO FORMA BALANCE SHEET AND STATEMENTS OF INCOME (LOSS)

1. BASIS OF PRESENTATION

Harvest Energy Trust (the “**Trust**”) is an open-ended, unincorporated investment trust formed under the laws of Alberta. Pursuant to the trust indentures and an administration agreement, the Trust is managed by its wholly owned subsidiary, Harvest Operations Corp. (“**Harvest Operations**”). The Trust acquires and holds net profit interests in oil and natural gas properties in Alberta acquired and held by Harvest Operations. The Trust acquires and holds net profit interests in oil and natural gas properties in Saskatchewan and held by Harvest Sask. Energy Trust. The Trust is the sole unitholder of Harvest Sask. Energy Trust. The New Properties to be acquired, as described below, are held in a partnership. The partnership is owned by two new trusts of which the Trust will be the direct or indirect sole unitholder. All properties under the Trust are operated by Harvest Operations.

The accompanying unaudited pro forma consolidated balance sheet and statements of income (loss) have been prepared by the management of Harvest Operations in accordance with Canadian generally accepted accounting principles. In the opinion of management, the pro forma consolidated balance sheet and statements of income (loss) include all material adjustments necessary for fair presentation in accordance with Canadian generally accepted accounting principles.

The pro forma consolidated balance sheet and statements of income (loss) are not necessarily indicative either of the results that actually would have occurred if the events reflected herein had taken place on the dates indicated or of the results that may be obtained in the future.

On October 1, 2003 the Trust and the Corporation entered into an agreement to acquire properties from a third party (the “**Carlyle Properties**”). The cost to the Corporation was approximately \$81.1 million including the closing adjustments and estimated transaction costs of approximately \$2 million.

On June 30, 2004, the Trust completed a plan of arrangement with Storm Energy Ltd. (“**Storm**”), whereby the Trust acquired all of the outstanding shares of Storm for approximately \$189 million, including assumed net debt and transaction costs of approximately \$65 million. As part of the Plan of Arrangement, certain assets of Storm were transferred to a new entity (“**ExploreCo**”) which is owned by former Storm shareholders.

On July 15, 2004, two subsidiary trusts of the Trust entered into an agreement to acquire properties from a third party (the “**New Properties**”). The cost to the Trust and the Corporation is approximately \$518 million net of adjustments including transaction costs.

The unaudited pro forma consolidated balance sheet and statement of income (loss) as at and for the three month period ended March 31, 2004, and the statement of income (loss) for the year ended December 31, 2003 have been based on:

The unaudited consolidated balance sheet and statement of income (loss) of the Trust for the three month period ended March 31, 2004 and the audited statement of income of the Trust for the year ended December 31, 2003, and the unaudited consolidated balance sheet and statement of income of Storm for the three month period ended March 31, 2004 and the audited statement of income of Storm for the year ended December 31, 2003.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The pro forma consolidated balance sheet has been prepared assuming that the transactions that were completed and described in note 2(a) and 2(b) below were completed on March 31, 2004. The pro forma statement of income (loss) for the three month period ended March 31, 2004 and for the year ended

HARVEST ENERGY TRUST

NOTES TO PRO FORMA BALANCE SHEET AND STATEMENTS OF INCOME (LOSS) (Continued)

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (Continued)

December 31, 2003 have been prepared assuming that the transactions described in notes 2(a), 2(b) and 2(c) were completed at the beginning of the respective periods as follows:

(A) Acquisition of New Properties

The amounts included in the pro forma consolidated statement of income (loss) for the revenue, royalties and operating costs for the New Properties for the three month period ended March 31, 2004 and the year ended December 31, 2003 have been derived from the unaudited schedule of revenues, royalties and operating expenses for the New Properties for the three month period ended March 31, 2004 and the unaudited schedule of revenues, royalties and operating expenses for the year ended December 31, 2003. Consideration for the New Properties is estimated to be \$518 million, consisting of the purchase price of \$526 million, transaction costs of \$4 million and net of interim adjustments estimated to be \$12 million. In addition, an estimated \$28.5 million asset retirement obligation has been reflected as a liability and added to the book value of property, plant and equipment in accordance with Canadian generally accepted accounting principles. In accordance with the expected financing requirements for the purchase of the New Properties, it has been assumed for these pro forma financial statements that the following transactions have occurred:

(i) Issue of Subscription Receipts

On July 19, 2004, the Trust entered into an underwriting agreement for the issue of 8,000,000 subscription receipts at a price of \$14.40 each of which will entitle the holder to receive one trust unit for gross proceeds of \$115.2 million. In addition, the underwriter had an option (the “**Option**”) to purchase an additional \$80 million of subscription receipts and debentures (see below), which was exercised and pursuant to which an additional \$60 million of subscription receipts will be issued under the same terms, for total approximate gross proceeds of \$175.2 million. The net proceeds are estimated to be \$165.9 million after the deduction of the underwriters’ commission at 5% and costs of \$0.5 million.

(ii) Issue of Convertible Unsecured Subordinated Debentures

On July 19, 2004, the Trust entered into an underwriting agreement for the issue of 80,000 convertible unsecured subordinated debentures (“**debentures**”) at a price of \$1,000, for gross proceeds of \$80 million. In addition, an additional \$20 million of debentures will be issued pursuant to the Option described above, for total gross proceeds of \$100 million. The net proceeds are estimated to be \$95.5 million after the deduction of the underwriters’ commission at 4% and costs of \$0.5 million. The debentures have a maturity date of September 30, 2009. The debentures bear interest at an annual rate of 8% payable semi-annually on March 31 and September 30 in each year commencing on March 31, 2005. The debentures are redeemable by the Trust at a price of \$1,050 per debenture after September 30, 2007, and on or before September 30, 2008 and at a price of \$1,025 per debenture after September 30, 2008 and before maturity on September 30, 2009, in each case, plus accrued and unpaid interest thereon, if any.

(iii) Equity Bridge Agreement

The Trust entered into two equity bridge agreements with a director of Harvest Operations and a company controlled by a director of Harvest Operations (the “**Equity Bridge Agreements**”) that provide for the issuance of up to \$50 million to the Trust to assist with the acquisition of Storm, among other purposes. Under the terms of the Equity Bridge Agreement interest is payable quarterly and calculated daily at a fixed rate of 10% per annum. The Trust has the option to settle the quarterly interest payments, and the principal amounts at any time, with cash or the issue of Trust units. The number of trust units to be issued to settle the interest payments or principal

HARVEST ENERGY TRUST

NOTES TO PRO FORMA BALANCE SHEET AND STATEMENTS OF INCOME (LOSS) (Continued)

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (Continued)

amounts is equivalent to the amount being settled divided by 90% of the most recent ten-day weighted average trading price of the trust units.

For purposes of this pro forma consolidated balance sheet, it has been assumed that \$10.1 million will be drawn on this facility following the acquisition of the New Properties.

As the Trust has the ability to settle the interest and principal amounts outstanding under the Equity Bridge Agreement through the issue of trust units, the amounts drawn have been presented in Unitholders' Equity in these pro forma financial statements. The corresponding interest amounts will be presented as a direct charge to accumulated income rather than as a deduction in determining income for the applicable periods.

(iv) Bank Borrowings

For purposes of this pro forma consolidated balance sheet, it has been assumed that the cost of the New Properties, less the net proceeds from the issuance of subscription receipts, debentures and drawings under the Equity Bridge Agreement, will initially be financed through the issue of a new demand loan in the amount of \$231.5 million and a bridge note of \$40 million due within nine months of issuance. The new facilities will bear interest at variable rates based on the lenders' prime rates.

(B) Plan of arrangement with Storm

The amounts included in the pro forma consolidated statement of income (loss) for Storm for the three month period ended March 31, 2004 and the year ended December 31, 2003 are from Storm's unaudited and audited financial statements, respectively. In accordance with the terms of the plan of arrangement, the consideration paid consisted of 2,720,837 trust units and 600,587 exchangeable shares at an ascribed value of \$14.77 per trust unit and exchangeable share and cash of \$75 million — for an aggregate consideration of approximately \$189 million (including assumed debt and transaction costs of approximately \$65 million). The exchangeable shares are exchangeable by the holder at any time into trust units. The excess of the cost of the acquisition over the carrying value of the Storm assets and liabilities acquired has been allocated to property, plant and equipment for purposes of these pro forma financial statements. A portion of certain balances has been adjusted to reflect the properties transferred to ExploreCo as part of the plan of arrangement with Storm.

(C) Acquisition of Carlyle Properties

The amounts included in the pro forma consolidated statement of income (loss) for the revenue, royalties and operating costs for the Carlyle Properties for the year ended December 31, 2003 have been derived from the unaudited schedule of revenue and expenses for the Carlyle Properties for the six-month period ended June 30, 2003 plus the figures from the applicable accounting information for the three months ended September 30, 2003.

3. PRO FORMA CONSOLIDATED BALANCE SHEET

Under the plan of arrangement with Storm, Harvest issued trust units, exchangeable shares and cash to existing Storm shareholders. Under the purchase of the New Properties, Harvest will issue trust units, subordinated convertible debentures, bridge notes payable and bank debt to facilitate the purchase. This pro forma statement is based on an estimated proportion of each being completed.

(A) Deferred financing charges

The additional deferred financing charges relate to additional debt and the additional demand loan and bridge note payable to be incurred by the Trust, respectively.

HARVEST ENERGY TRUST

NOTES TO PRO FORMA BALANCE SHEET AND STATEMENTS OF INCOME (LOSS) (Continued)

3. PRO FORMA CONSOLIDATED BALANCE SHEET (Continued)

(B) Demand loan

The additional amounts under the demand loan balance includes the net debt acquired by Harvest and the additional debt issued to complete the plan of arrangement.

(C) Taxes

The pro forma adjustment for the future income taxes resulting on the acquisition of Storm is based on the excess of the amounts assigned to the net assets of Storm over the corresponding tax values. For income tax purposes, the Trust is able to, and intends to, claim a deduction for all amounts paid or payable to unitholders, and then to allocate the remaining income, if any, to the unitholders. However, the pro forma adjustment for future income taxes has been based on the assumption that 50% of the incremental cash flow would have been paid by Storm to the Trust as a royalty payment. Future tax expense is calculated based on the adjustments at an average rate of 40%. Under the purchase of the New Properties, the New Properties will be held by trusts and as such, there will be no calculation for future or corporate taxes.

4. PRO FORMA CONSOLIDATED STATEMENT OF INCOME

(A) Interest and amortization of deferred financing charges

Interest has been adjusted to include the costs associated with the new demand loan borrowings upon acquisition of Storm and the new demand loan and bridge note borrowings upon acquisition of the New Properties, respectively. Deferred finance costs associated with these debt issuances have been amortized over a period of one year and included in income.

As the Trust has the ability to settle the interest and principal amounts outstanding under the convertible debentures and the Equity Bridge Agreement through the issue of trust units, the amounts drawn have been presented in Unitholders' Equity in these pro forma financial statements. The corresponding interest amounts of \$14.3 million for the year period ended December 31, 2003 and \$3.6 million for the three month period ended March 31, 2004 will be presented as a direct charge to accumulated income rather than as a deduction in determining income for the applicable periods.

(B) Depletion, depreciation and accretion and site restoration and reclamation

The March 31, 2004 pro forma adjustments for depletion, depreciation and accretion have been determined using the full cost method of accounting based on combined proved reserves, future development costs and production volumes and incorporation of the cost of the properties acquired pursuant to the Storm plan of arrangement and the purchase of the New Properties (including associated estimated future development costs of \$11.6 million and \$57.8 million, respectively).

The December 31, 2003 pro forma adjustments for depletion, depreciation and amortization have been determined using the full cost method of accounting based on combined proved reserves, future development costs and production volumes and incorporation of the costs of acquiring the Carlyle Properties (including estimated future development costs of \$10 million), and the cost of the properties acquired pursuant to the Storm plan of arrangement and the purchase of the New Properties discussed above.

The December 31, 2003 pro forma adjustments for site restoration and reclamation have been determined using the full cost method of accounting based on combined proved reserves, future site restoration and reclamation liabilities and production volumes.

HARVEST ENERGY TRUST

NOTES TO PRO FORMA BALANCE SHEET AND STATEMENTS OF INCOME (LOSS) (Continued)

4. PRO FORMA CONSOLIDATED STATEMENT OF INCOME (Continued)

(C) General and administrative expense

General and administrative expense has been adjusted to reflect the estimated costs of the associated combined entity under the Plan of Arrangement and the purchase of the New Properties, respectively.

(D) Taxes

For income tax purposes, the Trust is able to, and intends to, claim a deduction for all amounts paid or payable to unitholders, and then to allocate the remaining income, if any, to the unitholders. However, the pro forma adjustment for future income taxes has been based on the assumption that 50% of the incremental cash flow would have been paid by Storm to the Trust as a royalty payment. Future tax expense is calculated based on the adjustments at an average rate of 40%. Under the purchase of the New Properties, the New Properties will be held by trusts and as such, there will be no calculation for future or corporate taxes.

(E) Income per trust unit

The number of trust units included in the basic weighted average number outstanding for the period ended March 31, 2004 was based on the weighted average number of trust units actually outstanding for the period, the 2,720,837 trust units and 600,587 exchangeable shares issued under the terms of the Plan of Arrangement, and the estimated 12,167,000 trust units issued in the purchase of the New Properties. The pro forma income available to unitholders was reduced by the interest applicable to the convertible debentures and equity bridge notes as if they were outstanding as at January 1, 2004.

The diluted weighted average number of trust units for the period ended March 31, 2004 was 34,557,470 which includes an estimated portion of trust unit appreciation rights to be issued to the estimated new employees of Harvest. The pro forma income available to unitholders was reduced by the interest applicable to the convertible debentures and equity bridge notes as if they were outstanding as at January 1, 2004.

The number of trust units included in the basic weighted average number outstanding for the year ended December 31, 2003 was based on the weighted average number of trust units actually outstanding for the period, the 2,720,837 trust units and 600,587 exchangeable shares issued under the terms of the Plan of Arrangement, and the estimated 12,167,000 trust units issued in the purchase of the New Properties, and the 4,312,500 trust units issued under the terms of the underwriting agreement dated October 7, 2003. The pro forma income available to unitholders was reduced by the interest applicable to the convertible debentures and equity bridge notes as if they were outstanding as at January 1, 2003.

The diluted weighted average number of trust units for the year ended December 31, 2003 was 32,508,846 which included an estimated portion of trust unit appreciation rights issued to the estimated new employees of Harvest, and 3,942,617 trust units with respect to the settlement of the amounts drawn under the Equity Bridge Agreement. The pro forma income available to unitholders was reduced by the interest applicable to the convertible debentures and equity bridge notes as if they were outstanding as at January 1, 2003.

New Properties

Schedule of Revenues, Royalties and Operating Expenses

Years Ended December 31, 2003 and 2002
and the Three Months Ended March 31, 2004 and 2003 (unaudited)
(\$ thousands)

AUDITORS' REPORT

To the Trustee of Harvest Energy Trust and Directors of Harvest Operations Corp.

At the request of Harvest Energy Trust and Harvest Operations Corp., we have audited the Schedule of Revenues, Royalties and Operating Expenses for the two years ended December 31, 2003 and 2002 for the New Properties that Harvest Energy Trust and Harvest Operations Corp. have entered into an agreement to acquire dated July 15, 2004. This financial information is the responsibility of management. Our responsibility is to express an opinion on this financial information based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial information presentation.

In our opinion, the Schedule of Revenues, Royalties and Operating Expenses presents fairly, in all material respects, the revenues, royalties and operating expenses for the New Properties for each of the years ended December 31, 2003 and 2002 in accordance with the basis of accounting disclosed in note 1.

Calgary, Canada
July 16, 2004

(Signed) "PRICEWATERHOUSECOOPERS LLP"
Chartered Accountants

NEW PROPERTIES
SCHEDULE OF REVENUES, ROYALTIES AND OPERATING EXPENSES
(\$ thousands)

	Three Months Ended March 31,		Year Ended December 31,	
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2002</u>
	(unaudited)			
Revenues	\$62,794	\$83,982	\$274,617	\$228,573
Royalties	<u>7,597</u>	<u>10,102</u>	<u>34,250</u>	<u>27,072</u>
	55,197	73,880	240,367	201,501
Operating expenses	<u>10,498</u>	<u>11,715</u>	<u>45,397</u>	<u>44,854</u>
Excess of revenues over operating expenses	<u>\$44,699</u>	<u>\$62,165</u>	<u>\$194,970</u>	<u>\$156,647</u>

See accompanying Notes to Schedule

NEW PROPERTIES
NOTES TO SCHEDULE OF REVENUES, ROYALTIES AND OPERATING EXPENSES
For the Years Ended December 31, 2003 and 2002
and the Three Months Ended March 31, 2004 and 2003 (unaudited)
(\$ thousands)

1. BASIS OF PRESENTATION

The Schedule of Revenues, Royalties and Operating Expenses includes the operating results relating to the New Properties that Harvest Energy Trust and Harvest Operations Corp. have entered into an agreement to acquire dated July 15, 2004. Under the terms of the agreement, Harvest Breeze Trust No. 1 and No. 2 will acquire Breeze Resources Partnership which owns these New Properties (“the Properties”).

The Properties consist of crude oil and natural gas assets located in the Crossfield area of Alberta, in southeast Alberta and in east central Alberta.

The Schedule of Revenues, Royalties and Operating Expenses for the Properties does not include any provision for the depletion, depreciation and amortization, asset retirement costs, future capital costs, impairment of unevaluated properties, administrative costs and income taxes for the Properties as these amounts are based on the consolidated operations of the vendor of which the Properties form only a part.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) Joint Venture Operations

Substantially all of the Properties are operated through joint ventures therefore the schedule reflects only the vendor’s proportionate interest.

(B) Revenue Recognition

Revenues are recorded net of related transportation costs when the product is delivered. Gas revenues are recorded based on AECO reference pricing used for sales between operating divisions of EnCana Corporation and do not reflect ultimate marketing related activities. Oil revenues are recorded based on blended prices established between operating divisions of EnCana Corporation for similar quality product delivered to a common carrier.

(C) Royalties

Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or the terms of individual royalty agreements. Crown royalties for natural gas are based on the Alberta Government posted reference price. Crown royalties for crude oil are taken in kind by the Alberta Petroleum Marketing Commission.

(D) Operating Expenses

Operating expenses include amounts incurred on extraction of product to the surface, gathering, field processing, treating and field storage.

CERTIFICATE OF THE TRUST

Dated: July 30, 2004

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

HARVEST ENERGY TRUST

By: HARVEST OPERATIONS CORP.

(Signed) JACOB ROORDA
President, as chief executive officer

(Signed) DAVID M. FISHER
Vice President, Finance as chief financial officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) M. BRUCE CHERNOFF
Director

(Signed) JOHN A. BRUSSA
Director

PROMOTERS

(Signed) M. BRUCE CHERNOFF

(Signed) KEVIN A. BENNETT

CERTIFICATE OF THE UNDERWRITERS

Dated: July 30, 2004

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

NATIONAL BANK FINANCIAL INC.

By: (Signed) L. TREVOR ANDERSON

CIBC WORLD MARKETS INC.

By: (Signed) T. TIMOTHY KITCHEN

TD SECURITIES INC.

By: (Signed) ALEC W.G. CLARK

BMO NESBITT BURNS INC.

By: (Signed) SHANE C. FILDES

RBC DOMINION SECURITIES INC.

By: (Signed) BRIAN K. PETERSEN

FIRSTENERGY CAPITAL CORP.

By: (Signed) NICHOLAS J. JOHNSON

CANACCORD CAPITAL CORPORATION

By: (Signed) KARL B. STADDON

HAYWOOD SECURITIES INC.

By: (Signed) DAVID G. MCGORMAN

GMP SECURITIES LTD.

By: (Signed) SANDY L. EDMONSTONE



Harvest Energy Trust