

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. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement, these securities may not be offered or sold within the United States or to a U.S. person (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. 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".

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 Harvest Operations Corp. 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 Harvest Operations Corp. at the above-mentioned address and telephone number.

New Issue

January 21, 2004

SHORT FORM PROSPECTUS



\$50,000,000

9% Convertible Unsecured Subordinated Debentures

This short form prospectus qualifies the distribution of 50,000 9% convertible unsecured subordinated debentures due May 31, 2009 (the "**Debentures**") of Harvest Energy Trust (the "**Trust**") at a price of \$1,000 per Debenture (the "**Offering**"). The Debentures bear interest at an annual rate of 9% payable semi-annually on May 31 and November 30 in each year commencing May 31, 2004. The 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, plus accrued and unpaid interest thereon, if any. See "Details of the Offering".

Debenture Conversion Privilege

Each Debenture will be convertible into trust units of the Trust ("**Trust Units**") at the option of the holder at any time prior to the close of business on the earlier of May 31, 2009 and the business day immediately preceding the date specified by the Trust for redemption of the Debentures, at a conversion price of \$14.00 per Trust Unit, subject to adjustment in certain events. Holders converting their Debentures will receive accrued and unpaid interest thereon. Notwithstanding the foregoing, no Debentures may be converted during the 5 Business Days preceding and including May 31 and November 30 in each year, commencing May 31, 2004, as the registers of the Debenture Trustee (as hereinafter defined) will be closed during such periods.

The issued and outstanding Trust Units are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "HTE.UN". There is currently no market through which the Debentures may be sold. The Trust has applied to list the Debentures distributed under this short form prospectus and the Trust Units issuable on the conversion, redemption or maturity of the Debentures on the TSX. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSX. On January 20, 2004, the closing price of the Trust Units on the TSX was \$13.95.

The offering price of the Debentures was determined by negotiations between Harvest Operations Corp. (the "**Corporation**"), on behalf of the Trust, and National Bank Financial Inc., on behalf of itself and on behalf of CIBC World Markets Inc., FirstEnergy Capital Corp., Haywood Securities Inc., TD Securities Inc. and Canaccord Capital Corporation (collectively, the "**Underwriters**").

	<u>Price to the Public</u>	<u>Underwriters' Fee</u>	<u>Net Proceeds to the Trust</u>
Per Debenture	\$1,000	\$40	\$960
Total ⁽¹⁾	\$50,000,000	\$2,000,000	\$48,000,000

Notes:

- (1) Before deducting expenses of this offering, estimated to be \$200,000, which will be paid from the general funds of the Trust.
- (2) The Trust has granted to the Underwriters an option (the "**Underwriters' Option**") to purchase up to an additional 10,000 Debentures on the same terms as set forth above exercisable at any time until 48 hours prior to the closing of the Offering, which additional Debentures are qualified for distribution under this prospectus. If the Underwriters' Option is exercised in full, the total offering, the Underwriters' Fee and the Net Proceeds to the Trust before deducting expenses of this offering will be \$60,000,000, \$2,400,000 and \$57,600,000, respectively. This short form prospectus qualifies the grant of the Underwriters' Option and the issuance of the Debentures upon the exercise of the Underwriters' Option.

National Bank Financial Inc. is an indirect wholly-owned subsidiary of a Canadian chartered bank which is a lender to the Corporation and to which the Corporation is indebted. Consequently, the Trust may be considered to be a connected issuer of this Underwriter for the purposes of securities regulations in certain provinces. The net proceeds of this offering will be used to repay a portion of the indebtedness of the Corporation to such bank. See "Relationship Between the Corporation's Lenders and the Underwriters".

The Underwriters, as principals, conditionally offer the Debentures for sale, subject to prior sale, if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters 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".

Subscriptions for 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 of this Offering will be held on or about January 29, 2004 or such other date as the Trust and the Underwriters may agree upon. Certificates for the aggregate principal amount of the Debentures will be issued in registered form to The Canadian Depository for Securities Limited ("**CDS**") and will be deposited with CDS on the date of closing. No certificates evidencing the Debentures will be issued to purchasers, except in certain limited circumstances, and registration will be made in the depository service of CDS. Purchasers of the 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 Debentures is purchased. Subject to applicable laws, the Underwriters may, in connection with this Offering, effect transactions which stabilize or maintain the market price of the Trust Units or the Debentures at levels other than those which might otherwise prevail on the open market. See "Plan of Distribution".

SUMMARY

This summary is qualified by the detailed information and financial statements appearing elsewhere in this short form prospectus or incorporated by reference herein. Reference is made to the Glossary of Terms and the body of this short form prospectus for the definitions of certain terms with initial capital letters used in this short form prospectus and in this summary.

Harvest Energy Trust

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 Trust is a publicly traded oil and natural gas energy trust engaged, through its wholly-owned subsidiaries, in the exploration for, and the acquisition, development and production of oil and natural gas reserves. 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.

The Offering

Issuer:	Harvest Energy Trust
Offering:	9% convertible unsecured subordinated debentures, due May 31, 2009
Amount of Offering:	\$50,000,000 (and up to an additional \$10,000,000 if the Underwriters' Option is exercised)
Price:	\$1,000 per Debenture
Use of Proceeds:	The net proceeds to the Trust from the sale of the Debentures, after deducting fees payable to the Underwriters and estimated expenses of the Offering, are estimated to be \$47.8 million. If the Underwriters' Option is exercised in full, the net proceeds from the sale of the Debentures hereunder after deducting the fees payable to the Underwriters and the estimated expenses of the Offering, are estimated to be \$57.4 million. Approximately \$25 million of the net proceeds will be used to repay the Equity Bridge Notes and the remainder will initially be used to repay outstanding bank indebtedness and then will be used for general trust purposes. See "Use of Proceeds".
Risk Factors:	An investment in Debentures involves certain risks which should be carefully considered by prospective investors, including the nature of the Debentures, general economic factors, results of operations, financing risks and risks related to the business of the Trust and its assets. See "Risk Factors".

Debentures

Maturity:	May 31, 2009
Interest:	9% per annum payable semi-annually in arrears in equal instalments (other than in respect of the period from the closing of the Offering to, but excluding, May 31, 2004) on May 31 and November 30 in each year, commencing May 31, 2004. The first interest payment will include interest accrued from the closing of the Offering to, but excluding, May 31, 2004.

- Conversion:** The Debentures will be convertible into fully paid and non-assessable Trust Units at the option of the holder at any time prior to the close of business on the earlier of May 31, 2009 and the business day immediately preceding the date specified by the Trust for redemption of the Debentures at a conversion price of \$14.00 per Trust Unit, being a conversion rate of 71.4286 Trust Units per \$1,000 principal amount of Debentures, subject to adjustment as provided in the Indenture (as defined herein). Notwithstanding the foregoing, no Debentures may be converted during the 5 Business Days preceding and including May 31 and November 30 in each year, commencing May 31, 2004, as the registers of the Debenture Trustee (as defined herein) will be closed during such periods. See "Details of the Offering – Conversion Privilege".
- Redemption:** The Debentures will not be redeemable at the option of the Trust on or before May 31, 2007. After May 31, 2007, and on or 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 30 days prior notice at a price equal to \$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, in each case, plus accrued and unpaid interest thereon, if any. See "Details of the Offering – Redemption and Purchase".
- Payment upon Redemption of Maturity:** On redemption or at maturity, the Trust may, at its option on not more than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligation to pay the redemption price or the principal amount of the Debentures upon maturity, as the case may be, by issuing and delivering that number of Trust Units obtained by dividing the principal amount of the outstanding Debentures which are to be redeemed or which have matured by 95% of the current market price of the Trust Units on the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The term "current market price" will be defined in the Indenture (as defined herein) to mean the weighted average trading price of the Trust 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. See "Details of the Offering – Payment upon Redemption or Maturity".
- 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 (as defined in the Indenture) of the Trust. The Debentures will also be effectively subordinated 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. See "Details of the Offering – Subordination".
- Change of Control:** Upon the occurrence of a change of control of the Trust involving the acquisition of voting control or direction over 66⅔% or more of the Trust Units of the Trust, the Trust will be required to make an offer to purchase, within 30 days following the consummation of the change of control, all of the Debentures at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest. See "Details of the Offering – Change of Control of the Trust".

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CONVERSIONS

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.4047
hectares	acres	2.471

In this short form prospectus, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

DOCUMENTS INCORPORATED BY REFERENCE

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 Initial Annual Information Form of the Trust dated December 10, 2003;
- (b) the audited consolidated financial statements and notes thereto of the Trust from formation on July 10, 2002 to December 31, 2002, together with the report of the auditors thereon dated March 21, 2003;
- (c) management's discussion and analysis of the financial condition and operating results of the Trust from formation on July 10, 2002 to December 31, 2002;
- (d) the unaudited interim consolidated financial statements of the Trust for the nine months ended September 30, 2003;
- (e) management's discussion and analysis of the financial condition and operating results of the Trust for the nine months ended September 30, 2003;
- (f) the Information Circular - Proxy Statement of the Trust dated April 30, 2003, relating to the annual and special meeting of Unitholders held on June 12, 2003 (excluding those portions thereof which appear under the headings "Performance Chart" and "Corporate Governance");
- (g) the Material Change Reports of the Trust dated October 10, 2003 and October 23, 2003, relating to the acquisition of the Carlyle Properties and the October Equity Offering; and
- (h) the Material Change Reports of the Trust dated January 22, 2003 and February 4, 2003, relating to the issuance by the Trust of 1,500,000 special warrants for gross proceeds of \$15,000,000.

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.

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.

GLOSSARY OF TERMS

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

"**AIF**" means the Initial Annual Information Form of the Trust dated December 10, 2003.

"**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.

"**Board of Directors**" means the board of directors of the Corporation.

"**Bridge Lenders**" means, collectively, Caribou and the Chairman of the Corporation.

"**Bridge Notes**" means, collectively, the bridge notes dated September 29, 2003 between the Trust and each of the Bridge Lenders providing for advances of up to \$30,000,000 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.

"**Capital Fund**" means the cumulative amount of funds that the Trust retains from Cash Available For Distributions to finance future acquisitions and development of properties.

"**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.

"**Cash Available For Distribution**" means, for any particular period, all amounts available for distribution during any applicable period by the Trust to holders of Trust Units prior to any retention by the Trust for the Capital Fund.

"**CDS**" means The Canadian Depository for Securities Limited.

"**Corporation**" means, as the context requires, the Trust's wholly-owned subsidiary, Harvest Operations Corp., a corporation amalgamated under the *Business Corporations Act (Alberta)* on January 1, 2004 and, prior to January 1, 2004, a corporation incorporated under the *Business Corporations Act (Alberta)*;

"**Current Bank Facility**" means the credit facility provided by the Current Lender.

"**Current Lender**" means a syndicate of lenders comprised of two Canadian chartered banks and Alberta Treasury Branches.

"**Debenture Trustee**" means the trustee of the Debentures, proposed to be Valiant Trust Company.

"**Debentures**" means the 9% convertible unsecured subordinated debentures of the Trust due May 31, 2009.

"**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 \$40 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.

"Exchangeable Shares" means the non-voting exchangeable shares in the capital of the Corporation.

"HST" means Harvest Sask Energy Trust, a trust established under the laws of the Province of Alberta, wholly-owned by the Trust.

"Indenture" means the trust indenture to be dated as of the closing of the Offering which will be made among the Trust, the Corporation and the Debenture Trustee, as trustee.

"Initial Public Offering" means the initial public offering of 3,750,000 Trust Units at a price of \$8.00 per Trust 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 Trust Units at a price of \$8.00 per Trust Unit, resulting in gross proceeds of \$4,500,000.

"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 Harvest Operations Corp. 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.

"October Equity Offering" means the issue of 4,312,500 Trust Units at a price of \$12.00 per Trust Unit for gross proceeds of \$51.8 million which was completed on October 16, 2003.

"Operating Subsidiaries" means, collectively, the Corporation and HST, each a wholly-owned subsidiary of the Trust, and **"Operating Subsidiary"** means either of the Corporation or HST, as applicable.

"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.

"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.

"Tax Act" means the Income *Tax Act* (Canada) and the regulations thereunder.

"Trust" means Harvest Energy Trust.

"Trust Indenture" means the amended and restated trust indenture dated September 27, 2002 between the Trustee and the Corporation as such indenture may be further amended by supplemental indentures from time to time.

"Trustee" means the trustee of the Trust, presently Valiant Trust Company.

"Trust Units" means the units of the Trust, each unit representing an equal undivided beneficial interest therein.

"TSX" means the Toronto Stock Exchange.

"Underwriters" means National Bank Financial Inc., CIBC World Markets Inc., FirstEnergy Capital Corp., Haywood Securities Inc., TD Securities Inc. and Canaccord Capital Corporation.

"Underwriters' Option" means the option granted by the Trust to the Underwriters to purchase up to an additional 10,000 Debentures on the terms described under "Plan of Distribution".

"Unit Incentive Plan" means the Trust's unit incentive plan.

"Unitholders" means holders of Trust Units.

"WEI" means the Trust's former wholly-owned subsidiary, Westcastle Energy Inc., a corporation incorporated under the *Business Corporations Act* (Alberta) and which amalgamated with the Corporation on January 1, 2004, with the amalgamated corporation continuing under the name "Harvest Operations Corp."

RESERVE DISCLOSURE

The Trust will be subject to National Instrument 51-101 of the Canadian Securities Administrators ("**NI 51-101**"), which was implemented in September 2003 and requires public filings which apply the new standards set forth therein in 2004, containing information as at the end of the Trust's financial year of December 31, 2003. NI 51-101, which prescribes standards for the preparation and disclosure of oil and gas reserves and related estimates, requires the annual public filing of certain of those estimates and other information pertaining to oil and gas activities, and specifies responsibilities of corporate directors. In particular, the definitions of proved reserves and probable reserves have been modified and contain specific quantifications of levels of certainty of 90% for proved reserves and of 50% for proved plus probable reserves. Additionally, evaluators have been made accountable to standards contained in NI 51-101. The reserve information prepared by McDaniel & Associates Consultants Ltd. contained in the AIF (collectively, the "**Engineering Reports**") was prepared in accordance with National Policy 2-B ("**NP 2-B**"). McDaniel & Associates Consultants Ltd. have advised the Trust that, in their opinion, if they would have evaluated the reserves effective January 1, 2003 using the reserve definitions set forth in NI 51-101, the "proved reserves" and "proved plus probable reserves" would not be materially different than "proved reserves" and "proved plus half probable reserves" contained in the Engineering Reports prepared in accordance with NP 2-B.

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:

- 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
- the capital expenditure program

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;
- domestic and international political and economic uncertainty;
- terrorism; 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.

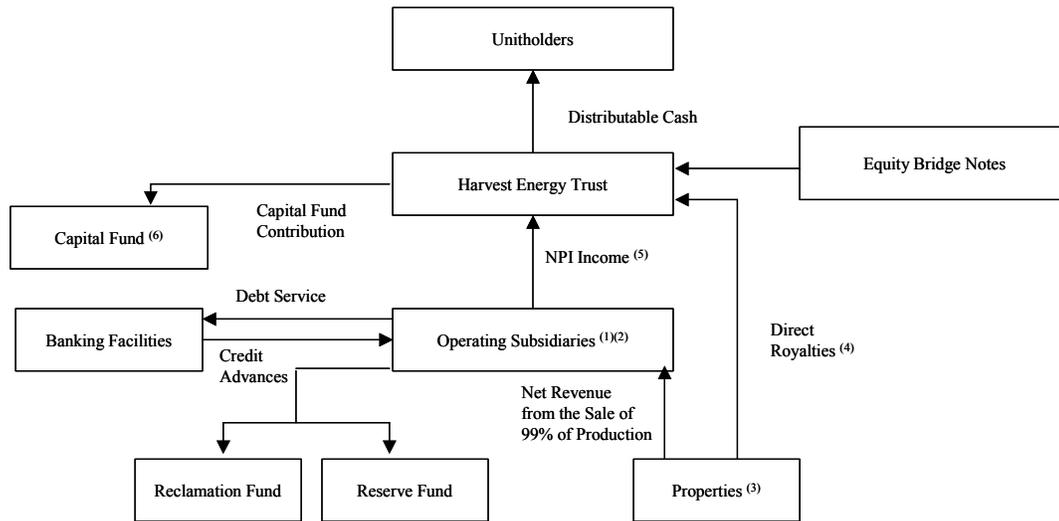
HARVEST ENERGY TRUST

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

The structure of the Trust and the flow of cash from the Properties to the Operating Subsidiaries, from the Operating Subsidiaries to the Trust and from the Trust to Unitholders are set forth below:



Notes:

- (1) As at the date hereof, the Operating Subsidiaries consist of Harvest Operations Corp. and HST, each of which is a direct wholly-owned subsidiary of the Trust.
- (2) Although the Trust receives NPI income from each of the Operating Subsidiaries, all operations and management of the Trust are conducted through the Corporation.
- (3) The Operating Subsidiaries own the Properties.
- (4) In addition to the NPI, the Trust holds various Direct Royalties.
- (5) The Trust receives regular monthly payments in accordance with the NPI Agreements.
- (6) The Trust may retain up to 50% of the Cash Available For Distribution in its Capital Fund to finance future acquisitions and development of the Properties.

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 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 Trust 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 Trust 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 Trust 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 Trust Unit for the payment of no additional consideration. On March 7, 2003, the Trust received receipts for a (final) prospectus qualifying the Trust Units issuable on exercise of the Special Warrants and on March 7, 2003, the Trust issued 1,500,000 Trust 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 Trust Units, respectively. The cash acquisition was financed through the Corporation's credit facilities. Included with the acquisition was an interest in two oil batteries.

At the Annual and Special Meeting of Unitholders of the Trust held on June 12, 2003, Unitholders approved resolutions respecting each of the matters set forth below:

- to amend the Trust Indenture to authorize the creation of an unlimited number of special voting units ("**Special Voting Units**"). Each Special Voting Unit entitles the holder thereof 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 such Special Voting Units;
- to amend the Trust Indenture to grant the Corporation (through the Board of Directors) the specific authority and responsibility for any and all matters relating to the terms of the NPI Agreement and other material contracts of the Trust (other than as otherwise provided in the Trust Indenture) including any amendments thereto;
- to amend the Trust Indenture to clarify and elaborate upon the responsibility which had previously been delegated to the Corporation in respect of matters relating to an issuance or offering of Trust Units or any other rights, warrants or other securities to purchase, to convert into or to exchange into Trust Units;
- to authorize an amendment of the articles of the Corporation to create a new class of non-voting common shares, issuable in series ("**Non-Voting Shares**"). Except for the right to notice of and to attend at any meetings of the shareholders of the Corporation, the holder of the Non-Voting Shares will have the same rights as the holders of common shares of the Corporation;

- to increase the number of Trust Units which may be reserved for issuance under the Unit Incentive Plan by 246,000 Trust Units from 875,000 Trust Units to a cumulative maximum number of 1,121,000 Trust Units; and
- approving the issuance by the Trust in one or more private placements during the 12 month period commencing June 12, 2003, of up to 11,210,957 Trust Units, subject to certain restrictions.

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 Trust 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. 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 substantially all of 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 substantially all of 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 Notes. 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 Notes. 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 Notes.

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 Notes.

On October 16, 2003, the Trust completed the October Equity Offering and issued 4,312,500 Trust Units at a price of \$12.00 per Trust Unit for gross proceeds of \$51.8 million. The Trust 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 Harvest Operations Corp. and the amalgamated corporation continued under the name "Harvest Operations Corp."

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, 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.

USE OF PROCEEDS

The net proceeds to the Trust from the sale of the Debentures hereunder are estimated to be \$47.8 million after deducting the fees of \$2,000,000 payable to the Underwriters and the estimated expenses of the Offering of \$200,000. If the Underwriters' Option is exercised in full, the net proceeds from the sale of the Debentures hereunder are estimated to be \$57.4 million after deducting the fees of \$2,400,000 payable to the Underwriters and the estimated expenses of the Offering of \$200,000. Approximately \$25 million of the net proceeds will be used to repay the Equity Bridge Notes and approximately \$22.8 million of the net proceeds will initially be used to repay outstanding bank indebtedness and then will be used for general trust purposes. See "Relationship Between the Corporation's Lenders and Underwriters".

DETAILS OF THE OFFERING

The offering consists of 50,000 Debentures (60,000 Debentures if the Underwriters' Option is exercised in full) 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 by, reference to the terms of the Indenture with respect to the Debentures. The Trust Units into which the Debentures are issuable upon conversion, redemption or at maturity are described below under the heading "Description of Trust Units".

General

The Debentures will be issued under the Indenture. The Debentures authorized for issue will be limited in aggregate principal amount to \$60,000,000. 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 dated as of the closing date and will mature on May 31, 2009. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof.

The Debentures will bear interest from the date of issue at 9% per annum, which will be payable semi-annually in arrears in equal instalments (other than in respect of the period from the closing of the Offering to, but excluding, May 31, 2004) on May 31 and November 30 in each year, commencing on May 31, 2004. The first interest payment will include interest accrued from the closing of the Offering to, but excluding, May 31, 2004.

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 Trust 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 or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

The Debentures will be convertible at the holder's option into fully paid and non-assessable Trust Units at any time prior to the close of business on the earlier of May 31, 2009 and the business day immediately preceding the date specified by the Trust for redemption of the Debentures, at a conversion price of \$14.00 per Trust Unit, being a conversion rate of 71.4286 Trust Units for each \$1,000 principal amount of Debentures. No adjustment will be made for distributions on Trust 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. Notwithstanding the foregoing, no Debentures may be converted during the 5 Business Days preceding and including May 31 and November 30 and in each year, commencing May 31, 2004, as the registers of the Debenture Trustee will be closed during such periods.

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 Trust Units; (b) the distribution of Trust Units to holders of Trust Units by way of distribution or otherwise other than an issue of Trust Units to holders of Trust Units who have elected to receive distributions in the form of Trust Units in lieu of receiving cash distributions paid in the ordinary course; (c) the issuance of options, rights or warrants to all holders of Trust Units entitling them to acquire Trust Units or other securities convertible into Trust Units at less than 95% of the then current market price (as defined below) of the Trust Units; and (d) the distribution to all holders of Trust 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 (other than a change resulting from subdivision or consolidation) 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 or a distribution of Trust Units to all holders of Trust Units) of the Trust Units or in the case of any consolidation, amalgamation, arrangement 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, arrangement, merger, sale, conveyance, liquidation, dissolution or winding up, be entitled to receive and shall accept the number of Trust Units or other securities or other property of the Trust that on the exercise of the conversion right that such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Trust Units into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding up.

No fractional Trust 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.

The term "current market price" will be defined in the Indenture to mean the weighted average trading price of the Trust 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.

Redemption and Purchase

The Debentures will not be redeemable on or before May 31, 2007. After May 31, 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 30 days prior notice, at a Redemption Price of \$1,050 per Debenture after May 31, 2007 and on or before May 31, 2008 and at a Redemption Price of \$1,025 per Debenture after May 31, 2008 and before maturity, 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, and premium (if any) on, the outstanding Debentures which have matured, 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, and premium (if any) on, the Debentures which have matured, as the case may be, by issuing Trust Units to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Trust 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, and premium (if any) on, 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 Trust 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.

Subordination

The payment of the principal of, and premium, if any, 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.

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 or any sale of all or substantially all of the assets 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 at any time when a default has occurred under the Senior Indebtedness and is continuing and the notice of such default has been given to the Debenture Trustee under the Indenture by the Trust, any holder of a Debenture or any holder of Senior Indebtedness, 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 Bank Facility, as defined herein.

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 Trust 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 interest on the Debentures (the "**Interest Obligation**"), on the date it is payable under the Indenture (an "**Interest Payment Date**"), by delivering sufficient Trust Units to the Debenture Trustee to satisfy all or any part 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 Trust Units, (b) accept bids with respect to, and consummate sales of, such Trust 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 Trust 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 Trust Units (plus any amount received by the Debenture Trustee from the Trust attributable to any fractional Trust 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 Trust 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 Trust 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, when due on the Debentures, 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; (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; (e) a resolution is passed for the liquidation or winding-up of the Trust; or (f) any proceedings are taken with respect to a compromise or arrangement of the Trust. 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 Trust Units of the Trust plus the amount obtained by multiplying the number of issued and outstanding Trust Units of the Trust by the current market price of the Trust 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 Trust Units, on a fully diluted basis, including any Trust Units which may be issued upon conversion, redemption or maturity of the Debentures. The Trustee may require declarations as to the jurisdictions in which beneficial owners of the Debentures are resident. If the Trustee becomes aware as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% of the Trust Units then outstanding, on a fully diluted basis, are, or may be, non-residents of Canada or that such a situation is imminent, the 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 Trustee determines that a majority of the Trust Units are held by non-residents of Canada, the 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 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 Trustee with satisfactory evidence that they are not non-residents within such period, the 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 trustees of the Trust have similar obligations in respect of the Trust Units which are outlined in the Trust Indenture.

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, 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, the Debenture Trustee 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 continue 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, not less 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 be agreed to by the Debenture Trustee. Payment of principal and premium, if any, including payment in the form of Trust Units if applicable, and 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, and premium, if any, including payment in the form of Trust 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.

DESCRIPTION OF TRUST UNITS

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture. As of January 13, 2004, there were 17,109,006 Trust Units issued and outstanding. Each Trust Unit entitles the holder thereof to one vote at any meeting of the holders of Trust Units and represents an equal 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 Trust Units outstanding from time to time shall be entitled to equal shares of any distributions by the Trust, and in the event of termination or winding-up of the Trust, in any net assets of the Trust. All Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority. Each Trust 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 Trust Units held by such holder and to one vote at all meetings of Unitholders for each Trust Unit held.

The Trust Indenture, among other things, provides for the calling of meetings of Unitholders, the conduct of business thereof, notice provisions, the appointment and removal of the Trustee and the form of Trust Unit certificates. The Trust Indenture may be amended from time to time. Substantive amendments to the Trust Indenture, including early termination of the Trust and the sale or transfer of the property of the Trust as an entirety or substantially as an entirety, require approval by special resolution of the Unitholders.

The foregoing is a summary of certain provisions of the Trust Indenture. For a complete description of such Trust Indenture, reference should be made to the complete text of the Trust Indenture, copies of which may be viewed at the offices of, or obtained from the Trustee.

EARNINGS COVERAGE RATIOS

The earnings coverage ratios set forth below have been prepared in accordance with Canadian disclosure requirements. These ratios have been prepared using financial information prepared in accordance with Canadian generally accepted accounting principles. The ratios and notes have been prepared for the twelve month period ended September 30, 2003, after giving effect to the issuance of \$50,000,000 of Debentures. The ratios for the twelve month period ended September 30, 2003 are based on unaudited financial information. Additional information is provided in the notes to the following table.

	Twelve Months Ended September 30, 2003
Earnings coverage ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	3.06

Notes:

- (1) Earnings coverage is equal to net income before interest expense on all long-term and short-term borrowings, including the Debentures and the Equity Bridge Notes, and before income taxes, all divided by interest expense on all long-term and short-term borrowings, excluding the Debentures and the Equity Bridge Notes. Under Canadian generally accepted accounting principles, the Debentures and the Equity Bridge Notes will be included in Unitholders' equity and the associated interest payment will be charged to equity.
- (2) The Trust's earnings before interest and income tax calculated in accordance with note (1) above for the twelve months ended September 30, 2003 was \$14.0 million, which is 3.06 times the Trust's interest expense of \$4.57 million for this period.
- (3) If the interest from the Debentures and the Equity Bridge Notes were included in interest expense, the earnings coverage ratio would be 1.51 for the twelve months ended September 30, 2003 (1.38 if \$60,000,000 principal amount of Debentures are issued). The Trust's interest requirements, including Debenture interest, after giving effect to the issue of \$50,000,000 principal amount of Debentures, plus interest on the Equity Bridge Notes, amounts to \$9.28 million for the twelve month period ended September 30, 2003 (\$10.18 million if \$60,000,000 principal amount of Debentures are issued).
- (4) It is assumed that there are no additional earnings derived from the net proceeds of the Debentures.
- (5) If \$60,000,000 principal amount of Debentures are issued, earnings coverage calculated in accordance with note (1) above for the twelve months ended September 30, 2003 is 3.06.
- (6) The Trust was formed on July 10, 2002 and accordingly its fiscal period ended December 31, 2002 did not comprise a complete twelve months.

CONSOLIDATED CAPITALIZATION OF THE TRUST

The following table sets forth the consolidated capitalization of the Trust as at December 31, 2002, September 30, 2003, September 30, 2003 after giving effect to the October Equity Offering, the Carlyle Properties Transaction and the repayment of the Bridge Notes and September 30, 2003 after giving effect to the October Equity Offering, the Carlyle Properties Transaction, the repayment of the Bridge Notes and this Offering:

	As at December 31, 2002	As at September 30, 2003	As at September 30, 2003 After Giving Effect to the October Equity Offering, the Carlyle Properties Transaction and the Repayment of the Bridge Notes	As at September 30, 2003 After Giving Effect to the October Equity Offering, the Carlyle Properties Transaction, the Repayment of the Bridge Notes and this Offering⁽⁷⁾
Bank Debt ⁽¹⁾	\$45,286,396	\$2,825,000	\$56,439,487 ⁽²⁾	\$33,639,487 ⁽²⁾
Debentures	--	--	--	\$50,000,000
Bridge Notes	--	\$25,000,000	-- ⁽³⁾	-- ⁽³⁾
Equity Bridge Notes	--	\$33,500,000	\$25,000,000 ⁽⁴⁾	-- ⁽⁴⁾⁽⁵⁾
Trust Units ⁽⁶⁾	\$36,727,997 (9,312,500 Trust Units)	\$66,094,529 (12,522,889 Trust Units)	\$114,390,000 (16,835,389 Trust Units)	\$114,390,000 (16,835,389 Trust Units)

Notes:

- (1) The Corporation currently has a revolving credit facility of \$89 million. Borrowings under the facility are due on demand and the facility is subject to an annual review which is to be completed on or before May 1, 2004. As such, borrowings under the facility are classified as short-term debt and included as part of current liabilities in the Trust's financial statements. The borrowing base is scheduled to be reduced monthly by \$4.5 million commencing January 31, 2004. The facility's annual review may determine that the appropriate size of the revolving credit facility may be greater or less than the \$89 million currently available; however, with the completion of the Offering any reduction in the facility amount resulting from the annual review is not anticipated to have any material impact on the Trust's ability to make monthly cash distributions to Unitholders. The facility bears interest at rates ranging from 0.25% to 1.5% above prime rate, and is dependent upon the Trust's debt to cash flow ratio. The current interest rate on borrowed funds is 4.625%. The Corporation is subject to a standby fee equal to 0.125% per annum on the undrawn amount of the revolving credit facility. Borrowings rank senior to all other indebtedness of the Corporation and the Trust, including the payment of distributions to Unitholders and payments in respect of the Debentures. The Corporation is subject to numerous positive and negative financial, reporting and environmental covenants typical for revolving credit facilities of a similar size to entities operating in the Canadian upstream oil and gas business, including minimum hedging (financial and physical contracts) measured at the end of each quarter for heavy and medium oil production of at least 50% for the next four quarters (upcoming 12 months) and 25% for the following four quarters, maximum hedging (financial and physical contracts) of 75% on working interest (net after royalty) oil equivalent production and maintenance of an adjusted end of quarter "Current Ratio" (undrawn amounts under the facility are added to current assets) of at least 1.0. If the Corporation fails to comply with any of its covenants contained in the facility and does not rectify such failure within 30 days of notice from the lenders or such failure is not waived by the lenders, an event of default will have occurred which will have a number of possible results, including the potential suspension of the payment of distributions to Unitholders. Security for the credit facility includes a general assignment of book debts, a \$150,000,000 debenture and a floating charge over all of the assets of the Corporation. Following the completion of the Offering which is expected to occur on January 29, 2004, bank debt is anticipated to be approximately \$35.9 million (approximately \$26.3 million if \$60,000,000 in Debentures are issued).
- (2) Reflects \$53,614,487 used to close the Carlyle Properties Transaction on October 16, 2003.
- (3) Includes the repayment of \$11 million of the Bridge Notes on October 1, 2003 and the repayment of the remaining \$14 million of the Bridge Notes with proceeds of the October Equity Offering.
- (4) \$8.5 million of the proceeds of the October Equity Offering was used to repay the Equity Bridge Notes.
- (5) The Equity Bridge Notes will be paid out in full with the proceeds of this Offering.
- (6) In addition, as at September 30, 2003, rights were outstanding to purchase an aggregate 850,000 Trust Units, exercisable at prices between \$7.80 and \$10.75, which were granted pursuant to the Unit Incentive Plan.
- (7) Amounts do not include exercise of the Underwriters' Option, which, if exercised in full, would result in bank debt of \$24,039,487, Debentures of \$60,000,000, Bridge Notes of \$Nil, Equity Bridge Notes of \$Nil and Trust Units of \$114,390,000 (16,835,389 Trust Units).

DISTRIBUTIONS TO UNITHOLDERS

The following per Trust Unit distributions have been payable to holders of Trust Units on record dates during the following periods.

	<u>Distribution Per Trust Unit</u>
<u>2002:</u>	
December	\$0.20
<u>2003:</u>	
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

PRICE RANGE AND TRADING VOLUME OF TRUST UNITS

The Trust Units are listed and posted for trading on the TSX under the symbol HTE.UN. The following table sets forth the high and low trading prices and the aggregate volume of trading of the Trust Units on the TSX for the periods indicated (as quoted by the TSX):

<u>Period</u>	<u>The Toronto Stock Exchange</u>		<u>Volume</u>
	<u>High</u> \$	<u>Low</u> \$	
2002			
December 5 – 31	9.50	8.25	561,757
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 1 – 20	14.40	13.25	749,912

Note:

- (1) The Trust Units commenced trading on the TSX on December 5, 2002.

On January 9, 2004, the last completed trading day on which the Trust Units traded prior to announcement of this Offering, the closing price of the Trust Units was \$13.68. On January 20, 2004 the closing price of the Trust Units was \$13.95.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement dated January 14, 2004 among the Trust, the Corporation and the Underwriters, the Trust has agreed to issue and sell the Debentures and the Underwriters have severally agreed to purchase on or about January 29, 2004, or such other date as may be agreed upon by the parties, subject to the terms and conditions stated therein, all of the 50,000 Debentures offered hereby at a price of \$1,000 per Debenture. In consideration for their services in connection with this offering, the Underwriters will be paid a fee of \$40 per Debenture issued by the Trust.

The Trust has granted to the Underwriters the Underwriters' Option to purchase up to an additional 10,000 Debentures on the same terms as this offering, exercisable at any time until 48 hours prior to the closing of the Offering, which additional Debentures are qualified for distribution under this prospectus. If the Underwriters' Option is exercised in full, the total offering, the Underwriters' fee and the net proceeds of the offering prior to issue expenses will be \$60,000,000, \$2,400,000 and \$57,600,000, respectively.

The obligations of the Underwriters under the Underwriting Agreement are several and the Underwriters may terminate their obligations at their discretion upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase its allotment of Debentures, the remaining Underwriter or Underwriters are obligated to purchase the Debentures not purchased by the Underwriter or Underwriters which fail to purchase. Notwithstanding the foregoing, however, in the event one or more of the Underwriters who have an obligation to purchase in the aggregate more than 5 per cent of the Debentures offered hereunder fail to purchase their allotment of Debentures, the remaining Underwriter or Underwriters have the right but not the obligation to purchase the Debentures not purchased by the Underwriter or Underwriters which fail to purchase or the remaining Underwriter or Underwriters have the right to terminate their obligations under the Underwriting Agreement. The Underwriters are obligated to take up and pay for all the Debentures hereunder if any Debentures are acquired under the Underwriting Agreement.

The Trust has applied to list the Debentures distributed under this short form prospectus and the Trust Units issued on conversion, redemption or maturity of the Debentures on the TSX. Listing will be subject to the Trust fulfilling all the listing requirements of the TSX.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Trust Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged for the purpose of creating actual or apparent active trading in, or raising the price of, the Trust Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase was not engaged for the purpose of creating actual or apparent trading in, or raising the price of the Trust Units. In connection with this offering, and subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price for the Trust Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Trust has agreed that it will not, without the prior consent of National Bank Financial Inc. on behalf of the Underwriters pursuant to the Underwriting Agreement, which consent may not be unreasonably withheld, directly or indirectly, authorize, issue or sell any Trust Units or any securities giving the right to acquire Trust Units or agree or announce the intention to do so, at any time prior to the date 90 days following the closing of the Offering, except for the purposes of the Unit Incentive Plan, the issuance of Trust Units pursuant to the DRIP Plan, the issuance of securities in connection with an acquisition, merger, consolidation or amalgamation or the issuance of Trust Units upon the exercise of currently existing rights or instruments.

The Debentures have not been and will not be registered under the United States *Securities Act* of 1933, as amended (the "**1933 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 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Underwriting Agreement enables the Underwriters to offer and resell the Debentures 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 1933 Act. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Debentures outside the United States only in accordance with Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of this offering, any offer or sale of Debentures offered hereby within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with Rule 144A under the 1933 Act.

RELATIONSHIP BETWEEN THE CORPORATION'S LENDERS AND THE UNDERWRITERS

National Bank Financial Inc. is an indirect wholly-owned subsidiary of a Canadian chartered bank which is a lender to the Corporation and to which the Corporation is indebted. See note (1) to the table under "Consolidated Capitalization of the Trust" for a description of the credit facility of the Corporation. Consequently, the Trust may be considered to be a connected issuer of this Underwriter for the purposes of securities regulations in certain provinces. The decision to distribute the Trust Units hereby and the determination of the terms of distribution were made through negotiations between the Corporation, on behalf of the Trust, and National Bank Financial Inc., on behalf of the Underwriters. The bank did not have any involvement in such decision or determination; however, the bank has been advised of the issuance and the terms thereof. As a consequence of this issuance, National Bank Financial Inc. will receive its share of the Underwriters' fee. All of the net proceeds of this Offering, other than approximately \$25 million which will be used to repay the Equity Bridge Notes, will initially be used to repay a portion of the indebtedness of the Trust to such bank. See "Use of Proceeds".

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP and Blake, Cassels & Graydon LLP (collectively, "**Counsel**"), the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act and the regulations thereunder (the "**Regulations**") generally applicable to a holder who acquires Debentures pursuant to this Offering and Trust Units acquired thereunder (collectively, the "**Securities**") and who, for purposes of the Tax Act and all relevant times, holds the Securities as capital property and deals at arm's length with the Trust. Generally, 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 Securities 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 (a) a subscriber that is a "financial institution", as defined in the Tax Act for the purposes of the

mark-to-market rules, (b) a subscriber an interest in which would be a "tax shelter investment" as defined in the Tax Act, or (c) a subscriber that is a "specified financial institution" as defined in the Tax Act. Any such subscriber 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, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof (the "**Proposed Amendments**") and Counsel's understanding of the current published administrative practices of the Canada Customs and Revenue Agency. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, regulatory or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

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 particular holder or prospective holder of Securities, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Securities pursuant to this Offering or Trust Units upon the conversion or repayment of the Debentures, having regard 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.

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 Trust 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 Trust Units so acquired at the time of the exchange and the amount of any cash received in lieu of fractional Trust Units (other than Trust Units issued and 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 Trust 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 Trust Units held as capital property by the holder for the purpose of calculating the adjusted cost base of such Trust Units.

Redemption or Repayment of Debentures

If the Trust redeems a Debenture prior to maturity or repays a Debenture upon maturity and the holder does not exercise the conversion privilege prior to such redemption or repayment, 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 Trust Units on redemption or repayment, the holder will be considered to have proceeds of disposition equal to the fair market value of the Trust Units so received and the amount of any cash received in lieu of fractional Trust 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 Trust 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 Trust Units held as capital property by the holder for the purpose of calculating the adjusted cost base of such Trust 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 below, 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 Trust Units which treatment is discussed below under "Holders of Securities Resident in Canada – Trust 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.

Trust 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, notwithstanding that any such amount is payable by the issuance of additional Trust Units. Income of a Unitholder from the Trust Units will be considered to be income from property and not resource income (or "**resource profits**") for the purposes of the Tax Act. 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 Trust Units or fractions thereof, the adjusted cost base of the Trust 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 Trust 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 Trust Unit in that year.

Upon the disposition or deemed disposition by a Unitholder of a Trust 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 Trust Unit and any reasonable costs of disposition. Where Trust 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 Trust Units are redeemed and Notes (as defined in the AIF) are distributed to the Unitholder in satisfaction of the Redemption Price, the proceeds of disposition to the Unitholder of the Trust 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 generally may 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 Trust 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.

The cost to a Unitholder of Trust Units acquired on conversion of a Debenture will equal the fair market value of the Trust Units at that time (including Trust 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 Trust Units held by the Unitholder at that time as capital property to determine the adjusted cost base to the Unitholder of each Trust Unit.

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 6⅔% 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 Trust 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**").

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 *Canada-United States Income Tax Convention, 1980* (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 *Canada-United States Income Tax Convention, 1980*.

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 Trust Units held by a particular holder (including Trust Units acquired upon a conversion or

repayment of Debentures) did not constitute "taxable Canadian property" as described under "Holders of Securities Not Resident in Canada – Trust 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.

Trust 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.

A capital gain realized by a Non-Resident Unitholder from a disposition or deemed disposition of a Trust Unit will not be subject to tax under the Tax Act provided that the Trust Unit does not constitute "taxable Canadian property" to the particular holder. Trust 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 Trust Units by such Non-Resident Unitholder, not less than 25% of the issued Trust Units, or rights to acquire not less than 25% of the issued Trust Units (including rights arising under the 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 Trust Units are otherwise deemed to be taxable Canadian property. A Non-Resident Unitholder will generally compute the adjusted cost base of the Trust 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 Trust Units and each of whom owns Trust Units having an aggregate fair market value of not less than \$500. In this case, a "block" of Trust Units generally means 100 Trust Units if the fair market value of one Trust 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 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 the Notes, 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. 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 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. Generally speaking, the Trust will be able to deduct interest paid or payable on 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. 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 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 Trust 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 Trust Units by way of cash distributions. In such circumstances, such income may be payable to holders of Trust Units in the form of additional Trust 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 Debentures and the Trust Units issuable on 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) and registered education savings plans ("RESP") under the Tax Act as in effect on the date hereof. The Corporation has advised Counsel that the cost amount of foreign property of the Trust, if any, has always been and will be less than 30% of the cost amount of all property of the Trust and accordingly the Debentures and Trust Units will not, on the date of closing, constitute foreign property for such plans.

RISK FACTORS

An investment in the Trust Units is subject to certain risks. Investors should carefully consider the risks described under "Risk Factors" in the AIF in addition to the additional risks described below.

Market for Debentures

There is currently no market through which the Debentures may be sold. There can be no assurances that an active market will develop for the Debentures after the offering, or if developed, that such a market will be sustained at the price level of the Offering.

Prior Banking Indebtedness

The payment of the principal of, and premium, if any, and interest on, the Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness. Such payment 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.

Absence of Covenant Protection

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 Debentures in the event of a future leveraged transaction involving the Trust.

Changes in Accounting Standards Applicable to the Debentures and Equity Bridge Notes

On November 3, 2003 the Accounting Standards Board of the Canadian Institute of Chartered Accountants approved a change to accounting standards applicable to instruments such as the Debentures and Equity Bridge Notes. The new standards require that the amounts outstanding under the Debentures and Equity Bridge Notes will be classified as liabilities and that the associated interest costs be included as interest expense in the determination of net income. The new standards are effective for periods beginning on or after November 1, 2004.

Volatility of Commodity Prices and Foreign Exchange Rates

The Trust's results of operations and financial condition, and therefore the NPI and the Direct Royalties, will be dependent on the prices received for petroleum, natural gas and natural gas liquids production. Prices for petroleum, natural gas and natural gas liquids have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions as well as conditions in other oil producing regions, which are beyond the control of the Corporation or the Trust. Oil prices received from production in Canada also reflect changes in the Canadian/U.S. currency exchange rate. Any decline in Petroleum oil and natural gas prices or increases in differentials could have a material adverse effect on the Trust's operations, financial condition and the level of funds available for the development of its oil and natural gas reserves. The Corporation may manage the risk associated with changes in commodity prices and foreign exchange rates by entering, or causing the Trust to enter, from time to time, into crude oil and natural gas price hedges and foreign exchange contracts. To the extent that the Corporation or the Trust engages in risk management activities related to commodity prices and foreign exchange rates, it will be subject to counterparty risk. In addition, commodity hedge contracts may require, from time to time, margin payments to be made which could impact negatively on the Trust's ability to make distributions to Unitholders. The Corporation must also meet certain ongoing hedging covenants under its credit facility. To the extent that commodity prices increase significantly, Cash Available for Distribution could be negatively affected.

Non-resident Ownership of Trust Units

In order for the Trust to maintain its status as a mutual fund trust under the Tax Act, the Trust must not be established or maintained primarily for the benefit of non-residents of Canada ("**non-residents**") within the meaning of the Tax Act. The Trust Indenture provides that if at any time the Trust becomes aware that the beneficial owners of 49% or more of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, the Trust, by or through the Corporation on the Trust's behalf, shall take such action as may be necessary to carry out the foregoing intention. See "Risk Factors – Change in Trust's Status under Tax Laws" in the AIF.

PROMOTERS

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 Trust Units owned, directly or indirectly, by Mr. Chernoff and Mr. Bennett.

Name and Municipality of Residence of Unitholder	Type of Ownership	Number of Trust Units Owned	Percentage of Trust Units
Bruce Chernoff Calgary, Alberta	Direct and Beneficial	5,221,731 ⁽¹⁾	30.4%
Kevin Bennett Calgary, Alberta	Direct and Beneficial	700,000 ⁽²⁾	4.1%

Notes:

- (1) Includes Trust Units held by Caribou, a company controlled by Mr. Chernoff and Trust Units held in RESP accounts for the benefit of Mr. Chernoff's children. Does not include Trust Units held by Mr. Chernoff's spouse.
- (2) Does not include Trust 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 8 to the audited consolidated financial statements of the Trust for the period from July 10, 2002 to December 31, 2002 and in notes 3, 4 and 9 to the unaudited interim consolidated financial statements of the Trust for the nine months ended September 30, 2003, all of which are incorporated by reference in this short form prospectus.

Messrs. Chernoff and Bennett have advised the Corporation that they intend to purchase, directly or indirectly, \$4,500,000 and \$250,000 principal amount of Debentures, respectively, pursuant to the Offering.

INTEREST OF EXPERTS

Certain legal matters in connection with the issuance of the Trust Units offered hereby will be passed upon on behalf of the Trust by Burnet, Duckworth & Palmer LLP, Calgary, and on behalf of the Underwriters by Blake, Cassels & Graydon LLP, Calgary. As of the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, owned less than 2% of the outstanding Trust Units and the partners and associates of Blake, Cassels & Graydon LLP, as a group, owned less than 1% of the outstanding Trust Units.

Reserve estimates contained in the AIF, and incorporated by reference into this prospectus, are based upon reports prepared by McDaniel & Associates Consultants Ltd., as independent consultants, as of January 1, 2003. As of the date hereof, the partners, as a group, of McDaniel & Associates Consultants Ltd. own, directly or indirectly, less than 1% of the outstanding Trust Units.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Trust are KPMG LLP, Chartered Accountants, Suite 1200, 205 – 5th Avenue S.W., Calgary, Alberta T2P 4B9.

The transfer agent and registrar for the Trust Units is Valiant Trust Company at its principal offices in Calgary and Toronto.

AUDITORS' CONSENT**The Board of Directors of Harvest Operations Corp.**

We have read the short form prospectus dated January 21, 2004 relating to the qualification for distribution of 50,000 9% convertible unsecured subordinated debentures of Harvest Energy Trust (the "**Trust**"). We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned short form prospectus of our report dated March 21, 2003 to the Trustee of the Trust and the Directors of Harvest Operations Corp. (the "**Corporation**") on the audited consolidated financial statements of the Trust from formation on July 10, 2002 to December 31, 2002, our report dated September 18, 2002 to the Board of Directors of the Corporation on the audited schedule of revenue and expenses for properties acquired from Devon Canada Corporation for the three years ended December 31, 2001, our report dated September 18, 2002 to the directors of the Corporation on the audited schedule of revenue and expenses for properties acquired from Anadarko Canada Corporation for the three years ended December 31, 2001, 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 and our compilation report dated November 21, 2003 to the Trustee of the Trust and the directors of the Corporation on the pro forma financial statements of the Trust as at and for the nine months ended September 30, 2003 and the year ended December 31, 2002.

Calgary, Canada
January 21, 2004

(signed) KPMG LLP
Chartered Accountants

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces 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 thereto 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 such purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE TRUST AND PROMOTERS

Dated: January 21, 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 laws of all of the provinces of Canada. For the purposes 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 and as chief executive officer

(signed) David M. Fisher
Vice-President, Finance and 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 UNDERWRITERS

Dated: January 21, 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 laws of all of the provinces of Canada. For the purposes 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

FIRSTENERGY CAPITAL CORP.

By: (signed) Nicholas J. Johnson

HAYWOOD SECURITIES INC.

By: (signed) David G. McGorman

TD SECURITIES INC.

By: (signed) Alec W. G. Clark

CANACCORD CAPITAL CORPORATION

By: (signed) Karl B. Staddon