



**TRUE ENERGY ANNOUNCES FIRST QUARTER 2006 FINANCIAL RESULTS  
AND  
JUNE 2006 DISTRIBUTION OF \$0.24 PER UNIT**

**For Immediate Release  
TSX: TUI.UN**

May 11, 2006 – True Energy Trust (“True” or the “Trust”) (TSX: TUI.UN) announces that the cash distribution for the month of May will be \$0.24 per unit, to be paid on June 15, 2006 to all unitholders of record as of May 29, 2006. The ex-distribution date for this payment is May 25, 2006.

True is also pleased to announce its financial and operating results for the three months ended March 31, 2006.

**FINANCIAL AND OPERATING HIGHLIGHTS**

	<b>Three months ended March 31</b>	
	<b>2006</b>	<b>2005</b>
<b>FINANCIAL</b> <i>(unaudited)</i>		
<i>(\$000s except unit and per unit amounts)</i>		
Revenue (before transportation)	46,396	22,441
Cash flow from operations <sup>(1)</sup>	18,995	10,732
Per diluted trust unit <sup>(2)</sup>	\$0.52	\$0.61
Net earnings	3,259	1,030
Per diluted trust unit <sup>(2)</sup>	\$0.09	\$0.06
Capital expenditures, net	22,585	205,095
Debt, net of working capital	139,611	38,786
Total assets	734,489	343,833
Unitholders' equity	375,189	203,881
Diluted trust units outstanding	40,006,778	25,489,327
Diluted weighted average trust units	36,630,699	17,678,848
<hr/>		
	<b>Three months ended March 31</b>	
	<b>2006</b>	<b>2005</b>
<b>OPERATIONAL</b>		
Daily volumes		
Oil and NGLs	(bbls/d)	4,507
Natural gas	(mcf/d)	42,992
Combined (boe/d)	(6:1)	11,672
Prices (before transportation)		
Oil and NGLs	(\$/bbl)	39.28
Natural gas	(\$/mcf)	7.89
Combined	(\$/boe)	44.22
Statistics		
Operating netback	(\$/boe)	24.43
Production expenses	(\$/boe)	8.73
General & administrative <sup>(3)</sup>	(\$/boe)	2.47
Royalties as a % of sales		23%

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

<sup>(2)</sup> *Restated for March 31, 2005 to reflect the consolidation of trust units effective November 2, 2005. In computing diluted earnings and cash flow from operations per trust unit, 334,372 (2005: 546,617 after consolidation) trust units were added to the 36,296,327 (2005: 17,132,231 after consolidation) weighted average number of trust units outstanding during the year for the dilutive effect of exchangeable shares. A total of 3,273,165 (2005: 35,000 after consolidation) trust incentive units were excluded from the calculation as they were not dilutive.*

<sup>(3)</sup> *Restated March 31, 2005 to exclude unit-based compensation expense and financing charges.*

## REPORT TO UNITHOLDERS

The three months ended March 31, 2006 marks the first full quarter for True operating as an oil and gas energy trust, focused on providing unitholder distributions. The quarterly operational results reflect the opportunities derived from a strong oil price offset by the challenges of a weaker natural gas price. The Board has put in place an action plan to deal with the volatile natural gas commodity prices. Most of the results derived from the plan will be seen throughout the remainder of the year.

Accomplishments for the three month period ended March 31, 2006 include:

- Drilled 26 (13.2 net) wells at a 100% success rate;
- Increased average first quarter production to 11,672 boe/d, up from 6,718 boe/d for the first quarter of 2005; and
- Generated cash flow of \$19.0 million (77% higher than the same period in 2005).

The Trust currently anticipates drilling or participating in 15 wells during the second quarter of 2006, of which 12 are in Saskatchewan and 3 are in Alberta.

The Board of Directors and Management of True are focused on stable unitholder distributions. In order to achieve this objective for 2006, True has concentrated on three main areas. The first is the adjustment of its capital expenditure program to focus on those projects which will maintain current production levels. Future production growth in the Trust will occur once natural gas prices strengthen later in the year.

The second focus is the allocation of capital to the Trust's oil based opportunities, thus taking advantage of the current high oil price for both heavy and light oil. This will include the reallocation of the drilling program to oil prospects and the conclusion of the previously announced business combination with Shellbridge Oil & Gas, Inc. Following the closing of this transaction in June, the Trust will be closer to a 50/50 oil – gas mix.

The third strategy was the implementation of the Premium Distribution™ and Distribution Reinvestment Plan (the "Plan") which was in place for the April distribution. During the first two months of the Plan being in place, participation was in excess of 51%. Although this plan is slightly dilutive to the existing unitholders, it allows the flexibility of maintaining stable distributions during the lower natural gas commodity price cycle. The Board of Directors continue to meet monthly to approve the distribution, considering near, immediate and long term market factors.

At the 2006 Annual Meeting, True announced the retirement of Joan E. Dunne, the Vice-President, Finance and CFO, effective on or about the end of the second quarter of 2006. Ms. Dunne was instrumental in the growth of True Energy Inc. and the successful conversion of True to an energy trust. On behalf of the Board, Staff and Unitholders, I would like to thank Ms. Dunne for her tireless hours of commitment and dedication.

Please visit our new website at [www.trueenergytrust.com](http://www.trueenergytrust.com) to view our updated presentation. We look forward to delivering additional growth and strong financial results during the remainder of 2006.

Paul R. Baay  
President & CEO  
May 10, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*May 10, 2006 - The following Management's Discussion and Analysis of financial results as provided by the management of True Energy Trust ("True" or the "Trust") should be read in conjunction with the unaudited interim consolidated financial statements and selected notes for the three months ended March 31, 2006 and 2005 and the audited consolidated financial statements and Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. This commentary is based on information available to, and is dated, May 10, 2006. The financial data presented is in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars, except where indicated otherwise.*

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

*FORWARD LOOKING STATEMENTS: Certain information herein including management's assessment of future plans and operations, future production estimates and the expected commodity mix, the anticipated closing of the acquisition of Shellbridge Oil & Gas, Inc. and the sale of certain properties in southeast Saskatchewan and the effects thereof, anticipated transportation and operating costs and royalty rates, expected capital expenditures and the method of funding thereof, proposed changes to certain federal taxes and the effects thereof, whether the Trust will be taxable in the future and the effect thereof, expected year end debt level, future commodity prices and exchange rate, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, whether the acquisition of Shellbridge will be completed in the timing thereof and whether the sale of properties in southeast Saskatchewan will be completed in the timing thereof, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. The recovery and reserve estimates of True's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhausted. Additional information on these and other factors that could effect True's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), at True's website ([www.trueenergytrust.com](http://www.trueenergytrust.com)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and True does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

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

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

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

Additional information relating to True, including True's Annual Information Form for the year ended December 31, 2005, is on SEDAR at [www.sedar.com](http://www.sedar.com).

## Description of Business

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

## Net Earnings and Cash Flow from Operations

True generated cash flow from operations of \$19.0 million (\$0.52 per diluted unit) for the three months ended March 31, 2006, up 77% from the \$10.7 million (\$0.61 per diluted unit) for the first quarter of 2005.

True generated earnings of \$3.3 million (\$0.09 per diluted unit) in the first quarter 2006 compared to \$1.0 million (\$0.06 per diluted unit) in 2005. The increase in net earnings per unit reflects increased cash flow plus a first quarter 2006 future income tax recovery offset by higher depletion, depreciation and accretion charges from the acquisition of Meridian Energy Corporation ("Meridian") and the reverse takeover of TKE Energy Trust ("TKE"), and increased non-cash unit-based compensation expense.

## Cash Flow From Operations and Net Earnings

(\$000s, except per unit amounts)	Three Months ended March 31,	
	2006	2005
Cash flow from operations	\$18,995	\$10,732
Diluted (\$/unit)	\$ 0.52	\$ 0.61
Net Earnings	\$ 3,259	\$1,030
Diluted (\$/unit)	\$ 0.09	\$ 0.06

## Reconciliation of Cash Flow from Operations and Distributions

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

## Reconciliation of Cash Flow from Operations and Distributions

<i>(\$000s, except per unit amounts)</i>	Three Months ended March 31, 2006
Cash flow from operations before changes in non-cash working capital	\$18,995
Cash shortfall to fund capital and other expenditures	7,155
Cash distributions declared	26,150
Accumulated cash distributions (post Arrangement), beginning of period	17,361
Accumulated cash distributions (post Arrangement), end of period	\$43,511
Cash distributions per unit	\$ 0.72
Accumulated cash distributions per unit (post Arrangement), beginning of period	\$ 0.48
Accumulated cash distributions per unit (post Arrangement), end of period	\$ 1.20

In conjunction with the implementation of the Premium Distribution<sup>TM</sup> Reinvestment, Distribution Reinvestment and Optional Trust Unit Purchase Plan effective March 27, 2006, participation in the first and second months of the plan have exceeded 50%. Funds reinvested in the Trust through this plan will be available to fund capital and other expenditures.

## Sales Volumes

Sales volumes in the first three months of 2006 averaged 11,672 boe/d, compared to 6,718 boe/d in 2005. Throughout the first quarter of 2006, sales rates have remained relatively flat from year end 2005 exit rates. In comparison, during the first quarter of 2005, the acquisition of Meridian added volumes in mid-March. True currently has 16 (8.5 net) Alberta wells and 1 (1.0 net) Saskatchewan wells remaining to be tied-in.

During the first quarter of 2006, the weighting toward natural gas production averaged 61%, compared to 65% in the same period of 2005. Heavy oil sales volumes made up 22% of total sales in the first quarter of 2006.

The Trust anticipates that with its intended sale of its southeast Saskatchewan oil properties, and the addition of the primarily heavy oil volumes from the acquisition of Shellbridge Oil & Gas, Inc. ("Shellbridge"), both anticipated to close during the second quarter of 2006, natural gas will, pro-forma both transactions, constitute approximately 55% of total sales.

## Sales Volumes

		Three Months ended March 31,	
		2006	2005
Natural gas	(mcf/d)	42,992	26,308
Heavy oil	(bbls/d)	2,571	1,982
Light oil and condensate	(bbls/d)	1,653	206
NGLs	(bbls/d)	283	145
Total crude oil and NGLs	(bbls/d)	4,507	2,333
Total BOE/d	(6:1)	11,672	6,718

Sales of natural gas averaged 43.0 mmcf/d during the first quarter of 2006, compared to 26.3 mmcf/d in the first quarter of 2005. Crude oil and natural gas liquids sales for the first three months of 2006 averaged 4,507 bbls/d, compared to the first quarter 2005 average sales of 2,333 bbls/d.

## Commodity Prices

The impact of changes in the Canadian dollar from the conversion of US\$ based commodities prices reduced profitability during the first quarter of 2006 when compared to the same period in 2005. The Canadian/ U.S. exchange rate changed 6% from an average of 0.8159 in 2005 to 0.8662.

## Average Commodity Prices

		Three Months ended March 31,		
		2006	2005	% Change
Exchange rate	(US\$/Cdn\$)	0.8662	0.8159	6
NYMEX	(US\$/mmbtu)	7.84	6.50	21
Alberta spot	(\$/mcf)	7.34	6.76	9
True's average price, before transportation	(\$/mcf)	7.89	7.11	11
WTI	(US\$/bbl)	63.34	49.83	27
Edmonton par – light oil	(\$/bbl)	69.27	62.20	11
Bow River – heavy oil	(\$/bbl)	40.19	39.08	3
True's average prices, before transportation	(\$/bbl)			
Light crude and condensate		58.32	53.97	8
NGLs		50.25	50.31	-
Light crude oil, condensate and NGLs		57.14	52.45	9
Heavy crude oil		25.84	22.16	17
Total crude oil and NGLs		39.28	26.72	47

True's natural gas is primarily sold on the daily spot market. During the first three months of 2006, the Alberta Spot reference price improved by 9% compared to 2005. Similarly over this same time frame, True's average sales price before transportation averaged \$7.89/mcf for its natural gas, 11% more than the \$7.11/mcf received in the prior year.

For heavy crude oil, True received an average price before transportation of \$25.84/bbl during the first quarter of 2006, 17% more than in 2005, while the average reference price for Bow River crude was 3% higher in 2006 for the same period. The Trust blends most of its heavy oil with condensate on a 4:1 ratio to meet pipeline specifications. As True's heavy oil is heavier than Bow River, the reduction in the heavy oil differential during the first quarter combined with lower comparative prices for condensate purchased for blending purposes have resulted in a relatively stronger price gain for the Trust's product than the reference price.

For light oil, condensate and NGLs, True recorded an average \$57.14/bbl during the first quarter of 2006, 9% higher than the average price received in 2005. The average Edmonton par price was 11% higher during the first quarter of 2006 compared to 2005.

## Revenue

Revenue before transportation for the three months ended March 31, 2006 was \$46.4 million, 107% greater than the \$22.4 million generated in the same period in 2005. The higher revenue was the result of significant growth in production volumes for both natural gas and heavy crude oil, complemented by higher natural gas prices, despite lower overall crude oil prices.

Revenue (\$000s)	Three Months ended March 31,	
	2006	2005
Light crude oil and condensate	8,675	998
NGLs	1,278	660
Heavy oil	5,977	3,954
Crude oil and NGLs	15,930	5,612
Natural gas	30,514	16,829
Total before transportation and other	46,444	22,441
Other	(48)	-
Total before transportation	46,396	22,441
Transportation	(973)	(573)
Total	45,423	21,868

Transportation costs continue to be approximately 2% to 3% of gross revenues for the three months ending March 31, for 2006 and 2005.

## Fair Value of Derivative Instruments

Periodically True has utilized financial derivatives to manage market risk and to provide an element of stability to cash flow. The estimated fair value of open hedging contracts at the end of each reporting period is disclosed in accordance with CICA Accounting Guideline 13 "Hedging Relationships". As at March 31, 2006, the Trust had no financial derivatives in place for first quarter 2006 operations.

True has entered into a costless collar oil hedge for 2,000 bbl/d for the period April 1, 2006 to December 31, 2006, with a WTI reference price, a floor of \$58.00/bbl U.S. and a ceiling of \$69.35/bbl U.S., with monthly settlement. The settlement cost for April 2006 was \$0.05 million U.S. As at May 8, 2006 the mark to market loss on the hedge, which changes on a daily basis, was \$2.8 million U.S.

## Royalties

For the three months ending March 31, 2006, total royalties were \$10.6 million, 82% more than the \$5.8 million incurred in the same period in 2005. Despite increased commodity prices during the first quarter of 2006, overall royalty rates decreased in the first quarter of 2006. Royalties as a percentage of sales (after transportation costs) in the first quarter of 2005 varied in the 18% to 26% range, reflecting gas cost allowance credits received and the relative commodity price changes combined with the lower overall royalty rate on the TKE asset base.

## Royalties, by Commodity Type

Royalties (\$000s)	Three Months ended March 31,	
	2006	2005
Light crude oil and condensate	1,518	229
NGLs	309	171
Heavy oil	1,099	700
Natural gas	7,715	4,732
Total	10,641	5,832

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

	Three Months ended March 31,	
	2006	2005
Light crude oil and condensate	18	23
NGLs	24	26
Heavy oil	20	19
Natural gas	26	29
Total	23	27

**Royalties, by Type**

(\$000s)	Three Months ended March 31,	
	2006	2005
Crown royalties, net of ARTC	7,135	3,940
Indian Oil and Gas Canada royalties	782	-
Freehold & GORR	2,724	1,892
Total	10,641	5,832

**Production Expenses**

For the three months ended March 31, 2006, operating costs totaled \$9.2 million, compared to \$3.5 million recorded in the same period of 2005. During the first quarter of 2006, operating costs averaged \$8.73/boe, compared to \$5.76/boe in the first quarter of 2005. In comparison, operating costs during the last quarter of 2005 averaged \$7.66/boe with two-thirds of that period containing TKE properties. True anticipates operating costs to be in the \$8.00/boe to \$9.00/boe range for 2006, barring significant unusual field or weather conditions.

**Production Expenses, by Commodity Type**

(\$000s)	Three Months ended March 31,	
	2006	2005
Light crude oil and condensate	1,866	197
NGLs	230	57
Heavy oil	1,927	1,081
Natural gas	5,144	2,149
Total	9,167	3,484

**Production Expenses per Unit, by Commodity Type**

		Three Months ended March 31,	
		2006	2005
Light crude oil and condensate	(\$/ bbl)	12.54	10.62
NGLs	(\$/ bbl)	9.05	4.37
Heavy oil	(\$/ bbl)	8.33	6.06
Natural gas	(\$/ mcf)	1.33	0.91
Total	(\$/ boe)	8.73	5.76

**Operating Netbacks**

Field operating netbacks for natural gas during the first quarter of 2006 were \$4.44/mcf, an increase of 10% compared to 2005 netbacks, reflecting sales prices increases exceeding the increase in per unit operating costs.

**Field Operating Netbacks - Natural Gas**

(\$/mcf)	Three Months ended March 31,	
	2006	2005
Sales	7.89	7.11
Transportation	(0.13)	(0.17)
Royalties	(1.99)	(2.00)
Production expense	(1.33)	(0.91)
Field operating netback	4.44	4.03

Field operating netbacks for crude oil and NGLs averaged \$20.95/bbl during the first quarter of 2006, up 47% compared to \$14.30/bbl in 2005, paralleling the 47% increase in crude oil and NGLs sales price quarter over quarter. The sales price increase exceeded the increases in netback expenses for the quarter.

**Field Operating Netbacks - Crude Oil and NGLs**

(\$/bbl)	Three Months ended March 31,	
	2006	2005
Sales	39.28	26.72
Transportation	(1.19)	(0.83)
Royalties	(7.22)	(5.23)
Production expense	(9.92)	(6.36)
Field operating netback	20.95	14.30

During the first quarter of 2006, corporate field operating netbacks improved by 18% compared to 2005, primarily resulting from the strong crude oil and NGL prices throughout the quarter, in addition to higher natural gas prices at the beginning of the first quarter. The favorable movements in commodity prices offset increases in per boe production and royalty expenses.

**Field Operating Netbacks - Corporate**

(\$/boe)	Three Months ended March 31,	
	2006	2005
Sales	44.22	37.12
Transportation	(0.93)	(0.95)
Royalties	(10.13)	(9.65)
Production expense	(8.73)	(5.76)
Field operating netback	24.43	20.76

**General and Administrative**

General and administrative net expenses for the three months ended March 31, 2006 were \$2.6 million compared to \$1.2 million for the same period in 2005. Incremental costs during the first quarter of 2006 include reserve reporting, audit costs, annual reporting charges for preparation and mailing, recruiting, annual registration and securities filing fees. Costs for 2005 have been restated to exclude unit-based compensation and financing charges.

**General and Administrative Costs**

(\$000s, except where noted)	Three Months ended March 31,	
	2006	2005
Gross costs	3,813	2,390
Capitalized	(536)	(817)
Recoveries	(680)	(348)
Net costs	2,597	1,225
Net costs, per unit (\$/boe)	2.47	2.03

## Unit-Based Compensation

For the three months ended March 31, 2006, the non-cash unit-based compensation was \$1.4 million compared to \$0.2 million incurred in the first quarter of 2005. The increase in 2006 expense reflects the increased staffing levels of True given its conversion to a trust and increased production activities requiring appropriate levels of support staff.

## Interest and Financing Charges

True recorded \$1.8 million of interest and financing charges in the first quarter of 2006 compared to \$0.2 million in the same period of 2005. Financing charges during the first quarter of 2006 were \$0.3 million, with the balance being interest charges. True's net debt at the end of the first quarter of 2006 includes approximately \$32.1 million of debt assumed with the acquisition of TKE.

### Interest and Financing Charges

(\$000s, except where noted)

	Three months ended March 31,	
	2006	2005 <sup>(1)</sup>
Interest and financing charges	1,763	216
Interest and financing charges (\$/boe)	1.68	0.36
Net debt at quarter end	139,611	38,786
Debt to periods cash flow ratio annualized	1.8x	0.9x

<sup>(1)</sup> restated to include financing charges

## Capital Expenditures

True invested \$22.6 million on capital projects in the first quarter of 2006, compared to \$14.3 million in 2005. During this period, True achieved a 100% success rate in the drilling or participation in 26 (13.2 net) wells, resulting in 23 (10.7 net) natural gas wells and 3 (2.4 net) oil wells. True participated in or drilled 22 (10.1 net) wells in Alberta, 3 (3.0 net) wells in Saskatchewan and 1 (0.04 net) in British Columbia. In 2005, True incurred \$190.8 million for the acquisition of Meridian.

### Capital Expenditures

(\$000s)

	Three Months ended March 31,	
	2006	2005
Lease acquisitions and retention	1,875	426
Geological and geophysical	664	1,051
Drilling and completion costs	17,285	10,891
Facilities and equipment	2,637	1,852
Exploration and development	22,461	14,220
Acquisitions – property	-	-
Acquisitions – corporate	-	190,836
Head office expenditures	124	39
Total expenditures	22,585	205,095
Dispositions	-	-
Net capital expenditures	22,585	205,095

True continues to develop its land base. At March 31, 2006, True has approximately 354,462 net undeveloped acres of land of the total net acreage position of 567,042 net acres in Saskatchewan, Alberta, and British Columbia. With the addition of Shellbridge's land position, post close of the transaction the Trust anticipates a total land position of approximately 1.2 million gross acres (0.7 million net).

By the end of the first quarter of 2006, True had committed to drill a total of two wells in Alberta and six wells in Saskatchewan with varying commitment dates up to the end of the second quarter of 2006 pursuant to various farm-in agreements with oil and gas companies. True expects to satisfy these various drilling commitments at an estimated cost for True's interest of approximately \$3.9 million.

## Ceiling Test

The Trust calculates a ceiling test quarterly and annually whereby the carrying value of petroleum and natural gas properties is compared to estimated future cash flow from the production of proved reserves. In 2005, the ceiling test was performed in accordance with the requirements of the Canadian Institute of Chartered Accountants ("CICA") AcG-16 "Oil and Gas Accounting – Full Cost", a two step process.

The Trust performed a ceiling test calculation at March 31, 2006 resulting in undiscounted cash flows from proved reserves and the lower of cost and market of unproved properties not exceeding the carrying value of oil and gas assets. Consequently, True performed stage two of the ceiling test assessing whether discounted future cash flows from the production of proved plus probable reserves and the lower of costs and market of unproved properties exceed the carrying value of oil and gas assets. No impairment in oil and gas assets was identified.

At March 31, 2006, the Trust calculated the ceiling test using prices of \$37.01/bbl for heavy oil, \$63.56/bbl for light and medium gravity oil, and \$63.14/bbl for NGLs, and \$7.84/mcf for natural gas resulting in a ceiling test surplus.

## Depletion, Depreciation and Accretion

Depletion, depreciation and accretion (site restoration) expense for the first quarter of 2006 was \$29.2 million, compared to \$9.0 million in 2005, reflecting the acquisition of TKE and Meridian in 2005 in conjunction with increased production volumes. True has excluded from the depletion calculation \$36.2 million for undeveloped properties and \$23.9 million for undeveloped land.

### Depletion, Depreciation and Accretion Costs

*(\$000s, except where noted)*

	Three Months ended March 31,	
	2006	2005
Depletion	25,163	7,578
Depreciation	3,837	1,387
Accretion	212	50
Total	29,212	9,015
Per unit (\$/boe)	27.81	14.91

## Income Taxes

For the quarter ended March 31, 2006 the Trust has recorded a provision for capital taxes of \$0.6 million compared to \$0.5 million expensed in 2005. Capital taxes are based on debt and equity levels of the Trust at the end of the quarter and are higher in 2006 due to the Trust's significant growth since first quarter of 2005, as well as increased gross sales revenue from Saskatchewan based properties. The May 2006 Canadian federal government budget announced the elimination of federal capital taxes effective January 1, 2006. This legislation still has to be substantially enacted by the government, and will be reflected in the financial statements at that time.

Future income taxes arise from differences between the accounting and tax bases of the operating companies' assets and liabilities. For the three months ending March 31, 2006 the Trust recognized a future income tax recovery provision of \$13.2 million compared to a provision of \$0.3 million expensed in 2005. Over the 2003 to 2007 period, the federal tax rate is to be reduced by seven percentage points, and the resource allowance deduction is going to be phased out, to be replaced by a deduction for Crown royalties paid.

In the Trust's structure, payments are made between the operating subsidiaries and the Trust transferring income and future income tax liability to the unitholders. Therefore, it is currently expected, based on existing legislation that no cash income taxes are to be paid by the operating subsidiaries in the future, and as such, the future income tax liability recorded on the balance sheet will be recovered through earnings over time. As at March 31, 2006, the operating subsidiaries have a future income tax liability balance of \$133.6 million. Canadian generally accepted accounting principles require that a future income tax liability be recorded when the book value of assets exceeds the balance of tax pools. It

further requires that a future tax liability be recorded on an acquisition when a corporation acquires assets with associated tax pools that are less than the purchase price.

## Distributions

For the quarter ended March 31, 2006 the Trust declared \$26.2 million in total distributions as follows:

<i>(\$000s, except monthly amount)</i>	Monthly Distribution Per Unit	Total
Three month period ended March 31, 2006	\$ 0.24	\$ 26,150

## Distribution Reinvestment Plan

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

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

During the first and second months of the plan, participation has exceeded 51%. The March 31, 2006 distribution payable balance of \$8.7 million was paid, in part, by a trust unit issuance of \$4.5 million under the Plan. Further details of the plan and information on how to enroll is available on the Trust's website.

## Liquidity and Capital Resources

True's net debt as at March 31, 2006 was \$139.6 million, with \$109.8 million drawn on a revolving credit facility and the balance a net working capital shortfall.

Immediately following the completion of the Plan of Arrangement with TKE, new banking facilities were put in place. This bank facility for True Energy Inc. and the Trust consisted of a demand revolving credit facility with two Canadian chartered banks in the amount of \$115 million and an operating facility of \$10 million. The credit facility is guaranteed by the Trust and all material subsidiaries, and is secured against all of the assets of True Energy Inc., the Trust and all material subsidiaries. Security is provided by a first floating charge demand debenture of \$250 million. True has provided a negative pledge and undertaking to provide fixed charges over major petroleum and natural gas reserves in certain circumstances. Interest is payable at the lenders' prime rate, subject to adjustment depending on the debt to cash flow ratio. A standby fee is charged on one eighth of one percent (0.125%) on the undrawn portion of the credit facility. The availability under the facility was subject to an interim review date of March 1, 2006 and an annual review on or before June 1, 2006. Prior to March 1, 2006, the interim review date was extended to May 31, 2006 and the working capital covenant was waived.

In March 2006, True negotiated the demand revolving credit facility be increased to \$135 million with one Canadian chartered bank and a \$15 million operating facility, subject to an annual review by June 1,

2006. In April 2006, the \$135 million demand revolving credit facility was changed to be syndicated by one Canadian chartered bank and one institutional lender. The Trust anticipates the addition of a third participant to the syndicate during the second quarter of 2006.

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

As at May 5, 2006 the Trust had outstanding a total of 3,400,665 incentive units exercisable at an average exercise price of \$18.28 per unit, 427,057 exchangeable shares (convertible, as at April 17, 2006 into an aggregate of 260,757 trust units, subject to further adjustments based on distributions made on trust units) and 36,778,710 trust units.

### **Subsequent Events**

On April 11, 2006, the Trust's wholly owned subsidiary, True Energy Inc. ("True Energy"), entered into an agreement with Shellbridge Oil & Gas, Inc. pursuant to which True Energy will, subject to certain conditions, acquire all of the issued and outstanding shares of Shellbridge on the basis of 0.14 trust units of the Trust for each outstanding Shellbridge share (the "Transaction"), resulting in the issue of approximately 4.39 million trust units (assuming the exercise of all outstanding Shellbridge stock options). Both parties have agreed to pay the other a non-completion fee of \$2.0 million in certain circumstances if the Transaction is not completed. The agreement includes provisions whereby Shellbridge will terminate discussions with any other party and not solicit any other offers. The agreement also gives the Trust the right to match any competing offer.

Following review of tax, corporate and securities matters, a determination will be made whether the Transaction will be completed by way of take-over bid, plan of arrangement or other form of business combination. The agreement contemplates the entering into of a definitive agreement in respect of the Transaction once the structure is determined. Completion of the Transaction is subject to Shellbridge shareholder approval (or, if a take-over bid, acceptance by the requisite majority of Shellbridge shareholders) and various conditions, including, without limitation, receipt of required regulatory approvals and other customary conditions. Directors and officers of Shellbridge have agreed to vote their shares (14.5% of a fully diluted basis) in favour of the transaction.

True intends to sell its southeast Saskatchewan properties, producing approximately 350 to 400 barrels of oil equivalent per day of light oil and undeveloped acreage, with the expectation that a deal will close prior to the end of the second quarter of 2006.

### **Business Prospects and 2006 Outlook**

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

The Trust currently anticipates that 2006 average production will be approximately 12,000 to 12,500 boe/d, weighted approximately 60% toward natural gas, increasing by approximately 2,000 boe/d in the second half of the year with the addition of the Shellbridge properties. True believes world and domestic supply and demand factors will result in longer term strong prices for crude oil and natural gas in 2006, despite potential softness mid-year. True further anticipates the US\$/ Cdn.\$ exchange rate to average 0.87 for 2006.

First quarter 2006 royalty rates and operating costs, reflecting the impact of the historical True asset base combined with the TKE production base, are expected to continue throughout 2006 in this approximate range. Operating costs may vary depending on weather conditions and the cost of services. Royalties will also vary as wells on royalty holidays reach the allowed maximum.

Capital expenditure levels will be adjusted as cash flow levels vary. Currently, the Trust anticipates spending approximately \$40 million, net of dispositions, in 2006 on oil and gas exploration and development activities within Saskatchewan, Alberta and British Columbia, including minor asset acquisitions, but prior to the corporate acquisition of Shellbridge.

### Selected Quarterly Consolidated Information

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

2006 – Quarter ended (unaudited)				
<i>(\$000s, except per unit amounts)</i>				
	March 31			
Gross revenues before royalties and transportation	46,396			
Cash flow from operations	18,995			
Cash flow from operations per unit				
Basic	\$0.52			
Diluted	\$0.52			
Net earnings	3,259			
Net earnings per unit				
Basic	\$0.09			
Diluted	\$0.09			
Capital expenditures, net	22,585			
2005 – Quarter ended (unaudited) <sup>(1)</sup>				
<i>(\$000s, except per unit amounts)</i>				
	March 31	June 30	Sept. 30	Dec. 31
Gross revenues before royalties and transportation	22,441	33,663	44,510	60,839
Cash flow from operations	10,732	18,013	25,500	32,893
Cash flow from operations per unit				
Basic	\$0.63	\$0.73	\$1.04	\$1.02
Diluted	\$0.61	\$0.72	\$1.01	\$1.00
Net earnings	1,030	3,130	6,502	3,228
Net earnings per unit				
Basic	\$0.06	\$0.13	\$0.26	\$0.10
Diluted	\$0.06	\$0.13	\$0.26	\$0.10
Capital expenditures, net	205,095	20,166	28,651	311,159
2004 – Quarter ended (unaudited) <sup>(1)</sup>				
<i>(\$000s, except per unit amounts)</i>				
	March 31	June 30	Sept. 30	Dec. 31
Gross revenues before royalties and transportation	13,342	17,377	17,760	19,469
Cash flow from operations	6,264	8,783	8,593	10,305
Cash flow from operations per unit				
Basic	\$0.46	\$0.58	\$0.56	\$0.67
Diluted	\$0.45	\$0.57	\$0.54	\$0.65
Net earnings	958	2,874	2,295	2,833
Net earnings per unit				
Basic	\$0.07	\$0.19	\$0.15	\$0.18
Diluted	\$0.07	\$0.19	\$0.15	\$0.18
Capital expenditures, net	15,243	9,075	13,102	17,499

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

### Critical Accounting Estimates

The reader is advised that the critical accounting estimates, policies, and practices as described in the Management Discussion and Analysis in the Trust's December 31, 2005 Annual Report continue to be critical in determining True's unaudited financial results as at March 31, 2006.

**Legal, Environmental Remediation and Other Contingent Matters**

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

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

<b>(\$000s)</b>	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	<i>(unaudited)</i>	
<b>ASSETS</b>		
Current assets		
Accounts receivable	\$ 66,031	\$ 57,276
Deposits and prepaid expenses	2,192	1,806
	<u>68,223</u>	<u>59,082</u>
Property, plant and equipment	594,296	600,077
Goodwill (note 3)	71,970	71,970
	<u>\$ 734,489</u>	<u>\$ 731,129</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 87,334	\$ 88,270
Distribution payable to unitholders	8,736	8,677
Capital taxes payable	1,653	1,641
Current portion of obligations under capital lease	258	258
Bank debt (note 4)	109,853	71,365
	<u>207,834</u>	<u>170,211</u>
Obligations under capital lease	5	54
Capital taxes payable	-	1,700
Asset retirement obligations	10,940	10,457
Future income taxes	133,640	146,729
Exchangeable shares of subsidiary	6,881	9,709
Unitholders' equity		
Unitholders' capital (note 6)	423,149	418,968
Contributed surplus (note 7)	6,757	5,127
Deficit	<u>(54,717)</u>	<u>(31,826)</u>
	<u>375,189</u>	<u>392,269</u>
	<u>\$ 734,489</u>	<u>\$ 731,129</u>

*See accompanying selected notes to the consolidated financial statements.*

**TRUE ENERGY TRUST**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

For the three months ended March 31, 2006 and 2005  
(unaudited)

<b>(\$000s)</b>	<b>2006</b>	<b>2005</b>
<b>REVENUE</b>		
Petroleum and natural gas sales	\$ 46,396	\$ 22,441
Royalties, net of Alberta royalty tax credit	10,641	5,832
	<u>35,755</u>	<u>16,609</u>
<b>EXPENSES</b>		
Production	9,167	3,484
Transportation	973	573
General and administrative	2,597	1,225
Interest and financing charges	1,763	216
Unit-based compensation	1,410	238
Depletion, depreciation and accretion	29,212	9,015
	<u>45,122</u>	<u>14,751</u>
<b>EARNINGS (LOSS) BEFORE TAXES</b>	<b>(9,367)</b>	<b>1,858</b>
<b>TAXES</b> (note 9)		
Capital taxes	571	488
Future income taxes (recovery)	(13,233)	340
	<u>(12,662)</u>	<u>828</u>
<b>NET EARNINGS BEFORE NON-CONTROLLING INTEREST</b>	<b>3,295</b>	<b>1,030</b>
Non-controlling interest	36	-
	<u>3,259</u>	<u>1,030</u>
<b>NET EARNINGS</b>	<b>\$ 3,259</b>	<b>\$ 1,030</b>
Deficit, beginning of period	(31,826)	(6,090)
Distributions	(26,150)	-
	<u>(57,976)</u>	<u>(6,090)</u>
Deficit, end of period	<u>\$ (54,717)</u>	<u>\$ (5,060)</u>
Net earnings per trust unit		
Basic	\$ 0.09	\$ 0.06
Diluted	\$ 0.09	\$ 0.06

*See accompanying selected notes to the consolidated financial statements.*

**TRUE ENERGY TRUST**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the three months ended March 31, 2006 and 2005  
(unaudited)

<b>(\$000s)</b>	<b>2006</b>	<b>2005</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATIONS</b>		
Net earnings	\$ 3,259	\$ 1,030
Charges not involving cash:		
Non-controlling interest	36	-
Depletion, depreciation and accretion	29,212	9,015
Unit-based compensation costs	1,410	238
Future income tax	(13,233)	340
Capital taxes	(1,689)	109
Funds from operations	<u>18,995</u>	<u>10,732</u>
Change in non-cash working capital	<u>(8,386)</u>	<u>(2,244)</u>
	10,609	8,488
<b>FINANCING</b>		
Payment of distributions	(24,774)	-
Issuance of common shares	-	234
Share and unit issue costs	-	(1,100)
Increase in bank debt	38,488	12,882
Obligations under capital lease	(48)	-
	<u>13,666</u>	<u>12,016</u>
<b>INVESTING</b>		
Additions to property, plant and equipment	(22,585)	(13,161)
Corporate acquisitions	-	(12,264)
	<u>(22,585)</u>	<u>(25,425)</u>
Change in non-cash working capital	<u>(1,690)</u>	<u>4,921</u>
	(24,275)	(20,504)
Change in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	<u>\$ -</u>	<u>\$ -</u>

See accompanying selected notes to the consolidated financial statements.

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2006 and 2005 (unaudited)

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### 1. STRUCTURE OF THE TRUST

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

The purpose of the Trust is to indirectly explore for, develop and hold interests in petroleum and natural gas properties, through investments in securities of subsidiaries and net profits interests in oil and natural gas properties. The business of the Trust is carried on by True Energy Inc., its wholly owned subsidiary Marengo Exploration Ltd., True Energy Partnership and TKE Energy Partnership. The Trust owns, directly and indirectly, 100% of the common shares, (excluding the exchangeable shares – see note 5) of True Energy Inc. and Marengo Exploration Ltd and 100% of the interests of True Energy Partnership and TKE Energy Partnership. The activities of True Energy Inc., Marengo Exploration Ltd. and the partnerships, are financed through interest bearing notes from the Trust and third party debt.

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

The Trust will make distributions to the Unitholders in amounts equal to the net income of the Trust earned from interest income on the notes and from the income generated under the Net Profits Interest Agreement, and from any dividends paid on the common shares of True Energy Inc., less any expenses of the Trust.

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

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

In conjunction with the Arrangement, the Trust entered into a Transitional Services Agreement (“Agreement”) with Vero Energy Inc. (“Vero”) where the Trust provided personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of Vero. The initial term of the Agreement was for a period of three months after the effective date of the Arrangement, however, this Agreement was extended to April 1, 2006, at which time it expired. The Trust provides these services to Vero on an expense reimbursement basis, based on Vero’s monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and Vero. Total expenses reimbursed by Vero for the three month period ended March 31, 2006 were \$0.1 million and are included within March 31, 2006 accounts receivable. Vero owes a further \$0.7 million relating to transaction costs True incurred to effect the Arrangement, and is included in the March 31, 2006 accounts receivable.

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

## **2. SUMMARY OF ACCOUNTING POLICIES**

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

## **3. ACQUISITIONS/DISPOSITIONS**

### **a. Acquisition of Meridian Energy Corporation**

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

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

The purchase price equation is as follows:

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

**b. Acquisition of TKE Energy Trust**

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

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

To effect the Arrangement, for accounting purposes only, all of the issued and outstanding trust units, being 20,708,128 trust units, of TKE were treated as acquired by True Energy Inc. The transaction value was based upon the adjusted weighted average trading price of True Energy Inc. common shares for the two days prior to the transaction announcement on August 23, 2005, of \$5.04, plus the assumption of TKE's debt. The transaction was accounted for using the purchase method, with the excess purchase price over the fair value of net identifiable assets acquired of approximately \$42.4 million being allocated to goodwill. As at March 31, 2006, the purchase equation was based on information available and may not be final.

The purchase price equation is as follows:

<i>(\$000s)</i>	
Cost of acquisition:	
Trust units issued	\$ 196,214
Transaction costs	2,003
	\$ 198,217
Allocated at estimated fair values:	
Accounts receivable	\$ 11,564
Deposits and prepaid expenses	1,152
Property, plant and equipment	291,706
Goodwill	42,393
Accounts payable and accrued liabilities	(17,912)
Bank debt	(32,077)
Distribution payable	(2,382)
Obligation under capital lease	(343)
Non-controlling interest	(10,351)
Future income taxes	(79,373)
Asset retirement liability	(6,160)
	\$ 198,217

**c. Disposition to Vero Energy Inc.**

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

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

**4. BANK DEBT**

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

## 5. EXCHANGEABLE SHARES OF SUBSIDIARY

	2006		2005	
	Number	Amount (\$000s)	Number	Amount (\$000s)
Balance, beginning of period	788,558	9,709	-	\$ -
Non-controlling interest expense	-	36	-	-
Exchanged for trust units	(232,623)	(2,864)	-	-
<b>Balance, March 31</b>	<b>555,935</b>	<b>\$ 6,881</b>	-	<b>\$ -</b>

The exchange ratio is calculated monthly based on the five day weighted average trust unit trading price preceding the monthly effective date, and at March 31, 2006 was 0.60146. The exchangeable shares are not eligible for cash distributions; however cash distributions will increase the exchange ratio.

## 6. UNITHOLDERS' CAPITAL

### a. Trust Units of True Energy Trust

	2006		2005	
	Number	Amount (\$000s)	Number	Amount (\$000s)
Balance, December 31	36,176,196	\$ 418,968	-	\$ -
Exchangeable shares converted	137,382	2,864	-	-
Units issued pursuant to DRIP	85,662	1,317	-	-
<b>Balance, March 31</b>	<b>36,399,240</b>	<b>\$ 423,149</b>	-	<b>\$ -</b>

### b. Trust Unit Incentive Plan

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

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

Unit rights, entitling the holder to purchase units from the Trust, have been granted to directors, officers, employees and service providers of the Trust. Effective May 1, 2006, one third of the

initial grant of trust unit incentives vest on each of the first, second, and third anniversary from the date of grant.

The following table summarizes information regarding trust unit incentive rights on March 31, 2006.

**Unit Rights Outstanding**

<b>Average Initial Exercise Price</b>	<b>Number Outstanding</b>	<b>Number Exercisable</b>	<b>Weighted Average Remaining Contractual Life</b>
\$ 18.43/unit <sup>(1)</sup>	3,273,165	1,091,055	4.6

<sup>(1)</sup> At March 31, 2006, the average exercise price pursuant to the reduction formula is \$17.86/unit.

**c. Distribution Reinvestment Plan**

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

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

Of the \$8.7 million distribution payable at March 31, 2006, \$4.5 million was subsequently paid in trust units under the Plan.

**7. CONTRIBUTED SURPLUS**

<b>(\$000s)</b>	<b>Three Months ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Balance, beginning of period	\$ 5,127	\$ 877
Unit-based compensation expense	1,630	-
Stock-based compensation expense	-	238
Transfer to share capital on exercise of options	-	(44)
Balance, end of period	\$ 6,757	\$ 1,071

### Unit-based Compensation

During the three months ended March 31, 2006, the Trust granted 207,500 unit incentive rights to employees, consultants and directors. The Trust recorded unit-based compensation expense of \$1.6 million, including \$0.2 million capitalized to property, plant and equipment.

The fair values of all incentive rights granted are estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average fair market value of incentive rights granted during the three month period ended March 31, 2006 and the assumptions used in their determination are as noted below.

	Three months ended March 31, 2006
Assumptions:	
Risk free interest rate (%)	3.86
Expected life (years)	5.0
Expected volatility (%)	24
Results:	
Weighted average fair value of incentive rights granted	\$ 5.38

### 8. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)	For the three months ended March 31,	
	2006	2005
Cash paid:		
Interest	\$ 988	\$ 183
Taxes (net of refunds)	\$ 2,654	\$ 489
Investing and financing activities:		
Net assets acquired on acquisitions (note 3)	\$ -	\$ 152,181

### 9. INCOME TAXES

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate income tax rate of 37.5% (2005: 40.1%) to earnings or losses before income taxes. This difference results from the following items:

(\$000s)	March 31, 2006	March 31, 2005
Expected income tax expense (recovery)	\$ (3,512)	\$ 745
Amount in trust income	(9,591)	-
Crown royalties and charges	989	444
Resource allowance	(990)	(470)
Unit and stock based compensation expense	529	95
Change in enacted tax rates	(579)	(496)
Other	(79)	22
Future income tax expense (recovery)	(13,233)	340
Capital tax expense	571	488
Total tax expense (recovery)	\$ (12,662)	\$ 828

## 10. PER TRUST UNIT AMOUNTS

	Three Months ended March 31,	
	2006	2005
Basic trust units outstanding	36,399,240	24,537,068
Dilutive effect of exchangeable shares and trust unit incentive plan	3,607,538	952,259
Diluted trust units outstanding	40,006,778	25,489,327
Weighted average trust units outstanding	36,296,327	17,132,231
Dilutive effect of exchangeable shares and trust unit incentive plan <sup>(1)</sup>	334,372	546,617
Diluted weighted average trust units outstanding	36,630,699	17,678,848

<sup>(1)</sup> A total of 3,273,165 (2005: 35,000 after consolidation) trust incentive units were excluded from the calculation as they were not dilutive.

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

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

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

## 11. COMMITMENTS

- a. By the end of the first quarter of 2006, True had committed to drill a total of 2 wells in Alberta and 6 wells in Saskatchewan with varying commitment dates up to the end of the second quarter pursuant to various farm-in agreements with oil and gas companies. True expects to satisfy these various drilling commitments at an estimated cost for True’s interest of approximately \$3.9 million.
- b. On March 9, 2006, True has entered into a costless collar oil hedge for 2,000 bbl/d for the period April 1, 2006 to December 31, 2006, with a WTI reference price, a floor of \$58.00/bbl U.S. and a ceiling of \$69.35/bbl U.S., with monthly settlement. The settlement cost for April 2006 was \$48,660 USD. As at May 8, 2006 the mark to market loss on the hedge, which changes on a daily basis, was \$2.8 million U.S.

## 12. SUBSEQUENT EVENTS

- a. On April 11, 2006, the Trust’s wholly owned subsidiary, True Energy Inc. (“True Energy”), entered into an agreement with Shellbridge Oil & Gas, Inc. (“Shellbridge”) pursuant to which True Energy will, subject to certain conditions, acquire all of the issued and outstanding shares of Shellbridge on the basis of 0.14 trust units of the Trust for each outstanding Shellbridge share (the “Transaction”), resulting in the issue of approximately 4.39 million trust units (assuming the exercise of all outstanding Shellbridge stock options). Both parties have agreed to pay the other a non-completion fee of \$2.0 million in certain circumstances if the Transaction is not completed. The agreement includes provisions whereby Shellbridge will terminate discussions with any other

party and not solicit any other offers. The agreement also gives the Trust the right to match any competing offer.

Following review of tax, corporate and securities matters, a determination will be made whether the Transaction will be completed by way of take-over bid, plan of arrangement or other form of business combination. The agreement entered into contemplates the entering into of a definitive agreement in respect of the Transaction once the structure is determined. Completion of the Transaction is subject to Shellbridge shareholder approval (or, if a take-over bid, acceptance by the requisite majority of Shellbridge shareholders) and various conditions, including, without limitation, receipt of required regulatory approvals and other customary conditions. Directors and officers of Shellbridge have agreed to vote their shares (14.5% on a fully diluted basis) in favour of the transaction.

- b. True intends to sell its southeast Saskatchewan properties, producing approximately 350 to 400 barrels of oil per day and undeveloped acreage, with the expectation that a deal will close prior to the end of the second quarter of 2006.

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