



AVENIR DIVERSIFIED INCOME TRUST

Q1 2003 REPORT

MANAGEMENT DISCUSSION AND ANALYSIS Three months ended March 31, 2003

The following describes the results from operations of the Trust since inception on January 16, 2003 to March 31, 2003.

Oil and gas revenue (net of royalties) was \$723,507 in the first quarter of 2003. The cash flow from operations were \$521,738 or \$0.03 per unit for the period ended March 31, 2003. Net earnings for the period ended March 31, 2003 were \$320,710 or \$0.02 per unit. Cash distributions for the quarter total \$254,039 or \$0.012 per unit.

Average daily production volume for the period ended March 31, 2003 was 246 BOE's per day. Production consisted of 194 barrels per day of crude oil and natural gas liquids and 315 MCF per day of natural gas. Production increased substantially due to the acquisition of producing properties in two separate transactions during the quarter.

Gross revenue from petroleum and natural gas sales was \$864,376. The average price received for crude oil and natural gas liquids during the first quarter of 2003 was \$45.46 per barrel and \$8.82 per MCF for natural gas. The Trust has put in place a hedging program. Currently, the Trust has 85 bbl's per day hedged at US\$28.00 WTI per barrel for the period April 2003 to March 2004.

The Trusts operating costs for the period ended March 31, 2003 were \$170,171. On a barrel of oil equivalent (BOE) basis operating costs averaged \$9.40 in the period, which was slightly above forecast due to higher non-operated expenses in January 2003. The Trust continues to focus on means of reducing overall operating costs through facility optimization as well as cost reduction measures and it expects that operating costs will decline on a comparative basis for the balance of the year.

General and administrative expenses were \$128,656 in the first quarter of 2003. The general and administrative expenses consist primarily of legal, audit, salary, consulting and filing costs associated with managing a small trust. We expect these costs will fall as a percentage of net revenues as the Trust grows beyond its initial set up stage.

Interest expense was \$27,641 for the period ended March 31, 2003. Bank indebtedness totaled \$2,511,078 at March 31, 2003. Provision for depletion and depreciation was \$201,028 for period ending March 31, 2003. The Trust did not provide for income taxes as the Trust expects that all taxable income will be passed to unit holders in the form of distributions.

During the first quarter of 2003, the Trust incurred capital costs of \$6,726,826 consisting primarily of the Onward Energy Inc. trust conversion and two property acquisitions and the acquisition of the Trust's second financial services contract. These acquisitions were funded primarily through the issuance of \$5,355,667 in Trust units (net of issue costs) and \$1,908,219 in increased bank indebtedness.

OUTLOOK

Avenir is confident, that with our diversification strategy, we will be able to continue to deliver stable distributions and unit accretion. The oil and gas industry has recently experienced reductions in oil and natural gas pricing and prices have also been negatively affected by the strong Canadian dollar. We feel with our performance in our financial service division and our budgeting philosophy along with continued execution in all three business units, we can more than offset any fluctuations in commodity prices.

The Trust will continue to maximize distributions on a long-term basis by operating its business units in a prudent manner in order to maximize returns, by controlling its costs and identifying attractive, accretive transactions.

For further information please visit our website at www.avenirtrust.com.

Unaudited Consolidated Financial Statements

Avenir Diversified Income Trust

March 31, 2003

Avenir Diversified Income Trust

CONSOLIDATED BALANCE SHEETS

As at

| | March 31, 2003 \$ | December 31, 2002 \$ |
|--|-------------------------|----------------------------|
| | (unaudited) | |
| ASSETS [note 9] | | |
| Current | | |
| Cash | 125,165 | 82,497 |
| Accounts receivable | 974,110 | 335,819 |
| Short-term investments [note 6] | 1,010,000 | 1,010,000 |
| | 2,109,275 | 1,428,316 |
| Capital assets [note 4] | | |
| | 5,144,665 | — |
| Financial services contracts [note 8] | 1,200,000 | 600,000 |
| Goodwill [note 3] | 1,087,132 | — |
| | 9,541,072 | 2,028,316 |
| LIABILITIES AND UNITHOLDERS' EQUITY | | |
| Current | | |
| Bank indebtedness [note 9] | 2,511,078 | 602,859 |
| Accounts payable and accrued liabilities | 353,886 | 588,829 |
| Distributions payable [note 5] | 111,142 | — |
| | 2,976,106 | 1,191,688 |
| Provision for future site restoration and abandonment | 306,000 | — |
| Shareholders'/Unitholders' equity | | |
| Shareholder capital [note 10] | — | 1,070,000 |
| Unitholder capital [note 10] | 6,425,667 | — |
| Accumulated earnings/(deficit) | 87,338 | (233,372) |
| Accumulated cash distributions [note 5] | (254,039) | — |
| | 6,258,966 | 836,628 |
| | 9,541,072 | 2,028,316 |

See accompanying notes

On behalf of the Board

Avenir Diversified Income Trust

**CONSOLIDATED STATEMENTS OF
OPERATIONS AND ACCUMULATED LOSS/DEFICIT**
(unaudited)

For the period ended March 31,

| | 2003 | 2002 |
|---|-------------|-------------|
| | \$ | \$ |
| REVENUE | | |
| Oil and gas | 864,376 | — |
| Royalties net of ARTC | 140,869 | — |
| | 723,507 | — |
| Financial services fee | 63,000 | — |
| Investment income | 50,700 | — |
| Interest and other income | 10,929 | — |
| | 848,135 | — |
| EXPENSES | | |
| Oil and gas operating costs | 170,071 | — |
| General and administrative | 128,686 | 179,250 |
| Interest expense | 27,641 | — |
| Depletion and depreciation | 201,028 | — |
| | 527,425 | 179,250 |
| Income (loss) before income tax | 320,710 | (179,250) |
| Income tax expense | — | — |
| Net income (loss) for the period | 320,710 | (179,250) |
| Accumulated earnings/(deficit), beginning of period | (233,372) | (162,483) |
| Accumulated earnings/(deficit), end of period | 87,338 | (341,733) |
| Net income (loss) per unit/share basic and diluted | 0.02 | (0.02) |

See accompanying notes

Avenir Diversified Income Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

For the period ended March 31,

| | 2003 \$ | 2002 \$ |
|---|----------------|------------|
| OPERATING ACTIVITIES | | |
| Net income (loss) for the period | 320,710 | (179,250) |
| Add non-cash items | | |
| Depletion and depreciation | 201,028 | — |
| Funds from operations | 521,738 | (179,250) |
| Change in non-cash working capital | (166,618) | 179,250 |
| Cash provided by operating activities | 355,120 | — |
| FINANCING ACTIVITIES | | |
| Issue of trust units | 5,663,152 | — |
| Trust unit issue costs | (307,485) | — |
| Distribution to unitholders <i>[note 5]</i> | (254,039) | — |
| Change in bank indebtedness | 1,908,219 | — |
| Change in non-cash working capital | (595,473) | — |
| Cash provided by financing activities | 6,414,374 | — |
| INVESTING ACTIVITIES | | |
| Purchase and conversion of Onward Energy Inc. <i>[note 3]</i> | (2,910,324) | — |
| Property acquisitions | (3,198,858) | — |
| Purchase of financial services contract | (600,000) | — |
| Acquisition, exploration, and development expenditures | (14,203) | — |
| Purchase of other assets | (3,441) | — |
| Cash used in investing activities | (6,726,826) | — |
| Increase in cash during the period | 42,668 | — |
| Cash, beginning of period | 82,497 | — |
| Cash, end of period | 125,165 | — |

See accompanying notes

AVENIR DIVERSIFIED INCOME TRUST

NOTES TO FINANCIAL STATEMENTS

For the three months ended March 31, 2003

1. NATURE OF THE ORGANIZATION AND BASIS OF PRESENTATION

Organization

Avenir Diversified Income Trust (“ART” or the “Trust”) is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created through a trust indenture dated effective September 24, 2002 between Onward Energy Inc. (“Onward”) and Olympia Trust Company. Pursuant to a Plan of Arrangement (the “Arrangement”) dated effective January 16, 2003 involving the Trust and Onward, Onward was converted from a corporate entity to the Trust. To facilitate this conversion, all of the common shares and options of Onward were exchanged for an aggregate of 2,194,373 Trust Units and \$2,351,305 in cash.

In conjunction with the completion of the Arrangement, the Trust acquired all the issued and outstanding shares of a private company, 928719 Alberta Ltd. (“928719”), in exchange for an aggregate of 7,650,000 Trust Units. This transaction was in effect a reverse takeover as the shareholders of 928719 controlled the majority of units in the Trust and the management and directors of 928719 have carried on the management of the Trust.

Also as part of the Arrangement, the Trust acquired all of the trust units of Avenir Operating Trust and the shares of the general partners of two newly created limited partnerships involved in oil and gas and financial services activities.

In connection with the Arrangement, the Trust also completed a private placement of an aggregate of 11,325,551 Trust Units at \$0.40 per unit, which closed in a series of two allocations.

The Trust, is a public income trust trading on the TSX Venture exchange, distributes a portion of its cash flow on a monthly basis to its Unitholders. It currently carries on businesses in the areas exploration and development of oil and gas properties in western Canada and financial services.

Basis of presentation

The unaudited interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the Trust’s accounting policies. The unaudited interim consolidated financial statements are prepared on the same basis as, and should be read in conjunction with, 928719’s financial statements for the year ended December 31, 2002.

While the Trust commenced operations on January 16, 2003, these unaudited interim consolidated financial statements follow the continuity of interest basis of accounting as if Avenir Diversified Income Trust had always been a trust. This basis is intended to provide Unitholders with meaningful financial information and a quarterly comparison. As a result, certain comparative figures are those of 928719 Alberta Ltd., while the results of operations include 928719 Alberta Ltd. results from January 1, 2003 to January 15, 2003, and the Trust’s results of operations from January 16, 2003 to March 31, 2003. Also, certain comparative figures have been reclassified to conform to the current presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared based on the consistent application of the accounting policies and procedures as in the December 31, 2002 928719 Alberta Ltd. annual audited financial statements.

a) Principles of Consolidation

The consolidated financial statements include the amounts of the Trust and its wholly owned subsidiaries and partnerships.

b) Capitalized costs

The Trust follows the full cost method of accounting for oil and gas activities whereby all costs associated with the acquisition of, exploration for and development of oil and gas reserves are capitalized. Such costs include those related to lease acquisition, geological and geophysical activities, lease rentals on unproved properties, drilling both productive and non-productive wells, equipping and that portion of administrative costs directly related to exploration and development activities. No indirect general and administrative expenses have been capitalized.

Proceeds from the disposal of properties are normally applied as a reduction of the costs unless a significant disposal occurs, in which case a gain or loss is recorded.

c) Depletion and amortization

Depletion of oil and gas properties and amortization of production equipment is provided using the unit of production method based on estimated net proved oil and gas reserves as determined by the Trust's reservoir engineers. The relative volumes of oil and gas reserves and production are converted to a common unit of measure on the basis of relative energy content at a ratio of six (6) mcf to one (1) barrel of oil equivalent (boe).

Furniture and computer equipment are amortized using the declining balance method at rates of 20% and 30% respectively.

d) Future site restoration and abandonment costs

Future site restoration and abandonment costs are provided for using the unit-of-production method based on the estimated proved reserves before royalties. Costs are estimated each year by management in consultation with the Trust's reservoir engineer based on current regulations, costs, technology and industry standards. Such costs are expensed annually and accumulated in the provision account based on proven reserve estimates and current production levels. When expenditures are made to restore a property, the accrued provision is charged with these expenditures.

e) Ceiling test

The net carrying value of the Trust's oil and gas properties and production equipment is limited to an ultimate recoverable amount. This amount is the aggregate of estimated future net revenues from proved reserves and the costs of unproved properties, net of impairment allowances less future estimated production costs, administrative costs, financing costs, site restoration and abandonment costs and income taxes. Future net revenues are estimated using prices and costs without escalation or discounting, and the income tax and Alberta Royalty Tax Credit legislation in effect at period end.

f) Joint activities

The Trust's petroleum and natural gas exploration activities are conducted jointly with others. These financial statements reflect only the Trust's proportionate interest in such activities.

g) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The amounts recorded for depletion and the provision for future site restoration costs are based on estimates. The ceiling test calculation is based on estimates of proved reserves, production rates, oil prices, future costs and other assumptions. By their nature, these estimates are subject to measurement uncertainty and effect on the financial statements of changes in such estimates in future periods could be significant. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

h) Stock Based Compensation

The Trust does not recognize compensation expense when stock options are granted to employees and directors under stock option plans with no cash settlement features.

Direct awards of units to employees and stock option awards granted to non-employees have been accounted for in accordance with the fair value method of accounting for stock based compensation. The fair value of direct awards of units is determined by the quoted market price of the Trust's units on the date of grant and the fair value of options are determined using the Black Scholes option pricing model.

i) Per unit amounts

The Trust utilizes the treasury stock method in determining diluted per unit amounts whereby the diluted number of units is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase units of the Trust at their average market price for the period.

j) Goodwill

The Trust has adopted the new Canadian Institute of Chartered Accountants recommendations on accounting for Goodwill and Other Intangible Assets. In accordance with these recommendations, goodwill is not subject to amortization, but is tested for impairment on an annual basis by applying a fair value based test. Any goodwill impairment will be recognized as an expense if the carrying amount of the goodwill exceeds its fair value.

k) Short-term investments

Short-term investments are recorded at the lower of cost or market value. Any reduction in the carrying value of the investments and any gains or losses on ultimate disposition will be reflected in the statement of operations and accumulated earnings.

l) Income taxes

The Trust, and its operating entity, are taxable entities under the Income Tax Act of Canada and are taxable only on income that is not distributed or distributable to the Unitholders. As the Trust distributes all of its taxable income to the Unitholders pursuant to the Trust Indenture and meets the requirements of the Income Tax Act of Canada applicable to the Trust, no provision for income taxes has been made in these consolidated interim financial statements.

3. ONWARD ENERGY INC. ACQUISITION

Pursuant to the Plan of Arrangement more fully described in note 1, on January 16, 2003 Onward shareholders voted to convert to an income trust through a reverse takeover with 928719. The Onward shareholders and optionholders received \$2,351,305 in cash and \$877,749 in Trust Units. The Trust acquired oil and gas assets and \$409,865 in working capital. The transaction has been accounted for using the purchase method as follows:

| | \$ |
|--|-----------|
| <hr/> | |
| Calculation of purchase price: | |
| Fair value of cash consideration | 2,351,305 |
| Fair value of trust units issued | 877,749 |
| Transaction costs | 91,135 |
| | <hr/> |
| | 3,320,189 |
| <hr/> | |
| Allocation of purchase price: | |
| Book value of net assets acquired | 1,004,151 |
| Adjustments to reflect | |
| Estimated fair value of oil and gas capital assets | 1,145,338 |
| Estimated fair value of goodwill | 1,087,132 |
| Future income tax asset reduction | (58,112) |
| Fair value of future site restoration | 141,680 |
| | <hr/> |
| | 3,320,189 |
| <hr/> | |

As the Trust does not recognize income taxes, the future income tax liability associated with the underlying business of Onward has not been recognized in the allocation of the purchase price noted above.

4. CAPITAL ASSETS

| | 2003 | | |
|----------------------------------|------------------|---|---------------------------|
| | Cost | Accumulated Depletion and Depreciation | Net Book Value |
| | \$ | \$ | \$ |
| Oil and gas properties/equipment | 5,342,253 | 200,936 | 5,141,316 |
| Furniture and computer equipment | 3,441 | 92 | 3,349 |
| | <u>5,345,694</u> | <u>201,028</u> | <u>5,144,665</u> |

The Trust had no capital assets in 2002.

- a) The Onward oil and gas assets as described in Note 3 above were valued at \$2,129,192.
- b) On January 16, 2003, in conjunction with the Onward Plan of Arrangement, the Trust purchased oil and gas assets from an arms length third party for a total of \$2,029,962 including adjustments to date. A final statement of adjustment should be finalized in the second quarter of 2003.
- c) On January 31, 2003 the Trust purchased oil and gas assets from another arms length party for a total of \$1,168,896 including adjustments to date. A final statement of adjustment should be finalized in the second quarter of 2003.

5. ACCUMULATED CASH DISTRIBUTIONS

| | March 31, 2003 |
|--|---------------------------|
| | \$ |
| Funds from operations | 521,758 |
| Cash retained for growth capital and future distributions | 267,719 |
| Cash distributions paid and payable | 254,039 |
| Accumulated cash distributions paid and payable, beginning of period | — |
| Accumulated cash distributions paid and payable, end of period | <u>254,039</u> |

Cash distributions declared per Trust unit issued and outstanding:

| Period covered | Date of Distribution | Per Unit \$ |
|---------------------------------------|-----------------------------|--------------------|
| January 16, 2003 to February 28, 2003 | 03/14/2003 | 0.00675 |
| March 1, 2003 to March 31, 2003 | 04/15/2003 | 0.00525 |

6. SHORT-TERM INVESTMENTS

The Trust holds a portfolio investment of 100,000 units in Provident Energy Trust, an oil and gas royalty trust listed on the TSX. The units may be sold at any time to finance activities in line with the Trust's business plan. The public trust units are recorded at their cost of \$1,010,000. The fair value of the units as at March 31, 2003 is \$1,029,000 (December 31, 2002 - \$1,080,000)

7. FINANCIAL INSTRUMENTS

a) Fair values of financial assets and liabilities

The Trust's financial instruments consist of cash and cash equivalents, accounts receivable, short-term investments, financial services contracts, bank indebtedness, accounts payable and distributions payable. Unless otherwise noted, as at March 31, 2003 and December 31, 2002, there were no significant differences between the carrying amounts of these financial instruments as reported on the balance sheets and their estimated fair values.

The Trust is a party to certain off balance sheet derivative financial instruments in 2003 consisting of physical delivery fixed price forward contract. The contract outstanding with respect to the hedging activities at March 31, 2003 is as follows:

A physical fixed price swap for the period of April 1, 2003 to March 31, 2004 on 85 bbls/day of oil at a price of US\$28.00 West Texas Intermediate ("WTI").

Based on dealer quotes, had these contracts been closed on March 31, 2003, a gain of US \$32,043 would have been realized.

b) Credit risk

The Trust's financial instruments that are exposed to credit risk consist primarily of cash and cash equivalents, trade accounts receivable and financial services contracts. Cash and cash equivalents are with a major Canadian financial institution. Although a substantial portion of trade receivables is dependant upon the oil and gas industry, management considers credit risk to be minimal. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses.

The Trust's financial services contracts are with affiliates of a financial services provider and with a chain of cash advance stores. The stated return on the financial services contracts is subject to significant credit risk and risk of not realizing on collateral in the event of default. The Trust has attempted to mitigate this risk through the advancing of amounts through various counterparties, however, some credit risk remains. Under the Trust's revenue recognition policy, fees earned on these contracts will be adjusted to reflect anticipated credit losses. A credit loss provision will be established when management deems the risk of credit loss to be significant. As with respect to all financial instruments, the Trust could be exposed to losses if a counter party fails to perform in accordance with the terms of the contracts.

c) Interest rate risk

The Trust is exposed to interest rate fluctuations on the interest on its bank indebtedness, which will be floating with Canadian bank prime. Also, given the fixed fee nature of the financial services contracts, a significant change in interest rates may affect the value of these contracts.

8. FINANCIAL SERVICES CONTRACTS

The Trust has entered into financial services contracts with 19695 Yukon Inc., an affiliate of a financial services provider which is related to a member of the Trust's Board of Directors, to provide funding on two ten year contracts to a cash advance company providing cash advance, cheque cashing and payday loan services. The initial \$600,000 contract pays the Trust a fixed fee of \$0.07 per \$100 loaned per day and is callable at the Trust's option with sixty days notice. An additional \$600,000 contract was funded on January 31, 2003, under the same terms as the initial contract.

9. BANK INDEBTEDNESS

The Trust has a revolving demand facility with a major Canadian bank in the amount of \$2,000,000 bearing interest at bank prime plus one percent. The revolving facility is collateralized by a floating charge debenture over all of the Trust's assets. The Trust also has an acquisition and development line of \$2,000,000, bearing interest at bank prime plus one and one-half percent, to fund additional oil and gas acquisitions. As at March 31, 2003 the revolving line was drawn \$1,100,000 and the acquisition line was drawn \$800,000. The Trust has also obtained a \$600,000 line of credit from an investment banking firm collateralized by Provident Trust units.

During the period cash interest of \$27,641 (2002 – nil) was paid.

10. SHAREHOLDERS'/UNITHOLDERS' CAPITAL

a) Unitholders' capital

Authorized

Authorized capital consists of an unlimited number of Trust Units and an unlimited number of Special Voting Units. No Special Voting Units have been issued to date.

Issued

| Trust Units | Number of Units | Amount \$ |
|--|----------------------------|----------------------|
| Balance, December 31, 2002 | — | — |
| Units issued on 928719 corporate purchase | 7,650,000 | 1,325,182 |
| Units issued on Onward Trust conversion | 2,194,373 | 877,749 |
| Units from Special Warrants financing January 16, 2003 | 10,158,800 | 4,063,520 |
| Units financing February 27, 2003 | 1,166,750 | 466,700 |
| Trust Unit issue costs | — | (307,484) |
| Balance, March 31, 2003 | 21,169,923 | 6,425,667 |

b) Shareholders' capital

Authorized

928719's authorized share capital consists of an unlimited number of common shares.

Issued

| | Number of Shares | Amount \$ |
|-----------------------------------|---------------------|------------------|
| Balance, December 31, 2002 | 8,000,000 | 1,070,000 |
| Converted to trust units | (8,000,000) | (1,070,000) |
| Balance, March 31, 2003 | — | — |

c) Net income (loss) per unit

For the period ended March 31, 2003, the Trust had a weighted average of 20,656,554 (March 31, 2002 – 6,000,000) Trust Units outstanding. The interval used to calculate the weighted average units outstanding was January 16, 2003 to March 31, 2003 inclusive. The diluted per unit amount was calculated assuming the exercise of outstanding in the money, options resulting in a weighted average number of Trust Units outstanding of 20,834,332 (March 31, 2002 – 6,000,000).

11. STOCK-BASED COMPENSATION

Under the Trust's option plan, stock options to acquire trust units are granted to employees and directors from time to time at exercise prices equal to the market value of the shares at the date of the grant. Options granted under the plan vest over a three year period and have a five year life. The exercise price of the options is periodically adjusted to reflect the Trust's monthly distributions. Any consideration paid on exercise of stock options is credited to share capital.

At March 31, 2003 a total of 1,600,000 options had been reserved under the Trust option plan. No options reserved under the Unit option plan had vested. All options granted to date have an exercise price of \$0.40.

Pro-forma net income as if the Trust had accounted for its employee stock options granted after December 31, 2001 under the fair value method is as follows:

| | 2003 \$ |
|--|------------|
| Net income (loss) | |
| As reported | 320,710 |
| Pro forma | 314,123 |
| Net income (loss) per unit – basic and diluted | |
| As reported | 0.02 |
| Pro forma | 0.02 |

The fair value for these options was estimated at the date of granting using a Black-Scholes Option Pricing Model with the following assumptions: weighted-average risk-free interest rate of 4.5%; dividend yield of 14%; weighted-average volatility factors of the expected market price of the Trust's units of 107%; and a weighted-average expected life of the options of 5 years.

Of the options granted, 200,000 were granted to non-employees. Compensation expense of \$nil on these options has been recorded during the period.

12. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2003, the Trust paid \$18,000 for corporate administrative and financial services provided by Avenir Capital Corporation, a major unitholder of the Trust and in effect the sponsor of the Trust.

For the period ended March 31, 2002, Avenir Capital Corporation provided \$103,153 in corporate administrative, financial and operational services to 928719 as part of the Company's initial start-up. These costs were recorded as a payable at year end and subsequently exchanged for equity in 928719 as part of the Plan of Arrangement reorganization. During 2002, shareholders of 928719 agreed to fund debts incurred by 928719 relating to geological and engineering consulting costs. At December 31, 2002, \$300,000 was recorded as a payable and subsequently exchanged for equity in 928719 as part of the Onward Plan of Arrangement reorganization.

13. SUBSEQUENT EVENTS

On April 17, 2003 ART announced an agreement to purchase the outstanding shares of Outback Energy Inc. Consideration for the acquisition will consist of 2,333,333 units of the Trust plus the assumption of debt for an expected aggregate deemed consideration of \$1,500,000. The transaction closed on May 27, 2003.