

**BROMPTON EQUAL WEIGHT
OIL & GAS INCOME FUND**

INITIAL ANNUAL INFORMATION FORM

May 19, 2005

GLOSSARY OF TERMS.....	3
1.0 CORPORATE STRUCTURE.....	6
1.1 Name and Incorporation.....	6
2.0 GENERAL DEVELOPMENT OF THE BUSINESS.....	6
3.0 NARRATIVE DESCRIPTION OF THE BUSINESS.....	6
3.1 Description of the Trust Units.....	6
3.2 Income Funds.....	6
3.2.1 Oil & Gas Income Trusts.....	7
3.3 Investment Guidelines.....	7
3.4 Rebalancing Criteria.....	8
3.5 Investment Restrictions.....	8
3.5.2 Securities Lending.....	10
3.5.3 Non-Resident Unitholders.....	10
3.6 Monthly Distributions.....	11
3.7 Valuation, Total Assets and Net Asset Value.....	11
3.8 The Trustee.....	12
3.8.1 Modification of Declaration of Trust and Meetings of Unitholders.....	12
3.8.2 Termination of the Fund.....	14
3.9 The Manager and the Management Agreement.....	14
3.9.2 Management Agreement.....	14
3.10 Fees and Expenses Payable by the Fund.....	17
3.10.1 Management Fee.....	17
3.10.2 Service Fee.....	17
3.10.3 Ongoing Expenses.....	18
3.11 Loan Facility.....	18
3.12 Redemption of Units.....	18
3.13 Issuer Bid.....	19
3.14 Distribution Reinvestment Plan.....	20
3.15 Auditors, Custodian, Registrar, Transfer Agent and Distribution Agent.....	21
3.16 Risk Factors.....	21
4.0 SELECTED FINANCIAL INFORMATION.....	24
4.1 Selected Annual and Quarterly Information.....	24
5.0 MANAGEMENT'S DISCUSSION AND ANALYSIS.....	24
6.0 MARKET FOR SECURITIES.....	25
7.0 DIRECTORS AND OFFICERS OF THE MANAGER.....	25
7.1 Remuneration of Directors and Officers.....	26
8.0 FORWARD LOOKING INFORMATION.....	26
9.0 ADDITIONAL INFORMATION.....	27

GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated.

“Additional Distribution” means a Distribution that will, if necessary, be made automatically in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax.

“BCAF” means Brompton Capital Advisors Inc.

“Business Day” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“CDS” means The Canadian Depository for Securities Limited.

“CDS Participant” means a participant in CDS.

“CRA” means the Canada Revenue Agency.

“Custodian” means The Royal Trust Company, in its capacity as custodian under the Custodian Agreement.

“Custodian Agreement” means the custodian agreement dated October 4, 2004 between the Manager, on behalf of the Fund and the Custodian, as it may be amended from time to time.

“Declaration of Trust” means the declaration of trust dated as of September 28, 2004 as it may be amended from time to time.

“Distribution(s)” means the cash and *in specie* distribution(s) which are paid by the Fund to Unitholders.

“Distribution Date” means the date on which cash Distributions are paid by the Fund, such date to be no later than the date which is the tenth Business Day after the applicable Record Date.

“Distribution Reinvestment Plan” means the Fund’s distribution reinvestment plan as it may be amended from time to time as described in section 3.14 of this Annual Information Form.

“Distribution Reinvestment Plan Agency Agreement” means the distribution reinvestment plan agency agreement among the Fund, the Manager and the Trustee, in its capacity as the Plan Agent, establishing the Distribution Reinvestment Plan, as it may be amended from time to time.

“Extraordinary Resolution” means a resolution passed by the affirmative vote of at least 66 2/3% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

“Float Capitalization” means the aggregate market value of an Oil & Gas Income Trust’s issued and outstanding units excluding those units held by any person who, according to publicly available information, beneficially owns or exercises control or direction over 20% or more of such Oil & Gas Income Trust’s issued and outstanding units.

“Fund” means Brompton Equal Weight Oil & Gas Income Fund, a closed-end investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“Income Fund” means a trust, limited partnership or other entity structured to own, directly or indirectly: (i) debt and/or equity of an underlying company or other entity which carries on an active business; (ii) income producing real estate assets; or (iii) a royalty on revenues generated by the assets of an underlying company or other entity which carries on an active business, including consumer funds, industrial funds, oil and gas funds, power and pipeline funds, real estate investment trusts and resource funds as described in section 3.2 of this Annual Information Form.

“Investment Guidelines” means the investment guidelines to be followed by the Fund as set forth in the Declaration of Trust, as described in section 3.3 of this Annual Information Form.

“Investment Restrictions” means the investment restrictions of the Fund set forth in the Declaration of Trust restricting the investment activities of the Fund as described in section 3.5 of this Annual Information Form.

“Lender” means one or more Canadian chartered banks or other lending institution.

“Loan Facility” means the loan facility entered into between the Fund and the Lender as described in section 3.11 of this Annual Information Form.

“Management Agreement” means the management agreement dated September 28, 2004 between the Manager and the Fund, as it may be amended from time to time as described in section 3.9.2 of this Annual Information Form.

“Management Fee” means the management fee payable to the Manager as described in section 3.10.1 of this Annual Information Form.

“Manager” means the manager and administrator of the Fund, Brompton Energy Trust Management Limited.

“Market Price” means the weighted average trading price on the TSX (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX) for the 10 trading days immediately preceding the relevant Distribution Date, plus applicable commission and brokerage charges.

“Net Asset Value” means the net asset value of the Fund, as determined by subtracting the aggregate liabilities of the Fund from the Total Assets, in each case on the date on which the calculation is being made.

“Net Asset Value per Unit” means the Net Asset Value divided by the total number of Units outstanding, in each case on the date on which the calculation is being made.

“Oil & Gas Income Trust” means an Income Fund where the principal underlying business is the conventional production and sale of oil and/or natural gas as described in section 3.2.1 of this Annual Information Form.

“Ordinary Resolution” means a resolution passed by the affirmative vote of at least 50% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

“Plan Agent” means the Trustee, in its capacity as agent under the Distribution Reinvestment Plan.

“Plan Participants” means Unitholders who are participants in the Distribution Reinvestment Plan.

“Portfolio” means the Portfolio of Oil & Gas Income Trusts, the securities of which are to be acquired and adjusted by the Fund in accordance with the Investment Guidelines, Rebalancing Criteria and the Investment Restrictions.

“Rebalancing Criteria” means the rebalancing criteria, as set forth in the Declaration of Trust, as described in section 3.4 of this Annual Information Form.

“Record Date” means the last Business Day of each calendar month prior to the Termination Date.

“Redemption Date” means the second last Business Day of November of each year commencing in November 2005.

“Redemption Payment Date” means the date on or before the tenth Business Day of December in the relevant year on which payment of the redemption price for Units redeemed in that year is made.

“Service Fee” means the fee that the Fund will pay to the Manager, who in turn will pay an equivalent amount to dealers, as described in section 3.10.2 of this Annual Information Form.

“Tax Act” means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and shall include regulations promulgated thereunder.

“Termination Date” means the date the Fund is terminated, as described in section 3.8.2 of this Annual Information Form.

“Total Assets” means the aggregate value of the assets of the Fund determined in accordance with the terms of the Declaration of Trust.

“Transfer Agent and Registrar” means Computershare Trust Company of Canada, in its capacity as Transfer Agent and Registrar under the Declaration of Trust.

“Trustee” means Computershare Trust Company of Canada, in its capacity as Trustee under the Declaration of Trust.

“TSX” means the Toronto Stock Exchange.

“Unitholders” means, unless the context requires otherwise, the owners of the beneficial interest in the Units.

“Units” means the transferable, redeemable trust units of the Fund, each of which represents an equal, undivided beneficial interest in the net assets of the Fund.

“Valuation Date” means, at a minimum, Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit.

1.0 CORPORATE STRUCTURE

1.1 Name and Incorporation

Brompton Equal Weight Oil and Gas Income Fund is a closed-end investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 28, 2004. The Fund is managed by Brompton Energy Trust Management Limited. Computershare Trust Company of Canada is the Trustee of the Fund. The Fund's principal office is 181 Bay Street, BCE Place, Bay Wellington Tower, Suite 2930, Toronto, ON M5J 2T3. The fiscal year-end of the Fund is December 31.

2.0 GENERAL DEVELOPMENT OF THE BUSINESS

The Fund closed its initial public offering on October 7, 2004 with the placement of 40,000,000 transferable, redeemable Units of the Fund at \$10.00 per Unit. On October 18, 2004, a further 1,700,000 Units were issued pursuant to the over-allotment option granted to the agents of the offering resulting in gross and net proceeds of the offering of \$417 million and \$394.8 million respectively. The Fund was designed to provide unitholders with high monthly Distributions and low management fees together with the opportunity for capital appreciation by investing in an equally weighted diversified Portfolio of Oil & Gas Income Trusts on a passive basis.

Oil & Gas Income Trusts continued their strong growth in 2004. There were 34 equity offerings completed including 6 trust reorganizations and 28 follow-on offerings. The total capital raised was approximately \$5.5 billion. This represented about 30% of all capital raised in the income trust market. The market capitalization of all oil and gas trusts at year end was over \$41 billion

3.0 NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 Description of the Trust Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no holder of Units is entitled to any privilege, priority or preference in relation to any other holder of Units. Each holder of Units is entitled to one vote for each whole Unit held and is entitled to participate equally with respect to any and all Distributions made by the Fund, including Distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding Units of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

Unitholders have no voting rights in respect of Oil & Gas Income Trusts held by the Fund. From time to time, BCAI will determine whether or not to exercise the voting rights attached to the Oil & Gas Income Trusts held by the Fund and, if so, how such securities will be voted.

3.2 Income Funds

Income Funds can be divided into four main categories: business income funds, real estate investment trusts, power and pipeline funds and oil and gas funds. Income Funds are trusts, limited partnerships or other entities designed to pay out a high level of distributions. They are usually structured to own debt and/or equity of an underlying company or other entity which carries on an active business. Income Funds are structured to minimize the double taxation that normally occurs through direct investment in a corporation. Distributions from Income Funds may include the following components: interest, dividends, capital gains and return of capital. The return of capital is not taxable to a Unitholder in the year of distribution, but will reduce the adjusted cost base for tax purposes of the Unitholder's trust units.

3.2.1 Oil & Gas Income Trusts

Oil & Gas Income Trusts are Income Funds where the principal underlying business is the conventional production and sale of oil and/or natural gas. These trusts pay out a large portion of the cash flow received from the production and sale of underlying crude oil and natural gas to Unitholders in a tax efficient manner. Oil & Gas Income Trusts are structured to minimize double taxation that may occur with normal operating oil and gas companies. By having a trust or partnership own equity and debt securities of an operating business, income tax can be minimized at the operating company level. Distributions from Oil & Gas Income Trusts typically include the following characterizations for tax purposes: interest, business income, dividends and return of capital. The return of capital is not taxable to a unitholder in the year of distribution, but will reduce the adjusted cost base for tax purposes of the Unitholders' trust units. The tax efficiency of an investment in an Oil & Gas Income Trust means investors have been willing to pay higher prices for investments in Oil & Gas Income Trusts compared to investments in traditional common shares of an oil and gas company. This valuation difference has prompted many oil and gas companies to convert to the Income Trust structure. At the same time, the distribution stream from an investment in an Oil & Gas Income Trust gives investors a high level of current income and the potential for capital gains.

The amount of distributions paid on a unit of an Oil & Gas Income Trust will vary from time to time based on production levels, commodity prices, royalty rates, operating and general administrative expenses, debt service charges and deductions, including holdbacks for future capital spending. As a result of distributing a large percentage of their cash flow to unit holders, Oil & Gas Income Trusts are generally constrained in their ability to generate new reserves and production from exploration and, to a lesser extent, development drilling. Therefore, typically the majority of growth and reserve replacement of Oil & Gas Income Trusts is derived through acquisition of producing assets or companies with proven oil and natural gas reserves, funded through the issuance of additional units or through the use of leverage. Consequently, Oil & Gas Income Trusts are considered to be less exposed to drilling risk faced by traditional oil and natural gas exploration and production companies. However, they are still exposed to risks associated with the business of the production and sale of oil and natural gas, including the risks of depletion of reserves, reduced commodity prices, reservoir performance, increasing operating costs and leverage.

Oil & Gas Income Trusts may engage in hedging programs to reduce their sensitivity to short-term movements in oil and gas spot prices. Oil & Gas Income Trusts that utilize hedging programs may enter into forward contracts ranging in maturity from less than one month to several years. The forward contracts specify that a price, or price range, established at the time the contract is entered into will be paid on delivery of the oil or gas at some point in the future.

3.3 Investment Guidelines

The Fund will adhere to the following guidelines regarding the investments in the Portfolio:

- (a) each Oil & Gas Income Trust will:
 - (i) operate principally as a conventional producer of oil and/or gas;
 - (ii) have a minimum Float Capitalization of at least \$500 million at the time of investment, subject to the Rebalancing Criteria;
 - (iii) currently pay a regular distribution; and
 - (iv) be listed for trading on the TSX;

- (b) at the time of acquisition the Portfolio will be equally weighted based on the Total Assets of the Fund divided by the number of Oil & Gas Income Trusts included in the Portfolio; and
- (c) notwithstanding (a) and (b) above, the Portfolio shall at all times comprise, at a minimum, the 15 largest Oil & Gas Income Trusts measured on the basis of Float Capitalization.

Although it is the Manager's expectation that, throughout the life of the Fund, the Fund will adhere rigorously to the Investment Guidelines, in exceptional circumstances, the Manager may exercise discretion to exclude or remove from the Portfolio any Oil & Gas Income Trust where the Manager considers that facts unrelated to the business of such Fund may have a material adverse effect on the market price or value of such Oil & Gas Income Trust's securities.

3.4 Rebalancing Criteria

The Portfolio will be rebalanced quarterly to adjust for changes in the market value of investments, to add any Oil & Gas Income Trusts which at the time of rebalancing newly qualify for inclusion and to remove any Oil & Gas Income Trusts having a Float Capitalization of less than \$500 million or that otherwise no longer meet the Investment Guidelines or Investment Restrictions. Between rebalancing dates, the Fund may, at the discretion of the Manager, invest amounts available for working capital purposes under the Loan Facility in initial public offerings of new Oil & Gas Income Trusts that qualify for inclusion in the Portfolio. In order to rebalance the Portfolio or to determine the amount that may be invested in any initial public offerings of new Oil & Gas Income Trusts that qualify for inclusion in the Portfolio between rebalancing dates, the Manager will calculate the market value of the Portfolio as at the applicable rebalancing date and divide such market value by the number of Oil & Gas Income Trusts which are then eligible to be included in the Portfolio. Rebalancing transactions will be completed as soon as practicable thereafter. As a result of changes in market prices of the Oil & Gas Income Trusts in the Portfolio and possible investment in initial public offerings of new Oil & Gas Income Trusts between rebalancing dates, it is not expected that the Oil & Gas Income Trusts included in the Portfolio will be exactly equally weighted at any given time.

3.5 Investment Restrictions

The Fund is subject to certain Investment Restrictions which are set out in the Declaration of Trust. The Investment Restrictions may not be changed without the prior approval of Unitholders by way of an Extraordinary Resolution, unless such change or changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed from time to time by applicable regulatory authorities.

The Investment Restrictions provide that the Fund will not:

- (a) invest in a Oil & Gas Income Trust unless it meets the Investment Guidelines or Rebalancing Criteria referred to above;
- (b) own more than 10% of the outstanding equity securities of an issuer or purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (c) borrow money, except that:
 - (i) short-term credits necessary for settlement of securities transactions are not considered borrowing; and

- (ii) the Fund may borrow pursuant to the Loan Facility;
- (d) make or hold any investment that would result in the Fund failing to qualify as a “unit trust” within the meaning of paragraph 108(2)(b) of the Tax Act. In order for the Fund to qualify:
- (i) at all times at least 80% of the property of the Fund must consist of a combination of: shares; property that, under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire shares; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; cash; real property situated in Canada and interests in real property situated in Canada; or rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;
 - (ii) not less than 95% of the Fund’s income for each year must be derived from, or from the disposition of, investments described in (i) above; and
 - (iii) at no time may more than 10% of the Fund’s property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in right of Canada or a province or a Canadian municipality;
- (e) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (f) invest in or hold “foreign property” if the “cost amount” (as those terms are defined in the Tax Act) to the Fund of all foreign property held by it would cause the Fund to be subject to tax under Part XI of the Tax Act or would cause Units to be foreign property under the Tax Act or engage in any other transaction that would cause the Fund to be liable to tax under Part XI of the Tax Act;
- (g) with the exception of securities of the Fund’s own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager, BCAI or any of their respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by the Manager, BCAI or any of their respective affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or BCAI may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, either: (i) any such transaction is effected through normal market facilities, and the purchase price approximates the prevailing market price; or (ii) such purchase or sale is approved by a majority of the Manager’s independent directors;
- (h) invest in the securities of any non-resident corporation or trust or other non-resident entity if the Fund would be required to mark its investment in such securities to market in accordance with proposed sections 94.2 or 94.3 of the Tax Act or to include any significant amounts in income pursuant to proposed section 94.1 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities

released on October 30, 2003 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto); or

- (i) invest in any Oil & Gas Income Trust upon the Manager becoming aware of any steps or proceedings under any federal or provincial bankruptcy or insolvency legislation taken by or against such Oil & Gas Income Trust or any announcement of any such steps.

If a percentage restriction on investment or use of assets set forth above as an Investment Restriction is adhered to at the time of the transaction, later changes to the market value of the Oil & Gas Income Trust included in the Portfolio or Total Assets will not be considered a violation of the Investment Restrictions or require the elimination of any Oil & Gas Income Trust included in the Portfolio. If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund's holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the Investment Restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with. Notwithstanding the foregoing, the restrictions in paragraphs (d), (e), (f) and (i) above must be complied with at all times and may necessitate the selling of Oil & Gas Income Trusts included in the Portfolio from time to time.

3.5.2 *Securities Lending*

In order to generate additional returns, the Fund may lend Oil & Gas Income Trusts included in the Portfolio to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and such borrower (a "Securities Lending Agreement"). Under a Securities Lending Agreement: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Fund will receive collateral security. The Fund did not conduct any securities lending in 2004.

3.5.3 *Non-Resident Unitholders*

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships, or (iii) a combination of non-residents and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units and the Trustee shall inform the Transfer Agent and Registrar of this restriction. The Trustee may require declarations as to the jurisdictions in which beneficial owners of Units are resident and, if a partnership, its status as a Canadian partnership. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines that a majority of the Units are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Trustee may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents and/or partnerships that are not Canadian partnerships within such period, the Trustee may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

3.6 Monthly Distributions

Unitholders of record at the close of business on the last Business Day of each month are entitled to receive a monthly cash Distribution payable on or about the tenth Business Day of the subsequent month. Unitholders are entitled to participate equally in respect of each Trust Unit held with respect to any and all Distributions made by the Fund. The Fund includes in each monthly Distribution one-third of the quarterly distribution expected to be received from those Oil & Gas Income Trusts included in the Portfolio who pay Distributions on a quarterly basis.

It is expected that monthly cash Distributions from the Fund will primarily be derived from distributions received on the Oil & Gas Income Trusts included in the Portfolio less estimated expenses and estimated taxes payable by the Fund, if any. The level of Distributions paid by the Fund to Unitholders will depend upon the distributions received from the Oil & Gas Income Trusts included in the Portfolio and therefore is expected to fluctuate from month to month.

Many of the issuers of the securities in which the Fund invests are entitled to tax deductions relating to the nature of their assets, with the result that their cash distributions are anticipated to exceed the amount required to be included in the income of the recipients. As a result, cash Distributions received by Unitholders from the Fund in a year are generally expected to exceed the amount required to be included in their income for tax purposes. The proportion of the Distributions characterized as a return of capital will be affected by net capital gains realized by the Fund. To the extent that the Fund receives distributions from Oil & Gas Income Trusts included in the Portfolio as a return of capital that reduce the adjusted cost base of such securities to the Fund, the Fund may realize a capital gain if such securities are sold, including on rebalancing. In addition, the Fund may realize a capital gain on sales, including rebalancing, if the securities of the Oil & Gas Income Trusts sold have appreciated in value. Such capital gains will reduce the proportion of the Distributions characterized as a return of capital.

The Fund will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. Provided the Fund makes Distributions in each year of its net income and net realized capital gains, and provided the Fund deducts in computing its income the full amount available for deduction in each year, the Fund will not generally be liable for income tax under Part I of the Tax Act. In order to ensure this result, the Declaration of Trust provides that an Additional Distribution will, if necessary, be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary where the Fund realizes income for tax purposes which is in excess of the monthly Distributions paid or made payable to Unitholders during the year. In the event that the Fund does not have cash in an amount sufficient to pay the full amount of the Additional Distribution, such Additional Distribution may, at the option of the Trustee, be satisfied by the issuance of additional Units having a value equal to the cash shortfall. Following such issue of additional Units, the outstanding Units of the Fund will be automatically consolidated on a basis such that the number of consolidated Units (before giving effect to any redemption of Units on such date) is equal to the number of Units outstanding immediately preceding the Additional Distribution, except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the Distribution.

Each Unitholder will be mailed annually, on or about March 31, the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund to the Unitholder in the preceding taxation year of the Fund.

3.7 Valuation, Total Assets and Net Asset Value

The Net Asset Value per Unit on any Valuation Date is calculated by dividing the Net Asset Value on such Valuation Date by the total number of Units outstanding on such Valuation Date. The Manager will calculate the Net Asset Value per Unit as at the close of business on each Valuation Date. The Valuation

Date will, at a minimum, be Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit. The Fund will make available to the financial press for publication on a weekly basis the Net Asset Value per Unit. For the purposes of calculating the redemption price, the value of any security which is held by the Fund and is listed or traded upon a stock exchange is equal to the weighted average trading price of such security over the last three Business Days of the month in which the Redemption Date occurs.

The Net Asset Value per Unit is calculated in Canadian dollars.

3.8 The Trustee

Computershare Trust Company of Canada is the Trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust. The Trustee or any successor Trustee may resign upon 90 days' written notice to the Manager or may be removed by an Extraordinary Resolution passed at a meeting of Unitholders called for such purpose. Any such resignation or removal shall become effective only on the appointment of a successor Trustee. If, after notice of resignation has been received from the Trustee, no successor has been appointed within 90 days of such notice, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor Trustee.

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The address of the Trustee is 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1. The Trustee is entitled to receive fees from the Fund and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

3.8.1 *Modification of Declaration of Trust and Meetings of Unitholders*

Except as provided below, the Declaration of Trust may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Declaration of Trust, or by the written consent in lieu of a meeting if there is only one Unitholder. Not less than 21 days notice will be given for any meeting of Unitholders. The quorum for any meeting of Unitholders is two or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding. If no quorum is present at such meeting within one-half hour after the time fixed for the holding of such meeting, the meeting if convened upon the request of a Unitholder shall be dissolved but in any other case, the meeting shall be adjourned for not less than 14 days and the Unitholders present in person or represented by proxy at such adjourned meeting form the necessary quorum. At any such meetings, each Unitholder will be entitled to one vote for each whole Unit held.

The following may only be undertaken with the approval of Unitholders by an Ordinary Resolution passed at a meeting called for the purpose of considering such Ordinary Resolution, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such Ordinary Resolution:

- (i) any termination of the Management Agreement other than where the Manager has been removed by the Trustee pursuant to the Declaration of Trust or the Management Agreement or the Manager has resigned;
- (ii) the liquidation, dissolution or termination of the Fund;
- (iii) an amendment to the Declaration of Trust to permit the redemption or retraction of Units at the option of the Unitholder or the Fund, other than as currently provided for in the Declaration of Trust;
- (iv) the sale of all or substantially all of the assets of the Fund other than in the ordinary course; and
- (v) any amendment to i to iv above except as outlined below.

The following may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- (i) the termination of the Trustee or any one of its affiliates as the trustee of the Fund;
- (ii) any change in the Investment Guidelines, Rebalancing Criteria or Investment Restrictions, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (iii) any material change in the Management Agreement, other than its termination;
- (iv) any increase in the Management Fee;
- (v) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (vi) any issue of Units for net proceeds per Unit less than the most recently calculated Net Asset Value per Unit prior to the date of the setting of the subscription price by the Fund;
- (vii) any change in the frequency of calculating Net Asset Value per Unit to less often than weekly; and
- (viii) any amendment to i to vii above except as outlined below.

The Trustee is entitled to amend the Declaration of Trust without the consent of, or notice to, the Unitholders, to:

- (i) ensure compliance with applicable laws, regulations or requirements of any governmental authority having jurisdiction over the Fund;
- (ii) maintain the status of the Fund as a “unit trust”, “mutual fund trust” and a “registered investment” under the Tax Act;

- (iii) make changes or corrections which counsel for the Fund advise are necessary or desirable for the correction of typographical mistakes or are required for the purpose of curing any ambiguity or defective or inconsistent provisions or omissions or manifest error; or
- (iv) provide added protection for Unitholders upon the advice of counsel to the Fund,

but only if such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities.

The holders of not less than 10% of the then outstanding Units may requisition the Trustee to call a meeting of Unitholders for the purpose stated in the requisition.

The Fund does not intend to hold annual meetings of Unitholders, however, the Fund has undertaken to the TSX to hold annual meetings of Unitholders if so instructed by the TSX. To date, the TSX has not instructed the Fund to hold annual meetings of Unitholders.

3.8.2 *Termination of the Fund*

The Fund does not have a fixed termination date but may be terminated at any time upon not less than 90 days written notice to the Manager from the Trustee with the approval of Unitholders by an Ordinary Resolution and passed at a duly convened meeting of Unitholders called for the purpose of considering such Ordinary Resolution, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such Ordinary Resolution. Prior to the Termination Date, the Manager will convert the Portfolio to cash to the extent practicable and will satisfy or make appropriate provision for all liabilities of the Fund. The Manager may, in its discretion and upon not less than 30 days' notice to the Unitholders, extend the Termination Date by a period of up to 180 days if the Manager will be unable to convert all of the Portfolio to cash prior to the original Termination Date and the Manager determines that it would be in the best interests of the Unitholders to do so. The Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the Termination Date, such unliquidated assets *in specie* rather than in cash, subject to compliance with any securities or other laws applicable to such Distributions. Following such distribution, the Fund will be dissolved.

The Fund will also be terminated in the event of the resignation of the Manager if a replacement Manager has not been appointed within 120 days of the date upon which the Manager gives notice to the Trustee of its resignation. Such termination shall occur on the date which is 60 days following the last day of the aforementioned 120 day period.

3.9 The Manager and the Management Agreement

3.9.1 *The Manager*

Brompton Energy Trust Management Limited was incorporated pursuant to the *Business Corporations Act* (Ontario) on August 17, 2004. Its head office is at Suite 2930, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3. The Manager was organized for the purpose of managing and administering closed-end investments including the Fund. The Manager is a wholly owned subsidiary of Brompton Management Limited and a member of the Brompton Group of companies.

3.9.2 *Management Agreement*

Pursuant to the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Fund and to make all decisions regarding the business of the Fund and has authority to bind

the Fund. The Manager may, pursuant to the terms of the Management Agreement, delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund and the Unitholders to do so. The Manager engaged BCAI, a wholly-owned subsidiary of Brompton Limited, to invest the net proceeds of the offering, together with amounts borrowed under the Loan Facility, to purchase Oil & Gas Income Trusts to comprise the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines, Rebalancing Criteria and Investment Restrictions. The Manager is responsible for paying the fees of BCAI out of the Management Fee.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Unitholders and to exercise the care, diligence and skill that a reasonably prudent and qualified manager would exercise in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect of the Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or disregard of its duties or standard of care, diligence and skill or material breach or default of the Manager's obligations under the Management Agreement. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the Fund's affairs except in accordance with the provisions of the Declaration of Trust.

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, including, without limitation:

- (a) monitoring the performance of persons appointed to maintain the Portfolio in accordance with the Investment Guidelines, Rebalancing Criteria and Investment Restrictions, as well as managing relationships with the Custodian, Registrar and Transfer Agent, auditors, legal counsel and other organizations or professionals serving the Fund;
- (b) monitoring the suitability of the Investment Guidelines and preparing for adoption by the Unitholders of any amendments to the Investment Guidelines, Rebalancing Criteria and Investment Restrictions which the Manager believes are in the best interests of the Fund and Unitholders;
- (c) the authorization and payment on behalf of the Fund of expenses incurred on behalf of the Fund and the negotiation of contracts with third party providers of services (including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers);
- (d) the provision of office space, telephone service, office equipment, facilities, supplies and executive, secretarial and clerical services;
- (e) the preparation of accounting, management and other reports, including quarterly and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns;
- (f) keeping and maintaining the books and records of the Fund and the supervision of compliance by the Fund with record keeping requirements under applicable regulatory regimes;
- (g) the calculation of the amount, and the determination of the frequency, of Distributions by the Fund;

- (h) communications and correspondence with Unitholders and the preparation of notices of Distributions to Unitholders;
- (i) establishing and monitoring the Distribution Reinvestment Plan, and amending, modifying, suspending or terminating the Distribution Reinvestment Plan in a manner which the Manager believes is in the best interests of Unitholders;
- (j) ensuring that the Net Asset Value per Unit is calculated and published;
- (k) general investor relations and responding to investors' inquiries in respect of the Fund;
- (l) dealing with banks and custodians, including the maintenance of bank records and the negotiation and securing of bank financing or refinancing;
- (m) the setting of debt levels of the Fund, subject to the Investment Restrictions;
- (n) liquidating the Portfolio in an orderly manner, to the extent necessary, and using the proceeds therefrom to reduce indebtedness of the Fund or for any other reason where the Fund requires cash to meet its obligations;
- (o) obtaining such insurance as the Manager considers appropriate for the Fund;
- (p) arranging for the provision of services by CDS for the administration of the Book-Entry Only System with respect to the Units;
- (q) reviewing fees and expenses charged to the Fund and ensuring the timely payment thereof; and
- (r) ensuring:
 - (i) that the Fund complies with all regulatory requirements and applicable stock exchange listing requirements;
 - (ii) the preparation and delivery of the Fund's reports to, and dealing with, relevant securities regulatory authorities and any similar organization of any government or any stock exchange to which the Fund is obligated to report;
 - (iii) the organization of meetings of Unitholders; and
 - (iv) the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

In consideration for these services, the Fund pays to the Manager the Management Fee and reimburses the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. The Manager, BCAI and each of their directors, officers, employees, consultants and agents are indemnified and will be reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with providing services to the Fund described herein or a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the Manager, the portfolio manager or a director, officer, employee, consultant or

agent thereof, except for liabilities and expenses resulting from the person's willful misconduct, bad faith, negligence, disregard of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Management Agreement.

The Management Agreement may be terminated at any time by the Fund on 90 days' written notice with the approval of the Unitholders by an Ordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Ordinary Resolution provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such Ordinary Resolution. The Management Agreement may be terminated by the Fund at any time on 30 days' written notice to the Manager in the event of the persistent failure of the Manager to perform its duties and discharge its obligations under the Management Agreement, or the continuing malfeasance or misfeasance of the Manager in the performance of its duties under the Management Agreement. The Management Agreement may be terminated immediately by the Fund in the event of the commission by the Manager of any fraudulent act and shall be automatically terminated if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors. The Manager may assign the Management Agreement to an affiliate of the Manager at any time. The Manager may resign upon 120 days' notice. If no new manager is appointed within such 120-day period, the Fund will be terminated. Other than fees and expenses payable to the Manager pursuant to the Management Agreement up to and including the date of termination, no additional payments will be required to be made to the Manager as a result of any termination.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in any other activity including the administration of any other fund or trust.

3.10 Fees and Expenses Payable by the Fund

3.10.1 Management Fee

The Manager receives an annual Management Fee equal to 0.45% per annum of the Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. The Manager is responsible for paying the fees payable to BCAI out of the Management Fee.

The Management Fee may be paid in cash or Units at the option of the Manager. To the extent that Units are issued from treasury for this purpose, Units are issued at their Net Asset Value per Unit. Units that are distributed in this respect will be distributed in accordance with exemptions from applicable securities laws in a manner determined by the Manager. Such distributions will be made in accordance with any applicable securities laws including without limitation private placement rules, the *Securities Act* (Ontario) and the rules of the TSX. The distribution of Units to the Manager as payment of the Management Fee will have the effect of providing additional cash flow for the distributions to Unitholders of the Fund, and increasing the number of issued and outstanding Units once the distribution is made. The Fund has reserved 2,000,000 Units to be issued from treasury to the Manager as payment of the Management Fee for a period of 10 years from the date of closing the offering. At the end of the 10 year period from the date of closing the offering or upon issuance of all of the Units reserved for payment to the Manager, the TSX may require that a meeting of Unitholders be held to approve a further allotment of Units for this purpose.

3.10.2 Service Fee

The Fund pays to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) equal to 0.30% per annum of the Net Asset Value of the Fund represented by the Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. The Service Fee is applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable

taxes, to dealers based on the number of Units held by clients of such dealers at the end of the relevant quarter.

3.10.3 Ongoing Expenses

The Fund pays all expenses incurred in connection with the operation and administration of the Fund, including, without limitation, the Trustee's fees, the Management Fee, the Service Fee, custodial fees, legal, audit and valuation fees and expenses, fees of the independent directors of the Manager, expenses of the directors of the Manager, premiums for directors' and officers' insurance coverage for the directors and officers of the Manager, Unitholder reporting costs, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the Fund's continuous public filing requirements and investor relations, taxes, brokerage commissions, costs and expenses relating to the issue of Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies and all amounts paid by the Fund on account of the indebtedness of the Fund, but excluding the fees payable to BCAI. Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, BCAI, the Custodian or the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

3.11 Loan Facility

The Fund entered into the Loan Facility with a Lender in order to provide the Fund with the ability to utilize leverage to enhance the Fund's total return. The Lender is at arm's length to the Fund, the Trustee, and the Manager and their respective affiliates and associates.

A portion of the Loan Facility, not to exceed 10% of the Total Assets determined at the time of borrowing, may be used by the Fund to purchase additional securities of Oil & Gas Income Trusts included in the Portfolio. In the event that the total amount borrowed by the Fund under this portion of the Loan Facility at any time exceeds 20% of the Total Assets, the Manager will sell securities of Oil & Gas Income Trusts held by the Fund in an orderly manner and use the proceeds therefrom to reduce indebtedness so that the amount borrowed by the Fund under this portion of the Loan Facility does not exceed 20% of Total Assets. In addition to the prior portion of the Loan Facility, the Fund may borrow up to 5% of the Total Assets determined at the time of borrowing for working capital purposes and to invest in public offerings of Oil & Gas Income Trusts that qualify for inclusion in the Portfolio. Any amount borrowed for the purpose of investing in public offerings of Oil & Gas Income Trusts will be repaid at the time of rebalancing.

Pursuant to the Loan Facility, the Fund has a 364-day renewable revolving operating line of credit ("Revolver") and a five year non-revolving term credit facility ("Term Credit Facility"). The Revolver provides for maximum borrowings of \$22.9 million at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage. At December 31, 2004, the Fund had no amounts outstanding under this facility. The Fund has borrowed the maximum amount of \$43.6 million under the Term Credit Facility at a fixed rate of 4.513% for 5 years. The credit facilities are secured by a first priority security interest over all of the Fund's assets.

3.12 Redemption of Units

Units may be surrendered for redemption in November of any year, commencing in November 2005, but must be surrendered at least 20 Business Days prior to the Redemption Date. Units surrendered for redemption will be redeemed on the Redemption Date at a redemption price per Unit equal to 100% of the Net Asset Value on the Redemption Date less any costs of funding the redemption, including commissions. For the purposes of calculating this Net Asset Value, the value of the units of the Oil & Gas Income Trusts comprising the Portfolio is equal to the weighted average trading price of such units over

the last three Business Days of the month in which the Redemption Date occurs. Payment of the redemption price will be made on or before the tenth Business Day of December, subject to the Manager's right to suspend redemptions in certain circumstances.

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. on the day which is 20 Business Days prior to a Redemption Date. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. on the day which is 20 Business Days prior to the Redemption Date.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed shall, for all purposes, be void and of no effect and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund or the Manager to the CDS Participant or the Unitholder.

The Manager may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Oil & Gas Income Trusts included in the Portfolio (by value) are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but as for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

3.13 Issuer Bid

The Fund implemented a normal course issuer bid program whereby the Fund was entitled to purchase up to 4,160,000 Units for cancellation for the period from November 4, 2004 to November 3, 2005. At the end of this period, the Fund plans to apply to the TSX to extend the issuer bid for another 12 months. Units can only be purchased by the Fund when the Net Asset Value per Unit exceeds the market price. During 2004, no Units were purchased for cancellation.

3.14 Distribution Reinvestment Plan

The Fund has adopted the Distribution Reinvestment Plan so that, at the election of each such Unitholder, all Distributions shall be automatically reinvested on each Unitholder's behalf pursuant to the Distribution Reinvestment Plan in accordance with the provisions of the Distribution Reinvestment Plan Agency Agreement. Notwithstanding the Distribution Reinvestment Plan, all Distributions to non-resident Unitholders will be paid in cash and will not be reinvested.

Distributions due to the Plan Participants are applied, on behalf of Plan Participants, to purchase additional Units. Such purchases are either made from the Fund or in the market. If the weighted average trading price on the TSX (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX) for the 10 trading days immediately preceding the relevant Distribution Date (the "Market Price") is less than the Net Asset Value per Unit on the Distribution Date, the Plan Agent shall apply the Distributions either to purchase Units in the market or from treasury. Purchases in the market will be made by the Plan Agent on an orderly basis during the 6 trading day period following the Distribution Date and the price paid for those Units will not exceed 115% of the Market Price of the Units on the relevant Distribution Date. On the expiry of that period, the unused part, if any, of the Distributions attributable to the Plan Participants will be used to purchase Units from the Fund at the Net Asset Value per Unit on the relevant Distribution Date.

If the Market Price is equal to or greater than the Net Asset Value per Unit on the Distribution Date, the Plan Agent shall apply the Distributions to purchase Units from the Fund through the issue of new Units at the higher of (i) the Net Asset Value per Unit on the relevant Distribution Date and (ii) 95% of the Market Price on the relevant Distribution Date.

If the Units are thinly traded, purchases in the market under the Distribution Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash Distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Distribution Reinvestment Plan. The Units purchased in the market or from the Fund will be allocated on a pro rata basis to the Plan Participants. The Plan Agent will furnish to each Plan Participant a report of the Units purchased for the Plan Participant's account in respect of each Distribution and the cumulative total purchased for that account. The Plan Agent's charges for administering the Distribution Reinvestment Plan and all brokerage fees and commissions in connection with purchases in the market pursuant to the Distribution Reinvestment Plan will be paid by the Fund. The automatic reinvestment of Distributions under the Distribution Reinvestment Plan will not relieve participants of any income tax applicable to those Distributions.

A Unitholder may elect to participate in the Distribution Reinvestment Plan by notifying CDS in writing via the applicable CDS Participant, which will then appropriately instruct the Plan Agent, no later than two Business Days prior to the Record Date in respect of each Distribution in which the Unitholder intends to participate. That notice, if actually received by the Plan Agent no later than the close of business on the Business Day immediately preceding the Record Date, will have effect for the distribution to be made on the following Distribution Date. Unless the Plan Agent is provided written notice of a Unitholder's intention to participate in the Distribution Reinvestment Plan in such manner, Distributions to Unitholders will be made in cash. The Manager may terminate the Reinvestment Plan in its sole discretion on not less than 30 days notice to the Plan Participants. The Manager may also amend, modify or suspend the Distribution Reinvestment Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to Unitholders. The Fund is not required to issue Units into any jurisdiction where that issuance would be illegal.

During 2004, 3,867 Units were issued pursuant to the Distribution Reinvestment Plan.

3.15 Auditors, Custodian, Registrar, Transfer Agent and Distribution Agent

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3000, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1G8.

The Royal Trust Company is the Custodian of the Fund's assets. The Custodian may employ sub-custodians as considered appropriate in the circumstances. Subject to certain exemptions as set out in the Custodian Agreement, the Custodian is not responsible for any ongoing assessment, adequacy or monitoring of or any liability for any loan or credit facility or any liability for holding or control of any property of the Fund pledged to a counterparty and not directly held by the Custodian. The address of the Custodian is 77 King Street West, Toronto, Ontario M5W 1P9.

Computershare Trust Company of Canada has been appointed the Registrar, Transfer Agent and distribution agent for the Units. The register and transfer ledger will be kept by the Trustee at its principal stock and bond transfer offices located in Toronto.

3.16 Risk Factors

There are many risks associated with an investment in the Units, some of which are outlined below.

Volatility of Oil & Gas Prices

The operational results and financial condition of the Oil & Gas Income Trusts comprising the Portfolio will be dependent upon the prices received for oil and gas production. Oil and gas prices have fluctuated widely during recent years and are affected by supply and demand factors, political events, weather and general economic conditions, among other things. Any decline in oil and gas prices could have an adverse effect on the distributions received from the Oil & Gas Income Trusts comprising the Portfolio and the value of such Oil & Gas Income Trusts.

Reserve Estimates

The reserve and recovery estimates for the Oil & Gas Income Trusts comprising the Portfolio are only estimates and the actual production and ultimate reserves may be greater or less than the estimates provided.

Fluctuations in Distributions and the Value of the Oil & Gas Income Trusts

The value of the Units will vary according to the value of the Oil & Gas Income Trusts included in the Portfolio, which will depend, in part, upon the performance of such Oil & Gas Income Trusts. The amount of Distributions available for payment to Unitholders will depend on the amount of distributions paid by the Oil & Gas Income Trusts included in the Portfolio. Some of the issuers included in the Portfolio have limited operating histories or limited histories as operating as an Income Fund. The amounts which such issuers have been distributing may not be sustainable and the forecast distributions of such issuers may not be realized. The value of the Portfolio will be influenced by factors which are not within the control of the Fund, including the financial performance of the respective issuers, operational risks relating to the specific business activities of respective issuers, risks associated with investments in the quality of assets owned by respective issuers, commodity prices, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation and other financial market conditions.

Interest Rate Fluctuations

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price of the Units will be negatively affected by interest rate fluctuations.

Trading Levels

Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit.

Illiquid Securities

There is no assurance that an adequate market will exist for the Oil & Gas Income Trusts included in the Portfolio to permit purchases and sales in accordance with the Rebalancing Criteria in a short time frame. Further, if the market for a specific Oil & Gas Income Trust held or required to be in the Portfolio pursuant to the Investment Guidelines or which the Fund must dispose of pursuant to the Rebalancing Criteria is particularly illiquid, the Fund may be unable to acquire or sell the required amount of securities of such Oil & Gas Income Trust without affecting the market price of such securities in a manner that is disadvantageous to the Fund. The Fund cannot predict whether the Oil & Gas Income Trusts held by it will trade at a discount to, a premium to, or at their respective net asset values. In addition, if the Manager is unable, or determines that it is inappropriate to dispose of some or all of the Oil & Gas Income Trusts held by the Fund prior to a termination of the Fund, Unitholders may, subject to applicable laws, receive distributions of securities *in specie* upon the termination of the Fund, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration.

Taxation of the Fund

While the Fund intends to operate so that it will generally not be liable to pay income tax, the information available to the Fund relating to the characterization, for tax purposes, of the distributions received by the Fund in any year from issuers of securities held in the Portfolio may be insufficient as at December 31 of that year to ensure that the Fund will make sufficient distributions to ensure that it will not be liable to pay income tax in respect of that year.

CRA has expressed a view that, in certain circumstances, the interest on money borrowed to invest in an income fund that may be deducted may be reduced on a *pro rata* basis in respect of distributions from the income fund that are a return of capital and which are not reinvested for an income earning purpose. The Fund's counsel is of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence, CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire units of income funds included in the Portfolio. If CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain securities held in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of Distributions to Unitholders. Income of the Fund which is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

Tax Proposals Respecting Deductions

On October 31, 2003 the federal Department of Finance announced a tax proposal relating to the deductibility of losses under the Tax Act. Under this tax proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such tax proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to Unitholders reduced as a result. The Manager expects the Fund to realize cumulative profit from each of the securities in the Portfolio and, accordingly, this tax proposal, if enacted in the form proposed, should not adversely affect losses, if any, realized by the Fund. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the tax proposal of October 31, 2003, would be released for comment at an early opportunity.

Status as a Mutual Fund Trust for Tax Purposes

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships (or any combination thereof) is more than 50% of the aggregate fair market value of all of the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of the Units of the Fund were held by non-residents and partnerships other than Canadian partnerships (or any combination thereof), the Fund would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these draft amendments, and it is expected that further discussions will take place before a decision is made concerning whether the draft amendments will be enacted. On February 23, 2005, the Minister proposed that the limit in respect of foreign property that may be held by registered pension plans and other deferred plans be eliminated for 2005 and subsequent tax years.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which adversely affects the distributions received by the Fund.

Use of Leverage

The Fund is utilizing leverage in order to increase its monthly Distributions to Unitholders. The use of leverage may result in capital losses or a decrease in Distributions to Unitholders. The interest expense and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains, if any, and income generated by the incremental investment in Oil & Gas Income Trusts to be included in the Portfolio with the borrowed funds. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of a Distribution not being made in any period.

Unitholder Liability

On December 16, 2004, the *Trust Beneficiaries' Liability Act 2004* (Ontario) came into force. The statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act of default occurs or the liability arises, (i) the trust is a reporting issuer under the Securities Act (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the Securities Act (Ontario) and is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

As a result of the foregoing, it is considered that there no longer is a risk of any personal liability to Unitholders of the Fund. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of

such Unitholder not having limited liability. The Declaration of Trust provides that the Trustee and the Manager shall use reasonable means to cause to be inserted in each written agreement, undertaking and obligation signed by or on behalf of the Fund a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally. The Loan Facility and any other documents relating to the borrowing of money by the Fund contain such a provision.

Securities Lending

The Fund may engage in securities lending. Although the Fund will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the Portfolio of loaned securities.

Conflicts of Interest

The Manager and BCAI and their directors and officers engage in the promotion, management or investment management of one or more funds or trusts which invest primarily in Income Funds. Although none of the directors or officers of the Manager or BCAI will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager or BCAI will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Manager and BCAI, as applicable.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. It is intended that the Fund will, however, be a mutual fund trust for purposes of the Tax Act.

4.0 SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information of the Fund for the period from October 7, 2004 to December 31, 2004. The following summary of selected audited financial information is derived from, and should be read in conjunction with, and is qualified in its entirety by reference to the Fund's 2004 audited financial statements, including the notes thereto:

4.1 Selected Annual and Quarterly Information

	2004*
Income:	
Total	\$ 13,612,897
Per Trust Unit	0.33
Net investment income	12,230,033
Net investment income per Trust Unit	0.29
Results of operations	15,334,874
Results of operations per Trust Unit	0.37
Net assets	397,824,101
Distributions paid to Unitholders	12,265,821
Distributions paid per Trust Unit	0.294

* for the period from October 17, 2004 to December 31, 2004.

5.0 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis for the period ended December 31, 2004 is contained in the 2004 Annual Report of the Fund and is herein incorporated by reference.

6.0 MARKET FOR SECURITIES

The Units are listed for trading on the TSX under the symbol OGF.UN.

7.0 DIRECTORS AND OFFICERS OF THE MANAGER

The Board of Directors of the Manager consists of a minimum of one and a maximum of nine directors. The Board of Directors of the Manager currently comprised of five members. Directors are appointed to serve on the Board of Directors of the Manager until such time as they retire or are removed and their successors are appointed. The directors and officers of the Manager collectively have extensive experience in the analysis and understanding of the risks associated with many of the businesses underlying the securities that comprise the Fund.

Name & Municipality of Residence	Position with the Manager	Principal Occupation	Holdings*	% Holdings
Peter A. Braaten Toronto, Ontario	Chairman of the Board	Chairman, Brompton Limited from November 2000; President, 2M Energy Corp. from July 1999 to November 2000; President, Morrison Middlefield Resources Limited from August 1993 to July 1999.	106,278	0.25%
James W. Davie ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Director	Corporate Director from June 2002; Managing Director, Investment Banking, RBC Dominion Securities Inc. from 1979 to June 2002	-	-
Donald L. Lenz Toronto, Ontario	Director	Managing Director, Newport Partners Inc. from July 2002; Vice-President and Director of the Corporate and Investment Banking Division of RBC Dominion Securities Inc. from 1986 to 1999; 1976 to 1986, Vice-President Corporate Finance with Goldman Sachs & Co. in New York; 1969: A.E. Ames & Co. Incorporated, initially with the money market department and subsequently as Vice-President, Fixed Income Sales and Trading.	-	-
Ken S. Woolner ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	Lead Director	Executive Chairman, White Fire Energy Ltd since April 2005; President & Chief Executive Officer, Lightning Energy Ltd. from December 2001 to April 2005; President & CEO, Velvet Exploration Ltd. from April 1997 to July 2001.	-	-
Arthur R. A. Scace ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Director	Counsel, McCarthy Tétraut LLP from November 2003; Partner, McCarthy Tétraut from 1972 to November 2003.	-	-
Raymond R. Pether Toronto, Ontario	President & Chief Executive Officer	President, Brompton Limited from April 2001; President & CEO, Western Facilities Fund from June 1998 to April 2001; Chief Operating Officer, Morrison Middlefield Resources Limited from January 1994 to June 1998.	-	-
Christopher S.L. Hoffmann Toronto, Ontario	Executive Vice President	Executive Vice President, Brompton Limited from October 2004; Legal Counsel, McCarthy Tétraut LLP from November 1989 to October 2004.	-	-
Mark A. Caranci Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Limited from April 2001; CFO, Western Facilities Fund from December 2000 to April 2001; Vice President, Finance 2M Energy Corp. from August 1999 to November 2000; Vice President Finance, Morrison Middlefield Resources Limited from January 1997 to August 1999.	-	-

Moyra E. MacKay Toronto, Ontario	Vice President & Corporate Secretary	Vice President & Corporate Secretary, Brompton Limited from May 2000; Vice President, 2M Energy Corp. from August 1999 to May 2000; Vice President, Morrison Middlefield Resources Limited from August 1998 to August 1999; Vice President, Middlefield International Limited from June 1996 to August 1998.	-	-
David E. Roode Toronto, Ontario	Senior Vice President	Vice President, Brompton Limited from September 2002; Analyst, Middlefield Group from 1998 to 2001.	-	-
Craig T. Kikuchi Toronto, Ontario	Vice President, Finance	Vice President, Brompton Limited from August 2004; Controller, Brompton Limited from February 2002 to August 2004; PricewaterhouseCoopers LLP from September 1996 to January 2002.	-	-
Imran Pervaiz Oakville, Ontario	Controller	Controller, Brompton Limited from April 2004; Manager, PricewaterhouseCoopers LLP from October 2002 to April 2004; Accountant, Ontario Securities Commission from January 2001 to October 2002; Financial Analyst, Nortel Networks from June 2000 to January 2001; Senior Staff Accountant, KPMG LLP from September 1996 to June 2000.	-	-
Lorne Zeiler Toronto, Ontario	Vice President	Vice President, Brompton Limited from September 2004; Senior Financial Analyst, Assante Advisory Services from 2003 to 2004; Senior Relationship Manager, Scotiabank from 1998 to 2003.	130	0.0003%
Jessica Leung Toronto, Ontario	Controller	Controller, Brompton Limited since February 2005; Manager, Ernst & Young LLP from October 2000 to January 2005.	-	-
Total			106,408	0.25%

* Includes Units held directly, indirectly or over which control or direction is exercised at May 17, 2005.

- (1) Member of the Audit Committee
- (2) Member of the Corporate Governance Committee
- (3) Unrelated Director

7.1 *Remuneration of Directors and Officers*

The officers and directors of the Manager, other than the non-management directors of the Manager, will receive their remuneration from the Manager. The fees of the non-management directors of the Manager, expenses of the directors of the Manager and the premiums for directors' and officers' insurance coverage for the directors and officers of the Manager are paid by the Fund.

8.0 FORWARD LOOKING INFORMATION

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks, may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results

discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

CERTAIN HISTORICAL INFORMATION CONTAINED IN THIS ANNUAL INFORMATION FORM HAS BEEN PROVIDED BY, OR DERIVED FROM INFORMATION PROVIDED BY, CERTAIN THIRD PARTIES. ALTHOUGH THE FUND HAS NO KNOWLEDGE THAT WOULD INDICATE THAT ANY SUCH INFORMATION IS UNTRUE OR INCOMPLETE, THE FUND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF SUCH INFORMATION OR THE FAILURE BY SUCH THIRD PARTIES TO DISCLOSE EVENTS WHICH MAY HAVE OCCURRED OR MAY AFFECT THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION BUT WHICH IS UNKNOWN TO THE FUND.

9.0 ADDITIONAL INFORMATION

Additional financial information is provided in the Fund's Financial Statements for the fiscal year ended December 31, 2004.

The Fund will provide to any person, upon request:

- (a) when the securities of the Fund are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - (i) one copy of the Annual Information Form of the Fund (the "AIF"), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF,
 - (ii) one copy of the comparative financial statements of the Fund for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Fund subsequent to the financial statements for its most recently completed financial year,
 - (iii) one copy of the information circular of the Fund in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate, and
 - (iv) one copy of any other documents that are incorporated by reference into the shortform prospectus or the preliminary prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any other documents referred to in (1)(a)(i), (ii) and (iii) above, provided the Fund may require the payment of a reasonable charge if the request is made by a person who is not a Unitholder of the Fund.

Requests should be addressed to the Corporate Secretary of the Manager at:

Brompton Energy Trust Management Limited
Suite 2930, Box 793, BCE Place
Bay Wellington Tower, 181 Bay Street
Toronto, ON M5J 2T3