A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in every province in Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice-President, Finance and Chief Financial Officer of Navigo Energy Inc., Suite 2500, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 2V7, phone (403) 218-3600. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Vice-President, Finance and Chief Financial Officer of Navigo Energy Inc. at the above–mentioned address and telephone number.*

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement, these securities may not be offered or sold within the United States or to a U.S. person (as such term is defined in Regulation S under the 1933 Act) unless registered under the 1933 Act and applicable state securities laws or an exemption from such registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

PRELIMINARY SHORT FORM PROSPECTUS DATED JANUARY 8, 2004

New Issue **January ●, 2004**

NAV Energy Trust

$●
● Trust Units

This short form prospectus qualifies the distribution of ● trust units (the "**Trust Units**") of NAV Energy Trust (the "**Trust**" or "**NAV**") at a price of $● per Trust Unit (the "**Offering**").

The issued and outstanding Trust Units are listed on the Toronto Stock Exchange (the "**TSX**"). On January 7, 2004, the closing price of the Trust Units on the TSX was $10.40. The terms of the Offering were determined by negotiation among Navigo Energy Inc. ("**Navigo**"), the operating company, on behalf of the Trust, and National Bank Financial Inc. on its own behalf and on behalf of TD Securities Inc., RBC Dominion Securities Inc., FirstEnergy Capital Corp. and Sprott Securities Inc. (collectively, the "**Underwriters**").

Price: $● per Trust Unit

	Price to the Public	**Underwriters' Fee**	**Net Proceeds to the Trust**[1]
Per Trust Unit	$●	$●	$●
Total Trust Units	$●	$●	$●

Notes:

(1) Before deducting expenses of the Offering, estimated to be $●, which will be paid from the general funds of the Trust.

(2) The Trust has granted to the Underwriters an over-allotment option (the "**Over Allotment Option**") to purchase up to ● additional Trust Units at the offering price, exercisable, in whole or in part, for a period of 30 days following the date of closing of the Offering, to cover over allotments, if any, and for market stabilization purposes. If the Over Allotment Option is exercised in full, the total Price to the Public, Underwriters' Fee and Net Proceeds to the Trust, before deducting issue expenses, will be $●, $● and $●, respectively. This short form prospectus qualifies both the grant of the Over Allotment Option and the Trust Units issuable upon exercise of the Over Allotment Option. See "Plan of Distribution".

The net proceeds of the Offering will be used to fund the Wapella Property Acquisition (as defined herein). **Closing of the Offering will occur only if the Wapella Property Acquisition is completed.** See "Recent Developments – Wapella Property Acquisition", "Information Concerning the Wapella Property Acquisition" and "Use of Proceeds".

The Underwriters, as principals, conditionally offer the Trust Units, subject to prior sale, if, as and when issued by the Trust and delivered and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the qualification for distribution of the Trust Units on behalf of the Trust by Burnet, Duckworth & Palmer LLP, Calgary, Alberta, and on behalf of the Underwriters by Stikeman Elliott LLP, Calgary, Alberta. Subscriptions for Trust Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certificates representing the Trust Units will be available for delivery at the closing of the Offering, which is expected to take place on or about January 28, 2004. Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Trust Units at levels other than those which might otherwise prevail on the open market. See "Plan of Distribution".

The Trust announced on January 6, 2004 that a monthly distribution of $0.15 per Trust Unit will be paid on February 16, 2004 to Unitholders of record on January 30, 2004. It is expected that closing of this Offering will be held on or about January 28, 2004 or such other date as the Trust and the Underwriters may agree upon. Provided the Offering closes on or before January 30, 2004, subscribers who purchase Trust Units pursuant to the Offering will be eligible to receive the distribution to be paid February 16, 2004.

National Bank Financial Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of a Canadian chartered bank which is the lender to Navigo. Consequently, the Trust may be considered to be a connected issuer of this Underwriter for the purposes of securities regulations in certain provinces. See "Relationship Among the Trust and An Underwriter".

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

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference into this short form prospectus, constitute forward-looking statements. These statements relate to future events or the Trust's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Trust and Navigo believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be.

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

- the timing of the closing of the proposed acquisition of certain oil and natural gas assets (the "**Wapella Property**") from the vendor and the timing of the closing of the acquisition of all of the issued and outstanding shares of Java Energy Inc. ("**Java**");
- the performance characteristics of the oil and natural gas assets of the Trust and Java and of the Wapella Property;
- oil and natural gas production levels;
- the size of the oil and natural gas reserves;
- projections of market prices and costs and the related sensitivities of distributions;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;
- treatment under governmental regulatory regimes;
- capital expenditure programs;
- the existence, operation and strategy of the Trust's commodity price risk management program;
- the approximate and maximum amount of forward sales and hedging to be employed;
- the Trust's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of Canadian federal and provincial governmental regulation on the Trust relative to other oil and gas issuers of similar size;
- the goal to grow or sustain production and reserves through prudent management and acquisitions;
- the emergence of accretive growth opportunities; and
- the Trust's ability to benefit from the combination of growth opportunities and the ability to grow through capital markets.

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

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems; and
- the other factors discussed under "Risk Factors".

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Neither the Trust, Navigo nor the Underwriters, undertakes any obligation to publicly update or revise any forward-looking statements.

GLOSSARY OF TERMS

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

"**Administration Agreement**" means the amended and restated administration agreement dated November 12, 2003, between Navigo and the Trustee, on behalf of the Trust;

"**ARTC**" means credits or rebates in respect of Crown royalties which are paid or credited by the Crown, including those paid or credited under the *Alberta Corporate Tax Act* which are commonly known as "Alberta ARTC Credits";

"**Arrangement**" means the arrangement under the provisions of section 193 of the ABCA among Navigo, C1 Energy, NAV Acquisition Corp., NAV ExchangeCo Ltd., Edge Energy Inc. and the Trust which was completed on December 29, 2003 and pursuant to which former holders of common shares of Navigo received common shares of C1 Energy and Trust Units or Exchangeable Shares, or a combination thereof, in accordance with the elections made by such shareholders, and Navigo became a subsidiary of the Trust;

"**Business Day**" means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;

"**C1 Energy**" means C1 Energy Ltd., a corporation incorporated under the ABCA;

"**Deferred Purchase Obligation**" means, collectively, the ongoing obligation of the Trust to pay to Navigo, to the extent of the Trust's available funds, an amount equal to 99% of the cost of, including any amount borrowed to acquire, any Canadian resource property acquired by Navigo, and the cost of, including any amount borrowed to fund, certain designated capital expenditures in relation to the Properties;

"**Established Reserves**" means the sum of 100% of the Proved Reserves and 50% of the Probable Reserves;

"**Exchangeable Shares**" means the Series A exchangeable shares in the capital of Navigo;

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

"**GLJ Report**" means the reports prepared by GLJ dated December 23, 2003, which present the results of a mechanical look-ahead to September 30, 2003 of a December 31, 2002 evaluation of the natural gas, crude oil and natural gas liquids reserves attributable to the working interest, royalty and other interests of Navigo utilizing various product price forecasts (but excluding the reserves later transferred to C1 Energy pursuant to the Arrangement);

"**GLJ Report – Java Acquisition**" means the reports prepared by GLJ dated December 23, 2003, which present the results of a mechanical look-ahead to September 30, 2003 of a September 1, 2003 evaluation of the natural gas, crude oil and natural gas liquids reserves attributable to the working interest, royalty and other interests of Java utilizing various product price forecasts;

"**GLJ Report – Wapella Property**" means the reports prepared by GLJ dated December 23, 2003, which present the results of a mechanical look-ahead to September 30, 2003 of a December 31, 2002 evaluation of the crude oil reserves attributable to the working interest, royalty and other interests of the Vendor with respect to the Wapella Property utilizing various product price forecasts;

"**Information Circular**" means the Information Circular - Proxy Statement of Navigo dated November 14, 2003, relating to the special meeting of shareholders and optionholders of Navigo held on December 17, 2003;

"**Java**" means Java Energy Inc., a private corporation incorporated under the ABCA;

"**Java Acquisition**" means the proposed acquisition of all of the issued and outstanding shares of Java pursuant to the Java Acquisition Agreement, all in accordance with and subject to the terms and conditions of the Java Acquisition Agreement;

"**Java Acquisition Agreement**" means the letter of intent dated January 8, 2004 among Navigo and Java and a major shareholder of Java, pursuant to which the parties agreed to proceed with respect to certain interim matters concerning the potential acquisition by Navigo of all of the issued and outstanding shares of Java for an aggregate purchase price of up to $21,754,000, subject to adjustment, to be paid through the issuance of $15,554,000 in Exchangeable Shares, subject to adjustment, valued at $9.00 per share plus the assumption of a maximum of $6,200,000 of debt;

"**Navigo**" means Navigo Energy Inc., a corporation amalgamated under the ABCA;

"**NI 51-101**" means National Instrument 51-101 of the Canadian Securities Administrators;

"**Notes**" means the 2% unsecured subordinated promissory notes of Navigo originally issued on December 29, 2003;

"**NPI**" means the 99% interest in Navigo's Petroleum Substances within, upon or under certain of its Oil and Natural Gas Properties granted pursuant to the NPI Agreement;

"**NPI Agreement**" means the net profit interest agreement entered into between Navigo and the Trust dated as of December 29, 2003 and providing for the creation of the NPI;

"**Offering**" means the offering of ● Trust Units at a price of $● per Trust Unit pursuant to this short form prospectus;

"**Oil and Natural Gas Properties**" or "**Properties**" means the working, royalty or other interests of Navigo in any petroleum and natural gas rights, tangibles and miscellaneous interests, including properties which may be acquired by Navigo from time to time;

"**Permitted Investments**" means: (i) loan advances to Navigo, including loans made in connection with the Trust's capital fund; (ii) interest bearing accounts of certain financial institutions, including Canadian chartered banks and the Trustee; (iii) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof; (iv)term deposits, guaranteed investment certificates of deposit or bankers' acceptances of or guaranteed or accepted by any Canadian chartered bank or other financial institution (including the Trustee and any affiliate of the Trustee), the short term debt or deposits of which have been rated at least A by Standard & Poor's Corporation, or the equivalent by Moody's Investors Service, Inc. or Dominion Bond Rating Service Limited; (v) commercial paper rated at least A by Standard & Poor's Corporation, or the equivalent by Canadian Bond Rating Service Inc. or Dominion Bond Rating Service Limited; and (vi) investments in bodies corporate, partnerships or trusts engaged in the oil and natural gas business, including shares of Navigo;

"**Petroleum Substances**" means petroleum, natural gas and related hydrocarbons (including condensate and natural gas liquids), and all other substances (including sulphur and its compounds), whether liquid, solid or gaseous and whether hydrocarbon or not, produced in association therewith;

"**Proved Reserves**", "**Probable Reserves**", "**Producing Reserves**", "**Non-Producing Reserves**" and "**Total Proved Reserves**" have the meanings given to those terms in the GLJ Report;

"**Purchase Price**" means $36,000,000, subject to adjustment pursuant to the Wapella Property Acquisition Agreement;

"**Redemption Notes**" means notes issued in certain circumstances including by the Trust on a redemption of Trust Units;

"**Settled Amount**" means the amount of two hundred dollars in lawful money of Canada paid by the settlor of the Trust to the Trustee for the purpose of settling the Trust;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended;

"**Trust Indenture**" means the amended and restated trust indenture between the Trustee and Navigo made as of November 12, 2003;

"**Trust**" or "**NAV**" means NAV Energy Trust, a trust established under the laws of Alberta pursuant to the Trust Indenture. All references to the "Trust" or "NAV", unless the context otherwise requires, are references to NAV Energy Trust, its predecessors, and its subsidiaries;

"**Trust Unit**" means a unit of the Trust, each unit representing an equal undivided beneficial interest therein;

"**Trust Unit Rights Incentive Plan**" means the trust unit rights incentive plan of the Trust;

"**Trustee**" means Computershare Trust Company of Canada, or such other trustee, from time to time, of the Trust;

"**TSX**" means the Toronto Stock Exchange;

"**Underwriters**" means, collectively, National Bank Financial Inc., TD Securities Inc., RBC Dominion Securities Inc., FirstEnergy Capital Corp. and Sprott Securities Inc.;

"**Underwriting Agreement**" means the agreement dated January ●, 2004 among the Trust, Navigo and the Underwriters in respect of the Offering;

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

"**Unitholders**" means the holders from time to time of the Trust Units;

"**Vendor**" means Petrobank Energy and Resources Ltd., a corporation amalgamated under the ABCA;

"**Wapella Property**" means the crude oil properties owned by the Vendor in Wapella, Saskatchewan to be acquired by Navigo pursuant to the Wapella Property Acquisition Agreement;

"**Wapella Property Acquisition**" means the proposed acquisition of the Wapella Property from the Vendor by Navigo, all in accordance with and subject to the terms and conditions of the Wapella Acquisition Agreement; and

"**Wapella Property Acquisition Agreement**" means the acquisition agreement dated as of January 5, 2004 between Navigo and the Vendor.

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

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

ABBREVIATIONS

Oil and Natural Gas Liquids

bbls	barrels
mbbls	thousand barrels
NGLs	natural gas liquids
mboe	thousand barrels of oil equivalent
boe/d	barrels of oil equivalent per day
bbls/d	barrels of oil per day

Natural Gas

mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
mcf/d	thousand cubic feet per day
mmbtu	million British Thermal Units

Other

boe	means barrel of oil equivalent, using the conversion factor of 6 mcf of natural gas being equivalent to one barrel of oil. The conversion factor used to convert natural gas to oil equivalent is not necessarily based upon either energy or price equivalents at this time.
WTI	means West Texas Intermediate.
°API	means the measure of the density or gravity of liquid petroleum products derived from a specific gravity.

CONVERSION

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

To Convert From	**To**	**Multiply By**
mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
gigajoules	mmbtu	0.950
mmbtu	gigajoules	1.0526

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice-President, Finance and Chief Financial Officer of Navigo at 2500, 205 – 5th Avenue S.W., Calgary, Alberta, telephone (403) 218-3600. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Vice-President, Finance and Chief Financial Officer of Navigo at the above-mentioned address and telephone number.

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

1. the Annual Information Form of Navigo dated May 16, 2003 for the year ended December 31, 2002 which includes management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2002;

2. the audited comparative consolidated financial statements of Navigo as at and for the year ended December 31, 2002, together with the notes thereto and the auditors' report thereon;

3. the Information Circular – Proxy Statement of Navigo dated April 28, 2003 for an annual and special meeting of shareholders held on May 29, 2003 excluding the sections entitled "Report on Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices";

4. the Information Circular;

5. the comparative unaudited consolidated financial statements of Navigo for the nine months ended September 30, 2003;

6. management's discussion and analysis of financial condition and results of operations of Navigo for the nine months ended September 30, 2003;

7. the material change report of Navigo dated as of April 4, 2003 relating to Navigo's normal course issuer bid;

8. the material change report of Navigo dated November 3, 2003 relating to the reorganization of Navigo; and

9. the material change report of the Trust dated as of December 30, 2003 relating to the completion of the Arrangement.

Any material change reports (excluding confidential reports), comparative interim financial statements and information circulars (excluding those portions that are not required pursuant to National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference herein) filed by the Trust with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this short form prospectus.

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

NAV ENERGY TRUST

General

NAV Energy Trust is an entity that intends to provide monthly cash distributions to its Unitholders. NAV was created under the laws of the Province of Alberta pursuant to the Trust Indenture. It is, for Canadian tax purposes, an open-ended mutual fund trust and is categorized as a "natural resource issuer" for the purposes of Canadian securities laws. The beneficiaries of the Trust are the Unitholders.

The Trust was formed on November 12, 2003 and commenced operations on December 29, 2003 as a result of the completion of the Arrangement. Pursuant to the Arrangement, former holders of common shares of Navigo received common shares of C1 Energy and Trust Units or Exchangeable Shares, or a combination thereof, in accordance with the elections made by such shareholders, and Navigo became a subsidiary of the Trust. **Reference should be made to Appendix I, "Information Concerning NAV Energy Trust" of the Information Circular incorporated by reference herein for a description of the Trust.**

Navigo is an oil and natural gas exploration and development company that is wholly-owned by the Trust. It was originally incorporated on September 25, 2003 as "1068379 Alberta Ltd.". On November 12, 2003, it filed Articles of Amendment to change its name to "NAV Acquisition Corp.". On December 22, 2003, it filed Articles of Amendment to create the Exchangeable Shares and to remove its private company restrictions. On December 29, 2003, pursuant to the Arrangement, it amalgamated with Navigo Energy Inc. to become Navigo and it became a subsidiary of the Trust.

In accordance with the Administration Agreement, Navigo has agreed to act as administrator of the Trust. The head office of the Trust and Navigo is located at Suite 2500, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 2V7. The registered office of Navigo is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

DESCRIPTION OF THE BUSINESS OF THE TRUST

NAV Energy Trust

The principal undertaking of the Trust is to issue Trust Units and to acquire and hold the shares of Navigo, the NPI, the Notes, royalties and other interests. The direct and indirect wholly-owned subsidiaries of the Trust carry on the business of acquiring and holding interests in petroleum and natural gas properties and assets related thereto. Cash flow from the properties is flowed from Navigo to the Trust by way of interest payments and principal repayments on the Notes and payments from Navigo to the Trust under the NPI Agreement.

The Trustee may declare payable to the Unitholders all or any part of the income of the Trust. It is currently anticipated that the only income to be received by the Trust will be from the interest and principal repayments received on the Notes and payments pursuant to the NPI Agreement. The Trust intends to make monthly cash distributions to Unitholders of the interest and principal repayments on the Notes and income earned under the NPI Agreement, after expenses, if any, and any cash redemptions of Trust Units. Information relating to the Trust, after giving effect to the Arrangement, is contained in Appendix I to the Information Circular which is incorporated by referenced herein.

Cash distributions will be made on or about the 15th day of each month to Unitholders of record on or about the last calendar day of the immediately preceding month.

Navigo Energy Inc.

Navigo is actively engaged in the business of oil and natural gas exploitation, development, acquisition and production in Canada. For more information regarding the business of Navigo, see "Information Concerning Navigo" at page 45 of the Information Circular and Appendix I to the Information Circular. Pursuant to the Administration Agreement, Navigo has agreed to act as administrator of the Trust to assist in the administration and regulation of the day-to-day operations of the Trust.

The Trust is the sole common shareholder of Navigo. Certain former shareholders of Navigo own Exchangeable Shares in accordance with the elections made by such holders under the Arrangement. Navigo continues to carry on an oil and natural gas business similar to that carried on by Navigo prior to the Arrangement becoming effective. Navigo owns, directly or indirectly, all of the assets that were owned by Navigo prior to the Arrangement becoming effective, other than certain exploration assets that were transferred to C1 Energy in accordance with the Arrangement. Information relating to the oil and natural gas properties of Navigo, after giving effect to the Arrangement, is contained in Appendix I to the Information Circular which is incorporated by reference herein.

Oil and Natural Gas Reserves

The oil, natural gas and NGL reserves of Navigo are presented in the GLJ Report. The oil, natural gas and NGL reserves of Navigo were last evaluated by GLJ effective December 31, 2002. The December 31, 2002 evaluation results were rerun to reflect GLJ's October 1, 2003 price forecast, and then mechanically looked-ahead to September 30, 2003 with the results presented in the GLJ Report. The mechanical look-ahead assumes that three quarters of the volume and expense previously forecast for 2003 have been produced or spent, and gives no consideration to actual performance, activity and new evaluation standards that have occurred or been implemented since the prior evaluation or their impact on reserves classification. To the best of its knowledge, Navigo does not believe that evaluating Navigo's reserves giving consideration to actual performance or activity or other intervening factors (other than the implementation of NI 51-101), since the prior evaluation would have any material effect on the evaluation of the reserves set forth below.

The results of the evaluations of GLJ, contained in the GLJ Report, based on both forecast and constant cost and price assumptions, are summarized in the tables below. **The present worth of estimated future cash flows contained in the following tables may not be representative of the fair market values of the reserves. Assumptions relating to costs, prices for future production and other matters are summarized in the notes following the tables. There is no assurance that such prices and cost assumptions will be attained and variances could be material. All estimated future cash flows as set forth in the following tables are stated prior to provision for income taxes, indirect costs, Navigo's 2004 hedging position, and future well abandonment and site restoration costs, and after deduction of operating costs, royalties and estimated future capital expenditures.**

OIL, NATURAL GAS AND NGL RESERVES AND PRESENT WORTH VALUE OF ESTIMATED FUTURE CASH FLOWS BASED ON CONSTANT PRICE AND COST ASSUMPTIONS EFFECTIVE AS OF DECEMBER 31, 2002 MECHANICALLY LOOKED-AHEAD TO SEPTEMBER 30, 2003 (3), (4), (6), (7), (8), (9), (10), (11), (12)

	Oil (mbbls)		Natural Gas (bcf)		NGL (mbbls)		Present Worth of Future Net Pre-Tax Cash Flows ($millions) Discounted at				
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	0%	10%	12%	15%	20%
Proved Producing	2,361	1,976	15.2	12.4	69	47	92.7	74.4	71.7	68.1	63.0
Proved Non-Producing	1,483	1,166	8.6	6.8	80	55	74.3	56.0	53.5	50.0	45.2
Total Proved	3,844	3,142	23.8	19.2	149	102	167.0	130.4	125.2	118.1	108.2
Probable (Risked 50%)	1,679	1,368	7.1	5.8	64	44	72.3	45.3	41.9	37.7	32.1
Total Established	5,523	4,510	30.9	25.0	213	146	239.3	175.7	167.1	155.8	140.3

OIL, NATURAL GAS AND NGL RESERVES AND PRESENT WORTH VALUE OF ESTIMATED FUTURE CASH FLOWS BASED ON FORECAST PRICE AND COST ASSUMPTIONS EFFECTIVE AS OF DECEMBER 31, 2002 MECHANICALLY LOOKED-AHEAD TO SEPTEMBER 30, 2003 (3), (4), (5), (7), (8), (9), (10), (11), (12)

	Oil (mbbls)		Natural Gas (bcf)		NGL (mbbls)		Present Worth of Future Net Pre-Tax Cash Flows ($millions) Discounted at				
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	0%	10%	12%	15%	20%
Proved Producing	2,039	1,713	14.7	12.0	66	44	53.2	44.5	43.2	41.4	38.8
Proved Non-Producing	1,491	1,212	8.6	6.9	79	56	48.4	36.5	34.8	32.6	29.5
Total Proved	3,530	2,925	23.3	18.9	145	100	101.6	81.0	78.0	74.0	68.3
Probable (Risked 50%)	1,600	1,336	7.1	5.7	63	43	43.8	27.8	25.8	23.2	19.8
Total Established	5,130	4,261	30.4	24.6	208	143	145.4	108.8	103.8	97.2	88.1

Notes:

(1) "**Gross**" means the total of Navigo's working interest and/or royalty interest share before deducting amounts attributable to royalties owned by others.

(2) "**Net**" means the total of Navigo's working interest and/or royalty interest share after deducting amounts attributable to royalties owned by others.

(3) "**Royalties**" refers to royalties paid to others. The royalties deducted from the reserves are based on the percentage royalty calculated by applying the applicable royalty rate or formula. In the case of Crown sliding scale royalties which are dependent on selling prices, the price forecasts for the individual properties in question have been employed.

(4) Reserves presented in the GLJ Report are based upon prior evaluations prepared consistent with National Policy 2-B of the Canadian Securities Administrators, using the following definitions:

"**Proved Reserves**" are defined as those reserves estimated as recoverable with a high degree of certainty under current technology and existing economic conditions in the case of constant price and cost analyses and anticipated economic conditions in the case of forecast price and cost analyses, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir.

"**Proved Producing Reserves**" means those proved reserves that are actually on production and could be recovered from existing wells and facilities, or if facilities have not been installed, that would involve a small investment relative to cash flow. In multi-well pools involving a competitive situation, reserves may be subdivided into producing and non-producing reserves in order to reflect allocation of reserves to specific wells and their respective development status.

"Proved Non-Producing Reserves" means those proved reserves that are not classified as producing.

"Probable Reserves" reserves are defined as those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proved, but where such analysis suggests the likelihood of their existence and future recovery under current technology and existing or anticipated economic conditions. Probable additional reserves to be obtained by the application of enhanced recovery processes will be the increased recovery over and above that estimated in the proved category which can be realistically estimated for the pool on the basis of enhanced recovery processes which can be reasonably expected to be instituted in the future. "**Probable (Risked) Reserves**" are 50% of Probable Reserves and 50% of the present worth of future net pre-tax cash flows from the Probable Reserves.

The forecast cost and price assumptions assume the continuance of current laws and regulations and increases in selling prices, and take into account inflation with respect to future operating capital costs. In the GLJ Report, future operating and capital costs are assumed to escalate at 1.5% per annum.

(5) The price forecasts that formed the basis for the revenue projections in the GLJ Report were based on GLJ's October 1, 2003 price model, which has since been updated. The oil, natural gas and NGL forecast prices used in the GLJ Report are as follows:

				Alberta Natural Gas Liquids		
Year	**WTI Cushing Oklahoma (US$/bbl)**	**Edmonton Par Price[1] 40° API ($/bbl)**	**Alberta Plantgate Spot ($/mmbtu)**	**Edmonton Propane $Cdn/bbl**	**Edmonton Butane $Cdn/bbl**	**Edmonton Pentanes Plus $Cdn/bbl**
2003 Q4	28.25	38.00	5.50	26.00	29.00	38.50
2004	25.00	34.00	5.80	21.25	23.00	34.50
2005	23.00	32.00	4.70	20.00	22.00	32.50
2006	23.00	32.00	4.70	20.00	22.00	32.50
2007	23.00	32.00	4.70	20.00	22.00	32.50
2008	23.00	32.00	4.75	20.00	22.00	32.50
2009	23.00	32.00	4.85	20.00	22.00	32.50
2010	23.25	32.50	4.95	20.50	22.50	33.00
2011	23.75	33.00	5.05	21.00	23.00	33.50
2012	24.00	33.50	5.15	21.50	23.50	34.00
2013	24.50	34.00	5.20	21.75	24.00	34.50
2014+	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr

Operating and capital costs have been escalated at 1.5% annually

(6) The oil, natural gas and NGL constant prices used in the GLJ Report are based on the following December 31, 2002 prices:

Gas Prices:

AECO Spot	$6.02/mcf

Oil and NGLs Prices at Edmonton:

Edmonton Par	$49.29/bbl
Propane	$35.54/bbl
Butane	$38.04/bbl
Pentanes Plus	$50.29/bbl

The constant price assumptions assume the continuance of current laws, regulations and existing costs in effect on the date of the report. Operating and capital costs were not escalated.

(7) The $U.S. / $Cdn. exchange rate is assumed to be 0.73 in 2003 Q4, 0.72 in 2004 and 0.70 thereafter.

(8) In the course of the December 31, 2002 evaluation, Navigo provided GLJ personnel with basic information which included land data, well information, geological information, contract information, operating cost data, financial data and discussions of future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the GLJ Report are based, was obtained from public records, other operators, and from GLJ nonconfidential files. The extent and character of ownership and accuracy of all factual data supplied for the independent evaluation, from all sources, has been accepted as represented. The accuracy of any reserves and production estimate is a function of the quality and quantity of available data and of engineering interpretation and judgement. While reserves and production estimates presented herein were considered reasonable at the time they were prepared, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward. Revenue projections presented in the GLJ Report are based in part on forecasts of market prices, currency exchange rates, inflation, market demand and government policy which are subject to many uncertainties and may, in future, differ materially from the forecasts utilized in the GLJ Report. **Present values of revenues documented in the GLJ Report do not necessarily represent the fair market value of the reserves evaluated therein.**

(9) Columns may not add due to rounding.

(10) The GLJ Report includes certain capital expenditures over 2003, 2004 and 2005 in order to achieve the predicted present worth values in the forecast price and constant price cases. Total capital expenditures (net to Navigo's total Proved Reserves) of $0.6 million, $7.9 million and $1.4 million are to be expended in 2003, 2004 and 2005, respectively, in the forecast price case and $0.6 million, $7.8 million and $1.4 million are to be expended in 2003, 2004 and 2005, respectively, in the constant price case.

(11) Royalty credits under the ARTC program have been included.

(12) Substantially all of the Proved Producing Reserves evaluated in the GLJ Report were on production at January 1, 2003.

Summary of Selected Reserve Information

The following table sets forth Navigo's gross reserves, net reserves and reserve value information as at December 31, 2002 mechanically looked-ahead to September 30, 2003, the effective date of the GLJ Report.

Property	Gross Reserves (mboe) (1)(2)	Net Reserves (mboe) (1)(2)	Reserve Value (3)(4)	
			($000's)	%
Zama	2,456	2,117	32,744	30
Rainbow	1,605	1,226	15,405	14
Cache	830	661	11,249	11
Other Properties	5,508	4,493	49,371	45
TOTAL NAVIGO (5)	10,399	8,497	108,769	100

Notes:
(1) Based on Established Reserves as derived from the GLJ Report.
(2) Utilizing forecast cost and price assumptions.
(3) Discounted at 10%, before general and administrative expenses, interest costs, taxes, site restoration and abandonment costs.
(4) Net of capital expenditures. Does not include the value of undeveloped lands.
(5) Columns may not add due to rounding.

Hedging Strategy and Commitments

Navigo is and will continue to be party to certain financial instruments, including crude oil and natural gas contracts from time to time. The Board of Directors of Navigo has approved a hedging policy authorizing Navigo to hedge up to 60 percent of its production on a barrel of oil equivalent basis. Navigo has entered into and will continue to enter into such contracts for hedging purposes only in order to protect its cash flow on future sales from the potential adverse impact of fluctuations in oil and natural gas prices by establishing fixed prices or a trading range on a portion of its oil and gas sales.

As of the date hereof, the following contracts are outstanding:

Type	Pricing	Units	Term	Q1/2004 (bbls/d)	Q2/2004 (bbls/d)	Q3/2004 (bbls/d)	Q4/2004 (bbls/d)	Calendar 2004 (bbls/d)
Fixed price WTI swap	$29.10	US/bbl	Jan 1 - Mar 31/04	300	0	0	0	75
Fixed price WTI swap	$28.14	US/bbl	Jan 1 - Jun 30/04	500	500	0	0	249
Fixed price WTI swap	$27.33	US/bbl	Jan 1 - Dec 31/04	500	500	500	500	500
Fixed price WTI swap	$27.50	US/bbl	Jan 1 - Dec 31/04	500	500	500	500	500
Fixed price WTI swap	$27.80	US/bbl	Jan 1 - Dec 31/04	500	500	500	500	500
Total				2,300	2,000	1,500	1,500	1,824

RECENT DEVELOPMENTS

The Arrangement

On December 29, 2003, Navigo completed the Arrangement whereby holders of common shares of Navigo elected or were deemed to have elected to receive either Trust Units or Exchangeable Shares of Navigo for their common shares on the basis of one-third of a Trust Unit or Exchangeable Share, or a combination thereof, and one-third of a C1 Energy common share for each common share held. Coincident with the Arrangement becoming effective, certain of Navigo's exploration assets were acquired by C1 Energy, and the common shares of C1 Energy were distributed to the former holders of Navigo common shares on the basis of one-third of a common share of C1 Energy for each such share held**. Information relating to the Trust, including its oil and natural gas properties, after giving effect to the Arrangement, is contained in Appendix I to the Information Circular which is incorporated by reference herein.**

Java Acquisition

On January 8, 2004, Navigo entered into the Java Acquisition Agreement with Java to acquire all of the issued and outstanding shares of Java, a privately owned company operating in Northern Alberta and Saskatchewan for a total purchase price of up to $21,754,000, subject to adjustment, payable through the issuance of $15,554,000 in Exchangeable Shares, subject to adjustment, valued at $9.00 per share plus the assumption of a maximum of $6,200,000 of debt. The Java Acquisition Agreement is a preliminary letter of intent only and is expected to be replaced by an agreement of purchase and sale prior to the closing of this Offering. The Java Acquisition is expected to close on or before February 27, 2004.

Java's production as at September 30, 2003 was 600 boe/d (split as to approximately 47% natural gas and 53% oil) and is expected to be in excess of 800 boe/d at the time of closing the Java Acquisition. Java is currently drilling a 16 well program in the Rainbow Lake area which is directly offsetting properties of the Trust. GLJ has estimated the Proved Reserves associated with the Java Acquisition in the GLJ Report – Java Acquisition (using forecast cost and price assumptions) at 683,000 bbls of crude oil and NGLs and 5,398 mmcf of natural gas. GLJ has estimated the sum of the Proved Reserves and the Probable Reserves associated with the Java Acquisition are 827,000 bbls of crude oil and NGLs and 7,087 mmcf of natural gas. For additional information relating to the Java Acquisition see "Information Concerning the Java Acquisition" and "Schedule A – Unaudited Pro Forma Consolidated Financial Statements".

Wapella Property Acquisition

On January 8, 2004, Navigo and the Vendor entered into the Wapella Property Acquisition Agreement with the Vendor providing for the acquisition of the Wapella Property from the Vendor for a purchase price of $36,000,000, subject to adjustment. The Wapella Property Acquisition is expected to close on or about January 28, 2004 and will have an effective date of December 31, 2003.

The Wapella Property consists of crude oil assets located near Wapella, Saskatchewan which are currently producing approximately 1,400 boe/d. Approximately 94% of the production from the Wapella Property is operated by the Vendor with the Vendor having an average working interest of approximately 90% on a Proved Producing basis in such production. There is no material preferential right of purchase affecting the major producing portions of the Wapella Property. Management of Navigo believes that the Wapella Property offers additional low-risk development and optimization potential and is characterized by low operating costs and an attractive Proved Reserve life index of 6.2 years and an Established Reserve life index of 8.0 years. For additional information on the Wapella Property, see "Information Concerning the Wapella Property Acquisition" and "Schedule B – Statement of Revenue and Operating Expenses for the Wapella Property". See also "Schedule A – Unaudited Pro Forma Consolidated Financial Statements".

There is no deposit associated with the Wapella Property Acquisition but a $1.4 million break fee is payable in certain circumstances should either party fail to close.

The acquisition of the Wapella Property will be financed through the net proceeds of this Offering of approximately $• million ($• million if the Over Allotment Option is exercised in full) with the balance financed with bank debt. **The closing of the Offering will occur only if the Wapella Property Acquisition is completed.**

Selected Pro Forma Information

The following pro forma information reflects combined information related to the Trust after giving effect to the Java Acquisition and the Wapella Property Acquisition. See also "Information Concerning the Java Acquisition", "Information Concerning the Wapella Property Acquisition", "Schedule B – Statement of Revenue and Operating Expenses for the Wapella Property" and "Schedule A – Unaudited Pro Forma Consolidated Financial Statements".

Selected Pro Forma Combined Operational Information

The following table sets forth certain operational information for the Trust on a pro forma combined basis after giving effect to the Java Acquisition and Wapella Property Acquisition and certain other adjustments.

	Trust (1)	**Wapella Property**	**Pro Forma**
Average Daily Production (for the nine months ended September 30, 2003)			
Oil and NGLs (bbls/d)	2,956	1,420	4,376
Natural gas (mcf/d)	17,778	-	17,778
Total (boe/d)	5,919	1,420	7,339
Proved Reserves(2)			
Oil and NGLs (mbbls)	4,358	3,208	7,566
Natural gas (mmcf)	28,698	-	28,698
Total (mboe)	9,141	3,208	12,349
Established Reserves(2)			
Oil and NGLs (mbbls)	6,093	4,167	10,260
Natural gas (mmcf)	36,643	-	36,643
Total (mboe)	12,200	4,167	16,367
Value of Established Reserves – Discounted(2)			
at 10% ($ thousands)	128,890	33,700	162,590
at 15% ($ thousands)	114,523	28,750	143,273
Established Reserve Life Index(3) (years)	5.6	8.0	6.1
Net Undeveloped Land(1) (acres)	120,000	-	120,000

Notes:

(1) Information for the Trust includes the production, reserves and undeveloped land associated with the Java Acquisition and excludes the production, reserves and undeveloped land transferred to C1 Energy as part of the Arrangement.

(2) Reserve information for the Trust (which includes reserves associated with the Java Acquisition and excludes production associated with the reserves transferred to C1 Energy as part of the Arrangement) and the Wapella Property is set forth on a company gross reserves basis using forecast cost and price assumptions and is based on mechanical look-aheads of independent engineering evaluations of GLJ. For more detailed reserve information regarding Navigo, see "Description of the Business of the Trust – Oil and

Natural Gas Reserves". For more detailed reserve information regarding Java, see "Information Concerning the Java Acquisition – Oil and Natural Gas Reserves – Java Acquisition". For more detailed reserve information regarding the Wapella Property, see "Information Concerning the Wapella Property – Crude Oil Reserves".

(3) Based on the combined production of the Trust (which includes production associated with the Java Acquisition and excludes production associated with the reserves transferred to C1 Energy as part of the Arrangement) and the production associated with the Wapella Property for the nine months ended September 30, 2003.

Selected Pro Forma Combined Financial Information

The following table sets forth certain financial information for the Trust, after giving effect to the Arrangement, the Java Acquisition, and the Wapella Property Acquisition as at and for the nine months ended September 30, 2003 and after giving effect to certain other adjustments, as if such transactions had each been completed on January 1, 2003. The Pro Forma financial information set forth below is not necessarily indicative of results of operations that would have occurred for the nine months ended September 30, 2003 had such transactions each been completed on January 1, 2003. See "Schedule A – Unaudited Pro Forma Consolidated Financial Statements".

For the nine months ended September 30, 2003	**Trust**	**Wapella Property**	**Pro Forma**
($ thousands)			
Revenue from Petroleum and Natural Gas Sales	63,083	13,851	76,934
Operating Income [(1)]	32,913	7,550	40,463

Note:

(1) Operating income represents revenue less royalties and operating costs.

INFORMATION CONCERNING THE JAVA ACQUISITION

Certain information in this short form prospectus in respect of the Java Acquisition has been taken from information provided by Java. **While the Trust has no reason to believe the information is not accurate, there can be no assurances concerning the completeness or accuracy of such information in respect of the Java Acquisition.**

Principal Producing Properties

Java is a private company operating in Northern Alberta and Saskatchewan. Java's production as at September 30, 2003 was 600 boe/d (split as to approximately 47% natural gas and 53% oil) and is expected to be in excess of 800 boe/d at the time of closing the Java Acquisition. Java is currently drilling a 16 well program in the Rainbow Lake area which is directly offsetting properties of the Trust.

Oil and Natural Gas Reserves – Java Acquisition

The oil, natural gas and NGL reserves of Java are presented in the GLJ Report – Java Acquisition. The oil, natural gas and NGL reserves of Java were evaluated by GLJ effective September 1, 2003. The September 1, 2003 evaluation results were mechanically looked-ahead to September 30, 2003 with the results presented in the GLJ Report – Java Acquisition. The mechanical look-ahead assumes that 25 percent of the volume and expense previously forecast for the last four months of 2003 have been produced or spent, and gives no consideration to actual performance, activity and new evaluation standards that have occurred or been implemented since the prior evaluation, or their impact on reserves classification. To the best of its knowledge, Navigo does not believe that evaluating the reserves of Java giving consideration to actual performance or activity or other intervening factors (other than the implementation of NI 51-101), since the prior evaluation would have any material effect on the evaluation of the reserves set forth below.

The results of the evaluations of GLJ, contained in the GLJ Report – Java Acquisition, based on both forecast and constant cost and price assumptions, are summarized in the tables below. **The present worth of estimated future cash flows contained in the following tables may not be representative of the fair market values of the reserves. Assumptions relating to costs, prices for future production and other matters are summarized in the notes following the tables. There is no assurance that such prices and cost assumptions will be attained and variances could be material. All estimated future cash flows as set forth in the following tables are stated prior to provision for income taxes, indirect costs, and future site restoration costs, and after deduction of operating costs, royalties and estimated future capital expenditures.**

OIL, NATURAL GAS AND NGL RESERVES AND PRESENT WORTH VALUE OF ESTIMATED FUTURE CASH FLOWS BASED ON CONSTANT PRICE AND COST ASSUMPTIONS EFFECTIVE AS OF SEPTEMBER 1, 2003 MECHANICALLY LOOKED-AHEAD TO SEPTEMBER 30, 2003 (3), (4), (6), (7), (8), (9), (10), (11)

	Oil (mbbls)		Natural Gas (mmcf)		NGL (mbbls)		Present Worth of Future Net Pre-Tax Cash Flows ($millions) Discounted at				
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	0%	10%	12%	15%	20%
Proved Producing	591	530	2,228	1,850	1	1	25.5	17.2	16.2	15.0	13.3
Proved Non-Producing	103	92	3,168	2,754	-	-	14.1	9.8	9.2	8.4	7.3
Total Proved	694	622	5,396	4,604	1	1	39.6	27.0	25.4	23.4	20.6
Probable (Risked 50%)	76	65	844	727	-	-	5.1	2.5	2.3	1.9	1.6
Total Established	770	687	6,240	5,331	1	1	44.7	29.5	27.7	25.3	22.2

OIL, NATURAL GAS AND NGL RESERVES AND PRESENT WORTH VALUE OF ESTIMATED FUTURE CASH FLOWS BASED ON FORECAST PRICE AND COST ASSUMPTIONS EFFECTIVE AS OF SEPTEMBER 1, 2003 MECHANICALLY LOOKED-AHEAD TO SEPTEMBER 30, 2003 (3), (4), (5), (7), (8), (9), (10), (11)

	Oil (mbbls)		Natural Gas (mmcf)		NGL (mbbls)		Present Worth of Future Net Pre-Tax Cash Flows ($millions) Discounted at				
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	0%	10%	12%	15%	20%
Proved Producing	587	528	2,215	1,839	1	1	16.3	11.6	11.0	10.2	9.2
Proved Non-Producing	95	85	3,183	2,767	-	-	9.8	6.7	6.2	5.7	4.9
Total Proved	682	613	5,398	4,606	1	1	26.1	18.3	17.3	15.9	14.1
Probable (Risked 50%)	72	62	845	727	-	-	3.6	1.8	1.7	1.4	1.1
Total Established	754	675	6,243	5,333	1	1	29.7	20.1	18.9	17.3	15.2

Notes:

(1) "**Gross**" means the total of Java's working interest and/or royalty interest share before deducting amounts attributable to royalties owned by others.

(2) "**Net**" means the total of Java's working interest and/or royalty interest share after deducting amounts attributable to royalties owned by others.

(3) "**Royalties**" refers to royalties paid to others. The royalties deducted from the reserves are based on the percentage royalty calculated by applying the applicable royalty rate or formula. In the case of Crown sliding scale royalties which are dependent on selling prices, the price forecasts for the individual properties in question have been employed.

(4) Definitions used for reserve categories in the GLJ Report — Java Acquisition are set forth in Note (4) following the tables under "Description of the Business of the Trust — Oil and Natural Gas Reserves".

(5) The price forecasts that formed the basis for the revenue projections in the GLJ Report — Java Acquisition were based on GLJ's October 1, 2003 price model, which has since been updated, and which is set forth in Note (5) following the tables under "Description of the Business of the Trust — Oil and Natural Gas Reserves".

(6) The constant prices that formed the basis for the reserve projections in the GLJ Report — Java Acquisition are set out in Note (6) following the tables under "Description of the Business of the Trust — Oil and Natural Gas Reserves".

(7) In the course of the September 1, 2003 evaluation, Java provided GLJ personnel with basic information which included land data, well information, geological information, contract information, operating cost data, financial data and discussions of future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the GLJ Report – Java Acquisition are based, was obtained from public records, other operators, and from GLJ nonconfidential files. The extent and character of ownership and accuracy of all factual data supplied for the independent evaluation, from all sources, has been accepted as represented. The accuracy of any reserves and production estimate is a function of the quality and quantity of available data and of engineering interpretation and judgement. While reserves and production estimates presented herein were considered reasonable at the time they

were prepared, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward. Revenue projections presented in the GLJ Report – Java Acquisition are based in part on forecasts of market prices, currency exchange rates, inflation, market demand and government policy which are subject to many uncertainties and may, in future, differ materially from the forecasts utilized in the GLJ Report – Java Acquisition. **Present values of revenues documented in the GLJ Report – Java Acquisition do not necessarily represent the fair market value of the reserves evaluated therein.**

(8) Columns may not add due to rounding.

(9) The GLJ Report – Java Acquisition includes certain capital expenditures over 2003, 2004 and 2005 in order to achieve the predicted present worth values in the forecast price and constant price cases. Total capital expenditures (net to Java's total Proved Reserves) of $0.2 million, $2.4 million and $1.4 million are to be expended in 2003, 2004 and 2005, respectively, in the forecast price case and $0.2 million, $2.3 million and $1.4 million are to be expended in 2003, 2004 and 2005, respectively, in the constant price case.

(10) Royalty credits under the ARTC Program have been included.

(11) Substantially all of the Proved Producing Reserves evaluated in the GLJ Report – Java Acquisition were on production at September 1, 2003.

Summary of Selected Reserve Information

The following table sets forth Java's gross reserves, net reserves and reserve value information as at September 1, 2003 mechanically looked-ahead to September 30, 2003, the effective date of the GLJ Report – Java Acquisition.

Property	Gross Reserves (mboe) [1][2]	Net Reserves (mboe) [1][2]	Reserve Value [3][4] ($000's)	%
Rainbow	653	579	7,111	35
Benson	359	324	5,059	25
Twining	271	216	2,794	14
Other Properties	513	446	5,126	26
TOTAL COMPANY	1,796	1,565	20,090	100

Notes:
(1) Based on Established Reserves as derived from the GLJ Report – Java Acquisition.
(2) Utilizing forecast cost and price assumptions.
(3) Discounted at 10%, before general and administrative expenses, interest costs, taxes, site restoration and abandonment costs.
(4) Net of capital expenditures. Does not include the value of undeveloped lands.

INFORMATION CONCERNING THE WAPELLA PROPERTY ACQUISITION

Certain information in this short form prospectus in respect of the Wapella Property has been taken from information provided by the Vendor. **While the Trust has no reason to believe the information is not accurate, there can be no assurances concerning the completeness or accuracy of such information in respect of the Wapella Property.**

Principal Producing Properties

The following is a description of the Wapella Property on production or under development as at September 30, 2003. The term "net", when used to describe the Vendor's share of production with respect to the Wapella Property, means the total of the Vendor's working interest share before deduction of royalties owned by others. Reserve amounts are stated, before deduction of royalties, at December 31, 2002, mechanically looked-ahead to September 30, 2003 based on forecast cost and price assumptions as evaluated in the GLJ Report – Wapella Property (see "Information Concerning the Wapella Property – Crude Oil Reserves"). Well counts are as at September 30, 2003, except where indicated otherwise. Information in respect of current production is average production, net to the Vendor, for the month of September 2003 except where otherwise indicated. Substantially all of the Proved Producing Reserves associated with the Wapella Property were on production as at September 30, 2003.

The Wapella Property consists of 25° API medium gravity crude oil assets located near Wapella, Saskatchewan which are currently producing approximately 1,400 boe/d. Approximately 94% of the production from Wapella Property is operated by the Vendor with the Vendor having an average working interest of approximately 90% on a Proved Producing basis in such production. There is no material preferential right of purchase affecting the major producing portions of the Wapella Property. Management of Navigo believes that the Wapella Property offers additional low-risk development and optimization potential.

The Wapella Property is characterized by low operating costs and an attractive total Proved Reserve life index of 6.2 years and an Established Reserve life index of 8.0 years, based upon average daily production for the nine months ended September 30, 2003 and has significant water flood optimization which Navigo believes has the potential to increase recoverable reserves by 5 to 10%.

The GLJ Report – Wapella Property has presented total Proved Reserves of 3,208 mbbls of crude oil to the Wapella Property using forecast cost and price assumptions.

Crude Oil Reserves

The crude oil reserves associated with the Wapella Property are presented in the GLJ Report – Wapella Property. The crude oil reserves of the Wapella Property were evaluated by GLJ effective December 31, 2002. The December 31, 2002 evaluation results, which forecast all of the nonproducing reserves to be developed in 2003, were rerun to reflect GLJ's October 1, 2003 price forecast, and then mechanically looked-ahead to September 30, 2003 with the results presented in the GLJ Report – Wapella Property. The mechanical look-ahead assumes that three quarters of the volume and expense previously forecast for 2003 have been produced or spent, and gives no consideration to actual performance, activity and new evaluation standards that have occurred or been implemented since the prior evaluation, or their impact on reserves classification. To the best of its knowledge, Navigo does not believe that evaluating the reserves associated with the Wapella Property giving consideration to actual performance or activity or other intervening factors (other than the implementation of NI 51-101), since the prior evaluation would have any material effect on the evaluation of the reserves set forth below.

The results of the evaluations of GLJ, contained in the GLJ Report – Wapella Property, based on both forecast and constant cost and price assumptions, are summarized in the tables below. **The present worth of estimated future cash flows contained in the following tables may not be representative of the fair market values of the reserves. Assumptions relating to costs, prices for future production and other matters are summarized in the notes following the tables. There is no assurance that such prices and cost assumptions will be attained and variances could be material. All estimated future cash flows as set forth in the following tables are stated prior to provision for income taxes, indirect costs, and future site restoration costs, and after deduction of operating costs, royalties and estimated future capital expenditures.**

OIL RESERVES AND PRESENT WORTH VALUE OF
ESTIMATED FUTURE CASH FLOWS BASED ON CONSTANT PRICE AND COST ASSUMPTIONS
EFFECTIVE AS OF DECEMBER 31, 2002
MECHANICALLY LOOKED-AHEAD TO SEPTEMBER 30, 2003 (3), (4), (6), (7), (8), (9), (10)

	Oil (mbbls)		Present Worth of Future Net Pre-Tax Cash Flows ($millions) Discounted at				
	Gross(1)	Net(2)	0%	10%	12%	15%	20%
Proved Producing	2,266	1,955	48.3	31.7	29.8	27.3	24.1
Proved Non-Producing	1,007	884	24.7	17.3	16.2	14.9	13.1
Total Proved	3,273	2,839	73.0	49.0	46.0	42.2	37.2
Probable (Risked 50%)	958	828	24.8	12.0	10.7	9.3	7.5
Total Established	4,231	3,667	97.8	61.0	56.7	51.5	44.7

OIL RESERVES AND PRESENT WORTH VALUE OF ESTIMATED FUTURE CASH FLOWS BASED ON FORECAST PRICE AND COST ASSUMPTIONS EFFECTIVE AS OF DECEMBER 31, 2002 MECHANICALLY LOOKED-AHEAD TO SEPTEMBER 30, 2003 (3), (4), (5), (7), (8), (9), (10)

	Oil (mbbls)		Present Worth of Future Net Pre-Tax Cash Flows ($millions) Discounted at				
	Gross[1]	Net[2]	0%	10%	12%	15%	20%
Proved Producing	2,225	1,930	24.0	16.7	15.8	14.6	13.1
Proved Non-Producing	983	868	13.2	9.4	8.8	8.2	7.2
Total Proved	3,208	2,798	37.2	26.1	24.6	22.8	20.3
Probable (Risked 50%)	959	836	15.2	7.6	6.9	6.0	4.9
Total Established	4,167	3,634	52.4	33.7	31.5	28.8	25.2

Notes:

(1) "**Gross**" means the total of Vendor's working interest and/or royalty interest share before deducting amounts attributable to royalties owned by others.

(2) "**Net**" means the total of Vendor's working interest and/or royalty interest share after deducting amounts attributable to royalties owned by others.

(3) "**Royalties**" refers to royalties paid to others. The royalties deducted from the reserves are based on the percentage royalty calculated by applying the applicable royalty rate or formula. In the case of Crown sliding scale royalties which are dependent on selling prices, the price forecasts for the individual properties in question have been employed.

(4) Definitions used for reserve categories in the GLJ Report – Wapella Property are set forth in Note (4) following the table under "Description of the Business of the Trust – Oil and Natural Gas Reserves".

(5) The price forecasts that formed the basis for the revenue projections in the GLJ Report – Wapella Property were based on GLJ's October 1, 2003 price model, which has since been updated, and which is set forth in Note (5) following the tables under "Description of the Business of the Trust – Oil and Natural Gas Reserves".

(6) The constant prices that formed the basis for the revenue projections in the GLJ Report – Wapella Property are set forth in note (6) following the tables under "Description of the Business of the Trust – Oil and Natural Gas Reserves".

(7) In the course of the December 31, 2002 evaluation, the Vendor provided GLJ personnel with basic information which included land data, well information, geological information, contract information, operating cost data, financial data and discussions of future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the GLJ Report – Wapella Property are based, was obtained from public records, other operators, and from GLJ nonconfidential files. The extent and character of ownership and accuracy of all factual data supplied for the independent evaluation, from all sources, has been accepted as represented. The accuracy of any reserves and production estimate is a function of the quality and quantity of available data and of engineering interpretation and judgement. While reserves and production estimates presented herein were considered reasonable at the time they were prepared, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward. Revenue projections presented in the GLJ Report – Wapella Property are based in part on forecasts of market prices, currency exchange rates, inflation, market demand and government policy which are subject to many uncertainties and may, in future, differ materially from the forecasts utilized in the GLJ Report – Wapella Property. **Present values of revenues documented in the GLJ Report – Wapella Property do not necessarily represent the fair market value of the reserves evaluated therein.**

(8) Columns may not add due to rounding.

(9) The GLJ Report – Wapella Property includes certain capital expenditures over 2003, 2004 and 2005 in order to achieve the predicted present worth values in the forecast price and constant price cases. Total capital expenditures (net to the Vendor total Proved Reserves) of $1.1 million, $nil and $nil are to be expended in 2003, 2004 and 2005, respectively, in the forecast price case and $1.1 million, $nil and $nil are to be expended in 2003, 2004 and 2005, respectively, in the constant price case. Total capital expenditures required during the remaining life of the Wapella Property totals $1.1 million.

(10) Substantially all of the Proved Producing Reserves evaluated in the GLJ Report – Wapella Acquisition were on production at January 1, 2003.

Summary of Selected Reserve Information

The following table sets forth the Vendor's gross reserves, net reserves and reserve value information respecting the Wapella Property as at December 31, 2002 mechanically looked-ahead to September 30, 2003, the effective date of the GLJ Report – Wapella Property.

Property	Gross Reserves (mboe) (1)(2)	Net Reserves (mboe) (1)(2)	Reserve Value (3)(4) ($000's)
Wapella	4,167	3,634	33,700
TOTAL	4,167	3,634	33,700

Notes:
(1) Based on Established Reserves as derived from the GLJ Report – Wapella Property.
(2) Utilizing forecast cost and price assumptions.
(3) Discounted at 10%, before general and administrative expenses, interest costs, taxes, site restoration and abandonment costs.
(4) Net of capital expenditures.

Undeveloped Lands

There are no significant undeveloped land holdings associated with the Wapella Property.

Oil Wells

The following table sets forth the number and status of crude oil wells located on the Wapella Property as at December 15, 2003 in which the Vendor has an interest and which are producing or which are considered by the Vendor to be capable of producing. There are no natural gas wells associated with the Wapella Property.

	Producing (4)		Shut-in (1)	
	Oil		Oil	
	Gross Wells (2)	Net Wells (3)	Gross Wells (2)	Net Wells (3)
Saskatchewan	75	64.6	19	17.3
TOTAL	75	64.6	19	17.3

Notes:
(1) "**Shut-in**" wells are wells which are not producing but which are considered by the Vendor to be capable of producing. Shut-in wells associated with the Wapella Property are located within a reasonable distance from or are already tied into gathering systems, pipelines or other means of transportation.
(2) "**Gross**" wells are the total number of wells in which the Vendor has a working interest.
(3) "**Net**" wells means the aggregate of the numbers obtained by multiplying each gross well by the Vendor's percentage working interest therein.
(4) Royalty interest wells have been assigned a net number of zero.

Production History

The sales volumes of crude oil production attributable to the Wapella Property, before deduction of royalties, for the periods indicated is summarized below. There is no natural gas or NGLs production associated with the Wapella Property.

	2003			2002				2001
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Crude Oil (bbls/d)	1,419	1,398	1,444	1,454	1,509	1,376	1,342	1,369

100% of gross revenue from the Wapella Property is comprised of medium gravity crude oil (25° API or greater) production.

Drilling History

The following table sets forth the gross and net wells in respect of the Wapella Property in which the Vendor participated during the periods indicated. No natural gas wells were drilled on the Wapella Property for the periods indicated.

	2003 (1)	2002				2001
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Crude Oil	1	-	2	2	3	2
Dry	1	-	2	1	1	-
Service	-	-	-	-	-	-
Total	2	-	4	3	4	2

Note:
(1) No wells have been drilled on the Wapella Property since the first quarter of 2003.

Capital Expenditures

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

	2003			2002				2001
(thousands of $)	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Land	15	7	14	81	19	78	25	5
Drilling, Completion and Equipping	51	357	495	579	1,529	1,154	1,573	1,438
Geological and Seismic	-	-	-	-	-	-	-	1,995
Net Acquisitions (Dispositions)	-	-	-	-	-	-	-	-
Facilities	100	102	1	131	128	34	30	78
Total Capital Expenditures	166	466	510	791	1,676	1,266	1,628	3,516

Netback History

The following table sets forth information respecting average net product prices received, royalties paid, operating expenses and netbacks received by the Vendor in respect of production of crude oil from the Wapella Property for the periods indicated. There was no natural gas or NGLs production from the Wapella Property for the periods indicated.

	2003			2002				2001
($/bbl)	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Crude Oil Prices Received (1)	33.39	31.96	41.75	34.81	36.40	33.59	25.32	19.32
Royalties Paid	9.29	8.74	12.73	9.85	10.13	8.29	10.19	4.10
Operating Expenses (2)	6.21	5.62	6.12	5.34	5.29	5.08	5.51	4.90
Netback	17.89	17.60	22.90	19.62	20.98	20.22	9.62	10.32

Notes:
(1) Product prices are net of costs to transport the product to market.
(2) This figure includes all field operating expenses.

Marketing Arrangements and Future Commitments

Crude oil from the Wapella Property is sold to creditworthy customers at competitive market prices. 300 barrels per day are hedged at $27.68 WTI for calendar 2004.

CONSOLIDATED CAPITALIZATION OF THE TRUST

The following table sets forth the consolidated capitalization of the Trust as at December 31, 2002 and as at September 30, 2003, both before and after giving effect to the Arrangement, the Offering, the Java Acquisition and the Wapella Property Acquisition:

Description and Amount Authorized	**As at December 31, 2002**	**As at September 30, 2003 before giving effect to the Arrangement, the Offering, the Java Acquisition and the Wapella Property Acquisition**	**As at September 30, 2003 after giving effect to the Arrangement, the Offering, the Java Acquisition and the Wapella Property Acquisition**
Bank debt:			
Credit facilities (1) (2)	$26,573,000	$36,086,000	$●
Common Shares (3)	$158,267,000 (35,049,058 common shares)	$155,083,000 (35,020,481 common shares)	nil
Trust Units (3) (6) (unlimited)	nil	nil	$● (4) (● Trust Units)
Exchangeable Shares (4)	nil	nil	$● (●Exchangeable Shares)

Notes:

(1) With the completion of the Plan of Arrangement, a new bank facility in the amount of $45 million has been arranged for Navigo, consisting of a $43 million revolving operating demand loan (subject to a borrowing base test) and a $2 million non-revolving demand loan available only until January 30, 2004 (the "**Credit Facilities**"). The Credit Facilities can be drawn in Canadian funds and bear interest at the bank's prime lending rate or bankers' acceptance rates plus applicable margins. The $43 million facility is subject to an interim review which commenced on January 1, 2004 and is anticipated to be completed by January 30, 2004. The Credit Facilities are guaranteed by the Trust and are secured by a $100 million demand debenture from each of Navigo and the Trust with a floating charge over all of Navigo's and the Trust's current and after-acquired property and an undertaking to grant a fixed charge on major producing petroleum and natural gas reserves.

(2) Navigo has requested an increase in its Credit Facilities as part of the Wapella Property Acquisition and expects to receive approval for this request conditional upon the closing of the Wapella Property Acquisition.

(3) In accordance with the Arrangement, effective December 29, 2003, former holders of common shares of Navigo who either elected, or were deemed to have elected to receive Trust Units, received one-third of a Trust Unit in exchange for each common share of Navigo.

(4) The Exchangeable Shares are exchangeable for Trust Units on the basis of an exchange rate that reflects the cash distributions paid on the Trust Units. As of January 8, 2004, the exchange rate was 1.000000. If all Exchangeable Shares were exercised on January 8, 2004, there would be 1,000,000 additional Trust Units outstanding.

(5) Based on the issuance of ● Trust Units for total proceeds of $● less the Underwriters' fee of $● and expenses of the Offering estimated to be $●. In the event the Over Allotment Option is exercised in full, long-term debt would be $● and Trust Units would be $● (● Trust Units outstanding).

(6) As at January 8, 2004, the Trust had 612,500 outstanding rights to purchase Trust Units pursuant to the Trust Unit Rights Incentive Plan. In addition, as a result of the Arrangement, 440,200 options to common shares of Navigo became options to acquire an aggregate of 146,734 Trust Units, all of which are outstanding as at January 8, 2004.

PRICE RANGE AND TRADING VOLUME OF THE TRUST UNITS

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

Period	High	Low	Volume
January 6 -7, 2004	$10.50	$10.02	599,100

Notes:

(1) The Trust Units commenced trading on the TSX on January 6, 2004.

(2) On January 7, 2004, the closing price of the Trust Units on the TSX was $10.40.

RECORD OF CASH DISTRIBUTIONS

No cash distributions have been paid by the Trust since its inception. Distributions made in 2004 are expected to be 85 – 90% tax deferred.

The Trust intends to make cash distributions on the 15th day of each month (or the first Business Day thereafter) to holders of Trust Units of record on the immediately preceding record date commencing in February, 2004. The Trust announced on January 6, 2004 that a monthly distribution of $0.15 per Trust Unit will be paid on February 16, 2004 to Unitholders of record on January 30, 2004. It is expected that closing of this Offering will be held on or about January 28, 2004 or such other date as the Trust and the Underwriters may agree upon. Provided the Offering closes on or before January 30, 2004, subscribers who purchase Trust Units pursuant to the Offering will be eligible to receive the distribution to be paid February 16, 2004.

The Board of Directors of Navigo on behalf of the Trust will review the distribution policy from time to time. The actual amount distributed is dependent on the commodity price environment and is at the discretion of the Board of Directors. The current distribution policy targets the use of approximately 25% of cash available for distribution for capital expenditures. Depending upon commodity prices and the size of the capital budget, it is expected that 25% of the cash available for distribution will fund a portion of the Trust's annual capital expenditure program, including both exploitation expenditures and minor property acquisitions, but excluding major acquisitions.

Pursuant to various agreements with Navigo's lender, the Trust is restricted from making distributions to its unitholders under such agreements in the following circumstances: (i) after a demand has been made under the Credit Facilities; (ii) after the Trustee has received notice of a default or event of default under the Credit Facilities or of the borrowings thereunder exceeding the borrowing base established from time to time by the lender; and (iii) out of the ordinary course of business.

USE OF PROCEEDS

The net proceeds of this issue to the Trust, after payment of the Underwriters' fee of $● and expenses of the issue estimated to be $●, will be approximately $● ($●, if the Over Allotment Option is exercised in full). The net proceeds of the Offering will be used to fund the Wapella Property Acquisition. **Closing of the Offering will occur only if the Wapella Property Acquisition is completed.** See "Recent Developments – Wapella Property Acquisition", "Information Concerning the Wapella Property" and "Relationship Among the Trust and An Underwriter".

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement dated January ●, 2004 among the Trust, Navigo and the Underwriters, the Trust has agreed to issue and sell the Trust Units and the Underwriters have severally agreed to purchase on or about January 28, 2004, or such other date as may be agreed upon, subject to the terms and conditions stated therein, all of the Trust Units offered hereby at a price of $● per Trust Unit. In the event the Offering is not completed on or before January 30, 2004 and the Underwriters have not otherwise determined to terminate the Underwriting Agreement, the Trust, Navigo and the Underwriters may, subject to regulatory approval, agree to extend the completion date for the Offering and in doing so may adjust the offering price of the Trust Units hereunder to account for the purchasers not being eligible to receive the distribution to be paid on February 16, 2004 to Unitholders of record on January 30, 2004. In consideration for their services in connection with this Offering, the Underwriters will be paid a fee of $● per Trust Unit issued by the Trust.

The Trust has granted to the Underwriters the Over Allotment Option to purchase up to • additional Trust Units at the offering price of the Trust Units hereunder, exercisable for a period expiring 30 days after the date of closing of the Offering, to cover over allotments, if any, and for market stabilization purposes. The Trust will pay to the Underwriters a fee of $• per Trust Unit with respect to the Trust Units issued under the Over Allotment Option. If the Over Allotment Option is exercised in full, the total Offering, the Underwriters' fee and the net proceeds to the Trust before deducting issue expenses will be $•, $• and $•, respectively. This short form prospectus qualifies both the grant of the Over Allotment Option and the issuance of Trust Units that will be issued if the Over Allotment Option is exercised in full.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase its allotment of Trust Units, the remaining Underwriter or Underwriters may but are not obligated to purchase the Trust Units not purchased by the Underwriter or Underwriters which fail to purchase. The Underwriting Agreement also provides that the Trust and the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

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

Pursuant to the Underwriting Agreement, the Trust has agreed that it will not, without the prior consent of National Bank Financial Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld, directly or indirectly, offer or agree to issue, sell, transfer or assign any Trust Units or any equity securities of the Trust (or any other securities convertible or exercisable or exchangeable for Trust Units or equity securities of the Trust or its subsidiaries), at any time prior to the date 90 days following the closing of the Offering, except for the granting of options to purchase Trust Units pursuant to the Trust Unit Rights Incentive Plan, the issuance of Trust Units pursuant to the exercise of such options, the existing options to purchase Trust Units issued pursuant to the Arrangement, the retention bonus arrangements of Navigo with certain of its employees or the exchange, transfer, conversion or exercise rights of existing outstanding Exchangeable Shares, or the issuance of Trust Units or other equity securities of the Trust or Navigo or pursuant to corporate or asset acquisitions, including the Java Acquisition.

Certificates for the Trust Units will be available for delivery at the closing of this Offering, which is expected to take place on or about January 28, 2004.

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

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

DETAILS OF THE OFFERING

The Offering consists of ● Trust Units at a price of $● per Trust Unit. An additional ● Trust Units may be issued if the Over Allotment Option is exercised in full.

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

The Trust Units do not represent a traditional investment and should not be viewed by investors as "shares" in either Navigo or the Trust. As holders of Trust Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The market price of the Trust Units will be sensitive to, among other things, the anticipated distributable income from the Trust and the ability of Navigo to effect long term growth in the value of the Trust, as well as a variety of market conditions including, but not limited to, interest rates, commodity prices and the ability of the Trust to acquire additional assets. Changes in market conditions may adversely affect the trading price of the Trust Units. See "Risk Factors" in this short form prospectus and at pages I-32 through I-35, inclusive, of Appendix I to the Information Circular incorporated by reference herein.

A Special Voting Unit has been designated by the Board of Directors of Navigo as the "Special Voting Unit, Exchangeable Shares" ("Special Voting Unit, Exchangeable Shares"). The Special Voting Unit, Exchangeable Shares possesses a number of votes for the election of directors of Navigo and on all other matters submitted to a vote of Unitholders equal to the number of Trust Units for which the outstanding Exchangeable Shares from time to time not owned by the Trust may be exchanged. The holders of Trust Units and the holder of the Special Voting Unit, Exchangeable Shares vote together as a single class on all matters.

In the event of any liquidation, dissolution or winding-up of the Trust, the holder of the Special Voting Unit, Exchangeable Shares will not be entitled to receive any assets of the Trust available for distribution to its holders of Trust Units. The holder of the Special Voting Unit, Exchangeable Shares will not be entitled to receive dividends or distributions. The Special Voting Unit, Exchangeable Shares has been issued to Computershare Trust Company of Canada, as trustee, to facilitate voting by holders of Exchangeable Shares. At such time as the Special Voting Unit, Exchangeable Shares has no votes attached to it because there are no Exchangeable Shares outstanding not owned by the Trust or Navigo, the Special Voting Unit, Exchangeable Shares will be cancelled.

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

RISK FACTORS

There are certain risks inherent in an investment in the Trust Units and in the activities of NAV, including the risk factors specifically enumerated in the section entitled "Risk Factors" beginning at page I-32 of the Information Circular, which is incorporated herein by reference, and those set forth below. In particular, general economic conditions, competition and the volatility of interest rates may have an impact on distributable income of NAV. NAV is also subject to risks associated with debt financing, including the risk that any indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of the existing indebtedness. NAV's and the Vendor's results of operations may be negatively affected by downturns or prolonged adverse conditions in the oil and gas industry. In addition, investors in Trust Units should also consider the following additional risks.

Closing of the Java Acquisition

The Java Acquisition Agreement is a preliminary letter agreement which is intended to be replaced by a more formal purchase and sale agreement. There can be no assurance that this potential transaction will close on the terms negotiated or at all. See "Recent Developments – Java Acquisition" and "Information Concerning the Java Acquisition".

Closing of the Wapella Property Acquisition

Closing of the Wapella Property Acquisition is subject to commercial risks such that this potential transaction may not close on the terms negotiated or at all. **Closing of the Offering will occur only if the Wapella Property Acquisition is completed.** See "Recent Developments – Wapella Property Acquisition", "Information Concerning the Wapella Acquisition" and "Use of Proceeds".

Revised Reserve Disclosure

At the time the Trust files its audited consolidated financial statements and accompanying oil and gas reserves information for the year ending December 31, 2003, it will be subject to NI 51-101. Among other things, NI 51-101 prescribes standards for the preparation and disclosure of oil and gas reserves and related estimates, requires the annual public filing of certain of those estimates and other information pertaining to oil and gas activities, and specifies certain responsibilities of directors of public entities. In particular, the definitions of proved reserves and probable reserves have been modified by NI 51-101 and contain specific quantifications of levels of certainty associated with the recoverability of reserves. As a result, estimated probable reserves will reflect the lesser certainty associated with the recovery of those reserves. Additionally, reserve evaluators have been made accountable to standards contained in NI 51-101. **As a result of the implementation of NI 51-101 and its impact on reserves evaluation and reporting, the reported quantities and estimated future net cash flow of the existing reserves of Navigo and the reserves anticipated to be acquired pursuant to the Java Acquisition and the Wapella Property Acquisition may be reduced when compared to the reserve information included in or incorporated by reference in this short form prospectus and such reduction may be material.**

Reserve Estimates

The reserve and recovery information included in or incorporated by reference in this short form prospectus is only an estimate and the actual production and ultimate reserves may differ from the estimates prepared. It should not be assumed that the estimated discounted future net production revenues represent the fair market value of the reserves. **The GLJ Report, the GLJ Report – Java Acquisition and the GLJ Report – Wapella Property are mechanical look-ahead evaluations and have assumed that the proportionate share of the volumes and expenses previously forecast for the balance of 2003 have been produced or spent. No consideration has been given to actual performance, activity, and new evaluation standards that have occurred or been implemented since the prior evaluations, or their impact on reserves classification. Variances between actual and forecast production and expenses have not been investigated by GLJ and such variations could be material.**

Accounting Write-Downs and Non-Cash Charges as a Result of GAAP

Canadian Generally Accepted Accounting Principles ("**GAAP**") require that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the consolidated financial statements of the Trust. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and result in an inability to borrow funds and/or may result in a decline in the Trust Unit price.

Emerging GAAP surrounding hedge accounting may result in non-cash charges against net income as a result of changes in the fair market value of hedging instruments. A decrease in the fair market value of the hedging instruments as the result of fluctuations in commodity prices and foreign exchange rates may result in a write-down of net assets and a non-cash charge against net income. Such write-downs and non-cash charges may be temporary in nature if the fair market value subsequently increases.

Variations in Interest Rates and Foreign Exchange Rates

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

In addition, the exchange rate for the Canadian dollar versus the U.S. dollar has increased significantly over the last 12 months, which would result in the receipt by the Trust of fewer Canadian dollars for its production which may affect future distributions. The increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates may impact future distributions and the future value of the Trust's reserves as determined by independent evaluators.

Distributions

Future distribution payments will be subject to review by the Board of Directors of Navigo taking into account the prevailing financial circumstances of Navigo at the relevant time. The actual amount distributed, if any, is dependent on the commodity price environment and is at the discretion of the Board of Directors.

Distributable cash available for distribution is not an earnings measure recognized by generally accepted accounting principles and is not necessarily comparable to the measurement of distributable cash available for distribution in other similar trust entities.

Mutual Fund Trust Status

It is intended that the Trust qualify at all times as a mutual fund trust for the purposes of the Tax Act. The Trust may not, however, always be able to satisfy any future requirement for the maintenance of mutual fund trust status. Should the status of the Trust as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for the Trust and Unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

- Where at the end of any month a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**") or deferred profit sharing plan ("**DPSP**") (each an "**Exempt Plan**") holds Trust Units that are not qualified investments, the Exempt Plan must, in respect of that month, pay a tax under Part XI. I of the Tax Act equal to 1 percent of the fair market value of the Trust Units at the time such Trust Units were acquired by the Exempt Plan. An RRSP or RRIF holding Trust Units that are not qualified investments would become taxable on income attributable to the Trust Units while they are not qualified investments (including the entire amount of any capital gain arising on a disposition of the non-qualified investment). RESPs which hold Trust Units that are not qualified investments may have their registration revoked by the Canada Customs and Revenue Agency.

- Trust Units would become foreign property for Exempt Plans upon the Trust ceasing to be a mutual fund trust.
- The Trust would be taxed on certain types of income distributed to Unitholders, including income generated by the royalty held by the Trust. Payment of this tax may have adverse consequences for some Unitholders, particularly Unitholders that are not residents of Canada and residents of Canada that are otherwise exempt from Canadian income tax.
- The Trust would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws.
- Trust Units would become taxable Canadian property. As a result, non-resident holders would be subject to Canadian income tax and reporting requirements on any gains realized on a disposition of Trust Units held by them.

Non-resident Ownership of Trust Units

In order for the Trust to maintain its status as a mutual fund trust under the Tax Act, the Trust must not be established or maintained primarily for the benefit of non-residents of Canada ("**non-residents**") within the meaning of the Tax Act. The Trust Indenture provides that if at any time the Trust or Navigo becomes aware that the beneficial owners of 49% or more of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, the Trust, by or through Navigo on the Trust's behalf, shall take such action as may be necessary to carry out the foregoing intention. See "Additional Information Respecting The Trust - Non-Resident Trust Unitholders" at page I-12 to Appendix I to the Information Circular incorporated by reference herein.

Income Tax Matters

Generally, oil and gas income trusts, including NAV, involve significant amounts of inter-company debt, royalties or similar instruments, generating substantial interest expense or other deductions which serve to reduce taxable income and income tax payable. There can be no assurance that the taxation authorities will not seek to challenge the amount of interest expense and other deductions. If such a challenge were to succeed against the Trust, it could materially adversely affect the amount of distributions available to the Trust. The Trust and Navigo believe that the interest expense and other deductions inherent in the structure of the Trust are supportable and reasonable in light of the terms of the Notes and other arrangements.

Trading History

The Trust Units have a short trading history; an active trading market has not yet developed and may not develop.

Redemption Rights

The redemption rights of holders of Trust Units are limited. See "Redemption Right" at page I-14 of Appendix I to the Information Circular which is incorporated by reference herein.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Trust, and Stikeman Elliott LLP, counsel to the Underwriters, (collectively "**Counsel**"), the following summary fairly describes the principal Canadian federal income tax considerations pursuant to the Tax Act and the regulations thereunder (the "**Regulations**") generally applicable to a Unitholder who acquires Trust Units pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, holds the Trust Units as capital property, is resident in Canada and deals at arm's length with the Trust and the Underwriters. Generally speaking, Trust Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Trust Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Trust Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to (a) a Unitholder that is a "financial institution", as defined in the Tax Act, for purposes of the mark-to-market rules, (b) a Unitholder an interest in which would be a "tax shelter investment", as defined in the Tax Act, or (c) a Unitholder that is a "specified financial institution", as defined in the Tax Act. Any such Unitholder should consult its own tax advisor with respect to an investment in Trust Units.

This summary is based upon the provisions of the Tax Act and the Regulations in force as of the date hereof, all specific proposals to amend the Tax Act and the Regulations that have been publicly announced prior to the date hereof (the "**Proposed Amendments**") and Counsel's understanding of the current published administrative policies of the Canada Customs and

Revenue Agency. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, regulatory or judicial action, nor does it take into account provincial (except for certain provisions of the Alberta Corporate Tax Act relating to the ARTC), territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Trust Units. Consequently, prospective Unitholders should consult their own tax advisors with respect to their particular circumstances.

Status of the Trust

Based and relying, in part, on a certificate of an officer of Navigo as to certain factual matters, Counsel are of the view that the Trust presently qualifies as a "mutual fund trust" for the purposes of the Tax Act. Counsel have also been advised that the Trust intends to make the appropriate election so that it will be deemed to have been a mutual fund trust at all times since the date of its inception until the date of closing of the Offering, and that the Trust intends to continue to qualify as a mutual fund trust at all times. The qualification of the Trust as a "mutual fund trust" requires that certain factual conditions generally be met throughout its existence. Firstly, in order for the Trust to qualify as a mutual fund trust, it must not be established nor must it at any time be maintained primarily for the benefit of non-residents. Although this fact has been assumed for the purposes of this opinion, Counsel is of the view that such assumption is reasonable in light of the restrictions on the ownership of Trust Units by non-resident persons and based on representations to Counsel that the majority of Unitholders are Canadian residents. Secondly, in order for the Trust to qualify as a mutual fund trust, there must be at least 150 Unitholders each of whom owns not less than one "block" of Trust Units having a fair market value of not less than $500. Based on factual representations to Counsel by Navigo and the Trust, this requirement is also complied with at present. In addition, the sole undertaking of the Trust must be the investing of its funds in property (other than real property or interests in real property), the acquiring, holding, maintaining, improving, leasing or managing of any real property (or an interest in real property) that is capital property of the Trust, or any combination of these activities. Counsel is advised by Navigo and the Trust that at all times since the date of formation of the Trust, this requirement has also been complied with. The Trust and Navigo have advised Counsel that it is their intention that these requirements will be satisfied at all times so that the Trust will qualify at all times as a mutual fund trust for the purposes of the Tax Act. In the event the Trust were not to so qualify, the income tax considerations would in some respects be materially different from those described below.

If the Trust ceases to qualify as a mutual fund trust, the Trust Units will cease to be qualified investments for Exempt Plans. Where at the end of any month an Exempt Plan holds Trust Units that are not qualified investments, the Exempt Plan must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1% of the fair market value of the Trust Units at the time such Trust Units were acquired by the Exempt Plan. In addition, where a trust governed by an RRSP or an RRIF holds Trust Units that are not qualified investments, the trust will become taxable on its income attributable to, and any capital gain from the disposition of, the Trust Units while they are not qualified investments. Where a trust governed by an RESP holds Trust Units that are not qualified investments and does not dispose of such Trust Units within 60 days of the Trust Units ceasing to be qualified investments, the registration of the RESP may be revoked.

If the Trust ceases to qualify as a mutual fund trust, the Trust will be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Trust may have adverse income tax consequences for certain Unitholders including non-resident persons and tax exempt persons (including Exempt Plans) that acquire an interest in the Trust directly or indirectly from another Unitholder. Additional adverse tax consequences to the Trust and its Unitholders are described in "Risk Factors".

Taxation of the Trust

The Trust is subject to tax in each taxation year on its income or loss for the year, computed as though it were a separate individual resident in Canada. The taxation year of the Trust will end on December 31 of each year.

The Trust is required to include in computing its income for a taxation year its entitlement under the NPI in that year. The Trust will also be required to include in its income for a taxation year all interest on the Notes that accrues to, becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding year. The Trust must also include in its income for each taxation year all dividends received on the shares of Navigo unless appropriate designations are made by the Trust that will deem such dividends to have been received by Unitholders and not to have been received by the Trust. Costs incurred in the issuance of Trust Units may generally be deducted by the Trust on a five year, straight line basis. The Trust will be entitled to deduct reasonable current expenses incurred in its ongoing operations as well as annual deductions in respect of cumulative Canadian oil and gas property expense ("**COGPE**") to the extent permitted under the Tax Act. Under the Proposed Amendments, the Trust may be required to report its income from the NPI Agreement on an accrual basis, rather than on a cash basis. Further, the Proposed Amendments specify that the NPI may constitute a Canadian resource property, and hence the cost of the NPI to the Trust may constitute COGPE, only if 90% or more of the revenues are payable out of, or from the proceeds of, the production from an oil and gas well in Canada. In addition, recent amendments to the Tax Act provide for the deductibility of Crown Royalties, the elimination of the resource allowance and the inclusion in income of ARTC, all to be phased in over five years commencing in 2003.

Counsel have been advised by Navigo and the Trust that the cost to the Trust of the NPI has been added to the Trust's cumulative COGPE account. Counsel also have been advised by Navigo and the Trust that amounts paid or payable subsequently by the Trust pursuant to the obligation to make Deferred Purchase Payments respecting royalties under the NPI Agreement will be added to the Trust's COGPE account in the taxation year of the Trust in which it becomes obligated to make such payments. Where as a result of a sale of a property by Navigo and the release of the NPI relating to that property, proceeds of disposition from the sale become receivable by the Trust in a taxation year, the amount of such proceeds will be required to be deducted from the balance of the Trust's COGPE account otherwise determined at the end of that year. If all or a portion of the consideration receivable in a taxation year upon the release of the NPI relating to a property is used to acquire in that year one or more replacement Canadian resource properties, the amount so used will be added, in that year, to the Trust's COGPE account to the extent of its share of the portion of the consideration that is so used. The Trust may generally deduct, in computing its income from all sources for a taxation year, an amount not exceeding 10%, on a declining basis, of any positive balance of its cumulative COGPE account at the end of that year. If the balance of the cumulative COGPE of the Trust at the end of a particular taxation year after all additions and deductions for that year have been made would otherwise be a negative amount, the negative amount will be included in the Trust's income for the purposes of the Tax Act for that year.

To the extent that the Trust has any income for a taxation year after the inclusions and deductions outlined above, the Trust will be permitted to deduct all amounts which are paid or payable by it to Unitholders in the year. See "The Unitholders - Income from Trust Units", below. Counsel is advised that the Trust intends to make payable to the Unitholders with respect to each taxation year an amount equal to all of the interest, dividend and royalty income of the Trust for such year, together with the taxable and non-taxable portion of any capital gains realized by the Trust in such year (excluding capital gains which may be realized by the Trust upon a distribution in specie of property of the Trust in connection with a redemption of the Trust Units) less the Trust's expenses and the amount, if any, required to be retained to pay the Trust's tax liability. Counsel is advised by Navigo and the Trust that for purposes of the Tax Act, the Trust intends to deduct in computing its income the full amount available in each year not exceeding its income that will be subject to tax, otherwise determined. Therefore, the Trust does not expect to be liable for a material amount of tax under the Tax Act. However, Counsel can provide no assurance in this regard. The Tax Act provides that the Trust may, at its discretion, claim a deduction in computing income for a taxation year in an amount less than its income for such year that becomes payable to Unitholders in such year. The Trust may wish to do so in order to utilize losses from prior taxation years.

The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net taxable capital gains by an amount determined under the Tax Act based on the redemption or retraction of Trust Units during the year (the "**Capital Gains Refund**"). In certain circumstances, the Capital Gains Refund for a particular taxation year may not completely offset the Trust's tax liability on net realized capital gains for such taxation year.

The Trust Indenture provides that the Trust's income for purposes of the Tax Act each year that has not otherwise been made payable to Unitholders will be deemed to become so payable on December 31 of such year, and that each Unitholder has the right to enforce payment of same on the date it becomes payable, provided that any income of the Trust that is required to satisfy any tax liability on the part of the Trust shall not be payable to Unitholders. The Trust Indenture also contemplates other situations in which the Trust may not have sufficient cash to distribute all of its net income by way of cash distributions. In such circumstances, such net income will be payable to Unitholders in the form of the issuance by the Trust of additional Trust Units ("**Reinvested Trust Units**").

Entitlement to Alberta Royalty Tax Credits

The Trust and Navigo are entitled to claim ARTC in respect of certain properties located in Alberta. Under current legislation, ARTC is based on a price sensitive formula linked to crude oil prices. The maximum Alberta Crown Royalty to which the rate applies annually is $2 million per applicant or associated group of applicants. Navigo has advised Counsel that it is eligible to receive ARTC. Navigo has indicated it intends to use the ARTC to defray other expenses and capital expenditures of Navigo thereby effectively increasing royalty income.

The Unitholders

Income from Trust Units

Each Unitholder is required to include in computing income for a particular taxation year the Unitholder's pro rata share of the Trust's net income for tax purposes that was payable in that year by the Trust to that Unitholder whether such amounts are reinvested in additional Trust Units and whether the amount was actually paid to the Unitholder in that year. An amount will be considered to be payable to a Unitholder in a taxation year if the Unitholder is entitled in that year to enforce payment of the amount. Income of a Unitholder from the Trust Units will be considered to be income from property and not business income or income from production for purposes of the Tax Act. Any loss of the Trust for purposes of the Tax Act cannot be allocated to and treated as a loss of the Unitholders. The amount of income allocable to a Unitholder may vary from the amount of cash payments as a result of the deduction of non-cash expenses by the Trust, and the non-deductibility or deferred deductibility of certain Trust expenditures.

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

A Unitholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including most income from the Trust and amounts designated by the Trust to the Unitholder as taxable capital gains.

Amounts designated by the Trust as taxable dividends or taxable capital gains to a Unitholder who is an individual may give rise to a liability for alternative minimum tax depending on the Unitholder's particular circumstances.

The non taxable portion of net capital gains of the Trust that is paid or becomes payable to the Unitholder in a year will not be included in computing the Unitholder's income for the year.

Adjusted Cost Base of Trust Units

The cost to a Unitholder of Trust Units acquired pursuant to this Offering will equal the purchase price of the Trust Units plus the amount of any other reasonable costs incurred in connection with such acquisition. Trust Units issued pursuant to a reinvestment of distributions will be considered to be acquired at a cost equal to the amount of the distribution. This cost will be averaged with the adjusted cost base of all other Trust Units to determine the adjusted cost base of each Trust Unit. Amounts distributed by the Trust to a Unitholder in respect of a Trust Unit (including amounts in respect of ARTC, if any) will reduce the Unitholder's adjusted cost base of the Trust Unit to the extent that the amount distributed is in excess of the Trust's income (other than the non taxable portion of net capital gains) for the purposes of the Tax Act computed prior to any deduction for amounts distributed to Unitholders. To the extent that the adjusted cost base to a holder of Trust Units would otherwise be less than zero, the negative amount will be treated as a capital gain from the disposition of such Trust Units.

Disposition of Trust Units

An actual or deemed disposition of Trust Units (other than in a tax-deferred transaction) will give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater than (or less than) the adjusted cost base to the holder of such Trust Units plus reasonable costs associated with the disposition.

Generally, one-half of any capital gain (a "taxable capital gain") realized by a Unitholder in a taxation year must be included in the Unitholder's income under the Tax Act for the year, and one half of any capital loss (an "allowable capital loss") realized by a Unitholder in a taxation year must be deducted from taxable capital gains realized by the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Unitholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including taxable capital gains.

Taxable capital gains realized by a Unitholder who is an individual may give rise to liability for alternative minimum tax depending on the Unitholder's particular circumstances.

Interest on Funds Borrowed to Acquire Trust Units

It is generally the policy of the CCRA that reasonable amounts of interest paid or payable by a Unitholder on borrowed money used to acquire Trust Units will generally be deductible in computing the Unitholder's income for the period during which the Unitholder holds the Trust Units. Interest on funds used directly or indirectly to make a contribution to an Exempt Plan is not deductible.

Applicable to taxation years that begin after 2004, the Proposed Amendments will limit the deductibility of losses from a source that is property (including the Trust Units) in computing the income of a taxpayer under the Tax Act to the extent that the loss is considered to arise from a source from which it is not reasonable to expect the taxpayer will realize a cumulative profit (calculated without reference to capital gains) in the period in which the taxpayer has held and may reasonably be expected to hold the property. A Unitholder who intends to use borrowed money in whole or in part to acquire Trust Units should review the application of such Proposed Amendment with his own tax advisor having regard to his own circumstances.

Redemption of Trust Units

A redemption of Trust Units in consideration for cash, Redemption Notes or promissory notes issued by Navigo ("Navigo Notes"), as the case may be, will be a disposition of such Trust Units for proceeds of disposition equal to the amount of such cash, the fair market value of such Redemption Notes or the adjusted cost base to the Trust of such Navigo Notes immediately before such time, as the case may be. Redeeming Unitholders will consequently realize a capital gain, or sustain a capital loss, depending upon whether the amount received exceeds, or is exceeded by, the adjusted cost base of the Trust Units so redeemed plus reasonable costs associated with the redemption.

Where a Unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of a Trust Unit, the Unitholder's capital loss from the disposition will be reduced by the amount of dividends from taxable Canadian corporations previously designated by the Trust to the Unitholder to the extent and under the circumstances prescribed by the Tax Act. Similar rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership or a beneficiary of a trust that disposes of Trust Units.

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

The cost of any Redemption Note issued to a Unitholder by the Trust upon a redemption of Trust Units will be equal to the fair market value of the Redemption Note at that time.

Redemption Notes will not be, and Navigo Notes may not be, qualified investments for Exempt Plans unless the Trust is a mutual fund trust for purposes of the Tax Act and the Trust Units are listed on a prescribed stock exchange (which includes the TSX). Exempt Plans that own Trust Units should consult their own tax advisors before deciding to exercise their right to redeem Trust Units.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Trust, and Stikeman Elliott LLP, counsel to the Underwriters, based on representations of Navigo and subject to the satisfaction of the requirements discussed under "Canadian Federal Income Tax Considerations" by the Trust, the Trust Units will, on the date of closing of the Offering, be qualified investments under the Tax Act and the regulations thereunder for Exempt Plans and will not, on the date of closing of the Offering, constitute foreign property for those plans.

RELATIONSHIP AMONG THE TRUST AND AN UNDERWRITER

National Bank Financial Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of a Canadian chartered bank which is the lender to Navigo. Consequently, the Trust may be considered to be a connected issuer of this Underwriter for the purposes of securities regulations in certain provinces. As at January 6, 2004, approximately $37.7 million was outstanding under the Credit Facilities.

Navigo and the Trust are each in compliance with all material terms of the agreements governing the Credit Facilities. Neither the financial position of the Trust nor the value of the security under the Credit Facilities has changed substantially since the indebtedness under the Credit Facilities was incurred.

The decision to distribute the Trust Units offered and the determination of the terms of the distribution were made through negotiations primarily between Navigo on behalf of the Navigo and the Trust, and National Bank Financial Inc., on its own behalf and on behalf of the remaining Underwriters. The lender under the Credit Facilities did not have any involvement in such decision or determination, but has been advised of the issuance and terms thereof. As a consequence of this issuance, National Bank Financial Inc., will receive its respective share of the Underwriters' fee.

INTEREST OF EXPERTS

Certain legal matters relating to this Offering will be passed upon by Burnet, Duckworth & Palmer LLP, Calgary, Alberta, on behalf of the Trust, and by Stikeman Elliott LLP, Calgary, Alberta, on behalf of the Underwriters. No person or company whose profession or business gives authority to a statement made by such person or company and who is named in this short form prospectus or in a document that is specifically incorporated by reference into this short form prospectus as having prepared or certified a part of this short form prospectus, or a report or valuation described in this short form prospectus or in a document specifically incorporated by reference into this short form prospectus, has received or shall receive a direct or indirect interest in the property of the Trust or of any associate or affiliate of the Trust. As at the date hereof, the aforementioned persons and companies beneficially own, directly or indirectly, less than 1% of the securities of the Trust and its associates and affiliates. Further, as of the date hereof, the principals of GLJ, as a group, beneficially own, directly or indirectly, less than 1% of the securities of the Trust. In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Trust or of any associates or affiliates of the Trust, except for John A. Brussa, a director of Navigo and Shannon M. Gangl, the Corporate Secretary of Navigo, both of whom are partners at Burnet, Duckworth & Palmer LLP, which law firm renders legal services to the Trust and Navigo.

Mr. Brussa is a director and securityholder of each of the Trust, Java and the Vendor and Ms. Gangl is an officer of Navigo and a securityholder of Java. Mr. Brussa declared his interests in each of Java and the Vendor to the other members of the Board of Directors of Navigo and was not involved in any deliberations respecting the Java Acquisition and the Wapella Property Acquisition.

As at the date hereof, Mr. Brussa beneficially owns, directly or indirectly, less than 1% of the securities of the Vendor.

As at the date hereof, Mr. Brussa and Ms. Gangl beneficially own, directly or indirectly, or exercise control or direction over 113,109 Trust Units and 1,509 Trust Units, respectively. Neither Mr. Brussa nor Ms. Gangl own directly or indirectly, or exercise control or direction over any Exchangeable Shares. As at January 7, 2004, approximately 6.7 million common shares of Java were issued and outstanding. As of the date hereof, the lawyers and partners of Burnet, Duckworth & Palmer LLP, including Mr. Brussa and Ms. Gangl, as a group, beneficially own, directly or indirectly, approximately 346,966 common shares of Java. Mr. Brussa and Ms. Gangl beneficially own, directly or indirectly, or exercise control or direction over 185,000 and 26,000 common shares of Java, respectively, and are expected to receive approximately 47,720 and 6,707 Exchangeable Shares, respectively, upon completion of the Java Acquisition.

LEGAL PROCEEDINGS

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

AUDITORS, TRANSFER AGENT AND REGISTRAR

Deloitte & Touche LLP, Chartered Accountants, 3000, 700 – 2nd Street S.W., Calgary, Alberta T2P 0S7, are the auditors of the Trust.

The transfer agent and registrar for the Trust Units is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

AUDITORS' CONSENT

We have read the short form prospectus of NAV Energy Trust (the "Trust") dated January •, 2004 relating to the sale and issuance of up to • trust units of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned short form prospectus of our report dated March 14, 2003 to the shareholders of Navigo Energy Inc. ("Navigo") on the consolidated balance sheets of Navigo as at December 31, 2002 and 2001 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the years then ended, our report dated November 14, 2003 to the Directors of C1 Energy Ltd. on the balance sheet of C1 Energy Ltd. as at November 1, 2003, our report dated November 14, 2003 to the Trustee of the Trust on the balance sheet of the Trust as at November 12, 2003 and our report dated November 14, 2003 to the Directors of Navigo on the statement of net operating revenue of the C1 Energy Assets for each of the years in the three year period ended December 31, 2002.

We also consent to the use in the above-mentioned short form prospectus of our report dated January 8, 2004 on the statement of revenue and operating expenses of the Wapella Property for the year ended December 31, 2002.

Calgary, Alberta	(signed) •
January •, 2004	Chartered Accountants

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

SCHEDULE A – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

COMPILATION REPORT

To the Directors of Navigo Energy Inc. and the Trustee of NAV Energy Trust:

We have read the accompanying unaudited pro forma consolidated balance sheet of NAV Energy Trust (the "Trust") as at September 30, 2003 and the unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2003 and for the year ended December 31, 2002 (collectively, the "Pro Forma Statements"), and have performed the following procedures:

1. Compared the figures in the columns captioned "Navigo Energy Inc." to the unaudited consolidated financial statements of Navigo Energy Inc. as at and for the nine months ended September 30, 2003 and the audited consolidated financial statements of Navigo Energy Inc. for the year ended December 31, 2002, respectively, and found them to be in agreement.

2. Compared the figures in the columns in the pro forma consolidated statements of operations captioned "Wapella Property" to the unaudited statement of revenue and operating expenses of the Wapella Property for the nine months ended September 30, 2003, and the audited statement of revenue and operating expenses of the Wapella Property for the year ended December 31, 2002, respectively, and found them to be in agreement.

3. Made enquiries of certain officials of the Trust who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro forma adjustments; and

   (b) whether the Pro Forma Statements comply as to form in all material respects with the regulatory requirements of the various securities commissions and regulatory authorities in Canada.

   The officials of the Trust:

   (a) described to us the basis for determination of the pro forma adjustments, and

   (b) stated that the Pro Forma Statements comply as to form in all material respects with the regulatory requirements of the various securities commissions and regulatory authorities in Canada.

4. Read the notes to the Pro Forma Statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Navigo Energy Inc." and "Wapella Property" as at and for the nine months ended September 30, 2003 and for the year ended December 31, 2002, and found the amounts in the column captioned "Pro Forma NAV Energy Trust" to be arithmetically correct.

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

Calgary, Alberta
January •, 2004

(signed) •
Chartered Accountants

NAV Energy Trust
Pro Forma Consolidated Statement of Operations
For the Year ended December 31, 2002
(unaudited)

($000's, except per unit and share amount)

	Navigo Energy Inc.	Wapella Property	Pro Forma Adjustments	Note	Pro Forma NAV Energy Trust
Revenue					
Production	75,373	16,973	(2,699)	2(a)	90,658
			1,011	2(c)	
Royalties	(17,399)	(4,991)	616	2(a)	(21,935)
			(161)	2(c)	
	57,974	11,982			68,723
Expenses					
Operating	22,628	2,750	(608)	2(a)	25,303
			533	2(c)	
General and administrative	4,547		(238)	2(f)	4,598
			289	2(c)	
Interest	1,990		•	2(b)	•
Depletion and depreciation	26,745		5,996	2(d)	32,741
Site restoration costs	1,830		252	2(d)	2,082
	57,740				•
Income before income taxes	234				•
Income taxes					
Current	503		532	2(g)	1,035
Future	-		•	2(g)	•
	503				•
Net income (loss)	(269)				•
Trust Units and Exchangeable Shares outstanding (note 2(h) (000's))					•
Net income per Trust Unit and Exchangeable Share					•

See accompanying notes.

NAV Energy Trust
Pro Forma Consolidated Statement of Operations
For the Nine Months Ended September 30, 2003
(unaudited)

($000's, except per unit and share amount)

	Navigo Energy Inc.	Wapella Property	Pro Forma Adjustments	Note	Pro Forma NAV Energy Trust
Revenue					
Production	62,952	13,851	(4,510)	2(a)	76,934
			4,641	2(c)	
Royalties	(14,939)	(3,980)	852	2(a)	(18,846)
			(779)	2(c)	
	48,013	9,871			58,088
Expenses					
Operating	15,098	2,321	(720)	2(a)	17,625
			926	2(c)	
General and administrative	3,089		(240)	2(f)	3,391
			542	2(c)	
Interest	1,239		•	2(b)	•
Depletion and depreciation	21,014		4,127	2(d)	25,141
Site restoration costs	1,104		116	2(d)	1,220
	41,544				•
Income before income taxes	6,469				
Income taxes					
Current	(86)		702	2(g)	616
Future	(3,018)		•	2(g)	•
	(3,104)				•
Net income	9,573				•
Trust Units and Exchangeable Shares outstanding (note 2(h) (000's))					•
Net income per Trust Unit and Exchangeable Share					•

See accompanying notes.

NAV Energy Trust
Pro Forma Consolidated Balance Sheet
As at September 30, 2003
(unaudited)

($000's)

	Navigo Energy Inc.	Wapella Property	Pro Forma Adjustments	Note	Pro Forma NAV Energy Trust
		(Note 2(b))			
Assets					
Current assets					
Accounts receivable	8,915	-	1,428	2(c)	10,343
Oil and natural gas properties	167,054	36,000	(15,401)	2(a)	209,484
			21,831	2(c)	
Goodwill			5,873	2(c)	5,873
	175,969	36,000			225,700
Liabilities and Unitholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities	17,503	-	2,706	2(c)	23,709
			3,500	2(j)	
Bank debt	36,086	•	(5,158)	2(i)	•
			6,200	2(c)	
	53,589	•			•
Site restoration costs	8,155	-	(263)	2(e)	7,969
			77	2(c)	
Future tax liability			6,619	2(g)	6,619
Unitholders' Equity					
Unitholders' capital	155,083	•	14,276	2(c)	•
			(15,138)	2(a)	
			5,158	2(i)	
Deficit	(40,858)	-	(3,500)	2(j)	(45,104)
			(746)	2(g)	
	114,225	•			•
	175,969	•			225,700

See accompanying notes.

NAV Energy Trust
Notes to Pro Forma Consolidated Financial Statements
(Nine Months Ended September 30, 2003 and Year Ended December 31, 2002)
(unaudited)

1. Basis of Presentation

The accompanying unaudited pro forma consolidated balance sheet of NAV Energy Trust (the "Trust") as at September 30, 2003 and the unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2003 and the year ended December 31, 2002 (the "Pro Forma Statements") have been prepared to reflect the following transactions:

(a) the Plan of Arrangement effective December 29, 2003 converting Navigo Energy Inc. ("Navigo") from a corporation focused on oil and natural gas exploration and production into two new entities: (i) C1 Energy Ltd. ("C1 Energy") a new public corporation concentrating on the exploration and development of oil and natural gas reserves and (ii) the Trust, an entity designed to distribute to its unitholders a substantial portion of cash from operations generated by the mature, lower-risk producing assets. Navigo, which became a wholly-owned subsidiary of the Trust formed on the amalgamation of Navigo and NAV Acquisition Corp. ("AcquisitionCo") holds the working interests in the Trust's oil and gas properties. C1 Energy holds working interests in certain oil and gas properties ("C1 Energy Assets") transferred from Navigo;

(b) the proposed acquisition of certain interests in an oil property (the "Wapella Property") located in the Wapella area of Saskatchewan to be acquired by the Trust under an agreement dated as of January 5, 2004; and

(c) the proposed acquisition of Java Energy Inc. ("Java") a private oil and gas company to be acquired by the Trust under an agreement dated January 8, 2004.

The Pro Forma Statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The unaudited pro forma consolidated balance sheet gives effect to the assumed transactions and assumptions described in Note 2 as if they had occurred at the date of the balance sheet and the pro forma consolidated statements of operations give effect to the assumed transactions and assumptions described in Note 2 as if they had occurred on January 1, 2002. The Pro Forma Statements may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future.

Accounting policies used in the preparation of the Pro Forma Statements are consistent with those used in the audited consolidated financial statements of Navigo as at December 31, 2002 and for the year then ended and the unaudited interim consolidated financial statements of Navigo as at September 30, 2003 and for the nine months then ended (collectively, the "Navigo Historical Financial Statements"). The Pro Forma Statements have been prepared from information derived from and should be read in conjunction with the Navigo Historical Financial Statements and the audited statement of revenue and operating expenses of the Wapella Property for the year ended December 31, 2002 and the unaudited statement of revenue and operating expenses of the Wapella Property for the nine months ended September 30, 2003. In the opinion of management, the Pro Forma Statements include all necessary adjustments for a fair presentation of the ongoing entity.

2. Pro Forma Assumptions and Adjustments

The Pro Forma Statements give effect to the following assumptions and adjustments:

(a) Under the Plan of Arrangement effective December 29, 2003, properties within the consolidated entity of Navigo were transferred to the Trust and C1 Energy such that C1 Energy holds a 100% ownership of Navigo's interests in the Gift property, a 60% ownership of Navigo's interest in the Seal property and 100% of Navigo's interest in certain exploration properties in northern Alberta (the "C1 Energy Assets") and Navigo, which became a wholly-owned subsidiary of the Trust, holds a direct beneficial ownership in the remaining oil and natural gas properties. The net book value of oil and natural gas properties of Navigo has been allocated to C1 Energy based on the net book value for undeveloped properties and the portion of total proven oil and natural gas reserves (discounted at 10%) as determined by independent reserve engineers for proved properties. The revenue, royalties and operating expenses related to the C1 Energy Assets have been deducted from the unaudited pro forma consolidated statements of operations of the Trust for the nine months ended September 30, 2003 and for the year ended December 31, 2002 and related adjustments have been made to depletion and depreciation, site restoration provisions and income taxes.

(b) The proposed acquisition of the Wapella Property has been accounted for as an asset purchase at a cost of $36 million in cash. Pursuant to the short form prospectus dated January •, 2004, the Trust expects to issue • trust units for proceeds of $• million before estimated transaction costs of $• million.

(c) The proposed acquisition of Java has been accounted for as a business combination with the purchase price allocated as follows:

	$000's
Current assets	1,428
Petroleum and natural gas properties	21,831
Goodwill	5,873
Current liabilities	(2,706)
Future site restoration and abandonment costs	(77)
Future income taxes	(5,873)
	20,476
Consideration:	
Bank debt assumed	6,200
Issuance of Exchangeable Shares	14,276
	20,476

(d) The provisions for depreciation and depletion and site restoration costs have been adjusted to reflect the application of the appropriate unit-of-production rate for the Trust based on the Trust's estimated proved petroleum and natural gas reserves as determined by independent reserve engineers, after adjustments for the transactions described in Notes 2(a), 2(b) and 2(c) above.

(e) The provision for site restoration costs on the unaudited pro forma consolidated balance sheet has been allocated based on the historical provisions related to the facilities and properties allocated to C1 Energy Ltd., as described in Note 2(a).

(f) General and administrative costs of $240,000 for the nine months ended September 30, 2003 and $238,000 for the year ended December 31, 2002 have been allocated to C1 Energy. Included in the allocations are allocated historical costs incurred and amounts for the Administrative Services Agreement for accounting, marketing and other general and administrative services to be provided by the Trust to C1 Energy allocated based on C1 Energy production over total production and recoveries related to technical services to be provided by C1 Energy to the Trust in the amount of $4,700 per month.

(g) The difference between the net book values of the assets and liability and the associated corresponding tax basis that will result in the Trust after the completion of the Java Acquisition and the Wapella Property Acquisition gives rise to a future tax liability on the unaudited pro forma consolidated balance sheet of $6.6 million. It is assumed that Java will be amalgamated on completion of the acquisition. The effective tax rate used in this calculation was 34.6%. Large Corporations Tax has been adjusted for the impact of other noted adjustments.

(h) Net income per Trust Unit and Exchangeable Share is based on the following calculation of Trust Units and Exchangeable Shares outstanding, including the options of Navigo exercised prior to the effective time of the Plan of Arrangement:

	Trust Units (000's)
Navigo common shares outstanding at the effective date of the Plan of Arrangement	36,587
Issuance of Trust Units or Exchangeable Shares pursuant to the Plan of Arrangement (Consolidation based on conversion to one Trust Unit and/or Exchangeable Share for every three Navigo common shares)	12,198
Exchangeable Shares to be issued in connection with the acquisition of Java	1,586
Trust Units issued pursuant to January •, 2004 offering	•
Trust Units and Exchangeable Shares (at an initial conversion rate of one Trust Unit for one Exchangeable Share outstanding	•

(i) These Pro Forma Statements include options exercised to purchase Navigo common shares prior to the effective date of the Plan of Arrangement for proceeds of \$5.2 million. Common shares issued for these exercised options have been included in the Navigo common shares outstanding on the effective date of the Plan of Arrangement.

(j) Costs related to the Plan of Arrangement, estimated to be \$3.5 million, have been charged to deficit for the purposes of these Pro Forma Statements. These costs have not been included on the pro forma statement of operations as they relate to Navigo prior to becoming a trust, and will be expensed (net of income tax) in Navigo's financial statements as incurred.

3. Unaudited Pro Forma Consolidated Cash Available for Distribution

Cash available for distribution has been presented in order to assist readers of the unaudited pro forma consolidated statement of operations in determining possible future cash distributions.

	Nine Month Period Ended September 30, 2003 (\$000's)	**Year Ended December 31, 2002 (\$000's)**
Net income	•	•
Add back (deduct) amounts to reconcile to cash available for distribution		
Depletion and depreciation	25,141	32,741
Sire restoration costs	1,220	2,082
Future income taxes	•	•
Cash available for distribution [1]	•	•

Note:
(1) Represents cash available for distribution before capital expenditures, reclamation fund contributions, debt repayments and working capital changes to be made at the discretion of management.

4. Other Information Concerning the Trust

With the completion of the Plan of Arrangement, a new bank facility in the amount of $45 million has been arranged for Navigo, consisting of a $43 million revolving operating demand loan (subject to a borrowing base test) and a $2 million non-revolving demand loan available only until January 30, 2004 (the "Credit Facilities"). The Credit Facilities can be drawn in Canadian funds and bear interest at the bank's prime lending rate or bankers' acceptance rates plus applicable margins. The $43 million facility is subject to an interim review which commenced on January 1, 2004 and is anticipated to be completed by January 30, 2004. The Credit Facilities are guaranteed by the Trust and are secured by a $100 million demand debenture from each of Navigo and the Trust with a floating charge over all of Navigo's and the Trust's current and after-acquired property and an undertaking to grant a fixed charge on major producing petroleum and natural gas reserves.

5. Other Significant Accounting Policy

The acquisition of Java results in goodwill. This goodwill represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed. It will be assessed at least annually for impairment and any excess of the book value of goodwill over the implied fair value will be the amount of the impairment.

SCHEDULE B

STATEMENT OF REVENUE AND OPERATING EXPENSES FOR THE WAPELLA PROPERTY

AUDITORS' REPORT

To the Directors of Navigo Energy Inc.

We have audited the accompanying statement of revenue and operating expenses of the Wapella Property for the year ended December 31, 2002. This financial information is the responsibility of the management of Navigo Energy Inc. Our responsibility is to express an opinion on this financial information based on our audit.

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

In our opinion, this statement presents fairly, in all material aspects, the revenue and operating expenses of the Wapella Property described in Note 1 for the year ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
January 8, 2004

(signed) "Deloitte & Touche LLP"
Chartered Accountants

Statement of Revenue and Operating Expenses of the Wapella Property
For the Year Ended December 31, 2002 and
Nine months ended September 30, 2003 and 2002

	Nine months ended September 30		Year ended December 31,
	2003	2002	2002
	(unaudited)	(unaudited)	
REVENUE	$ 13,851,088	$ 12,317,672	$ 16,972,558
ROYALTIES	(3,979,837)	(3,674,027)	(4,990,755)
OPERATING EXPENSES	(2,320,769)	(2,035,984)	(2,749,755)
EXCESS OF REVENUE OVER OPERATING EXPENSES	$ 7,550,482	$ 6,607,661	$ 9,232,048

Notes to the Statement of Revenue and Operating Expenses of the Wapella Property
For the Year Ended December 2002 and
Nine month periods ended September 30, 2003 and 2002

1. BASIS OF PRESENTATION

Under an agreement dated as of January 5, 2004, Navigo Energy Inc. ("Navigo") will acquire (subject to closing) a working interest in certain petroleum and natural gas properties (the "Wapella Property").

This statement has been derived from financial information provided by the vendor of the Wapella Property and relates only to the working interests in such properties that are to be acquired by Navigo.

This statement includes only those revenue and operating expenses that are directly related to the Wapella Property and does not include any expenses related to general and administrative costs, interest, income and capital taxes or any provisions related to depletion, depreciation or future site restoration and abandonment.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

Oil sales are recorded when title to the commodities passes to the purchaser.

(b) Operating Expenses

Operating expenses include all costs related to the lifting, gathering, transporting and processing of oil.

CERTIFICATE OF THE TRUST

Dated: January 8, 2004

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

NAV ENERGY TRUST
BY: NAVIGO ENERGY INC.

(signed) Thomas P. Stan
President and Chief Executive Officer

(signed) Janalee Shutiak
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) Rodger Tourigny
Director

(signed) John A. Brussa
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: January 8, 2004

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

National Bank Financial Inc.

By: (signed) David M. Vetters

TD Securities Inc.

By: (signed) Gregory B. Saksida

RBC Dominion Securities Inc.

By: (signed) Brian K. Petersen

FirstEnergy Capital Corp.

By: (signed) John S. Chambers

Sprott Securities Inc.

By: (signed) Philip J. Moore