This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment dealer, stock broker, bank manager, lawyer, accountant or other professional advisor. The Offer has not been approved or disapproved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is unlawful.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, and deposits will not be accepted from or on behalf of, persons in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of any such jurisdiction. However, the Fund may, in its sole discretion, take such action as it may deem necessary to extend the Offer to persons in any such jurisdiction.

TERRAVEST INCOME FUND

OFFER TO PURCHASE

UP TO 5,000,000 OF ITS UNITS AT A PURCHASE PRICE OF $2.75 IN CASH PER UNIT

TerraVest Income Fund (the "**Fund**") hereby offers (the "**Offer**") to purchase up to 5,000,000 of the issued and outstanding units of the Fund ("**Units**") at a price of $2.75 per Unit (the "**Purchase Price**"). The Offer and all deposits of Units are subject to the terms and conditions set forth in the Offer, the accompanying Issuer Bid Circular (the "**Circular**") and the related Letter of Transmittal and Notice of Guaranteed Delivery.

The Offer is open for acceptance until 5:00 p.m. (Toronto time) on August 20, 2012 (such time on such date, the "Expiry Time") unless extended, varied or withdrawn by the Fund. The Offer is not conditional upon any minimum number of Units being deposited. The Offer is, however, subject to certain other conditions that are customary for transactions of this nature. The Fund reserves the right to withdraw the Offer and not take up and pay for any Units deposited under the Offer unless certain conditions are satisfied or waived. See Section 6 of the Offer, "Certain Conditions of the Offer".

Each holder of Units ("**Unitholder**") who has validly deposited Units and who has not withdrawn such Units will receive the Purchase Price, payable in cash (subject to applicable withholding taxes, if any), for all Units purchased, on the terms and subject to the conditions of the Offer, including the provisions relating to proration described herein. If more than 5,000,000 Units are validly deposited for purchase (or such larger number as the Fund may determine it is willing to take-up and pay for), the deposited Units will be purchased on a pro-rata basis according to the number of Units validly deposited or deemed to be deposited by the depositing Unitholders (with adjustments to avoid the purchase of fractional Units). See Section 3 of the Offer, "Number of Units and Proration".

Promptly after the Expiry Time or the termination of the Offer, the Fund will return all Units not purchased under the Offer, including Units not purchased due to proration and Units not accepted for purchase.

As of July 16, 2012 there were 19,720,466 Units issued and outstanding and, accordingly, the Offer is for approximately 25.35% of the total number of issued and outstanding Units.

The Units are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "TI.UN". On July 11, 2012, the last trading day immediately prior to the announcement of the Fund's intention to make the Offer, the closing price per Unit on the TSX was $1.82. The Purchase Price represents a premium of approximately 51% to the closing price on July 11, 2012, and a premium of approximately 40% over the daily volume weighted average trading price of the Units on the TSX of $1.97 for the last 20 trading days preceding the date of the Fund's announcement.

The Board of Trustees of the Fund has approved the Offer. Neither the Fund nor its Board makes any recommendation to any Unitholder as to whether to deposit or refrain from depositing Units under the Offer. Unitholders are strongly urged to review and evaluate carefully all information in the Offer and Circular, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit Units under the Offer. Unitholders should carefully consider the income tax consequences of depositing Units pursuant to the Offer. See Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".

Unitholders wishing to deposit all or any portion of their Units pursuant to the Offer must comply in all respects with the delivery procedures described herein. See Section 4 of the Offer, "Procedure for Depositing Units".

Any questions or requests for assistance may be directed to the Depositary at the addresses and telephone and facsimile numbers set forth on the back cover page of this Offer and Circular.

The Offer expires at 5:00 p.m. (Toronto time) on August 20, 2012 unless extended, varied or withdrawn.

July 16, 2012

FORWARD-LOOKING STATEMENTS

The Offer and Circular contain certain statements that constitute forward-looking information or statements within the meaning of applicable securities laws ("**forward-looking statements**"), that include, but are not limited to, statements respecting: the recent trading price range of the Units is not being fully reflective of the value of the Fund's business and future prospects; the positive impact that the purchase of up to 5,000,000 Units would have on the Fund's cash flow calculated on a per Unit basis; the Fund continuing to have sufficient financial resources and working capital to conduct its ongoing business and operations after giving effect to the Offer; and the Offer not being expected to preclude the Fund from pursuing its foreseeable business opportunities.

Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The Fund cautions you not to place undue reliance upon such forward-looking statements, which speak only as of the date they are made. The words "would", "expect", "may", "might" and "anticipate" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual events or the Fund's actual results or performance to differ from the projected events, results or performance contained in or implied by such forward-looking statements. Assumptions and analysis about the performance of the Fund, as a whole, and the Fund's portfolio businesses, the markets in which the portfolio businesses compete and the prospects and values of the portfolio businesses are considered in setting the business plan for the Fund, in evaluating and forecasting the portfolio businesses, availability of credit, ability to pay distributions, tax horizon, capital investments, and outlook for operations and financial position, results and cash flow and other plans and objectives and in making related forward-looking statements. In respect of the portfolio businesses, key assumptions are that, other than as specifically identified herein, demand for products and services of the portfolio businesses in respect of the Canadian and other markets in which the Fund's businesses are active and that the input costs to the portfolio businesses do not vary significantly from the costs experienced historically. Should any of these factors or assumptions vary, actual results may differ materially from the forward-looking statements. The forward-looking statements herein are made based on the assumption that the Fund will not be affected by such risks. If the Fund is affected by such risks, the forward-looking statements may become inaccurate.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Offer and Circular are made as of the date of this Offer and Circular. These risk factors and others relating to the Fund are discussed in greater detail in the "Risk Factors" section of the Fund's Annual Information Form (copies of which filings may be obtained at www.sedar.com). These factors should be considered carefully, and readers should not place undue reliance on the Fund's forward-looking statements. The Fund has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

INFORMATION FOR UNITED STATES UNITHOLDERS ONLY

The Offer is being made by the Fund, a Canadian issuer, for its own securities, and the Offer and Circular has been prepared in accordance with the disclosure requirements of applicable Canadian law. Unitholders in the United States should be aware that such disclosure requirements are different from those of the United States and other jurisdictions.

Financial statements of the Fund were previously prepared in accordance with Canadian generally accepted accounting principles and are currently prepared in accordance with International Financial Reporting Standards (IFRS) and thus are not comparable, in certain respects, to financial statements of United States issuers.

Unitholders should be aware that the disposition of Units by them pursuant to the Offer may have tax consequences both in the United States and in Canada. See Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations" for a general summary of federal income tax considerations in respect of the Offer under Canadian law. The Circular does not address any income tax or other tax consequences in jurisdictions outside of Canada. Furthermore Unitholders should consult their own tax advisors regarding the specific tax considerations applicable to them with respect to the disposition of Units under the Offer.

The enforcement by Unitholders of civil liabilities under the United States securities laws may be affected adversely by the fact that the Fund is a trust formed under the laws of the Province of Alberta, that some or all of its respective officers and Trustees are not residents of the United States, that all of or a substantial portion of their respective assets are not located in the United States and that the Depositary named in the Offer and Circular may not be resident in the United States. Unitholders might not be able to sue the Fund or its officers and Trustees in a non-U.S. court for violations of United States securities laws. It may be difficult to compel the Fund or its respective officers and Trustees to subject themselves to the jurisdiction of a United States court or to enforce a United States court's judgment against them.

The Units are not currently registered under the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), or listed or quoted on a stock exchange in the United States. Accordingly, the Fund does not file periodic reports under the U.S. Exchange Act with the United States Securities and Exchange Commission.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY UNITED STATES STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE OFFER, PASSED UPON THE MERITS OR FAIRNESS OF THE OFFER OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE REGARDING INFORMATION

Certain information contained in this Offer and Circular, including certain information contained in the Valuation attached at Schedule "A" hereto, is based solely upon, and the Fund has relied, without independent verification, exclusively upon information that has been provided by third party sources or that is otherwise publicly available. None of the Fund or its Trustees assumes any responsibility for the accuracy or completeness of such information or for any failure by any such third party to disclose events or facts that may have occurred or may affect the significance or accuracy of any such information.

CURRENCY

Unless otherwise indicated, all amounts in the Offer and Circular are expressed in Canadian dollars.

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SUMMARY

The following is a summary of information contained elsewhere in this Offer and accompanying Circular and does not fully describe all of the details of the Offer. This summary is provided for convenience only and should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing or referred to elsewhere in the Offer and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery. ***Certain capitalized words and defined terms used in this summary are defined in the Glossary section of this Offer found on pages 4 to 6.***

Purchase Price	The Purchase Price is $2.75 per Unit. **All Units purchased by the Fund will be purchased at the Purchase Price.** The Fund will return all Units not purchased under the Offer, including Units not purchased as a result of proration and Units not accepted for purchase.
Expiry Time	The Offer expires at 5:00 p.m. (Toronto time) on August 20, 2012, or until such later time and date as may be fixed by the Fund pursuant to Section 7 of the Offer, "Extension and Variation of the Offer", unless the Offer is withdrawn by the Fund.
Payment Date	The Fund will take up and pay for deposited Units as soon as reasonably practicable after the Expiry Time and in any event within 10 days after the Expiry Time. The Fund will be deemed to have taken up and accepted for payment up to 5,000,000 Units (or such greater number of Units as the Fund may determine it is willing to take-up and pay for) properly deposited pursuant to the Offer and not withdrawn, upon giving written notice to the Depositary to that effect. Receipt by the Depositary from the Fund of payment for such Units will be deemed to constitute receipt of payment by persons depositing Units.
Currency of Payment	The Purchase Price will be denominated in Canadian dollars and payments of amounts owing to depositing Unitholders will be made in Canadian dollars.
Number of Units to be Purchased	The Fund will purchase up to 5,000,000 Units.
Proration	If the number of Units validly deposited pursuant to the Offer by the Expiry Time and not withdrawn by the Unitholders exceeds 5,000,000 Units (or such larger number as the Fund may determine it is willing to take-up and pay for), then the Units to be purchased by the Fund will be purchased on a pro rata basis according to the number of Units deposited or deemed to be deposited by the depositing Unitholders (with fractions rounded down to the nearest whole Unit to avoid the purchase of fractional Units). See Section 3 of the Offer, "Number of Units and Proration".
Delivery Procedures	Each Unitholder wishing to deposit Units pursuant to the Offer must either (a) complete and sign a Letter of Transmittal (in accordance with the instructions in such Letter of Transmittal) and deliver, together with all other required documents, to Canadian Stock Transfer Company Inc. (Canadian Stock Transfer Company Inc. acts as the Administration Agent for CIBC Mellon Trust Company), as depositary (the "**Depositary**"), along with the Unit certificate(s) for the Units being deposited pursuant to the Offer. A Unitholder who is not able to deliver the certificate(s) for the Units being deposited pursuant to the Offer must follow the guaranteed delivery procedure described in Section 4 of the Offer, "Procedure for Depositing Units". **A Unitholder**

	who wishes to deposit Units under the Offer and who holds Units through an investment dealer, stock broker, bank, trust company or other nominee should immediately contact such nominee if they wish to accept the Offer in order to take the necessary steps to be able to deposit such Units under the Offer. Intermediaries have likely established tendering cut-off times that are up to 48 hours prior to the Expiry Time. Unitholders must instruct their brokers or other intermediaries promptly if they wish to accept the Offer.
Brokerage Commissions	Unitholders depositing Units will not be obligated to pay brokerage fees or commissions to the Fund or the Depositary. However, Unitholders are cautioned to consult with their own brokers or other intermediaries to determine whether any fees or commissions are payable to their own brokers or other intermediaries in connection with a deposit of Units pursuant to the Offer.
Conditions of the Offer	The obligation of the Fund to take up and pay for any Units deposited under the Offer is subject to the conditions described in Section 6 of the Offer, "Certain Conditions of the Offer".
Withdrawal of Deposited Units	Deposited Units may be withdrawn (a) at any time prior to the Expiry Time, (b) at any time if the Units have not been taken up by the Fund before actual receipt by the Depositary of a notice of withdrawal in respect of such Units, or (c) at any time if the Units have been taken up but not paid for by the Fund within three business days of being taken up. See Section 5 of the Offer, "Withdrawal of Deposited Units".
Position of the Fund and its Trustees	**Neither the Fund nor its Trustees makes any recommendation to any Unitholder as to whether to deposit or refrain from depositing Units.**
Intention of Trustees, Officers and Significant Unitholders	To the knowledge of management of the Fund after reasonable inquiry, no trustee or officer of the Fund or their respective associates, nor any person who beneficially owns or exercises control or direction over more than 10% of any class of equity securities of the Fund, nor any associate or affiliate or person acting jointly or in concert with the Fund, has made a final determination as to whether or not to deposit Units under the Offer. See Section 16 of the Circular, "Acceptance of the Offer".
Tax Considerations	**Unitholders should carefully consider the income tax consequences of depositing Units pursuant to the Offer. See Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".**
Trading Information	On July 11, 2012, the last trading day immediately prior to the Fund's announcement to make the Offer, the closing price of the Units on the TSX was $1.82. The Purchase Price represents a premium of approximately 51% to the closing price on July 11, 2012, and a premium of approximately 40% over the daily volume weighted average trading price of the Units on the TSX of $1.97 for the last 20 trading days preceding the date of the Fund's announcement. During the past 12 months, the closing prices of the Units on the TSX has ranged from a low of $1.49 to a high of $2.62. See Section 0 of the Circular, "Price Range of Units".

Valuation	Pennock Acheson Nielsen Devaney Chartered Accountants (the "**Valuator**") was engaged by the Fund as the independent valuator to prepare a formal valuation of the Units as prescribed under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. A copy of the Valuator's valuation is attached to this Offer and Circular at Schedule "A". The Valuation contains the Valuator's opinion that, based on the scope of its review and subject to the analysis, major assumptions, limitations and qualifications provided therein, as of June 1, 2012, the fair market value per Unit is in the range of $2.73 to $2.91 per Unit. See also Section 4 of the Circular, "Valuation" for further details.
Further Information	For further information regarding the Offer, Unitholders may contact the Depositary, or consult their own brokers. The contact information of the Depositary is set forth on the back cover of this Offer.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE FUND AS TO WHETHER UNITHOLDERS SHOULD DEPOSIT OR REFRAIN FROM DEPOSITING UNITS PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN AS SET FORTH IN THIS OFFER. IF GIVEN OR MADE, ANY SUCH RECOMMENDATION OR ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND.

GLOSSARY

This Glossary forms part of the Offer and Circular. In the Offer and Circular, including the Summary and the accompanying Letter of Transmittal and Notice of Guaranteed Delivery, unless the subject matter or context is inconsistent therewith, the following terms have the meanings set forth below and grammatical variations thereof have the corresponding meanings.

"affiliate" has the meaning ascribed thereto in the MI 62-104.

"Agent's Message" has the meaning set out under Section 4 of the Offer, "Procedure for Depositing Units – Acceptance by Book-Entry Transfer".

"**allowable capital loss**" has the meaning set out under Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".

"associate" has the meaning ascribed thereto in the MI 62-104.

"Board" or "**Board of Trustees**" means the board of trustees of the Fund and "**trustee**" means a trustee of the Fund.

"**Book Entry Confirmation**" means confirmation of a book-entry transfer of a Unitholder's Units into the Depositary's account at CDS or DTC, as applicable.

"business day" means any day of the year, other than a Saturday, Sunday or day observed as a statutory holiday in Toronto, Ontario.

"CDS" means CDS Clearing and Depository Services Inc. or its nominee, which at the date hereof is CDS & Co.

"CDSX" means the CDS on-line tendering system pursuant to which book-entry transfers may be effected.

"Circular" has the meaning set out under Section 1 of the Offer, "The Offer".

"CRA" means the Canada Revenue Agency.

"Depositary" means Canadian Stock Transfer Company Inc., the depositary for the Offer, or such other person as may be appointed to act as depositary for the purposes of the Offer by the Fund. Canadian Stock Transfer Company Inc. acts as the Administration Agent for CIBC Mellon Trust Company.

"**Diamond**" has the meaning set out in Section 1 of Circular, "TerraVest Income Fund".

"DTC" means The Depository Trust Company.

"**Exchangeable Shares**" means the shares of Laniuk Industries Inc., which are exchangeable into Units on a six to one basis.

"Eligible Institution" means a Canadian Schedule I chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Dealers Association of Canada, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States.

"Expiry Time" has the meaning set out under Section 1 of the Offer, "The Offer".

"fair market value" has the meaning set out under Section 4 of the Circular, "Valuation – Conclusions of Valuation Report".

"formal valuation" has the meaning ascribed thereto in MI 61-101.

"Fund" means TerraVest Income Fund, a trust established under the laws of Alberta.

"**Letter of Transmittal**" means the letter of transmittal in the form accompanying the Offer (printed in YELLOW paper).

"MI 61-101" means Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*, as amended, supplemented or replaced from time to time.

"MI 62-104" means Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*, as amended, supplemented or replaced from time to time.

"**Non-Resident Unitholder**" has the meaning set out under Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".

"**Notice of Guaranteed Delivery**" means the notice of guaranteed delivery in the form accompanying the Offer (printed on PINK paper).

"Offer" has the meaning set out under Section 1 of the Offer, "The Offer".

"Purchase Price" has the meaning set out under Section 1 of the Offer, "The Offer".

"**Resident Unitholder**" has the meaning set out under Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".

"**RJV**" has the meaning set out in Section 1 of Circular, "Terravest Income Fund".

"**SEDAR**" means the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval, which is accessible on-line at www.sedar.com.

"take up" in reference to Units means to accept such Units for payment by giving written notice of such acceptance to the Depositary and "taking up" and "taken up" have corresponding meanings.

"Tax Act" means the *Income Tax Act* (Canada) and all regulations made thereunder, all as amended or replaced from time to time.

"**TerraVest Industries**" means TerraVest Industries Inc., a corporation incorporated pursuant to the laws of Alberta.

"**Trustees**" means the trustees of the Fund.

"**taxable capital gain**" has the meaning set out under Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".

"**TerraVest Industries Exchangeable Shares**" means the shares of TerraVest Industries Inc. that were previously convertible into Units, and redeemed by the Fund on August 31, 2008.

"TSX" means the Toronto Stock Exchange, and its successors.

"Unitholder" has the meaning set out under Section 1 of the Offer, "The Offer".

"Units" has the set out under Section 1 of the Offer, "The Offer".

"Valuation" has the meaning set out under Section 4 of the Circular, "Valuation".

"Valuator" means Pennock Acheson Nielsen Devaney Chartered Accountants, the independent valuator retained by the Fund to complete a formal valuation of the Units.

OFFER TO PURCHASE

To the Holders of Units of the Terravest Income Fund

1. The Offer

The Fund hereby offers (the "**Offer**") to purchase for cash up to 5,000,000 of the issued and outstanding units of the Fund (the "**Units**") at the purchase price of $2.75 per Unit (the "**Purchase Price**"), on the terms and subject to the conditions set forth in this Offer, the accompanying issuer bid circular (the "**Circular**") and the related Letter of Transmittal and Notice of Guaranteed Delivery.

The Offer expires at 5:00 p.m. (Toronto time) on August 20, 2012 (such time on such date, the "**Expiry Time**"), unless extended, varied or withdrawn by the Fund.

THE OFFER IS NOT CONDITIONAL UPON ANY MINIMUM NUMBER OF UNITS BEING DEPOSITED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6 OF THIS OFFER, "CERTAIN CONDITIONS OF THE OFFER".

Subject to the satisfaction or waiver by the Fund of the conditions of the Offer, each holder of Units ("**Unitholder**") who has validly deposited Units and who has not withdrawn such Units will receive the Purchase Price, payable in cash (subject to applicable withholding taxes, if any), for all Units purchased, on the terms and subject to the conditions of the Offer, including the provisions relating to proration described herein. See Section 3 of this Offer, "Number of Units and Proration".

Promptly after the Expiry Time or the termination of the Offer, the Fund will return all Units not purchased under the Offer, including Units not purchased due to proration and Units not accepted for purchase.

Neither the Fund nor its Board makes any recommendation to any Unitholder as to whether to deposit or refrain from depositing Units under the Offer. Unitholders are strongly urged to review and evaluate carefully all information in the Offer and Circular, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit Units under the Offer. Unitholders must decide for themselves whether to deposit Units under the Offer. Unitholders should carefully consider the income tax consequences of depositing Units pursuant to the Offer. See Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".

The accompanying Circular, Letter of Transmittal and Notice of Guaranteed Delivery contain important information and should be read carefully before making a decision with respect to the Offer.

2. Purchase Price

The Purchase Price is $2.75 per Unit.

As promptly as reasonably practicable after the Expiry Time, the Fund will, upon the terms and subject to the conditions of the Offer (including the proration provisions described herein), pay the Purchase Price to each Unitholder in cash (but subject to applicable withholding taxes, if any), for all Units that were validly deposited and not withdrawn. The Fund will return all Units not purchased under the Offer, including Units not purchased due to proration and Units not accepted for purchase.

The Purchase Price will be denominated in Canadian dollars and payments of amounts owing to a depositing Unitholder will be made in Canadian dollars.

3. Number of Units and Proration

As of July 16, 2012, there were 19,720,466 Units issued and outstanding and, accordingly, the Offer is for approximately 25.35% of the total number of issued and outstanding Units on such date.

If the number of Units properly deposited by the Expiry Time (and not withdrawn in accordance with Section 5 of this Offer, "Withdrawal of Deposited Units") is less than or equal to 5,000,000 Units, the Fund will, upon the terms and subject to the conditions of the Offer, purchase all Units deposited (or deemed to be deposited) at the Purchase Price.

If the number of Units properly deposited by the Expiry Time (and not withdrawn in accordance with Section 5 this Offer, "Withdrawal of Deposited Units") is greater than 5,000,000 Units (or such larger number as the Fund may determine it is willing to take-up and pay for), then the Units to be purchased by the Fund will be purchased on a pro rata basis according to the number of Units deposited (or deemed to be deposited) by the depositing Unitholders (with fractions rounded down to the nearest whole Unit to avoid the purchase of fractional Units).

4. Procedure for Depositing Units

Letter of Transmittal

The Offer may be accepted by delivering to the Depositary at its office in Toronto, Ontario specified in the Letter of Transmittal (printed on YELLOW paper) accompanying the Offer and Circular, so as to be received at or prior to the Expiry Time:

(a) certificate(s) representing the Units in respect of which the Offer is being accepted;

(b) a Letter of Transmittal in the form accompanying the Offer, properly completed and executed in accordance with the instructions set out in the Letter of Transmittal (including signature guarantee if required); and

(c) all other documents required by the terms of the Offer and the Letter of Transmittal.

Participants in CDS or DTC should contact the Depositary with respect to the deposit of their Units under the Offer. The Fund understands that CDS and DTC will be issuing instructions to their participants as to the method of depositing such Units under the terms of the Offer.

Unitholders will not be required to pay any fee or commission if they accept the Offer by depositing their Units directly with the Depositary to accept the Offer.

The signature on the Letter of Transmittal must be guaranteed by an Eligible Institution or in some other manner acceptable to the Depositary (except that no guarantee is required for the signature of a depositing Unitholder which is an Eligible Institution) if it is signed by a person other than the registered owner(s) of the Units being deposited, or if the Units not purchased are to be returned to a person other than such registered owner(s) or sent to an address other than the address of the registered owner(s) as shown on the registers of the Fund, or if payment is to be issued in the name of a person other than the registered owner(s) of the Units being deposited. If a Letter of Transmittal is executed by a person other than the registered holder of the Units represented by the certificate(s) deposited therewith, then the certificate(s) must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered holder, with the signature on the endorsement panel or share transfer power of attorney guaranteed by an Eligible Institution.

The Offer will be deemed to be accepted only if the Depositary has actually received these documents at its office in Toronto, Ontario in the manner specified in the Letter of Transmittal at or prior to the Expiry Time. Alternatively, Units may be deposited under the Offer in compliance with the procedures for guaranteed delivery set out in Section 4 of this Offer, "Procedure for Depositing Units – Procedure for Guaranteed Delivery" or in compliance with the procedures for book-entry transfers set out in Section 4 of this Offer, " Procedure for Depositing Units – Acceptance by Book-Entry Transfer".

Acceptance by Book-Entry Transfer

Unitholders may accept the Offer by following the procedures for a book-entry transfer established by CDS, provided that a Book-Entry Confirmation through CDSX is received by the Depositary at its office in Toronto, Ontario in the manner specified in the Letter of Transmittal at or prior to the Expiry Time. The Depositary has established an account at CDS for the purpose of the Offer. Any financial institution that is a participant in CDS may cause CDS to make a book-entry transfer of a Unitholder's Units into the Depositary's account in accordance with CDS procedures for such transfer. Delivery of Units to the Depositary by means of a book-entry transfer will constitute a valid deposit of such Units under the Offer.

Unitholders, through their respective CDS participants, who utilize CDSX to accept the Offer through a book-entry transfer of their holdings into the Depositary's account with CDS shall be deemed to have completed and submitted a Letter of Transmittal and to be bound by the terms thereof and therefore such instructions received by the Depositary are considered a valid deposit under and in accordance with the terms of the Offer.

Unitholders may also accept the Offer by following the procedures for book-entry transfer established by DTC, provided that a Book-Entry Confirmation, together with an Agent's Message in respect thereof or a properly completed and executed Letter of Transmittal (including signature guarantee if required) and all other required documents, are received by the Depositary at its office in Toronto, Ontario specified in the Letter of Transmittal at or prior to the Expiry Time. The Depositary has established an account at DTC for the purpose of the Offer. Any financial institution that is a participant in DTC may cause DTC to make a book-entry transfer of a Unitholder's Units into the Depositary's account in accordance with DTC's procedures for such transfer. However, although delivery of Units may be effected through book-entry transfer at DTC, either an Agent's Message in respect thereof, or a Letter of Transmittal (or a manually executed facsimile thereof), properly completed and executed (including signature guarantee if required), and all other required documents, must, in any case, be received by the Depositary, at its office in Toronto, Ontario at or prior to the Expiry Time. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Depositary. Such documents or Agent's Message should be sent to the Depositary.

The term "**Agent's Message**" means a message, transmitted by DTC to, and received by, the Depositary and forming part of a Book-Entry Confirmation, which states that DTC has received an express acknowledgement from the participant in DTC depositing the Units which are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal as if executed by such participant and that the Fund may enforce such agreement against such participant.

Procedure for Guaranteed Delivery

If a Unitholder wishes to deposit Units pursuant to the Offer and: (a) the certificate(s) representing such Units is (are) not immediately available; (b) the Unitholder cannot complete the procedure for book-entry transfer of the Units on a timely basis; or (c) the certificate(s) and all other required documents cannot be delivered to the Depositary at or prior to the Expiry Time, such Units may nevertheless be deposited under the Offer, provided that all of the following conditions are met:

(i) the deposit is made by or through an Eligible Institution;

(ii) a properly completed and executed Notice of Guaranteed Delivery (printed on PINK paper) in the form accompanying the Offer and Circular, or a manually executed facsimile thereof, including the guarantee of delivery by an Eligible Institution in the form set out in the Notice of Guaranteed Delivery, is received by the Depositary at its office in Toronto, Ontario specified in the Notice of Guaranteed Delivery at or prior to the Expiry Time; and

(iii) the certificate(s) representing all deposited Units in proper form for transfer, together with a Letter of Transmittal, or a manually executed facsimile thereof, properly completed and duly executed as required by the instructions set out in the Letter of Transmittal (including signature guarantee if required), or, in the case of a book-entry transfer, a Book-Entry Confirmation with respect to such deposited Units and, in the case of DTC accounts, a Letter of Transmittal, or a manually executed facsimile thereof, properly completed and duly executed (including signature guarantee, if required), or an Agent's Message in lieu of a Letter of Transmittal, and all other documents required by the terms of the Offer and the Letter of Transmittal, are received by the Depositary at its office in Toronto, Ontario specified in the Letter of Transmittal prior to 5:00 p.m. (Toronto time) on the third trading day on the TSX after the Expiry Time.

The Notice of Guaranteed Delivery must be delivered by hand or courier or transmitted by facsimile or mailed to the Depositary at its office in Toronto, Ontario specified in the Notice of Guaranteed Delivery at or prior to the Expiry Time and must include a guarantee by an Eligible Institution in the form set out in the Notice of Guaranteed Delivery. Delivery of the Notice of Guaranteed Delivery and the Letter of Transmittal and accompanying certificate(s) representing Units and all other required documents to an address or transmission by facsimile to a facsimile number other than those specified in the Notice of Guaranteed Delivery does not constitute delivery for purposes of satisfying a guaranteed delivery.

General

The Offer will be deemed to be accepted by a Unitholder only if the Depositary has actually received the requisite documents at its office in Toronto, Ontario specified in the Letter of Transmittal at or prior to the Expiry Time. In all cases, payment for Units deposited and taken up by the Fund will be made only after timely receipt by the Depositary of: (a) the certificate(s) representing the Units (or, in the case of a book-entry transfer to the Depositary, a Book-Entry Confirmation for the Units); (b) a Letter of Transmittal, properly completed and duly executed, covering those Units with the signatures guaranteed, if required, in accordance with the instructions set out in the Letter of Transmittal, or in the case of Units deposited by book-entry transfer, a Book-Entry Confirmation and, in the case of DTC accounts, a Letter of Transmittal, properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in respect thereof; and (c) all other required documents.

The method of delivery of certificates representing Units, the Letter of Transmittal, the Notice of Guaranteed Delivery and all other required documents is at the option and risk of the person depositing such documents. The Fund recommends that all such documents be delivered by hand to the Depositary and a receipt be obtained or, if mailed, that registered mail, with return receipt requested, be used and that proper insurance be obtained. It is suggested that any such mailing be made sufficiently in advance of the Expiry Time to permit delivery to the Depositary at or prior to the Expiry Time. Delivery will only be effective upon actual physical receipt by the Depositary.

All questions as to the validity, form, eligibility (including, without limitation, timely receipt) and acceptance of any Units deposited pursuant to the Offer will be determined by the Fund in its sole discretion. Depositing Unitholders agree that such determination shall be final and binding. The Fund reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful to accept under the Laws of any applicable jurisdiction. The Fund reserves the absolute right to waive any defects or irregularities in any deposit of any Units. There shall be no duty or obligation on the Fund, the Depositary or any other person to give notice of any defects or irregularities in any deposit and no liability shall be incurred by any of them for failure to give any such notice. The Fund's interpretation of the terms and conditions of the Offer, the Circular, the Letter of Transmittal, the Notice of Guaranteed Delivery and any other related documents will be final and binding.

Under no circumstance will interest accrue or any amount be paid by the Fund or the Depositary by reason of any delay in making payments for Units to any person on account of Units accepted for payment under the Offer.

Unitholders will not be required to pay any fee or commission if they accept the Offer by depositing their Units directly with the Depositary.

Unitholders whose Units are registered in the name of an investment advisor, stockbroker, bank, trust company or other nominee should immediately contact such nominee for assistance in depositing their Units if they wish to accept the Offer. Intermediaries likely have established tendering cut-off times that are up to 48 hours prior to the Expiry Time. Unitholders must instruct their brokers or other intermediaries promptly if they wish to tender.

Unitholders should contact the Depositary or a broker or dealer for assistance in accepting the Offer and in depositing Units with the Depositary.

The proper deposit of Units pursuant to any one of the procedures described above will constitute a binding agreement between the depositing Unitholder and the Fund, effective as of the Expiry Time, upon the terms and subject to the conditions of the Offer.

5. Withdrawal of Deposited Units

Except as otherwise provided in this Section 5, deposits of Units pursuant to the Offer will be irrevocable. Units deposited pursuant to the Offer may be withdrawn by the Unitholder (a) at any time prior to the Expiry Time, (b) at any time if the Units have not been taken up by the Fund before actual receipt by the Depositary of a notice of withdrawal in respect of such Units, or (c) at any time if the Units have been taken up but not paid for by the Fund within three business days of being taken up. For a withdrawal to be effective, a written or printed copy of a notice of withdrawal must be actually received by the Depositary by the applicable date specified above at the place of deposit of the relevant Units. Any such notice of withdrawal must be signed by or on behalf of the person who signed the Letter of Transmittal in respect of the Units being withdrawn or, in the case of Units tendered by a DTC participant, be signed by such participant in the same manner as the participant's name is listed on the applicable Agent's Message, and must specify the name of the person who deposited the Units to be withdrawn, the name of the registered holder, if different from that of the person who deposited such Units, and the number of Units to be withdrawn. If the certificates for the Units deposited pursuant to the Offer have been delivered or otherwise identified to the Depositary, then, prior to the release of such certificates, the depositing Unitholder must submit the serial numbers shown on the particular certificates evidencing the Units to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution, except in the case of Units deposited by an Eligible Institution. **A withdrawal of Units deposited pursuant to the Offer may only be accomplished in accordance with the foregoing procedure. The withdrawal shall take effect only upon actual receipt by the Depositary of a written or printed copy of a properly completed and executed notice of withdrawal.**

A Unitholder who wishes to withdraw Units under the Offer and who holds Units through an investment dealer, stock broker, bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to withdraw such Units under the Offer. Participants of CDS or DTC should contact CDS or DTC with respect to the withdrawal of Units under the Offer.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Fund, in its sole discretion, which determination shall be final and binding. None of the Fund, the Depositary or any other person shall be obligated to give any notice of any defects or irregularities in any notice of withdrawal and none of them shall incur any liability for failure to give any such notice.

Any Units properly withdrawn will thereafter be deemed not deposited for purposes of the Offer. However, withdrawn Units may be redeposited prior to the Expiry Time by again following the procedures described in Section 4 of this Offer, "Procedure for Depositing Units".

If the Fund extends the period of time during which the Offer is open, is delayed in its purchase of Units or is unable to purchase Units pursuant to the Offer for any reason, then, without prejudice to the Fund's rights under the Offer, the Depositary may, subject to applicable law, retain on behalf of the Fund all deposited Units, and such Units may not be withdrawn except to the extent that depositing Unitholders are entitled to withdrawal rights as described in this Section 5.

6. Certain Conditions of the Offer

Notwithstanding any other provision of the Offer, the Fund shall not be required to accept for purchase, to purchase or to pay for any Units deposited, and may terminate or cancel the Offer or may postpone the payment for Units deposited, if, at any time before the payment for any such Units, any of the following events shall have occurred (or shall have been determined by the Fund to have occurred) which, in the Fund's sole judgment, in any such case and regardless of the circumstances, makes it inadvisable to proceed with the Offer or with such acceptance for purchase or payment:

(a) there shall have been threatened, taken or pending any action or proceeding by any government or governmental authority or regulatory or administrative agency in any jurisdiction, or by any other person in any jurisdiction, before any court or governmental authority or regulatory or administrative agency in any jurisdiction (i) challenging or seeking to cease trade, make illegal, delay or otherwise directly or indirectly restrain or prohibit the making of the Offer, the acceptance for payment of some or all of the Units by the Fund or otherwise directly or indirectly relating in any manner to or affecting the Offer, or (ii) seeking material damages that otherwise, in the sole judgment of the Fund, has or may have a material adverse effect on the Units or the business, income, condition (financial or otherwise), properties, operations, results of operations or prospects of the Fund and its subsidiaries taken as a whole or has impaired or may materially impair the contemplated benefits of the Offer to the Fund;

(b) there shall have been any action or proceeding threatened, pending or taken or approval withheld or any statute, rule, regulation, stay, decree, judgment or order or injunction proposed, sought, enacted, enforced, promulgated, amended, issued or deemed applicable to the Offer or the Fund or any of its subsidiaries by any court, government or governmental authority or regulatory or administrative agency in any jurisdiction that, in the sole judgment of the Fund, might directly or indirectly result in any of the consequences referred to in clauses (i) or (ii) of paragraph (a) above or would or might prohibit, prevent, restrict or delay consummation of or materially impair the contemplated benefits of the Offer to the Fund or the Unitholders;

(c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any securities exchange or in the over-the-counter market in Canada or the United States, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in Canada or the United States (whether or not mandatory), (iii) a natural disaster or the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving Canada or the United States, (iv) any limitation by any government or governmental authority or regulatory or administrative agency or any other event that, in the sole judgment of the Fund, might affect the extension of credit by banks or other lending institutions, (v) any significant decrease in the market price of the Units since the close of business on the date hereof, (vi) any change in the general political, market, economic or financial conditions that has or may have a material adverse effect on the Fund's business, operations or prospects or the trading in, or value of, the Units, or (vii) in the case of any of the foregoing existing at the time of commencement of the Offer, a material acceleration or worsening thereof;

(d) there shall have occurred any change or changes (or any development involving any prospective change or changes) in the business, assets, liabilities, properties, condition (financial or otherwise), operations, results of operations or prospects of the Fund or its subsidiaries that, in the sole judgment of the Fund, has, have or may have material adverse significance with respect to the Fund and its subsidiaries taken as a whole;

(e) the Valuator shall have withdrawn or amended the Valuation in respect of the Offer;

(f) any take-over bid or tender or exchange offer with respect to some or all of the securities of the Fund, or any merger, business combination or acquisition proposal, disposition of assets, or other similar transaction with or involving the Fund or any of its affiliates, other than the Offer, shall have been proposed, announced or made by any individual or entity;

(g) the Fund shall have concluded, in its sole judgment, that the Offer or the take-up and payment for any or all of the Units by the Fund is illegal or not in compliance with applicable law, or that necessary exemptions or approvals under applicable securities legislation, are not available to the Fund for the Offer and, if required under any such legislation, the Fund shall not have received the necessary exemptions from or waivers of the appropriate courts or Canadian provincial securities regulatory authorities in respect of the Offer;

(h) any change shall have occurred or been proposed to the Income Tax Act (Canada) or to the publicly available administrative policies or assessing practices of the Canada Revenue Agency that, in the sole judgment of the Fund, is detrimental to the Fund its subsidiaries or affiliates or a Unitholder or with respect to making the Offer or taking up and paying for the Units pursuant to the Offer; or

(i) the consummation of the Offer is reasonably likely to cause the Units to be delisted from the TSX.

The foregoing conditions are for the sole benefit of the Fund and may be asserted by the Fund in its sole discretion regardless of the circumstances (including any action or inaction by the Fund) giving rise to any such conditions, or may be waived by the Fund, in its sole discretion, in whole or in part at any time. The failure by the Fund at any time to exercise its rights under any of the foregoing conditions shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and other circumstances shall not be deemed a waiver with respect to any other facts and circumstances; and each such right shall be deemed an ongoing right which may be asserted at any time or from time to time. Any determination by the Fund concerning the events described in this Section 6 shall be final and binding on all parties.

Any waiver of a condition or the withdrawal of the Offer by the Fund shall be deemed to be effective on the date on which notice of such waiver or withdrawal by the Fund is delivered or otherwise communicated to the Depositary. The Fund, after giving notice to the Depositary of any waiver of a condition or the withdrawal of the Offer, shall immediately make a public announcement of such waiver or withdrawal and provide or cause to be provided notice of such waiver or withdrawal to the TSX and the applicable Canadian securities regulatory authorities. If the Offer is withdrawn, the Fund shall not be obligated to take up, accept for purchase or pay for any Units deposited under the Offer, and the Depositary will return all certificates for deposited Units, Letters of Transmittal and Notices of Guaranteed Delivery and any related documents to the parties by whom they were deposited.

7. Extension and Variation of the Offer

Subject to applicable law, the Fund expressly reserves the right, in its sole discretion, and regardless of whether or not any of the conditions specified in Section 6 of this Offer shall have occurred, at any time or from time to time, to extend the period of time during which the Offer is open or to vary the terms and conditions of the Offer by giving written notice, or oral notice to be confirmed in writing, of extension or variation to the Depositary and by causing the Depositary to provide to all Unitholders, where required by law, as soon as practicable thereafter, a copy of the notice in the manner set forth in Section 11 of this Offer, "Notice". Promptly after giving notice of an extension or variation to the Depositary, the Fund will make a public announcement of the extension or variation and provide or cause to be provided notice of such extension or variation to the TSX and the applicable Canadian securities regulatory authorities. Any notice of extension or variation will be deemed to have been given and be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Calgary, Alberta.

Where the terms of the Offer are varied (other than a variation consisting solely of the waiver of a condition of the Offer or a variation consisting solely of an increase in the consideration offered under the Offer where the Expiry Time is not extended for a period of greater than 10 days), the period during which Units may be deposited pursuant to the Offer shall not expire before 10 days after the notice of variation has been given to holders of Units unless otherwise permitted by applicable law. During any such extension or in the event of any variation, all Units previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by the Fund in accordance with the terms of the Offer, subject to Section 5 of this Offer, "Withdrawal of Deposited Units". An extension of the Expiry Time or a variation of the Offer does not constitute a waiver by the Fund of its rights in Section 6 of this Offer, "Certain Conditions of the Offer".

Notwithstanding the foregoing, the Offer may not be extended by the Fund if all the terms and conditions of the Offer have been complied with (except those waived by the Fund), unless the Fund first takes up and pays for all Units properly deposited under the Offer and not withdrawn.

The Fund also expressly reserves the right, in its sole discretion (a) to terminate the Offer and not take up and pay for any Units not theretofore taken up and paid for upon the occurrence of any of the conditions specified in Section 6 of this Offer, "Certain Conditions of the Offer", and/or (b) at any time or from time to time to amend the Offer in any respect, including increasing or decreasing the aggregate number of Units the Fund may purchase or the price it may pay pursuant to the Offer.

Any such extension, delay, termination or amendment will be followed as promptly as practicable by a public announcement. Without limiting the manner in which the Fund may choose to make any public announcement, except as provided by applicable law, the Fund shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through its usual news wire service, Canada Newswire.

If the Fund makes a material change in the terms of the Offer or the information concerning the Offer, the Fund will extend the time during which the Offer is open to the extent required under applicable Canadian securities legislation.

8. Taking Up and Payment for Deposited Units

Upon the terms and provisions of the Offer (including proration) and subject to and in accordance with applicable securities Laws, the Fund will take up and pay for Units validly deposited under the Offer in accordance with the terms thereof as soon as practicable after the Expiry Time, but in any event not later than 10 days after the Expiry Time, provided that the conditions of the Offer (as the same may be amended) have been satisfied or waived.

For the purposes of the Offer, the Fund will be deemed to have taken up and accepted for payment up to 5,000,000 Units (or such larger number as the Fund may determine it is willing to take-up and pay for) that are properly deposited under the Offer and not withdrawn if, as and when the Fund gives written notice or other communication confirmed in writing to the Depositary to that effect.

The Fund reserves the right, in its sole discretion, to delay taking up or paying for any Units or to terminate the Offer and not take up or pay for any Units if any condition specified in Section 6 of this Offer is not satisfied or waived, by giving written notice thereof or other communication confirmed in writing to the Depositary. The Fund also reserves the right, in its sole discretion and notwithstanding any other condition of the Offer, to delay taking up and paying for Units in order to comply, in whole or in part, with any applicable law.

In the event of proration of Units deposited pursuant to the Offer, the Fund will determine the proration factor and pay for those deposited Units accepted for payment as soon as practicable after the Expiry Time. However, the Fund does not expect to be able to announce the final results of any such proration until approximately three business days after the Expiry Time.

Certificates for all Units not purchased, including Units not purchased due to proration and Units not accepted for purchase, will be returned (in the case of certificates representing Units all of which are not purchased), or replaced with new certificates representing the balance of Units not purchased (in the case of certificates representing Units of which less than all are purchased), as soon as practicable after the Expiry Time or termination of the Offer without expense to the depositing Unitholder.

The Fund will pay for Units taken up under the Offer by providing the Depositary with sufficient funds (by bank transfer or other means satisfactory to the Depositary) for transmittal to depositing Unitholders. Under no circumstances will interest accrue or be paid by the Fund or the Depositary on the Purchase Price of the Units purchased by the Fund, regardless of any delay in making such payment or otherwise.

Depositing Unitholders will not be obligated to pay brokerage fees or commissions to the Fund or the Depositary. However, Unitholders are cautioned to consult with their own brokers or other intermediaries to determine whether any fees or commissions are payable to their brokers or other intermediaries in connection with a deposit of Units pursuant to the Offer. The Fund will pay all fees and expenses of the Depositary in connection with the Offer.

The Depositary will act as agent of persons who have properly deposited Units in acceptance of the Offer and have not withdrawn them, for the purposes of receiving payment from the Fund and transmitting payment to such persons. Receipt by the Depositary from the Fund of payment for such Units will be deemed to constitute receipt of payment by persons depositing Units.

The settlement with each Unitholder who has deposited Units under the Offer will be effected by the Depositary by forwarding a cheque, payable in Canadian funds, representing the cash payment for such Unitholder's Units taken up under the Offer. The cheque will be issued in the name of the person as specified by properly completing Box A – "Payment Instructions" in the Letter of Transmittal. Unless the depositing Unitholder instructs the Depositary to hold the cheque for pick-up by checking Box D – "Hold For Pick-Up" in the Letter of Transmittal, the cheque will be forwarded by first class mail, postage prepaid, to the payee at the address specified in the Letter of Transmittal. If no such address is specified, the cheque will be sent to the address of the depositing Unitholder as it appears in the registers maintained in respect of the Units. Cheques mailed in accordance with this paragraph will be deemed to have been delivered at the time of mailing.

9. Payment in the Event of Mail Service Interruption

Notwithstanding the provisions of the Offer, cheques in payment for Units purchased under the Offer and certificates for any Units to be returned will not be mailed if the Fund determines that delivery by mail may be delayed. Persons entitled to cheques or certificates that are not mailed for this reason may take delivery at the office of the Depositary at which the deposited certificates for the Units were delivered until the Fund has determined that delivery by mail will no longer be delayed. The Fund will provide notice, in accordance with Section 11 of this Offer, of any determination not to mail under this Section as soon as reasonably practicable after such determination is made.

10. Liens and Dividends

Units acquired pursuant to the Offer shall be acquired by the Fund free and clear of all liens, charges, encumbrances, security interests, claims, restrictions and equities whatsoever, together with all rights and benefits arising therefrom, provided that any dividends or distributions that may be paid, issued, distributed, made or transferred on or in respect of such Units to Unitholders of record on or prior to the date upon which the Units are taken up and paid for under the Offer shall be for the account of such Unitholders. Each Unitholder of record on that date will be entitled to receive that dividend or distribution whether or not such Unitholder deposits Units pursuant to the Offer.

11. Notice

Without limiting any other lawful means of giving notice, any notice to be given by the Fund or the Depositary under the Offer will be deemed to have been properly given if it is mailed by first-class mail, postage prepaid, to the registered holders of Units at their respective addresses as shown on the Unit registers maintained in respect of the Units and will be deemed to have been received on the first business day following the date of mailing. These provisions apply despite (a) any accidental omission to give notice to any one or more Unitholders, and (b) an interruption of mail service following mailing. In the event of an interruption of mail service following mailing, the Fund will use reasonable efforts to disseminate the notice by other means, such as publication. If post offices are not open for deposit of mail, or there is reason to believe there is or could be a disruption in all or any part of the postal service, any notice which the Fund or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given and to have been received by Unitholders if it is issued by way of a news release and if it is published once in the National Post or The Globe and Mail and in a French language daily newspaper of general circulation in Montreal.

12. Other Terms

No broker, dealer or other person has been authorized to give any information or to make any representation on behalf of the Fund other than as contained in the Offer, and, if any such information or representation is given or made, it must not be relied upon as having been authorized by the Fund.

Unitholders should carefully consider the income tax consequences of accepting the Offer. See Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".

The Offer and all contracts resulting from the acceptance thereof shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Each party to any agreement resulting from the acceptance of the Offer unconditionally and irrevocably attorns to the exclusive jurisdiction of the courts of the Province of Alberta and all courts competent to hear appeals therefrom.

Neither the Fund nor its Board makes any recommendation to any Unitholder as to whether to deposit or refrain from depositing Units under the Offer. Unitholders are strongly urged to review and evaluate carefully all information in the Offer and Circular, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit Units under the Offer. Unitholders must decide for themselves whether to deposit Units under the Offer. Unitholders should carefully consider the income tax consequences of depositing Units pursuant to the Offer. See Section 17 of the Circular, "Certain Canadian Federal Income Tax Considerations".

The Fund, in its sole discretion but acting reasonably, shall be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the validity of any acceptance of the Offer and the validity of any withdrawals of Units. The Offer is not being made to, and deposits of Units will not be accepted from or on behalf of, Unitholders residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. The Fund may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and extend the Offer to Unitholders in any such jurisdiction.

The accompanying Circular, together with this Offer, constitutes the issuer bid circular required under Canadian provincial securities legislation applicable to the Fund with respect to the Offer.

The accompanying Circular contains additional information relating to the Offer.

DATED this 16th day of July, 2012, at Vegreville, Alberta.

TERRAVEST INCOME FUND

By:

(Signed) Dale Laniuk
President & Chief Executive Officer

ISSUER BID CIRCULAR

This Circular is being furnished in connection with the offer by the Fund to purchase for cash up to 5,000,000 of its Units at a Purchase Price of $2.75 per Unit. Terms defined in the Offer and not otherwise defined herein have the same meaning in this Circular. The terms and conditions of the Offer, Letter of Transmittal and the Notice of Guaranteed Delivery are incorporated into and form part of this Circular. Reference is made to the Offer for details of its terms and conditions. **Certain capitalized words and defined terms used in this summary are defined in the Glossary section of this Circular found on pages 4 to 6.**

1. TerraVest Income Fund

The Fund's full name under which it exists and carries on business is TerraVest Income Fund. The head office of the Fund is located at 4901 Bruce Road, Vegreville, Alberta, T9C 1C3.

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Alberta pursuant to a declaration of trust dated May 3, 2004, as amended and/or restated from time to time. The Units are traded on the TSX under the trading symbol "TI.UN".

The Fund is subject to the continuous disclosure requirements of applicable Canadian provincial securities legislation, and in accordance therewith files reports and other information with Canadian provincial securities regulators. Unitholders may access documents filed with Canadian provincial securities regulators through SEDAR at www.sedar.com.

The Fund holds interests in the following continuing portfolio businesses:

RJV Gas Field Services.

RJV Gas Field Services ("**RJV**") is one of Canada's largest providers of wellhead processing equipment for the Canadian natural gas industry. RJV manufactures and services custom designed, portable, self-contained units that control, measure and prepare natural gas for transport and further processing. Wellhead processing equipment is required for substantially all producing natural gas wells.

Diamond Energy Services.

Diamond Energy Services Limited Partnership ("**Diamond**") provides well servicing to the oil and natural gas sector in south-western Saskatchewan and in Alberta. Diamond provides oil field service rigs, coiled tubing units and swabbing units to operators of oil and natural gas wells during their life cycle for new completions, maintenance, work-overs and abandonments.

2. Background to the Offer

Management of the Fund and the Board believe that the Units have been trading in price ranges that do not fully reflect the value of the Fund's business and future prospects. As a result, management of the Fund and the Board considered the possibility of making a substantial issuer bid for the Units, and determined that pursuing a potential substantial issuer bid would be an efficient use of Fund’s financial resources.

After consideration of the benefits and possible terms of a substantial issuer bid, including the various factors set out below in Section 3 of this Circular, "Purpose and Effect of the Offer", the Board reviewed the Offer and Circular and, based on that review, approved the contents and mailing of the Offer and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery. On July 11, 2012 the Fund announced its intention to make an Offer pursuant to a substantial issuer bid.

3. Purpose and Effect of the Offer

The Board believes that the Units have been trading in price ranges that do not fully reflect the value of the Fund's business and future prospects and that, accordingly, the purchase of Units under the Offer represents an effective use of the Fund's financial resources and is in the best interests of the Fund and its Unitholders. In considering whether the Offer would be in the best interests of the Fund and its Unitholders, the Trustees gave careful consideration to a number of factors, including the following:

(a) that the recent trading price range of the Units is not considered by the Board to be fully reflective of the value of the Fund's business and future prospects, consequently the repurchase of Units represents an attractive investment and an appropriate and desirable use of available funds;

(b) the positive impact that the purchase of up to 5,000,000 Units would have on the Fund's cash flow calculated on a per Unit basis;

(c) after giving effect to the Offer, the Fund will continue to have sufficient financial resources and working capital to conduct its ongoing business and operations and the Offer is not expected to preclude the Fund from pursuing its foreseeable business opportunities;

(d) the Offer provides Unitholders with an opportunity to realize on all or a portion of their investment in the Fund should they desire liquidity, in quantities which might not otherwise be available in the market and without incurring brokerage commissions which might otherwise be payable on a sale of their Units in a transaction on the TSX;

(e) the deposit of Units under the Offer is optional, the option is available to all Unitholders, and all Unitholders are free to accept or reject the Offer, subject to applicable legal constraints;

(f) the Valuation prepared by the Valuator, including the range of values for Units set forth therein, as more fully described in Section 4 of this Circular, "Valuation";

(g) the Offer is not conditional on any minimum number of Units being deposited; and

(h) Unitholders who do not deposit their Units under the Offer will realize a proportionate increase in their equity interest in the Fund to the extent that Units are purchased by the Fund pursuant to the Offer.

The foregoing summary of the information and factors is not intended to be exhaustive of the information and factors considered by the Board in determining to authorize and approve the Offer, but includes the material factors considered by the Board in reaching its decision. The Board evaluated various factors, including those summarized above, in light of their own knowledge of the business, assets, financial condition, operations and prospects of the Fund and based upon the advice of their advisors. In view of the numerous factors considered, the Board did not find it practicable to, and did not quantify or otherwise attempt to assign relative weight to specific factors in reaching its recommendation and decision. In addition, individual members of the Board may have given different weight to different factors.

The Board has approved the making of the Offer, the pricing of the Offer, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery. **Neither the Fund nor its Trustees makes any recommendation to any Unitholder as to whether to deposit or refrain from depositing any or all of such Unitholder's Units. No person has been authorized to make any such recommendation. Unitholders are urged to evaluate carefully all information in the Offer, consult their own investment and tax advisors and make their own decisions whether to deposit Units and, if so, how many Units to deposit.**

Unitholders should carefully consider the income tax consequences of accepting the Offer. See Section 17 of this Circular, "Certain Canadian Federal Income Tax Considerations".

Subject to certain exceptions, Canadian provincial securities legislation prohibits the Fund and its affiliates from acquiring any Units, other than pursuant to the Offer, until at least 20 business days after the Expiry Time or date of termination of the Offer. Subject to applicable law, the Fund may in the future purchase additional Units in the future on the open market, in private transactions, through issuer bids or a going private transaction or otherwise. Any such purchases may be on the same terms or on terms that are more or less favourable to Unitholders than the terms of the Offer. Any possible future purchases by the Fund will depend on many factors, including the market price of the Units, the Fund's business and financial position, the results of the Offer and general economic and market conditions.

4. Valuation

Engagement of the Valuator

The Valuator was formally engaged by the Board on June 12, 2012 to prepare a valuation report with respect to the Units (the "**Valuation**"), as prescribed under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Fund has agreed to pay the Valuator a fixed fee plus expenses for the Valuation, which payment is not contingent in whole or in part upon the outcome of the Offer. The Valuator has no financial interest in the Fund or in any of its subsidiaries that may be affected by the Offer. The Board does not believe that the compensation paid for services provided in any way interfered with the Valuator's independence.

The Valuation entitled "TerraVest Income Fund – Formal Valuation Report as at June 1, 2012", was delivered to the Fund on July 11, 2012 and was considered by the Board at a meeting held on that date. A copy of the Valuation prepared by the Valuator is attached hereto as Schedule "A" and this summary of the valuation is qualified in its entirety by reference thereto. In addition, a copy of the Valuation is available for inspection at the head office of the Fund at 4901 Bruce Road, Vegreville, Alberta, T9C 1C3. A copy of the Valuation may also be obtained for a nominal charge (sufficient to cover printing and postage) upon request to the Fund at 4901 Bruce Road, Vegreville, Alberta, T9C 1C3.

Unitholders should carefully review and consider the Valuation in its entirety. The Valuation is based upon the Valuator's scope of review and is subject to the analysis, major assumptions, limitations and qualifications provided therein.

Credentials of the Valuator

The Valuator has been determined by the Board to be qualified to produce the Valuation. The Valuator is a chartered accounting firm whose service areas include audit, accounting, tax and business and financial advisory services. The Valuation is the opinion of the Valuator and the form and content of the Valuation was reviewed and approved for release by a partner and managing director of the Valuator, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Independence of Valuator

In its Valuation, the Valuator states that it has been advised by the Board of Trustees that the Board reached its view of the Valuator's independence for the purposes of MI 61-101 with the following in mind:

(a) neither the Valuator nor any of its affiliated entities is an issuer insider, associated entity or affiliated entity of the Fund or any interested party (as such terms are defined in MI 61-101). Neither the Valuator nor any of its affiliated entities has been engaged to act as an advisor to the Fund in respect of the Offer, or acted in the past 24 months as a lead or co-lead underwriter of a distribution of securities of the Fund or any of its associates or affiliates. The Valuator is not a manager or co-manager of a soliciting dealer group formed in respect of the Offer.

(b) In the past two years, the Valuator has not been engaged to provide accounting, tax, valuation or other advisory services to the Fund or any of its associates or affiliates. The fees paid to the Valuator in connection with the Offer are not financially material to the Valuator. Moreover, the amount payable to the Valuator pursuant to its engagement in connection with the Offer does not depend in whole or in part on an agreement, arrangement or understanding that gives the Valuator a financial incentive in respect of its opinion expressed in the Valuation or the outcome of the Offer. No understandings or agreements exist between the Valuator and either the Fund or any of its associates of affiliates with respect to future business.

(c) The Valuator may, in the future, in the ordinary course of its business, perform valuation, financial advisory or accounting services for the Fund or any of its associates or affiliates.

Conclusions of Valuation Report

The Valuation contains the Valuator's opinion that, based on the scope of its review and subject to the analysis, major assumptions, limitations and qualifications provided therein, the fair market value of the Units as of June 1, 2012 is in the range of $2.73 to $2.91. The Valuation was based on economic, industry and securities markets conditions existing at June 1, 2012, and the condition and prospects, financial and otherwise, of the Fund as reflected in the information and documents reviewed by the Valuator and as they were represented to the Valuator in its discussions with the Fund's management. The Valuator defined "fair market value" in accordance with MI 61-101 as "the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act." In accordance with MI 61-101, the Valuator's determination of the fair market value of the Units did not include a downward adjustment to reflect the Units' lack of liquidity, the effect of the Offer on the Units or the fact that the Units do not, at the date of the Valuation form part of a controlling interest.

5. Financial Statements

The audited annual consolidated financial statements of the Fund for the year ended December 31, 2011 and the unaudited interim financial statements of the Fund for the three months ended March 31, 2012 are available on the SEDAR web site at www.sedar.com. Unitholders may obtain copies of available financial statements, without charge, upon request to the Fund at 4901 Bruce Road, Vegreville, Alberta, T9C 1C3 (Telephone: (780) 632-2040, Attention: Paul Casey, Chief Financial Officer).

6. Prior Valuations

Pursuant to the provisions of MI 61-101, an issuer making an offer for its securities must, with certain limited exceptions, disclose every prior valuation or appraisal of its securities or any material asset made in the 24 months before the date of such offer whether or not prepared by an independent valuator, which would reasonably be expected to affect the decision of a securityholder to retain or dispose of the securities affected by the Offer. To the knowledge of the trustees and officers of the Fund, after reasonable enquiry, other than the Valuation of the Valuator prepared in connection with the Offer, a copy of which is attached to this Circular at Schedule "A", no "prior valuations" (as such term is defined in MI 61-101) regarding the Fund, its securities or material assets have been prepared within the 24 months preceding the date hereof.

7. Prior Offers

The Fund has not received any bona fide prior offers relating to the Units of the Fund in the 24 months prior to the announcement of the Offer. However, in January 2012, the Fund was approached by a third party regarding a possible acquisition of all or a portion of the business operations of the Fund. In its preliminary expression of interest, the third party indicated a possible value for the Fund of approximately $2.00 per Unit. The Board determined that this preliminary expression of interest was significantly below fair market value and accordingly, no further discussions were undertaken with this third party.

8. Price Range of Units

Authorized and Outstanding Capital

The Fund is authorized to issue an unlimited number of trust units of one class designated as "Units", each of which represents a Unitholder's proportionate undivided beneficial interest in the Fund. As at July 16, 2012, there were 19,720,466 Units issued and outstanding, and 159,579 Exchangeable Shares outstanding, which are exchangeable into Units on a six-to-one basis.

Trading of Units on Principal Markets

The Units are listed on the TSX under the symbol "TI.UN". The following table sets forth the high and low closing prices per Unit and the volumes of Units traded on the TSX, as compiled from published financial sources for each month from July, 2011:

Month	High ($)	Low ($)	Volume
July 2011	1.80	1.69	131,629
August 2011	1.77	1.53	391,261
September 2011	1.73	1.49	328,810
October 2011	1.72	1.53	570,778
November 2011	1.76	1.61	93,887
December 2011	2.20	1.70	255,417
January 2012	2.30	1.85	249,804
February 2012	2.10	2.01	21,520
March 2012	2.04	1.88	121,313
April 2012	2.10	1.85	41,080
May 2012	2.15	1.80	42,411
June 2012	2.05	1.86	43,912
July 3 to 13 2012	2.62	1.80	375,068

On July 11, 2012, the last trading day immediately prior to the announcement of the Fund's intention to make the Offer, the closing price of the Units on the TSX was $1.82. The Purchase Price represents a premium of approximately 51% to the closing price on July 11, 2012, and a premium of approximately 40% over the daily volume weighted average trading price of the Units on the TSX of $1.97 for the last 20 trading days preceding the date of the Fund's announcement.

UNITHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR THE UNITS.

9. Distribution Policy

On May 30, 2011 the Fund announced a special cash distribution of $1.15 per Unit, which was paid on June 15, 2011 to Unitholders of record on June 8, 2011. On December 21, 2011, the Fund announced a second special cash distribution of $0.50 per Unit, which was paid on January 11, 2012 to Unitholders of record on January 4, 2012. Due to adverse economic circumstances, the Fund suspended its distributions in July 2009. Any decision to pay distributions in the future will be made by the Board and will depend upon the Fund's results of operations, financial condition, current and anticipated cash needs, contractual restrictions, restrictions imposed by applicable law and other factors that the Board deems relevant.

10. Previous Distributions of Units and Purchases and Sales of Securities

Previous Distribution of Units

During the five years preceding the Offer, the Fund has completed the following distributions of Units:

Fiscal Year	Nature of Issuance/Exercise	Number of Units Issued and Aggregate Proceeds ($)	Average Distribution Price per Unit
2007	Conversion of TerraVest Industries Exchangeable Shares	653 ($2,985)[(1)]	$4.57[(1)]
2008	Conversion of TerraVest Industries Exchangeable Shares	2,324,868 ($10,973,764)[(1)]	$4.72[(1)]
2009	--	--	--
2010	--	--	--
2011	Exercise of Options	100,000 ($200,000)	$2.00

Notes:
(1) Amount represents value of TerraVest Industries Exchangeable Shares. No cash consideration received by the Fund. All remaining TerraVest Industries Exchangeable Shares were redeemed by the Fund on August 31, 2008.

Previous Purchases and Sales of Securities

During the twelve months preceding the Offer, the Fund has not purchased or sold any Units or any other securities of the Fund.

11. Interest of Trustees and Officers and Transactions and Arrangements Concerning Units

Interest of Trustees and Officers

Except as set forth in the Offer, neither the Fund nor, to the Fund's knowledge, any of its officers or Trustees or any of the officers or trustees of its subsidiaries, is a party to any contract, arrangement or understanding, formal or informal, with any securityholder relating, directly or indirectly, to the Offer or with any other person or company with respect to any securities of the Fund in relation to the Offer, nor are there any contracts or arrangements made or proposed to be made between the Fund and any of its trustees or officers and no payments or other benefits are proposed to be made or given by way of compensation for loss of office or as to such trustees or officers remaining in or retiring from office if the Offer is successful.

Except as disclosed herein, neither the Fund nor, to the Fund's knowledge, any of its officers or Trustees has current plans or proposals which relate to, or would result in, any extraordinary transaction involving the Fund, such as a merger, a reorganization, the sale or transfer of a material amount of its assets or the assets of any of its subsidiaries (although the Fund from time to time may consider various acquisition or divestiture opportunities), any material change in its present Trustees or management, any material change in its indebtedness or capitalization, any other material change in its business or corporate structure, any material change in its Declaration of Trust, or any actions similar to any of the foregoing.

12. Ownership of the Securities of the Fund

To the knowledge of the Fund, after reasonable inquiry, the following table indicates, as at July 16, 2012 except as otherwise indicated, the number of securities of the Fund beneficially owned, directly or indirectly, or over which control or direction is exercised, by each trustee and officer of the Fund and their respective associates or affiliates:

Name	Relationship with Fund	Units Number (% Outstanding)	Options Aggregate ($) (% Outstanding)
George Armoyan[1]	Trustee	2,591,900 (13.14%)	--
Dale Laniuk	Trustee & Chief Executive Officer	4,016,872 (20.37%)	--
Paul Casey	Chief Financial Officer	11,450 (0.06%)	--
Blair Cook	Trustee	--	--
Darryl Vinet	Trustee	27,800 (0.14%)	--
Rocco Rossi	Trustee	--	--

Notes:
(1) In Mr. Armoyan's most recently filed Early Warning Report, he notes that he is presumed to be acting jointly and in concert with Clarke Inc. (he is Clarke Inc.'s President and CEO) and with family members with whom he resides. On an aggregate basis, Clarke Inc., Mr. Armoyan and the family members with whom he resides hold 6,606,008 Units, representing 33.5% of the outstanding Units.

To the Knowledge of the Fund, after reasonable inquiry, the following table indicates the number of securities of the Fund beneficially owned, directly or indirectly, or over which control or direction is exercised by each person or company who beneficially owns or exercises control or direction over more than 10% of any class of equity securities of the Fund, and each associate or affiliate or person or company acting jointly or in concert with the Fund:

Name	Units Number (% Outstanding)
Dale Laniuk	4,016,872 (20.37%)
Clarke Inc[1].	3,970,108 (20.13%)
Marshall-Barwick Inc.[2]	2,983,600 (15.13%)
George Armoyan[3]	2,591,900 (13.14%)

Notes:
(1) As reported by Clarke Inc.
(2) As reported by Marshall-Barwick Inc.
(3) In Mr. Armoyan's most recently filed Early Warning Report, he notes that he is presumed to be acting jointly and in concert with Clarke Inc. (he is Clarke Inc.'s President and CEO) and with family members with whom he resides. On an aggregate basis, Clarke Inc., Mr. Armoyan and the family members with whom he resides hold 6,606,008 Units, representing 33.5% of the outstanding Units.

13. Commitments to Acquire Units

The Fund has no commitments to purchase Units, other than pursuant to the Offer. To the knowledge of the Fund, after reasonable inquiry, no person or company named under Section 12 of the Circular, "Ownership of the Securities of the Fund" has any commitment to acquire Units.

14. Benefits from the Offer and Effect on Interested Parties

No person or company named under Section 12 of the Circular, "Ownership of the Securities of the Fund" will receive any direct or indirect benefit from accepting or refusing to accept the Offer other than the Purchase Price for any Units tendered to the Offer and purchased by the Fund in accordance with the terms of the Offer.

If the Fund purchases 5,000,000 Units pursuant to the Offer, and assuming none of Dale Laniuk, Clarke Inc., Marshall-Barwick Inc. and George Armoyan tender any Units to the Offer, the interest in the Fund of Clarke Inc., Marshall-Barwick Inc., Mr. Laniuk, and Mr. Armoyan would increase as follows:

Name	% of Outstanding Pre-Offer	% Outstanding Post-Offer
Dale Laniuk	20.37	27.29
Clarke Inc.	20.13	26.97
Marshall-Barwick Inc.	15.13	20.27
George Armoyan	13.14	17.61

15. Material Changes in the Affairs of the Fund

Except as described or referred to in the Offer, the Trustees and officers of the Fund are not aware of any plans or proposals for material changes in the affairs of the Fund, or of any material changes that have occurred since December 31, 2011, the date of the most recent annual consolidated financial statements of the Fund, other than as publicly disclosed.

16. Acceptance of the Offer

To the knowledge of management of the Fund after reasonable inquiry, no person named in Section 12 of this Circular, "Ownership of the Securities of the Fund", has made a final determination as to whether or not to deposit Units under the Offer.

17. Certain Canadian Federal Income Tax Considerations

In the opinion of Bennett Jones LLP, counsel to the Fund, the following summary describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a Unitholder who sells Units pursuant to the Offer.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, and counsel's understanding of the current administrative policies and practices of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof, although there is no certainty that such proposals will be enacted in the form proposed, if at all. The summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action or changes in administrative practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

Save as indicated, this summary assumes that the Fund qualifies as a "mutual fund trust" (as defined in the Tax Act) on the date hereof and will continue to so qualify at all material times including throughout the period during which Unitholders hold any Units. If the Fund were to cease to qualify as a "mutual fund trust" (as defined in the Tax Act) at any time during that period, certain of the income tax considerations described below would be materially and adversely different in certain respects.

This summary is generally applicable to a Unitholder who deals at arm's length and is not affiliated with the Fund, and holds the Units as capital property. The Units will generally be considered capital property to a Unitholder unless the Unitholder holds the Units in the course of carrying on business or the Unitholder has acquired them in an adventure in the nature of trade. This summary does not apply to a Unitholder: (a) that is a "financial institution" subject to the mark-to-market rules; (b) that is a "specified financial institution"; (c) that is a partnership; (d) an interest in which would be a "tax shelter investment"; or (e) that has elected to determine its Canadian tax results in a foreign currency pursuant to the "functional currency" reporting rules, all within the meaning of the Tax Act.

This summary is not exhaustive of all Canadian federal income tax considerations and does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action. This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular

Unitholder. Accordingly, Unitholders should consult their own tax advisors with respect to their own particular circumstances.

Unitholders Resident in Canada

The following portion of this summary is generally applicable to a Unitholder who, at all relevant times, for purposes of the Tax Act is, or is deemed to be, resident in Canada (a "**Resident Unitholder**"). Certain Resident Unitholders whose Units might not otherwise qualify as capital property may, in certain circumstances, be entitled to elect to have the Units and all other "Canadian securities" as defined in the Tax Act owned by such Resident Unitholder in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

Disposition of Units Pursuant to the Offer

A Resident Unitholder who disposes of Units pursuant to the Offer will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Units to the Resident Unitholder and reasonable expenses incurred by the Resident Unitholder for the purpose of the disposition.

The adjusted cost base of a Unit to a Resident Unitholder will equal the cost of the Unit to the Resident Unitholder, plus or minus certain adjustments as required by the Tax Act, The cost of Units to a Resident Unitholder will generally include all amounts paid or payable by the Resident Unitholder to acquire the Units. In the case of additional Units received in lieu of a cash distribution of income, the cost to a Resident Unitholder will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Resident Unitholder of a Unit, when a Unit is acquired the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Resident Unitholder as capital property immediately before that acquisition. The adjusted cost base of a Unit to a Resident Unitholder will generally be reduced by the amount of any non-taxable distribution that becomes payable to the Resident Unitholder in respect of such Unit.

A Resident Unitholder will be required to include one half of the amount of any resulting capital gain (a "**taxable capital gain**") in income, and subject to and in accordance with the provisions of the Tax Act, will be entitled to deduct one half of the amount of any resulting capital loss (an "**allowable capital loss**") against taxable capital gains realized in the year of disposition. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

A Resident Unitholder that is throughout the year a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional 6⅔% refundable tax on certain investment income, including taxable capital gains. Capital gains realized by an individual may be subject to alternative minimum tax.

Unitholders Not Resident in Canada

The following portion of this summary is generally applicable to a Unitholder who at all relevant times, for purposes of the Tax Act and any applicable income tax treaty, is not resident, nor deemed to be resident, in Canada (a **"Non-Resident Unitholder"**).

Disposition of Units Pursuant to the Offer. A Non-Resident Unitholder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of Units to the Fund under the Offer, provided the Units do not constitute "taxable Canadian property" to the Non-Resident Unitholder. Generally, Units will not constitute taxable Canadian property to a Non-Resident Unitholder at the time of disposition unless: (a) the Non-Resident Unitholder holds or uses, or is deemed to hold or use the Units in the course of carrying on business in Canada; (b) the Units are "designated insurance property" of the Non-Resident Unitholder for purposes of the Tax Act; or (c) at any time during the sixty (60) month period immediately preceding the disposition of the Units the Non-Resident Unitholder or persons with whom such holder does not deal at arm's length, collectively, held 25% or more of the issued Units, and more than 50% of the value of the Units was derived, directly or indirectly, from one or any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Tax Act), (iii) "timber resource properties" (as defined in the Tax Act), or (iv) options in respect of, or interests in, or for civil law rights in, any property described in (i) to (iii).

Non-Resident Unitholders whose Units are "taxable Canadian property" should consult their own tax advisors with respect to the Offer.

18. Legal Matters and Regulatory Approvals

The Fund is not aware of any license or regulatory permit that is material to the Fund's business that might be adversely affected by the Fund's acquisition of Units pursuant to the Offer or, except as noted below, of any approval or other action by any government or governmental, administrative or regulatory authority or agency in any jurisdiction, that would be required for the acquisition or ownership of Units by the Fund pursuant to the Offer and that has not been obtained on or before the date hereof. Should any such approval or other action be required, the Fund currently contemplates that such approval will be sought or other action will be taken. The Fund cannot predict whether it may determine that it must delay the acceptance for payment of Units deposited pursuant to the Offer pending the outcome of any such matter.

There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to the Fund's business.

The Fund's obligations under the Offer to take up and pay for Units are subject to certain conditions. See Section 6 of the Offer , "Certain Conditions of the Offer".

19. Source of Funds

The Fund will fund any purchases of Units pursuant to the Offer from available cash on hand, and available credit facilities. Assuming that the maximum 5,000,000 Units are purchased pursuant to the Offer, the aggregate consideration payable pursuant to the Offer will be $13,750,000.

20. Dealer Managers

As at the date hereof, the Fund has not retained a dealer manager for this Offer. The Fund reserves the right to retain a dealer manager for the Offer in the future.

21. Depositary

The Fund has appointed Canadian Stock Transfer Company Inc. (Canadian Stock Transfer Company Inc. acts as the Administration Agent for CIBC Mellon Trust Company) to act as a depositary for, among other things, (a) the receipt of certificates representing Units and related Letters of Transmittal deposited under the Offer, (b) the receipt of Notices of Guaranteed Delivery delivered pursuant to the procedures for guaranteed delivery set forth in Section 4 of the Offer, (c) the receipt from the Fund of cash to be paid in consideration of the Units acquired by the Fund under the Offer, as agent for the depositing Unitholders, and (d) the transmittal of such cash to the depositing Unitholders, as agent for the depositing Unitholders. The Depositary may contact Unitholders by mail, telephone or facsimile and may request brokers, dealers and other nominee Unitholders to forward materials relating to the Offer to beneficial owners.

22. Fees and Expenses

No fee or commission will be payable by any Unitholder who deposits such Units directly with the Depositary in connection with the Offer. Unitholders who hold their Units through an investment dealer, stock broker, commercial bank, trust company or other nominee, should consult with such persons regarding whether fees or commissions will apply in connection with a deposit of Units pursuant to the Offer. Investment dealers, stock brokers, commercial banks, trust companies and other nominees may, in certain circumstances, be reimbursed by the Fund for customary clerical and mailing expenses incurred by them in forwarding materials to their customers.

The Valuator was retained to provide a formal valuation of the fair market value of the Units in accordance with MI 61-101. In connection with the engagement of the Valuator to perform certain valuation-related services and ultimately to prepare the Valuation, the Valuator will be paid a fee and will be reimbursed for certain expenses, which fees and expense are not contingent in whole or in part upon the outcome of the Offer or the Valuator's conclusions in the Valuation. The Valuator's fees and expenses are estimated to be approximately $• in the aggregate.

The Fund has retained Canadian Stock Transfer Company Inc. to act as the depositary in connection with the Offer. Canadian Stock Transfer Company Inc. acts as the Administration Agent for CIBC Mellon Trust Company. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection with the Offer, including certain liabilities under Canadian provincial securities laws. The Fund will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of Units pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by the Fund for reasonable and necessary costs and expenses incurred by them in forwarding materials to their customers.

The Fund is expected to incur expenses of approximately $160,000 in connection with the Offer, which includes filing fees, advisory fees, legal, translation, accounting, depositary and printing fees.

23. Statutory Rights

Securities legislation in the provinces and territories of Canada provides Unitholders with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to the Unitholders. However, such rights must be exercised within prescribed time limits. Unitholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

APPROVAL AND CERTIFICATE

July 16, 2012

The Board of Trustees of TerraVest Income Fund has approved the contents of the Offer and the accompanying Circular dated July 16, 2012 and the delivery thereof to Unitholders. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(Signed) Dale Laniuk President & Chief Executive Officer	(Signed) Paul Casey Chief Financial Officer

On behalf of the Board of Trustees:

(Signed) Darryl Vinet Trustee	(Signed) Rocco Rossi Trustee

CONSENT OF PENNOCK ACHESON NIELSEN DEVANEY CHARTERED ACCOUNTANTS

TO: The Trustees of the TerraVest Income Fund

We refer to the formal valuation dated July 9, 2012, which we prepared for TerraVest Income Fund (the "**Fund**") for the formal issuer bid by the Fund of up to 5,000,000 units of the fund ("**Units**") for at a purchase price of $2.75 in cash per Unit. We consent to the filing of the formal valuation with the securities regulatory authorities and the inclusion of the formal valuation in this document.

July 16, 2012

(Signed)

PENNOCK ACHESON NIELSEN DEVANEY CHARTERED ACCOUNTANTS

CONSENT OF BENNETT JONES LLP

TO: The Trustees of TerraVest Income Fund

We consent to the inclusion of our name in the section titled "Certain Canadian Federal Income Tax Considerations" in the Circular dated July 16, 2012 of TerraVest Income Fund in connection with its offer to the holders of its Units, and the reference to our opinion contained therein.

July 16, 2012

(Signed)

BENNETT JONES LLP

SCHEDULE A
VALUATION

TERRAVEST INCOME FUND

Formal Valuation Report

As at June 1, 2012

Pennock Acheson Nielsen Devaney

Pennock Acheson Nielsen Devaney
Chartered Accountants
2201 Toronto Dominion Tower
10088 - 102 Avenue
Edmonton, Alberta T5J 2Z1
Telephone: (780) 496-7774
Facsimile: (780) 423-0582

July 9, 2012

Private and Confidential

TerraVest Income Fund
4901 Bruce Road
Vegreville, AB T9C 1C3

Attention: Paul Casey, Chief Financial Officer, on behalf of the Board of Trustees

Dear Sir:

Subject: Formal Valuation of the Trust Units of TerraVest Income Fund

You have asked us to provide you with a formal valuation (the "Valuation") of the fair market value as at June 1, 2012 (the "Valuation Date"), of all of the issued and outstanding trust units (the "Units") of TerraVest Income Fund ("TVIF" or the "Fund").

Our Valuation has been prepared in conformity with the practice standards of the Canadian Institute of Chartered Business Valuators ("CICBV") and the rules pertaining to formal valuations in connection with issuer bids contained in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101").

Purpose of Valuation

We understand that our Valuation is required in connection with a substantial issuer bid to be announced shortly (the "Offer") pursuant to the requirements outlined in MI 61-101. Pennock Acheson Nielsen Devaney ("PAND") was retained by the Fund to prepare the Valuation pursuant to our engagement letter dated June 12, 2012.

Definition of fair market value

For purposes of our Valuation, "Fair Market Value" is defined as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act.

Fair market value as defined above is a concept of value, which may or may not equal the purchase/sale price in an actual market transaction. Within the marketplace, there may be "special purchasers" who may be willing to pay higher prices because of potential synergies or strategic advantages which could be enjoyed by the purchaser following acquisition. Given the nature and purpose of our engagement, we have not exposed the Units to the marketplace to identify special purchasers, if any, who might perceive a value different from that determined by us.

Independence of PAND

PAND has developed this Valuation on the basis of an independent review and analysis of the Fund. The principal valuator and other staff involved in the preparation of the Valuation acted independently and objectively in completing this engagement.

PAND is independent of TVIF and the holders of the Units of the Fund. In particular:

(a) Neither PAND nor any of its affiliated entities is an “issuer insider”, “associated entity” or “affiliated entity” of the Fund or any “interested party” (as such terms are defined in MI 61-101). Neither PAND nor any of its affiliated entities has been engaged to act as an advisor to the Fund in respect of the Offer, or acted in the past 24 months as a lead or co-lead underwriter of a distribution of securities of the Fund or any of its associates or affiliates. PAND is not a manager or co-manager of a soliciting dealer group formed in respect of the Offer.

(b) In the past two years, PAND has not been engaged to provide accounting, tax, valuation or any other advisory services to TVIF or any of its associates or affiliates. The fees paid to PAND in connection with the Offer are not financially material to PAND. Moreover, the amount payable to PAND pursuant to its engagement in connection with the Offer does not depend in whole or in part on an agreement, arrangement or understanding that gives PAND a financial incentive in respect of its opinion expressed in the Valuation or the outcome of the Offer. No understandings or agreements exist between PAND and either the Fund or any of its associates of affiliates with respect to future business.

(c) PAND may, in the future, in the ordinary course of its business, perform valuation, financial advisory or accounting services for the Fund or any of its associates or affiliates.

Restrictions and limiting conditions

Except as noted herein, our Valuation is not intended for general circulation or publication, nor is it to be reproduced or used for any purpose other than outlined above without our written consent. We do not assume any responsibility or liability for losses incurred by any party as a result of the circulation, publication, reproduction or use of our Valuation contrary to the provisions of this paragraph. We have consented, subject to the terms of our engagement, to the inclusion of our Valuation in TVIF’s issuer bid circular in respect of the Offer to be prepared by the Fund and mailed to the holders of the Units and filed with the applicable Canadian securities regulatory authorities.

We have relied upon the completeness, accuracy, and fair presentation of all the financial and other information, data, advice, opinions or representations obtained from management of the Fund (collectively, the “Information”). Our Valuation is conditional upon the completeness, accuracy and fair presentation of such Information. Except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of the Information.

We reserve the right to review all calculations and analyses included and, if we consider it necessary, to revise our Valuation in light of any information existing as at June 1, 2012 that becomes known to us after the date of issuing our Valuation.

We believe that our analyses must be considered as a whole and that selecting portions of the analyses, without considering all factors and analyses together, may create a misleading view of the valuation process and results.

Our valuation conclusion is based on economic, industry and securities markets conditions existing as at June 1, 2012. Changes in market conditions could result in valuation conclusions different than those presented in our report. We assume no responsibility for changes in market conditions subsequent to our Valuation Date and the impact that such changes may have on the ultimate realized values of the Units of the Fund.

Currency of report

Unless otherwise noted, all amounts shown in this report and attached schedules are expressed in Canadian dollars.

Valuation conclusion

Based upon the scope of our review, analysis and major assumptions, it is our opinion that the fair market value, as at June 1, 2012, of all the issued and outstanding Units of the Fund is in the range of $53.9 million to $57.4 million, or $2.73 to $2.91 per Unit.

The accompanying report, including schedules, is an integral part of our Valuation and provides a summary of our findings and the methodology used in reaching our conclusions.

Yours truly,
PENNOCK ACHESON NIELSEN DEVANEY
Chartered Accountants

(Signed)
Trevor Philippon, CA, CBV
Director, Financial Advisory Services

(Signed)
Bruce Pennock, CA
Partner

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Schedules: **Please refer to the index of schedules following the written portion of the Valuation report**

1. Scope of Review

In preparing our Valuation, we have reviewed and relied upon the following significant information:

1. Unaudited consolidated financial statements of the Fund for the five month periods ended May 31, 2011 and 2012;
2. Unaudited consolidated financial statements of the Fund and the accompanying management discussion and analysis ("MD&A") for the three month period ended March 31, 2012;
3. Audited consolidated financial statements of the Fund for the years ended December 31, 2007 to 2011;
4. Unaudited financial statements for TerraVest Industries Limited Partnership (operating as RJV Gas Field Services) ("RJV") for the years ended December 31, 2007 to 2011 and the five month periods ended May 31, 2011 and 2012;
5. Unaudited consolidated financial statements of Diamond Energy Services Limited Partnership ("Diamond") for the years ended December 31, 2007 to 2011 and the five month periods ended May 31, 2011 and 2012;
6. Financial forecasts for RJV and Diamond for the seven month period ended December 31, 2012 as prepared by management of the Fund;
7. Annual Information Form of the Fund for the year ended December 31, 2011;
8. Management Information Circular of the Fund dated May 18, 2012;
9. Tax returns and related tax filings for the individual entities within TVIF for the year ended December 31, 2011;
10. Information pertaining to the expression of interest submitted by a third party to the Board of Trustees of the Fund on January 30, 2012;
11. Summary of sales by major customer for each of RJV and Diamond for the years ended December 31, 2009 to 2011 and the quarter ended March 31, 2012;
12. Appraisal report dated June 13, 2012 in respect of RJV's owned real estate properties in Vegreville, Alberta as prepared by Suncorp Valuations Ltd.;
13. Appraisal report dated August 19, 2011 in respect of Diamond's owned real estate properties in Swift Current, Saskatchewan as prepared by Warkentin Appraisal Services;
14. Appraisal of the service rigs and coiled tubing equipment assets of Diamond, as at December 8, 2010, as prepared by Rykar Industries Ltd.;
15. Operating hour reports for the Diamond service rigs and coiled tubing units for the year ended December 31, 2011 and the five months ended May 31, 2012 as prepared by management;

16. Estimated liquidation values for certain of Diamond’s service rigs and coiled tubing units identified as redundant assets as provided by management;

17. Information relating to typical industry capital structures as per RMA Annual Statement Studies 2011/12;

18. Information relating to interest rates, bond yields and exchange rates as obtained from the Bank of Canada website;

19. Information relating to historical Canadian equity risk premiums as per Credit Suisse;

20. Information relating to small company size premiums as per Morningstar Inc.;

21. Financial and stock market information relating to TVIF and guideline public companies as obtained from Stockhouse.com, Google Finance, Yahoo Finance and public company filings;

22. Information relating to comparable merger & acquisition (“M&A”) transactions as obtained from Pratt's Stats®, GF Data Resources LLC, Factset Mergerstat LLC and public filings for guideline public companies;

23. Market data and research reports relating to general economic conditions, trends and outlook for Canada and Western Canada;

24. Market data and research reports relating to the conditions, trends and outlook for the Canadian oil and gas industry;

25. Discussions with management of TVIF, RJV and Diamond;

26. Tour of the head office of TVIF and the operating facilities of RJV in Vegreville, Alberta on June 6, 2012; and

27. A letter of representation obtained from management of the Fund wherein they confirmed certain representations and warranties made to us, including a general representation that they have no information or knowledge of any facts or material information not specifically noted in this report which, in their view, would reasonably be expected to affect the valuation conclusions expressed herein.

We have not audited or otherwise verified the information relied upon in preparing our Valuation.

2. Major Assumptions

In preparing our Valuation, we have relied upon the following major assumptions:

1. As at the Valuation Date, there were no contingent liabilities or unrecorded liabilities, environmental liabilities, litigation pending or threatened other than in the normal course of business;

2. The net book values of all recorded assets and liabilities are equal to their fair market values except where noted otherwise on Schedules A-2, B-4 and C-4;

3. The financial statements referred to under "Scope of Review" are complete in all material respects. The financial statements contain all, and reflect only those revenues, expenses, assets, and liabilities of the Fund and where applicable, each of RJV and Diamond;

4. The financial forecasts referred to under "Scope of Review" represent management's best estimates regarding the future operating results for each of RJV and Diamond for the fiscal period ending December 31, 2012;

5. The reported earnings of RJV and Diamond, for the periods under review, contained no material, non-recurring or unusual items of revenue or expense except where noted otherwise on Schedules B-3 and C-3;

6. Neither RJV nor Diamond had any significant non-operating assets or liabilities as at the Valuation Date except as specifically noted on Schedules B-4 and C-4;

7. There were no significant non-arm's length transactions during the period under review which took place at amounts other than fair market value;

8. The title to all assets, properties or business interests purportedly owned by the Fund and its operating businesses are good and marketable, and there are no adverse interests, encumbrances, or liens on such assets (except as pledged as security to financial institutions for existing lending facilities);

9. The Fund and its operating businesses are in full compliance with all applicable federal, local, provincial and national regulations and laws, as well as the policies of all applicable regulatory authorities;

10. There are no material legal proceedings regarding the business, assets, or affairs of the Fund or its operating businesses other than as disclosed to us; and

11. The most likely prospective buyer of the Fund would be a corporate entity and accordingly, the tax rates applied throughout the Valuation reflect tax rates applicable to corporations.

Should any of the above major assumptions not be accurate or should any of the other information provided to us not be factual or correct, our Valuation, as expressed herein, could be different.

3. Overview of the Fund and the Operating Businesses

3.1 TerraVest Income Fund

3.1.1 Overview and history of the Fund

Overview

TVIF is an unincorporated, open ended, limited purpose, mutual fund trust established under the laws of the province of Alberta on May 3, 2004. The Fund's head office is located at 4901 Bruce Road, Vegreville, Alberta.

The Fund is currently invested in the following two operating businesses:

- RJV Gas Field Services ("RJV"). Based in Vegreville, Alberta, RJV is one of the largest providers of wellhead processing equipment for the natural gas industry in western Canada.

- Diamond Energy Services ("Diamond"). Based in Swift Current, Saskatchewan, Diamond is a market leader in providing well servicing to the oil and natural gas sector in southwestern Saskatchewan and in Alberta.

History

On July 9, 2004, TVIF, Laniuk Industries Inc. ("Laniuk") and other related entities completed a transaction pursuant to a plan of arrangement whereby the Fund became a publicly-traded income trust. In conjunction with the plan of arrangement, the Fund completed its initial public offering for aggregate proceeds of $23.1 million and its Units were listed for trading on the Toronto Stock Exchange.

Prior to the plan of arrangement, Laniuk was the owner of two operating subsidiaries, RJV Gasfield Services Ltd. and Ezee-On Mfg Ltd. ("Ezee-On"), an agricultural equipment manufacturing business. Subsequent to the plan of arrangement, RJV and Ezee-On operated as separate divisions within TerraVest Industries Limited Partnership. On February 4, 2011, the Fund sold its interest in the assets and operations of Ezee-On for $14.5 million.

On December 17, 2004, the Fund acquired an 80% interest in Stylus Furniture Limited ("Stylus"), a furniture manufacturing business. On March 2, 2010, TVIF sold all of the assets of Stylus to certain members of management for $6.5 million.

On April 1, 2005, the Fund acquired an 80% interest in Don Park Inc. ("Don Park Canada") and Don Park (USA) Inc. ("Don Park USA"), manufacturers of air distribution and venting products. The Fund acquired additional equity interests in Don Park Canada on January 1, 2008 (7%), January 10, 2009 (7%) and January 5, 2010 (2%). On December 20, 2010, TVIF sold its interest in the assets and operations of Don Park Canada for approximately $27 million. On May 31, 2011, the Fund sold its interest in Don Park USA for US$750,000.

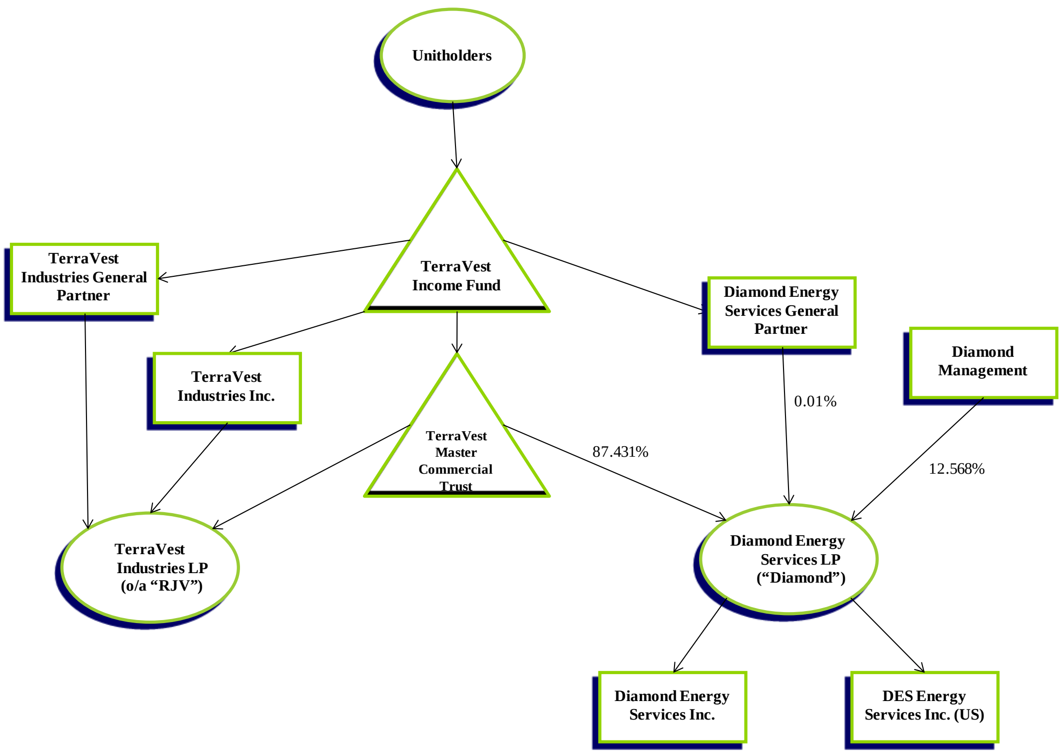
On October 3, 2005, the Fund acquired an 87.1% interest in Diamond Energy Services Inc. for $35.0 million. On December 29, 2010, TVIF acquired an additional 0.3% of Diamond for $128,362. The Diamond business and assets are held in Diamond Energy Services Limited Partnership.

On December 5, 2005, the Fund acquired an 80% interest in a bedding products manufacturing business that became known as Beco Industries Limited Partnership ("Beco"). TVIF acquired additional equity interests in Beco on January 1, 2008 (6.5%) and January 5, 2009 (13.5%). On December 9, 2011, the Fund sold its interest in Beco for proceeds of approximately $5.6 million.

Due primarily to the cash proceeds realized on the above-noted divestitures of its former portfolio companies, the Fund made distributions to its unitholders of $22.7 million during 2011 and a further $9.9 million in the first quarter of 2012.

Fund Structure

As of the Valuation Date, the Fund's structure is comprised of the following:



The RJV business is operated within TerraVest Industries Limited Partnership while the Diamond business is operated within Diamond Energy Services Limited Partnership and its two corporate subsidiaries.

3.1.2 Key management and Board of Trustees

As at the Valuation Date, the key management and Board of Trustees of the Fund are comprised of the following individuals:

Name	Position	# of Units Owned Directly or Indirectly	% of total Units
Dale Laniuk	President & Chief Executive Officer	4,016,872	20.4%
Paul Casey	Chief Financial Officer	11,450	0.1%
George Armoyan	Chairman of the Board of Trustees	6,606,008	33.5%
Darryl Vinet	Trustee	27,800	0.1%
Blair Cook	Trustee	-	0.0%
Rocco Rossi	Trustee	-	0.0%
		10,662,130	54.1%

3.1.3 Market price and trading of Units

The Fund's Units trade under the ticker symbol TI.un on the TSX exchange. As at the Valuation Date, there are 19,720,466 Units outstanding.

On the attached Schedule A-5, we have analyzed the market trading prices and volumes for the Fund's units from January 1 to June 1, 2012. During the trading period reviewed, the market price of the Units has ranged from $1.80 to $2.30 with a median closing price of $2.00. Trading volumes for the Fund Units are nominal indicating a low level of liquidity for the security. During the period reviewed, the daily volume of Units traded ranged from zero to 182,100 with a median daily volume of just 700 Units (or 0.004% of the total Units outstanding).

Based on the range of trading prices noted during the period January 1 to June 1, 2012, we have calculated the market capitalization of the Fund to be in the range of $35.5 million to $45.4 million before consideration of any possible control (take-over) premium. However, because of the negligible level of trading in the Units, the Fund's market capitalization is not believed to provide a reliable indication of the total fair market value of TVIF.

3.1.4 Prior offers

TVIF has not received any formal offers to purchase all of the issued and outstanding Units of the Fund in the past two years. However, in January 2012, the Fund was approached by a third party regarding a possible acquisition of all or a portion of the business operations of TVIF. In its preliminary expression of interest, the third party indicated a possible value for TVIF of approximately $2.00 per Unit. The Board of Trustees immediately determined that this preliminary expression of interest was significantly below fair market value and accordingly, no further discussions were undertaken with this third party.

3.1.5 Review of financial position

As presented on Schedule A-4, we have reviewed the audited consolidated balance sheets of TVIF as at December 31, 2007 to December 31, 2011 and the unaudited consolidated balance sheet as at May 31, 2012. Our analysis of TVIF's financial position as at May 31, 2012 indicates the following:

- The Fund has total assets of $86.4 million including cash ($6.3 million), accounts receivable ($12.0 million), inventories ($15.7 million), property, plant and equipment ($33.6 million), goodwill and intangible assets ($3.2 million) and deferred income tax assets ($15.3 million).

- The recorded book value of deferred tax assets relates to tax losses carried forward from prior years. As summarized on the attached Schedule A-8, the total tax losses available as at the Valuation Date, before consideration of any valuation adjustments, is approximately $38.0 million.

- The recorded book value of goodwill and intangible assets relates primarily to the Fund's acquisition of the Diamond business in 2005.

- The Fund has total liabilities of $20.9 million including operating loans ($11.7 million), accounts payable and accrued liabilities ($4.3 million) and deferred income taxes ($4.7 million).

- The operating loans relate entirely to the lending facilities in the Diamond business.

- The recorded book value of deferred tax liabilities relates to the difference between accounting and tax values of the equipment assets held in the Diamond business.

- The book value of unitholders' equity is $65.5 million.

3.1.6 Review of operating results

As presented on Schedule A-3, we have reviewed the audited consolidated income statements of TVIF for the years ended December 31, 2007 to December 31, 2011 and the unaudited consolidated income statement for the five months ended May 31, 2012. Our analysis of TVIF's historical operating results indicates the following:

- The Fund's revenues decreased from $241.7 million in 2008 to $46.7 million in 2010. This significant decline is primarily attributable to the Fund's sale of former portfolio businesses as noted above. In addition, the general decline in the oil and gas industry during 2009 and 2010 had a significant negative impact on RJV and Diamond. Revenues increased 58% in 2011 to $74.0 million owing to a strong rebound in the oil and gas market.

- The Fund's net income (loss) increased from a loss of $19.9 million in 2007 to net income of $5.9 million in 2010. The results for 2007 and 2008 were significantly impacted by goodwill and intangible asset write-downs of $42.4 million and $34.4 million, respectively, relating to impairment in value on prior business acquisitions. The Fund recorded a net loss of $1.2 million in 2011, which was negatively impacted by a write-down of equipment assets of $1.9 million and losses from discontinued operations of $4.1 million. For the five months ended May 31, 2012, the Fund has recorded net income of $3.7 million.

3.2 TerraVest Industries Limited Partnership (o/a RJV Gas Field Services)

3.2.1 Overview and history of the business

<u>Overview</u>

RJV is one of the largest providers of wellhead processing equipment for the Canadian natural gas industry. RJV manufactures and services custom designed, portable, self-contained units that control, measure and prepare natural gas for transport and further processing. Established in 1976, RJV evolved from a well-servicing company to become a vertically integrated manufacturer and service provider to the oil and gas industry.

RJV's products are focused on deeper wells with higher pressure and sour gas. Such wells require more sophisticated and technically complex extraction and handling equipment. RJV's technical expertise and highly skilled manufacturing capabilities position the business well to service such needs.

RJV is a wholly-owned business of TVIF.

<u>Operations</u>

RJV is comprised of five operating divisions as follows:

- *Manufacturing division*. The manufacturing division specializes in the fabrication of pre-engineered systems such as well site metering units, separators units, satellite facilities, line heaters and tank packages. It also manufactures pressure vessels, pressure piping systems, and complete skid mounted production packages for oil and gas well sites.

- *Panel division*. The panel division produces high quality urethane panels for the construction of well site sheds and buildings.

- *SCADA division.* The Supervisory Control and Data Acquisition (SCADA) division provides a comprehensive range of components and systems for remote monitoring and operating of production and pipeline operations.

- *Electrical division.* The electrical division provides wiring and service work for customers in the oilfield, industrial, commercial and residential sectors.

- *Service & Supply division.* The service & supply division operates as a wholesale/retail distribution outlet supplying the oil and gas industry with various types of equipment, fittings and accessories.

Customers

RJV's customers are drawn primarily from a broad range of oil and gas exploration and production companies in western Canada. Key customers of the business include Shell Canada, Canadian Natural Resources, Devon Canada, Petrobakken Energy and Tourmaline Oil.

The business is highly seasonal with the demand for RJV's processing equipment being highest from November to March as many of its customers operate in regions where the terrain is only accessible by drilling equipment during the period when the ground is frozen.

Competition

The market in which RJV competes is highly fragmented with no clear market leader. RJV's competitors are comprised of many private companies and subsidiaries of larger public companies. Due to its focus on technically demanding and complex units, RJV is generally able to command higher prices and greater margins than many of its competitors. Management currently estimates that RJV supplies units to 5-7% of producing natural gas wells in western Canada.

Employees and facilities

RJV has approximately 120 non-unionized employees.

RJV owns three facilities in Vegreville, AB with a total of 72,000 square feet of shop and warehouse space. In addition, RJV leases four properties in Vegreville including office space, a welding shop, a storage lot and a sandblasting facility.

3.2.2 Review of financial position

As presented on Schedule B-7, we have reviewed the unaudited balance sheets of RJV as at December 31, 2007 to December 31, 2011 and as at May 31, 2012. Our analysis of RJV's financial position as at May 31, 2012 indicates the following:

- Total assets of $30.1 million are comprised primarily of current assets of $26.9 million.

- Current assets include cash of $2.4 million, accounts receivable of $9.4 million and inventories of $15.0 million.

- Inventories are comprised of raw materials and assemblies ($11.9 million), finished goods ($4.5 million) and work in process ($0.8 million) less an inventory valuation allowance of $2.2 million for slow-moving items.

- Net book value of property, plant and equipment of $3.2 million primarily includes manufacturing facilities, production equipment and automotive equipment.

- Current liabilities are comprised of $2.8 million of trade accounts payable and accrued liabilities.

- Long-term debt of $0.1 million relates primarily to capital leases on equipment assets.

- RJV's non-cash working capital is $21.7 million as at May 31, 2012, which is equal to 64.4% of expected annual revenues in fiscal 2012. This level of non-cash working capital is considered quite high but relatively consistent with historical periods. Our discussions with management indicate that this high level of working capital investment is primarily due to RJV's strategy of stocking sufficient inventory to ensure that time-sensitive customer orders can be executed on demand without any supplier lead time. This strategy is considered a competitive advantage for RJV over other industry players.

- The book value of equity in the business is $27.2 million.

3.2.3 Review of operating results

As presented on Schedule B-6, we have reviewed the unaudited income statements of RJV for the fiscal years ended December 31, 2007 to December 31, 2011 and the five month periods ended May 31, 2011 and 2012. Our analysis of RJV's operating results indicates the following:

- Revenues decreased from $38.6 million in 2007 to $22.4 million in 2010 due primarily to the general slowdown in the oil and gas industry, in particular the depressed price conditions for natural gas. In 2011, although natural gas pricing remained at historic low levels, RJV experienced a 107% increase in revenue to $46.3 million. This increase was largely due to a number of new capital projects being undertaken by RJV's key customers including Husky, Tourmaline, Petrobakken and CNRL. The results for 2011 were particularly buoyed by a significant number of high-dollar projects during RJV's traditionally slow summer/fall season. Revenues for the five months ended May 31, 2012 were down 6.3% to $18.0 million as compared to the same period in the prior year. Based on an expected slowdown in natural gas-related capital projects and a return to a more traditional slow summer/fall season, management is forecasting annual revenues of $33.7 million for the year ended December 31, 2012, representing a 27.8% decline from 2011. As at June 1, 2012, RJV had a backlog of projects valued at approximately $11.0 million, which were expected to be completed prior to year-end.

- RJV's gross margins have generally averaged 20-25% although margins have fluctuated in certain years due to particular circumstances. In 2009, the gross margin of 3.1% was largely attributable to a one-time $2.5 million inventory impairment charge. In 2010, the 12.7% gross margin was negatively impacted by the general decline in the oil and gas industry. Gross margin for the 12 months ended May 31, 2012 was 23.8% while management is forecasting a gross margin of 22.2% for the year ended December 31, 2012.

- Net earnings (loss) fell from $11.3 million in 2007 to a net loss of $0.9 million in 2010 due primarily to the industry factors noted above. Net earnings rebounded in 2011 to $8.0 million. For the year ended December 31, 2012, management is forecasting net earnings of $5.6 million.

- Management has estimated that the sustaining capital requirements in the business are approximately $0.5 million per year.

- Management's outlook for RJV is mixed as the demand for its traditional natural gas separation equipment has nearly disappeared given the low natural gas price environment. However, demand for RJV's equipment for separation of liquids rich natural gas and light oils has been growing. Overall, management believes that RJV's sales and earnings in 2012 will be lower than those realized in 2011.

3.3 Diamond Energy Services Limited Partnership

3.3.1 Overview and history of the business

Overview

Diamond provides well servicing to the oil and natural gas sector in southwestern Saskatchewan and in Alberta. The business provides oilfield service rigs, coiled tubing units, and swabbing units to operators of oil and natural gas wells during their lifecycle for completions, maintenance, work-overs, and abandonments.

Revenues in the Diamond business are based on the number of hours that the equipment is working on customer sites and therefore can fluctuate significantly based on utilization rates. Utilization rates are dependent on commodity prices, weather and competition.

Diamond is owned 87.4% by TVIF and 12.6% by holding companies controlled by key management of the business.

Operations

Diamond is comprised of two operating divisions as follows:

- *Diamond Sage Well Services.* This division operates 24 oil and gas service rigs and one swabbing unit from facilities in Swift Current and Unity, Saskatchewan. The service rig division focuses primarily on oil production and has enjoyed strong utilization rates over the past 12 months. As at the Valuation Date, 21 of Diamond's 24 service rigs were active on customer sites.

- *Diamond Coiled Tubing*. This division operates six coiled tubing units from facilities in Medicine Hat, Alberta and Swift Current, Saskatchewan. The coiled tubing division is primarily focused on dry natural gas wells. Given the historic low pricing levels of natural gas, the utilization of Diamond's coiled tubing units has been extremely low. As at the Valuation Date, only three of the six coiled tubing units were active on customer sites.

Customers

Diamond's customers primarily include large oil and gas exploration and production companies in western Canada. Key customers of the business include Husky Energy, Crescent Point Energy, Northern Blizzard Resources and Penn West Petroleum. Over the past three years, Husky and Crescent Point have together comprised approximately 60% of Diamond's total revenues.

Competition

Diamond competes with a number of public and private oilfield services companies. In its primary operating area of southwestern Saskatchewan, the key competitors include Precision Drilling (TSX:PD), Savanna Energy Services (TSX:SVY) and IROC Energy Services (TSXV:ISC).

Employees and facilities

Diamond has approximately 120 non-unionized employees.

Diamond owns three properties in Swift Current, Saskatchewan including its head office, a maintenance facility and a storage facility. In addition, Diamond owns a small office facility in Cutknife, Saskatchewan and leases facilities in Unity, Saskatchewan and Medicine Hat, Alberta.

3.3.2 Review of financial position

As presented on Schedule C-7, we have reviewed the unaudited consolidated balance sheets of Diamond as at December 31, 2007 to December 31, 2011 and as at May 31, 2012. Our analysis of Diamond's financial position as at May 31, 2012 indicates the following:

- Total assets of $38.6 million are comprised of $4.8 million of current assets and $33.8 million of long-term assets.

- Current assets include cash ($1.3 million), accounts receivable ($2.5 million), inventory ($0.7 million and prepaid expenses ($0.2 million).

- Long-term assets include property, plant & equipment ($30.4 million) and goodwill & intangible assets ($3.2 million).

- Property, plant & equipment is comprised primarily of service rigs, coiled tubing units and related equipment. In 2011, Diamond recorded a $1.9 million impairment charge on its coiled tubing equipment. Property, plant & equipment also include the owned real estate properties in Swift Current and Unity, Saskatchewan.

- The recorded goodwill and intangible assets relate to the original acquisition of Diamond in 2005.

- Current liabilities are comprised of $1.3 million of trade accounts payable and accrued liabilities.

- Long-term liabilities include $11.7 million of operating loans secured by equipment and $4.7 million of future income taxes relating to the difference between accounting and tax values of the equipment assets.

- The book value of equity in the business is $20.8 million.

3.3.3 Review of operating results

As presented in Schedule C-6, we have reviewed the unaudited consolidated income statements of Diamond for the fiscal years ended December 31, 2007 to December 31, 2011 and the five month periods ended May 31, 2011 and 2012. Our analysis of Diamond's operating results indicates the following:

- Diamond's revenues fell 24.8% from $26.0 million in 2008 to $19.6 million in 2009 with the general slowdown in the oil and gas industry. Because the business focuses on servicing active wells, it was not as significantly impacted by the sharp declines in capital spending in the industry during this time. This is a key difference from the RJV business, which relies heavily on capital budgets of large oil and gas companies. In 2010 and 2011, Diamond experienced steady growth with revenues reaching $27.7 million in 2011. For the five months ended May 31, 2012, revenues of $12.2 million were generated, representing a 37% increase over the comparative prior year period. Management expects continued strong utilization rates on its service rigs throughout the remainder of 2012 and is forecasting revenues of $31.2 million for the year ending December 31, 2012.

- Gross margins have been relatively consistent in the range of 33-35% over the past three years.

- Net earnings decreased from $4.8 million in 2008 to $1.4 million in 2011. Earnings in 2011 were negatively impacted by a $1.9 million write-down on Diamond's coiled tubing equipment. For the year ending December 31, 2012, management is forecasting net income of $4.5 million.

- Management has estimated that the sustaining capital requirements in the business are approximately $1.25 million per year.

- Management's outlook for Diamond is relatively positive. As the operations are primarily focused on oil producing areas, the continued strength in oil prices should drive strong utilization rates on Diamond's service rigs throughout the remainder of 2012. The coiled tubing division is expected to continue to struggle given the depressed natural gas market but this is only a small contributor to Diamond's overall operations. Overall, management believes that revenues and net earnings for Diamond will be higher in 2012 than those realized in 2011.

4. Economic and Industry Overview

4.1 Economic Conditions and Outlook

4.1.1 Canadian and western Canadian economic conditions

Canadian Economic Conditions[1 2]

The oil and gas industry is broadly impacted by macroeconomic conditions in Canada and around the world. The following is a summary of Canadian economic conditions and outlook as at the Valuation Date:

- Canada's real gross domestic product (GDP) increased 0.5% in the first quarter of 2012, which matched the growth experienced in Q4 2011. On an annualized basis, Q1 2012 GDP grew by 1.9%. Much of this growth was fuelled by business investment, with investment in plant and equipment increasing 1.2%, the ninth consecutive quarterly increase.[3] Going forward, GDP growth is forecast at 2.6% for each of 2012 and 2013.

- For the twelve months ended April 2012, inflation in Canada was 2.0%, which was a slight increase over the March inflation rate of 1.9%. Going forward, inflation is forecast at 1.9% for both 2012 and 2013.

- Canada's unemployment rate remains flat at 7.3% for May 2012, with a slowing in the number of employment gains, after strong gains in March and April in which 140,000 total jobs were created. Many sectors are now experiencing job reductions, most notably the construction industry. However, these job losses were offset by increases in other sectors such as manufacturing, the self employed, and the goods producing sector. Going forward, the unemployment rate in Canada is forecast to remain at 7.3% for the rest of 2012 before falling to 7.0% in 2013.

- The Canadian dollar has remained relatively stable against the US dollar and was above parity during Q1 2012. This trend has appeared to shift in recent weeks and the Canadian dollar has now dipped slightly below parity. The dollar is expected to remain at or near parity throughout the remainder of 2012; however downward pressures are expected in the following year with a forecast exchange rate of $0.96 by the end of 2013.

- Interest rates remain at all-time lows. The Bank of Canada has not adjusted rates since September 2010 and the recent muted economic growth is unlikely to change this position in the near future. Interest rates are projected to remain steady throughout the remainder of 2012 with possible rate hikes beginning in 2013.

- The US economy appears to be slowly recovering. Real GDP growth was 1.7% in 2011 and 3.0% in Q4 of 2011. This was dampened in the first quarter of 2012 when real GDP growth fell to 1.9%. However, expected stronger gains in US employment should help realize the forecast growth of real GDP of 2.5% and 3% for 2012 and 2013, respectively.

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[1] Source: *Economic insights*, April 26, 2012, CIBC World Markets
[2] Source: *Current Trends Update – Canada*, June 8, 2012, RBC Economics
[3] Source: Canadian economic accounts, first quarter 2012 and March 2012, Statistics Canada

- On a global basis, with the ongoing financial problems in Europe showing no sign of resolution, a second-wave recession may still materialize as even Germany has felt the sting of recessionary pressures with its 0.2% decline in real GDP for the fourth quarter of 2011. These fears were tempered by the increase in real GDP for Germany of 0.5% in Q1 of 2012. However, Germany was the only bright spot as the other countries in the European Union continued to struggle. If austerity measures are implemented and a commitment to growth is cemented, the European Union should continue to improve with growth forecasts in positive territory by the end of 2012 and 1.1% growth for 2013.

Western Canadian Economic Conditions[4]

The fortunes of companies servicing the oil and gas sector, such as TVIF, are tied significantly to the growth prospects in western Canada and in particular, the provinces of Alberta and Saskatchewan. The following provides a summary of western Canadian economic conditions and outlook as at the Valuation Date:

- Western Canada continues to drive the growth of the Canadian economy, with commodities driving much of this growth. Even with the global uncertainty in the US and the EU, commodity based economies have remained strong and should remain strong when the US and the EU achieve their growth potential. With the level of exposure of western Canada to the commodities market, western Canada should continue to grow and prosper in the near to medium term.

- Alberta's economy remains strong, leading all other provinces in many economic performance indicators. Real GDP growth for 2011 was 5.2%, due to continued capital spending in the energy industry. This growth is expected to continue for the rest of 2012 and into 2013 at 4.0% and 3.9%, respectively.

- Alberta's unemployment rate has continued to decline and reached a level of 5.5% in 2011, with further declines expected to 4.9% by the end of 2012 and 4.4% by the end of 2013. This is due to the increased business investment and economic growth highlighted above.

- Alberta's rate of inflation increased above the national average in 2011 to 2.4%; however, inflation is expected to decrease to 1.5% by the end of 2012 before increasing slightly to 1.8% in 2013.

- Saskatchewan's economy is a provincial leader in many economic indicators. Real GDP growth for 2011 was 4.8%, due to continued capital spending in certain natural resource extraction industries and on expansion of production capacity. Saskatchewan's growth was also partly driven through increase in construction, agriculture, and mining. Going forward, strong real GDP growth of 3.7% for 2012 and 3.9% for 2013 are expected, albeit at a slightly slower pace than 2011. These lower growth forecasts are largely attributable to the weakening potash mining industry in the short and medium term.

- Saskatchewan's unemployment rate has continued to decline and reached a level of 5.0% in 2011. The unemployment rate will continue to decline and is forecast to reach 4.8% by the end of 2012 and 4.6% by the end of 2013.

[4] Source: *Provincial Outlook*, RBC Economics, June 2012.

- Saskatchewan's rate of inflation increased above the national average in 2011 to 2.8%; however, inflation is expected to decrease for 2012 to 1.9% before increasing to 2.6% in 2013.

4.1.2 Impact of economic conditions on the businesses of TVIF

The Canadian economy remains one of the healthiest in the world, and Alberta and Saskatchewan are two of the strongest provincial economies in Canada. Based on their geographic focus, RJV and Diamond are well positioned to take advantage of the relatively strong economic conditions in these provinces. However, the continuing uncertain economic prospects globally, in particular the EU nations, may ultimately have a negative trickle-down effect on the western-Canadian oil and gas industry in the coming year.

4.2 Industry Overview

4.2.1 Canadian oil and gas industry overview

<u>Overview</u>

The Canadian oil and gas industry is an integral part of the Canadian economy, generating annual revenues of approximately $80.7 billion and employing approximately 230,000 people[5]. The industry is present in every province and territory, but primarily located in Western and Atlantic Canada. Broadly speaking, the oil and gas industry is segmented into the following two sectors:

- Services sector – including prospecting, contract drilling, pumping and pipeline services, field processing, transportation, engineering and geomatics; and

- Manufacturing sector – including production of drilling equipment, pipeline equipment, oil sands equipment and consumables.

Within TVIF, Diamond operates in the Services sector while RJV operates primarily in the manufacturing sector of the Canadian oil and gas industry.

<u>Oil industry and price outlook</u>

Oil is found around the world in various forms and geological formations, such as conventional oil reservoirs, but oil can also be found as oil sands or oil shales, which are more unconventional forms of oil. Canada is the sixth largest producer of crude oil with annual production of over 3 million barrels per day ("b/d") as of 2011, and is the largest single exporter of oil to the United States.

The most common referenced source for crude oil prices is West Texas Intermediate ("WTI"). In Canada, two other referenced sources are Western Canada Select ("WCS") and Edmonton Par (similar in quality to WTI).

Crude oil prices have decreased significantly over the last twelve months from $100.40[6] on June 2, 2011 to $83.23 on June 1, 2012, with the average price for 2011 being $95.05. Oil had remained relatively stable for the 4 months ended May 1, 2012, but went from $106.16 on May 1 to $83.23 on June 1. However, oil prices are forecast to improve to $102.50 by the end of 2012 before levelling off at $100.00 by the end of 2013.[7]

[5] Source: www.ic.gc.ca
[6] Source: www.bloomberg.com (all crude oil prices based on WTI US$/B)
[7] Source: *Weekly Oilfield Services Update*, CIBC World Markets, May 29, 2012

Natural gas industry and price outlook

Natural gas is found in various types of geological formations such as shale deposits (shale gas) and coal deposits (coalbed methane). Canada is the third largest producer of natural gas with average annual production of 6.4 trillion cubic feet per year, and is the number one supplier of natural gas to the United States.

The most common referenced sources for natural gas prices in Alberta are the Henry Hub (located in Louisiana) and AECO-C (storage facility in southern Alberta).

Prices in the natural gas market have been depressed for quite some time due to excess supply in storage facilities across North America. Based on a review of prices for the last twelve months, natural gas has decreased from $4.63[8] on June 1, 2011 to $2.24 on June 1, 2012, with an average price for 2011 of $4.00. Natural gas prices are forecast to remain low for the balance of 2012 with pricing at $2.50 by year-end. However, prices are expected to rebound modestly next year and are forecast to reach $3.75 by the end of 2013.[9]

Other key industry indicators

In addition to commodity pricing, the prospects of companies servicing the western Canadian oil and gas industry are tied significantly to several other key indicators including[10]:

- *Well licenses issued.* In the WCSB (Western Canadian Sedimentary Basin), for the first quarter of 2012 3,763 licences were issued, which is below the 4,501 licences issued in the same period in 2011. As of May 29, 2012 well licensing was tracking 15% below 2011 levels.

- *Drilling rig utilization.* For Q1 2012 drilling rig utilization in the WCSB was 64% (509 active rigs), which was below Q1 2011 of 66.9% (522 active rigs). Total 2012 drilling rig utilization is expected to be 46.8% (374 average active rigs), which is below 2011 utilization of 49.7% (398 average active rigs). Utilization is expected to increase to 48.8% (400 average active rigs) in 2013.

- *Service rig utilization.* For Q1 2012 service rig utilization in the WCSB was 67.8% (785 active rigs), which was higher than Q1 2011 of 66.7% (715 active rigs). Total 2012 service rig utilization is expected to be 58.8% (650 average active rigs) which is higher than 2011 utilization of 58.1% (629 average active rigs). Service rig utilization is expected to remain relatively constant for 2013 at 58.3% (660 average active rigs).

- *Wells drilled.* For Q1 2012, 3,422 wells were drilled in the WCSB, which was 7% below Q1 2011 wells drilled of 3,670. Total 2012 wells drilled are expected to be 12,100 which is 6% below 2011 total wells drilled of 12,841. 2013 is forecast to be in line with 2011 levels with expected drilled wells of 12,900.

- *Well completions.* For Q1 2012, an estimated 3,420 wells were completed in the WCSB, which was a 20% decrease from Q1 2011 levels. Total 2012 wells completed is expected to be 15,100 which is 6% below actual 2011 wells completed of 16,080. Well completions are forecast to increase to 16,200 in 2013.

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[8] Source: www.bloomberg.com (all natural gas prices based on NYMEX Henry Hub US$/mmbtu)
[9] Source: *Weekly Oilfield Services Update*, CIBC World Markets, May 29, 2012
[10] Source: *Weekly Oilfield Services Update,* May 29, 2012 and *Services Sector Update & Q1/12 Preview*, April 15, 2012, CIBC World Markets.

4.2.2 Impact of industry conditions on the businesses of TVIF

RJV Gas Services

Given the continued depressed state of natural gas prices, RJV is expected to be negatively impacted in the near term. However, prices are expected to modestly increase by the end of 2013, which may improve the prospects for RJV in the medium term.

Further, since there are fewer wells being drilled and completed in 2012 as compared to 2011, it is expected that RJV's prospects may not be as lucrative in the short term as new capital requirements will be lower and therefore the demand for RJV's products will not be as strong.

Should the natural gas market rebound in the medium term, both in price and production capacity, RJV will be in a position to take advantage of these opportunities.

Diamond Energy Services

If oil prices rebound as expected from the recent downturn, the oil industry will continue to prosper, and allow Diamond to get maximum utilization out of its service rigs.

The trend for service rig utilization is expected to increase over the next two years. This is promising news given the majority of Diamond's operations are driven by service rig activity levels. Drilling rig utilization may have decreased in 2012 but is expected to improve in 2013. As more wells are completed, the demand for service rigs will increase.

Diamond's coiling tubing division will continue to be adversely affected by the poor pricing environment in the natural gas industry for the short to medium term.

Overall conclusion

The oil and gas industry, despite recent downturns in commodity prices and production utilization, is expected to continue to grow in the medium to long-term. As key product and service suppliers to the western Canadian oil and gas industry, RJV and Diamond should be well positioned as the industry continues its growth trajectory.

5. Valuation Approaches

5.1 Basis of Valuation

There are three basic approaches to determining the fair market value of a business as follows:

1. Income approach
2. Market approach
3. Asset-based approach

Income approach

Under this approach, the valuator quantifies the present value of future benefits associated with ownership of the equity interest or asset. The estimated future benefits that accrue to the owner are discounted or capitalized at a rate appropriate for the risks associated with those future benefits. Common methods within the income approach include capitalized cash flows or capitalized earnings and the discounted cash flow approach.

Market approach

Using this approach, the valuator determines fair market value by reviewing actual transactions of guideline companies and assets. Both merger and acquisition activity and stock market activity are considered in deriving various value measures to apply to the subject entity.

Asset-based approach

The asset-based approach uses the current value of a company's tangible net assets as the key determinant of fair market value. This approach is typically used where a business is not a going concern or where a business is a going concern but its value is tied directly to the liquidation value of its underlying tangible assets and investments. The asset-based approach also provides a useful reasonableness check when reviewing the value conclusions derived under the income or market approaches.

5.2 Valuation Approaches Selected

In considering the approaches to select in valuing the Units of the Fund, we considered the following key factors:

- TVIF is essentially a holding company with investments in two operating businesses, RJV and Diamond. In addition, TVIF owns interests in other assets including cash and tax loss carryforward balances;

- While both serve the broader oil and gas industry, the businesses of RJV and Diamond differ in many ways including sector focus, product/service offering, profit margins, future outlook, capital requirements, etc.;

- The businesses of RJV and Diamond are profitable and are expected to remain profitable for the foreseeable future. Accordingly, both RJV and Diamond are best valued as going concerns;

- The businesses of RJV and Diamond are mature businesses with an established track record of earnings. Both businesses are susceptible to the cyclicality inherent in the oil and gas industry and the historical financial results of the businesses reflect this cyclicality; and

- There exist comparable public companies and comparable transactions that can be reviewed to assist in the assessment of the fair market value of RJV and Diamond.

Based on our experience in business valuations and our review of the business operations of the Fund, we have determined that it will be most appropriate to value TVIF in the following manner:

1. Prepare separate going concern valuations for each of RJV and Diamond;

2. Prepare a valuation of the tax losses available in the Fund structure; and

3. Combine the above values with the value of any other net assets held at the Fund level to determine the overall fair market value of the Units.

5.2.1 Valuation approaches for RJV and Diamond

For purposes of valuing the businesses of RJV and Diamond, we have selected the following valuation approaches:

- ***Capitalized cash flow approach***

  The capitalized cash flow approach contemplates a continuing business operation with potential for maintaining cash flow from operations at a level that will provide a reasonable return on investment.

  The capitalized cash flow approach involves capitalizing the estimated future maintainable after tax cash flow from operations by a rate of return, which serves as a measure of the rate of return required by a prospective purchaser of the business reflecting the risk inherent in achieving the determined level of maintainable cash flow. The maintainable cash flows to be capitalized are based on the earnings before interest, taxes, depreciation and amortization ("EBITDA") of the business less notional income taxes and sustaining capital reinvestment requirements, net of related tax shield.

  We have applied the capitalized cash flow approach on an enterprise basis. Using this approach, maintainable cash flows are determined prior to interest expense and are capitalized using a weighted-average cost of capital ("WACC") net of an estimated future growth rate. The WACC is the optimal weighted average of the notional borrowing cost and the notional cost of equity for the subject business and represents the rate of return required in order to provide acceptable returns to both debt and equity holders. For each of RJV and Diamond, the WACC was determined based on a review of the operations and risks of the businesses and consideration of the financial structures in place for comparable companies operating in the same industry sectors.

  When maintainable after-tax cash flows are capitalized using a WACC (net of estimated future growth), the resulting conclusion represents the capitalized value of the business. To this balance, we have added the tax shield available from the undepreciated capital cost ("UCC") balances as at the Valuation Date, which represents the present value of future tax savings available from the deduction of capital cost allowance on the capital assets of the subject business. By adding the present value of tax shield on the UCC balances to the capitalized value of the business, we derive the enterprise value ("EV") of the business as a whole.

Where an equity interest is being valued under the capitalized cash flow approach, it is also necessary to consider whether there are any assets redundant to the operations of the business. Redundant assets are those assets that are not required in the day to day operations of the business and could therefore be extracted from the business prior to a sale transaction in order to maximize equity value. As at the Valuation Date, the primary redundant assets identified for RJV and Diamond included the owned real estate properties held in each of the businesses. Although the properties are used in the business, these assets could be extracted by a vendor prior to sale and leased back to a purchaser or sold separately. Because the rates of return and relative risks associated with the ownership of real estate differ significantly from the ownership of an operating business, a knowledgeable vendor would ensure that the real estate assets are valued separately in order to maximize return on a sale transaction.

After adding the value of redundant assets, the net interest-bearing debt position (net of cash) is deducted to derive the fair market value of the equity interests in the business.

- ***Market approach***

  In valuing RJV and Diamond, we have reviewed both the stock market reporting multiples of guideline public companies and the multiples implied by merger & acquisition ("M&A") transactions involving comparable target companies. In applying the market approach, we have focused primarily on the EV/EBITDA and EV/Sales multiples derived from the market sources.

  Based on the benchmarks obtained from the guideline companies and transactions, we have applied the market-based valuation multiples to derive a fair market value of the equity interests in the subject businesses.

In addition to the above approaches, we have also used the asset-based approach to assess the risk incorporated into the values calculated under the income and market approaches.

5.2.2 Valuation approaches for tax losses available

For purposes of valuing the tax losses available in the Fund structure, we have selected the following valuation approaches:

- ***Discounted cash flow approach***

  Under the discounted cash flow ("DCF") approach, the expected future cash flows attributable to a specific asset are discounted to present value by applying a risk-appropriate equity discount rate. With respect to the tax losses available in the Fund structure, the fair market value under the DCF approach relates to the present value of the future tax savings that may be realized through the application of the tax losses against future taxable income.

- ***Market approach***

  Under the market approach, we have considered typical rule of thumb market valuations for tax losses based on our transactions experience and research. We have applied a range of market-based valuation factors to the tax losses available in the Fund structure to derive a fair market value of this asset.

5.2.3 Valuation approach for other net assets of the Fund

For purposes of valuing the other net assets held in the Fund structure, we have selected the following valuation approach:

- ***Asset-based approach***

  The remaining assets in the Fund structure consist primarily of cash net of accounts payable and accrued liabilities. These net assets have been assessed based on their respective net book values, which have been determined to be equal to fair market value.

In addition to all of the valuation approaches noted above, as a final check on the overall value of the Fund, we considered the relevance of TVIF's market capitalization including a control (or take-over) premium that is typically paid for the acquisition of all of the equity interests in a public company.

6. Valuation of TerraVest Industries Limited Partnership (o/a RJV Gas Field Services)

6.1 Estimated Maintainable Cash Flow

Maintainable cash flow implies a level of cash flow, which can reasonably be expected in the future. It should not be construed as a level that will necessarily be achieved in each and every year into perpetuity, but rather a reasonable average expected level over an undefined and indefinite period. To the extent that future cash flow growth is anticipated, it is considered in the selection of the capitalization rate or multiple.

The selection of an appropriate maintainable cash flow level must consider not only the actual performance to the Valuation Date but also the potential revenue and cash flow based on the general market and legislative environment at that date.

On Schedule B-3, we have determined the maintainable cash flow of RJV by analyzing the normalized EBITDA for the years ended December 31, 2007 to 2011 and the five and twelve months ended May 31, 2012. We also considered the forecast results, as prepared by management, for the year ended December 31, 2012. Starting with earnings before taxes, we have first added back customary adjustments to calculate EBITDA, such as amortization, interest expense and investment income. We have then considered whether additional normalizations are required to the historical and forecast earnings. Based on our analysis of the operating results of RJV, we have made normalization adjustments for the following items (refer to Schedule B-3 for further details):

- Non-recurring inventory impairment charges and recoveries;
- Unusual bad debt costs and recoveries;
- Allocation of head office overhead costs; and
- Notional adjustment for rental of the owned real estate properties.

Based on the foregoing, we have concluded that the maintainable EBITDA for RJV is in the range of \$5.6 million to \$6.0 million with a mid-point of \$5.8 million (Schedule B-3). On Schedule B-2, we have taken the mid-point maintainable EBITDA and deducted income taxes, sustaining capital reinvestment (net of tax shield) and a charge for the required annual investment in working capital. After making these adjustments, we have determined that the after-tax maintainable cash flow for the business is approximately \$3.7 million (Schedule B-2).

6.2 Weighted Average Cost of Capital

The capitalization rate to apply to the after-tax maintainable cash flow of the business is comprised of the WACC net of an estimate for future growth. The WACC represents a weighted average of the after-tax cost of debt and after-tax cost of equity in the business. The relative weighting of debt and equity in the capital structure is based on a normalized debt-equity ratio, as observed in the market. On Schedule B-5, we have determined the WACC for RJV based on the following parameters:

6.2.1 Cost of equity

In order to determine the cost of equity, we have incorporated the Capital Asset Pricing Model ("CAPM"). This method takes into account various measures of risk, including:

- A risk free rate of return (e.g. long term government bond yield);
- A general equity risk premium;
- Industry specific risk factor referred to as the beta coefficient;
- Small company size premium; and
- Specific company premium.

A discussion of the specific components that were considered in deriving the cost of equity for RJV is provided below.

Risk free rate of return

The risk free rate is associated with low risk long-term investments, such as long-term government bonds. We have determined that the 2.26%[11] yield on 10+ year Government of Canada bonds, as at May 29, 2012, is reflective of the risk-free rate as at the Valuation Date.

Equity risk premium

The equity risk premium represents the additional return an investor expects to receive to compensate for the additional risk associated with investing in equities as opposed to investing in risk free assets. The equity risk premium is essentially the difference between the expected rate of return on the market portfolio and the risk free rate.

We have estimated the equity risk premium to be 4.00%[12] based on the historical average premium return provided by equity securities relative to risk free government bonds and treasury bills in Canada.

Beta coefficient

The beta coefficient represents the risk specific to the particular industry in which a company operates. It represents a multiple of the equity risk premium that reflects the volatility of the return on a stock relative to the stock market in general. In the assessment of beta for RJV, we considered the betas of guideline public companies operating in the oil and gas industry. The average beta observed for the guideline companies was 1.08[13], which is considered a reasonable indication of the beta for the industry in which RJV operates.

Small company size premium

Empirical studies have shown that smaller companies require a risk premium when calculating required rates of returns. For RJV, we have used the observed size premium for organizations with market capitalization between US$1.0 million to US$128.7 million, which was 9.81%[14].

Specific company premium

In addition to the above variables, we have considered an incremental risk premium, which includes adjustments specific to RJV that may not be reflected in the market and industry risk measures above. Factors that could be considered include geographic scope and diversity, management strength,

[11] Source: www.bankofcanada.ca
[12] Source: *Global Investment Returns Yearbook 2012,* Credit Suisse, 2012.
[13] Source: Google Finance
[14] Source: *2012 Ibbotson® SBBI® Valuation Yearbook,* Morningstar Inc., 2012.

economic dependence, financial position and other factors. Based on our professional judgment, we have applied a specific company risk premium in the range of 5.00% to 6.00% for RJV. In determining the specific company risk premium, we have considered the following:

Strengths of RJV

- RJV has a strong balance sheet with substantial cash and nominal debt;
- RJV has financing facilities in place to meet future growth opportunities and to weather periods of industry volatility;
- RJV has a strong management team with significant industry experience;
- RJV has strong customer relationships in place with large oil and gas companies;
- RJV has a reputation for quality and technical excellence on complex projects; and
- RJV carries the necessary materials and skilled human resources to execute on unusual and custom projects quickly and efficiently.

Risks of RJV

- RJV is significantly exposed to the conventional natural gas industry, which is suffering through an extended period of depressed prices. Only recently has RJV begun to diversify its product offerings into light oil and liquids rich natural gas products;
- The market for RJV's products is geographically concentrated in the Western Canadian Sedimentary Basin and demand for its products may be affected by changes in the level of exploitation of the basin;
- RJV's operations are highly seasonal;
- RJV has a significant investment in working capital, in particular inventory, which results in a drain on cash resources during slower periods;
- RJV's manufacturing facilities and production equipment are generally older and may not be easily adaptable to future changes in technology; and
- RJV's operations are significantly reliant on the prices of key production inputs such as steel. Increases in the price of these inputs may have a material adverse effect on the financial results of RJV.

After applying the above components of the CAPM, we have determined that a reasonable after-tax cost of equity for RJV is in the range of 18.94% to 19.94% (Schedule B-5).

6.2.2 After tax cost of debt

We have estimated RJV's after tax cost of debt to be between 3.00% and 3.38%, based on the consideration of RJV's current financing agreements and existing prime lending rates, and an income tax rate of 25.0% based on RJV's expected combined federal and provincial tax rates.

6.2.3 WACC and capitalization rate

After considering debt ratios within the industry, we have determined an appropriate capital structure of 90% equity and 10% debt. Using the after tax cost of debt and after-tax cost of equity determined above, we have determined the WACC of RJV to be in the range of 17.3% to 18.3% (Schedule B-5).

We have adjusted the WACC for an expected long-term annual growth rate in maintainable cash flow of 2.0%, yielding capitalization rates in the range of 15.3% to 16.3% (Schedule B-5).

Our selected long-term growth rate is consistent with long-term forecasts for inflation and real GDP growth.

6.3 Enterprise Value

On Schedule B-2, we have determined the capitalized value of RJV by applying the range of capitalization rates determined above to the estimated maintainable after tax cash flow of the business. We have then added the present value of UCC tax shield to derive the enterprise value of the business in the range of $23.2 million to $24.7 million (Schedule B-2).

6.4 Fair Market Value of Equity Interests

On Schedule B-2, we have determined the fair market value of the equity interests in RJV by adding the value of redundant assets to enterprise value and then adding the cash (net of debt) position of the business. Based on this analysis, we have determined that the fair market value of the equity interests in RJV, pursuant to the capitalized cash flow approach, is in the range of $29.4 million to $30.9 million (Schedule B-2).

6.5 Net Tangible Asset Value

In order to assess the extent of the risk incorporated into the values determined under the capitalized cash flow approach, we have prepared an analysis of the net tangible asset value of RJV as at the Valuation Date. Net tangible asset value is defined as the going concern value, or value in use, of all assets excluding goodwill. Net tangible asset value assumes the continuation of the business as a going concern; accordingly, disposition costs (including income taxes) are not deducted.

On Schedule B-4, we have adjusted the balance sheet of RJV for the following items;

Fair Market Value Adjustments

- The net book value of the owned real estate properties have been adjusted to fair market value based on the June 2012 appraisal report prepared by Suncorp Valuations Ltd.

- An adjustment has been made to account for the difference in UCC tax shield available to a purchaser of assets of the business as opposed to a purchaser of equity interests.

Redundant Asset Adjustments

- The fair market value of the owned real estate properties have been notionally removed from the balance sheet for purposes of the calculation of net tangible asset value. As previously discussed, the real estate properties are being treated as redundant assets for purposes of the valuation.

- Marketable securities have been notionally removed from the balance sheet as these assets are considered redundant to the operations of RJV.

After making the above-noted adjustments, we have determined that the net tangible asset value of RJV is approximately $26.0 million (Schedule B-4). The net value of redundant assets has been determined to be approximately $4.0 million (Schedule B-4).

6.6 Market Approaches

On Schedule B-9, we have valued the equity interests in RJV based on our consideration of guideline public company stock market reporting multiples (Schedule B-10) and comparable M&A transaction multiples (Schedule B-11).

Based on the market data reviewed, we noted EV/EBITDA multiples in the range of 3.25X to 8.95X and EV/Sales multiples in the range of 0.34X to 2.25X. After consideration of the observed market information, we have selected an EV/EBITDA multiple of 4.0X to 4.5X and an EV/Sales multiple in the range of 0.65X to 0.75X for purposes of valuing RJV. The selected ranges of market multiples are generally consistent with the average multiples observed in the market data reviewed.

We have applied the market-based multiples to RJV's maintainable EBITDA and revenues to derive the enterprise value of the business. We have then added the value of redundant assets and added the cash (net of debt) position to derive the fair market value of the equity interests under the market approaches.

Based on our analysis on Schedule B-9, we have determined the fair market value of equity interests to be in the range of $29.4 million to $32.3 million under the EV/EBITDA approach and $29.6 million to $33.2 million under the EV/Sales multiple approach.

6.7 Fair Market Value Conclusion

The following provides a summary of the conclusions derived from the various valuation approaches applied for RJV:

	Fair Market Value		
Valuation approach	**Low**	**Mid**	**High**
<u>Income approach</u>			
Capitalized cash flow	$ 29,394,101	$ 30,139,766	$ 30,885,431
<u>Market approaches</u>			
Comparable companies and transactions - EV/EBITDA multiple	29,407,000	30,857,000	32,307,000
Comparable companies and transactions - EV/Revenue multiple	29,607,000	31,407,000	33,207,000
Conclusion - Fair Market Value of Equity Interests	**$ 29,400,000**	**$ 30,150,000**	**$ 30,900,000**
Ownership interest held by TerraVest Income Fund	100%	100%	100%
FMV of Equity Interests Owned by TerraVest Income Fund	**$ 29,400,000**	**$ 30,150,000**	**$ 30,900,000**

Based on the scope of our review, assumptions and analyses applied, we have concluded that the fair market value of all the issued and outstanding equity interests in RJV is in the range of $29.4 million to $30.9 million. Because RJV is 100% owned by the Fund, this entire value is to be included in the overall valuation conclusion for TVIF.

7. Valuation of Diamond Energy Services Limited Partnership

7.1 Estimated Maintainable Cash Flow

On Schedule C-3, we have determined the maintainable cash flow of Diamond by analyzing the normalized EBITDA for the years ended December 31, 2007 to 2011 and the five and twelve months ended May 31, 2012. We also considered the forecast results, as prepared by management, for the year ended December 31, 2012. Starting with earnings before taxes, we have first added back customary adjustments to calculate EBITDA, such as amortization, impairment charges, and interest expense. We have then considered whether additional normalizations are required to the historical and forecast earnings. Based on our analysis of the operating results of Diamond, we have made normalization adjustments for the following items (refer to Schedule C-3 for further details):

- Non-economic management fees paid;
- Allocation of head office overhead costs; and
- Notional adjustment for rental of the owned real estate properties.

Based on the foregoing, we have concluded that the maintainable EBITDA for Diamond is in the range of $6.3 million to $6.7 million with a mid-point of $6.5 million (Schedule C-3). On Schedule C-2, we have taken the mid-point maintainable EBITDA and deducted income taxes, sustaining capital reinvestment (net of tax shield) and a charge for the required annual investment in working capital. After making these adjustments, we have determined that the after-tax maintainable cash flow for the business is approximately $3.7 million (Schedule C-2).

7.2 Weighted Average Cost of Capital

On Schedule C-5, we have determined the WACC for Diamond based on the following parameters:

7.2.1 Cost of equity

In order to determine the cost of equity, we have incorporated the Capital Asset Pricing Model ("CAPM").

A discussion of the specific components of the CAPM that were considered in deriving the cost of equity for Diamond is provided below.

Risk free rate of return

The risk free rate is associated with low risk long-term investments, such as long-term government bonds. We have determined that the 2.26%[15] yield on 10+ year Government of Canada bonds, as at May 29, 2012, is reflective of the risk-free rate as at the Valuation Date.

Equity risk premium

The equity risk premium represents the additional return an investor expects to receive to compensate for the additional risk associated with investing in equities as opposed to investing in risk free assets. The equity risk premium is essentially the difference between the expected rate of return on the market portfolio and the risk free rate.

[15] Source: www.bankofcanada.ca

We have estimated the equity risk premium to be 4.00%[16] based on the historical average premium return provided by equity securities relative to risk free government bonds and treasury bills in Canada.

Beta coefficient

The beta coefficient represents the risk specific to the particular industry in which a company operates. It represents a multiple of the equity risk premium that reflects the volatility of the return on a stock relative to the stock market in general. In the assessment of beta for Diamond, we considered the betas of guideline public companies operating in the oil and gas industry. The average beta observed for the guideline companies was 1.28[17], which is considered a reasonable indication of the beta for the industry in which Diamond operates.

Small company size premium

Empirical studies have shown that smaller companies require a risk premium when calculating required rates of returns. For Diamond, we have used the observed size premium for organizations with market capitalization between US$1.0 million to US$128.7 million, which was 9.81%[18].

Specific company premium

In addition to the above variables, we have considered an incremental risk premium, which includes adjustments specific to Diamond that may not be reflected in the market and industry risk measures above. Based on our professional judgment, we have applied a specific company risk premium in the range of 4.00% to 5.00% for Diamond. In determining the specific company risk premium, we have considered the following:

<u>Strengths of Diamond</u>

- Diamond has sufficient financing facilities in place to meet future growth opportunities and to weather periods of industry volatility;
- Diamond has a strong management team with significant industry experience;
- Diamond has strong customer relationships in place with large oil and gas companies;
- Diamond focuses on maintenance of operating oil wells, which tends to be a somewhat less volatile segment of the energy services sector;
- Diamond holds a strong competitive position in its primary geographic market of southwestern Saskatchewan; and
- Diamond has a sizable fleet of well-maintained service rigs, which have a fair market value that exceeds their net book value.

<u>Risks of Diamond</u>

- Diamond is exposed to the broader oil and gas market, which is highly volatile and significantly dependent on commodity prices;
- The market for Diamond's products is geographically concentrated in the Western Canadian Sedimentary Basin and demand for its products may be affected by changes in the level of exploitation of the basin;
- The business is significantly dependent on two key customers, which have together comprised approximately 60% of Diamond's revenues over the past few years.

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[16] Source: Global Investment Returns Yearbook 2012, Credit Suisse, 2012.
[17] Source: Google Finance
[18] Source: 2012 Ibbotson® SBBI® Valuation Yearbook, Morningstar Inc., 2012.

- Diamond has significant debt obligations and must generate sufficient cash flows to meet its debt servicing requirements; and
- Diamond's coiled tubing units are highly under-utilized and are expected to remain so for the foreseeable future.

After applying the above components of the CAPM, we have determined that a reasonable after-tax cost of equity for Diamond is in the range of 18.30% to 19.30% (Schedule C-5).

7.2.2 After tax cost of debt

We have estimated Diamond's after tax cost of debt to be between 2.92% and 3.29%, based on the consideration of Diamond's current financing agreements and existing prime lending rates, and an income tax rate of 27.0% based on Diamond's expected combined federal and provincial tax rates.

7.2.3 WACC and capitalization rate

After considering debt ratios within the industry, we have determined an appropriate capital structure of 75% equity and 25% debt. Using the after tax cost of debt and after-tax cost of equity determined above, we have determined the WACC of Diamond to be in the range of 14.5% to 15.3% (Schedule C-5).

We have adjusted the WACC for an expected long-term annual growth rate in maintainable cash flow of 2.0%, yielding capitalization rates in the range of 12.5% to 13.3% (Schedule C-5).

Our selected long-term growth rate is consistent with long-term forecasts for inflation and real GDP growth.

7.3 Enterprise Value

On Schedule C-2, we have determined the capitalized value of Diamond by applying the range of capitalization rates determined above to the estimated maintainable after tax cash flow of the business. We have then added the present value of UCC tax shield to derive the enterprise value of the business in the range of $29.3 million to $31.0 million (Schedule C-2).

7.4 Fair Market Value of Equity Interests

On Schedule C-2, we have determined the fair market value of the equity interests in Diamond by adding the net value of redundant assets to enterprise value and then deducting the debt (net of cash) position of the business. Based on this analysis, we have determined that the fair market value of the equity interests in Diamond, pursuant to the capitalized cash flow approach, is in the range of $23.4 million to $25.2 million (Schedule C-2).

7.5 Net Tangible Asset Value

In order to assess the extent of the risk incorporated into the values determined under the capitalized cash flow approach, we have prepared an analysis of the net tangible asset value of Diamond as at the Valuation Date.

On Schedule C-4, we have adjusted the balance sheet of Diamond for the following items;

Fair Market Value Adjustments

- The net book value of the owned real estate properties have been adjusted to fair market value based on the August 2011 appraisals prepared by Warkentin Appraisal Services.

- The net book value of the service rigs and coiled tubing units have been adjusted to fair market value based on the December 2010 appraisal prepared by Rykar Industries Ltd. For purposes of our valuation analysis, the appraised values at December 2010 have been adjusted for additions, disposals and a depreciation factor for the 18 month period between December 2010 and May 31, 2012.

- An adjustment has been made to account for the difference in UCC tax shield available to a purchaser of assets of the business as opposed to a purchaser of equity interests.

- The recorded book values of future income taxes, goodwill and intangible assets have been eliminated for purposes of calculating net tangible asset value.

Redundant Asset Adjustments

- The fair market value of the owned real estate properties have been notionally removed from the balance sheet for purposes of the calculation of net tangible asset value. As previously discussed, the real estate properties are being treated as redundant assets for purposes of the valuation.

- Management has identified three service rigs and two coiled tubing units as being redundant to the operations of the business. This assessment was based on the lack of current and future expected utilization of these units. We have notionally removed these assets from the balance sheet for purposes of calculating net tangible asset value. Further, because the appraised fair market values represent "values in use", management has provided estimated liquidation values for those units identified as redundant. The difference between the appraised FMV and the estimated liquidation value has been treated as a liquidation discount for purposes of valuing the redundant assets of the business.

After making the above-noted adjustments, we have determined that the net tangible asset value of Diamond is approximately $19.3 million (Schedule C-4). The net value of redundant assets, after adjusting for the liquidation discount on redundant equipment, has been determined to be approximately $4.5 million (Schedule C-4).

7.6 Market Approaches

On Schedule C-9, we have valued the equity interests in Diamond based on our consideration of guideline public company stock market reporting multiples (Schedule C-10) and comparable M&A transaction multiples (Schedule C-11).

Based on the market data reviewed, we noted EV/EBITDA multiples in the range of 2.65X to 7.60X and EV/Sales multiples in the range of 0.35X to 2.05X. After consideration of the observed market information, we have selected an EV/EBITDA multiple of 4.25X to 4.75X and an EV/Sales multiple in the range of 1.05X to 1.15X for purposes of valuing Diamond. The selected ranges of market multiples are generally consistent with the average multiples observed in the market data reviewed.

We have applied the market-based multiples to Diamond's maintainable EBITDA and revenues to derive the enterprise value of the business. We have then added the net value of redundant assets and deducted the debt (net of cash) position to derive the fair market value of the equity interests under the market approaches.

Based on our analysis on Schedule C-9, we have determined the fair market value of equity interests to be in the range of $21.8 million to $25.0 million under the EV/EBITDA approach and $25.1 million to $28.1 million under the EV/Sales multiple approach.

7.7 Fair Market Value Conclusion

The following provides a summary of the conclusions derived from the various valuation approaches applied for Diamond:

	Fair Market Value		
Valuation approach	**Low**	**Mid**	**High**
Income approach			
Capitalized cash flow	$ 23,404,588	$ 24,289,429	$ 25,174,270
Market approaches			
Comparable companies and transactions - EV/EBITDA multiple	21,762,065	23,387,065	25,012,065
Comparable companies and transactions - EV/Revenue multiple	25,112,065	26,587,065	28,062,065
Conclusion - Fair Market Value of Equity Interests	**$ 23,400,000**	**$ 24,300,000**	**$ 25,200,000**
Ownership interest held by TerraVest Income Fund	87.432%	87.432%	87.432%
FMV of Equity Interests Owned by TerraVest Income Fund (rounded)	**$ 20,500,000**	**$ 21,200,000**	**$ 22,000,000**

Based on the scope of our review, assumptions and analyses applied, we have concluded that the fair market value of all the issued and outstanding equity interests in Diamond is in the range of $23.4 million to $25.2 million. Because Diamond is 87.432% owned by the Fund, the pro-rata proportion of Diamond's fair market value to allocate to TVIF is in the range of $20.5 million to $22.0 million.

8. Valuation of TerraVest Income Fund

8.1 Adjusted Net Asset Value of Holding Entities

In addition to its investments in RJV and Diamond and the tax losses available in the Fund, TVIF holds interests in certain other assets and liabilities at the "holding entity" level. For purposes of including these other net assets in the overall valuation of TVIF, we have prepared an adjusted net asset value analysis for the holding entities within the Fund structure.

On Schedule A-2, we have analyzed the non-consolidated balance sheets of the top-level or holding entities in the Fund structure to determine the valuation of these additional assets. As shown on Schedule A-2, we have first eliminated the net book value of those assets that have already been valued elsewhere in our Valuation. For purposes of this analysis, the following assets have been eliminated from the non-consolidated holding entities balance sheet as at June 1, 2012:

- *Investment in Terravest Industries Limited Partnership (RJV).* This investment has been separately valued as described in section 6 of this report;

- *Investment in Diamond Energy Services Limited Partnership*. This investment has been separately valued as described in section 7 of this report; and

- *Deferred income tax assets.* These assets, which comprise the tax loss carryforward balances available in the Fund structure have been separately valued as described in the following section of this report.

After eliminating those assets that have been valued separately in our analysis, the remaining net assets include cash, prepaid expenses, accounts payable and accrued liabilities and accrued long-term compensation. Based on our analysis, we have determined that the recorded net book values are equal to the fair market values for these assets and liabilities. Accordingly, we have determined the fair market value of the remaining net assets in the Fund structure to be approximately $2.5 million (Schedule A-2).

8.2 Valuation of Tax Loss Balances

8.2.1 Summary of Available Tax Losses

As described previously, there are significant tax loss carryforward balances available in the Fund structure, which must be considered in the overall valuation of TVIF.

On Schedule A-8, we have summarized the available tax loss balances in the Fund structure. In doing so, we have taken the available losses as at December 31, 2011 and notionally reduced these balances for the estimated taxable income generated by the businesses of TVIF during the period January 1 to June 1, 2012. This notional reduction is based on the assumption that, on an arm's length sale of TVIF, the Fund, as a rational vendor, would take the necessary steps to reduce its pre-sale tax liabilities and utilize the available tax losses to the extent possible. In addition, on Schedule A-8 we have reduced the available tax loss pools for the non-controlling interest in Diamond. For those losses specific to the corporate entities of Diamond, we have reduced the loss pool by a factor of 12.568% to account for the proportion of the losses that would be realized by the non-controlling interest rather than by the Fund. Finally, we have adjusted the tax loss balances for the impact of an "acquisition of control". Based on the definition of "fair market value", our valuation analysis requires that we assume that an arm's length purchaser will acquire control of the Fund. Accordingly, we have considered whether any of the losses in the structure may be unavailable to an arm's length buyer as a result of the "acquisition of control" rules stipulated in Canadian tax law. Based on our review, we identified certain losses that were attributable to the Beco Industries Limited Partnership ("Beco"), which was a former operating business of TVIF that was wound up in 2011. Because the Beco business has been discontinued, it is expected that the losses related to Beco would be unavailable to an arm's length buyer.

After making the above-noted adjustments, we have estimated the total available tax loss balances in the Fund structure as at the Valuation Date to be approximately $29.1 million (Schedule A-8).

8.2.2 Discounted Cash Flow Value of Tax Losses

On Schedule A-7, we have prepared a valuation of the Fund's tax losses using a discounted cash flow ("DCF") approach. Under the DCF approach, the fair market value of the tax losses in the Fund structure is equal to the present value of the future tax savings associated with usage of these losses in future periods. In preparing our analysis, we have separately calculated the DCF value of the tax losses that may be utilized by each of the operating businesses, RJV and Diamond.

In applying the DCF approach, we have projected the future taxable incomes to be generated by each of RJV and Diamond based on the maintainable EBITDA of these businesses as determined previously. From maintainable EBITDA, we have deducted notional charges for capital cost allowance ("CCA"), cumulative eligible capital ("CEC") claims and interest and bank charges to derive the projected earnings before taxes. We have then notionally applied the available tax losses in the Fund structure to reduce the future earnings subject to tax. The future tax savings have been derived by multiplying the tax losses applied by the future estimated tax rate. As shown on Schedule A-7, based on the projected earnings before taxes to be generated by the operating businesses, we have estimated that all of the tax losses in the Fund structure will be utilized by the end of 2015.

We have discounted future tax savings to present value by applying a risk-appropriate discount rate. In selecting an appropriate discount rate, we have considered the equity discount rates determined previously for each of RJV and Diamond. We have then applied a 15% risk premium to these equity discount rates to account for the potential risks associated with the ultimate usage/realization of these losses. Such risks include possible future changes in tax legislation, potential future tax reassessments on TVIF relating to prior taxation periods and possible unforeseen loss of tax pools triggered by a change of control of the Fund. After taking these considerations into account, we have selected discount rates of 34.4% and 33.8% to value the tax losses to be used by the RJV and Diamond businesses, respectively.

After applying the selected discount rates to the future tax savings available, we have determined that the fair market value of the tax losses available in the Fund structure, pursuant to the discounted cash flow approach, is in the range of $4.6 million to $5.0 million (Schedule A-7).

8.2.3 Market Approach Valuation of Tax Losses

On Schedule A-6, we have prepared a valuation of the Fund's tax losses using a market or "rule of thumb" approach. Under this approach, we have applied a typical market valuation factor to the total losses available in the Fund structure to derive fair market value. Based on our research and experience with transactions involving loss companies, it is our understanding that a typical market valuation factor is in the range o $0.05 to $0.07 per dollar of tax losses available. This range is partially supported by the preliminary expression of interest received by the Fund from a third party in January 2012. Pursuant to its preliminary valuation analysis, the third party indicated an estimated fair market value of $0.05 per dollar of losses within the Fund structure.

Based on the selected range of market-based rule of thumb factors, we have calculated the fair market value for the tax losses, pursuant to the market approach, to be in the range of $1.5 million to $2.0 million (Schedule A-6).

8.2.4 Valuation Conclusion for Tax Losses

On Schedule A-6, we have summarized the conclusions derived from the approaches used in valuing the tax loss balances in the Fund structure. In making our final conclusion of value, we considered the following factors:

- The valuation conclusions derived from each of the DCF and market approaches varied significantly;
- While a seller will generally prefer a DCF valuation approach, our transaction experience indicates that buyers will typically focus primarily on the market approach in determining the fair market value of tax losses; and
- Overall, the market approach is a more reliable and supportable methodology as it is difficult to quantify and incorporate all potential risks associated with the usage/realization of tax losses into a DCF model.

Based on our consideration of the above factors, it is our opinion that the fair market value of the tax loss balances available in the Fund structure is in the range of $1.5 million to $2.0 million (Schedule A-6).

8.3 Overall Valuation Conclusion

On Schedule A-1, we have determined the overall fair market value of all the issued and outstanding Units of TVIF by adding together the valuation conclusions for each of the various components of the Fund as follows:

		Fair Market Value	
Component	**Low**	**Mid**	**High**
Equity interests in operating businesses			
TerraVest Industries Limited Partnership (o/a RJV Gas Field Services)	$ 29,400,000	$ 30,150,000	$ 30,900,000
Diamond Energy Services Limited Partnership	20,500,000	21,200,000	22,000,000
Other assets and liabilities of the Fund			
Cash and other current assets net of accrued liabilities	2,472,813	2,472,813	2,472,813
Tax losses available in Fund structure	1,500,000	1,750,000	2,000,000
Sum of Fair Market Value of Components of Fund	53,872,813	55,572,813	57,372,813
Conclusion - En Bloc Fair Market Value	**$ 53,900,000**	**$ 55,650,000**	**$ 57,400,000**

As summarized above, it is our opinion that the en bloc fair market value of all the issued and outstanding Units of TVIF is in the range of $53.9 million to $57.4 million (Schedule A-1).

8.4 Comparison to Adjusted Market Capitalization of the Fund

As a reasonableness check on our overall valuation conclusion for the Fund, we have compared our conclusion to the adjusted market capitalization of TVIF. As discussed previously, we believe that the extremely low trading volumes for the Units of the Fund make it difficult to place any significant reliance on the market capitalization approach in deriving the en bloc fair market value of TVIF. Accordingly, we have considered the adjusted market capitalization as a secondary supporting approach only in our overall valuation analysis.

On Schedule A-5, we have analyzed the market capitalization of TVIF based on the Unit trading activity during the period January 1 to June 1, 2012. Based on our analysis, we noted a range of closing market prices of $1.80 to $2.30 during the trading period reviewed.

After multiplying this range of trading prices to the number of Units issued and outstanding, we have calculated a market capitalization in the range of $35.5 million to $45.4 million (Schedule A-5). We have then applied a market-sourced control (or take-over) premium to calculate the adjusted market capitalization of the Fund. A control premium is defined as the additional consideration that a buyer would pay over a marketable minority equity value (i.e. publicly traded stock price) in order to own a controlling interest in the equity of the company. In determining an appropriate control premium to apply, we considered the following factors:

- Historical empirical studies have shown that control premiums paid on the acquisition of public companies have typically ranged from 25-50%;

- For the 12 months ended March 31, 2012 the median control premiums observed on the acquisition of publicly-traded companies were as follows[19]:

    - Mining/energy transactions – 40%;
    - Manufacturing transactions – 42%; and
    - All transactions – 38%.

Based on our consideration of the above factors, we have applied a control premium of 40% for purposes of calculating the adjusted market capitalization of TVIF. After applying the selected control premium, we have calculated an adjusted market capitalization for the Fund in the range of $49.7 million to $63.5 million (Schedule A-5).

Based on the foregoing analysis, our overall valuation conclusion for TVIF of $53.9 million to $57.4 million is supportable.

[19] Source: *Control Premium Study 1st Quarter 2012*, Factset Mergerstat, 2012.

9. Overall Valuation Conclusion

Based upon the scope of our review, analysis and major assumptions, it is our opinion that the fair market value, as at June 1, 2012, of all the issued and outstanding Units of the Fund is in the range of $53.9 million to $57.4 million, or $2.73 to $2.91 per Unit.

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Summary of Fair Market Value of Units

		Fair Market Value		
Component	**Reference**	**Low**	**Mid**	**High**
Equity interests in operating businesses				
TerraVest Industries Limited Partnership (o/a RJV Gas Field Services)	Schedule B-1	$ 29,400,000	$ 30,150,000	$ 30,900,000
Diamond Energy Services Limited Partnership	Schedule C-1	20,500,000	21,200,000	22,000,000
Other assets and liabilities of the Fund				
Cash and other current assets net of accrued liabilities	Schedule A-2	2,472,813	2,472,813	2,472,813
Tax losses available in Fund structure	Schedule A-6	1,500,000	1,750,000	2,000,000
Sum of Fair Market Value of Components of Fund		53,872,813	55,572,813	57,372,813
Conclusion - En Bloc Fair Market Value		**$ 53,900,000**	**$ 55,650,000**	**$ 57,400,000**
Number of issued and outstanding units	Note 1	19,720,466	19,720,466	19,720,466
Conclusion - Fair Market Value per Unit		**$ 2.73**	**$ 2.82**	**$ 2.91**

TerraVest Income Fund **Schedule A-2**

June 1, 2012 Formal Valuation

Adjusted Net Asset Value - TerraVest Holding Entities

	Notes	Net Book Value 31-May-12 (Note 1)	Adjust to FMV	Estimated Market Value	Costs of Disposition (Note 6)	Net Realizable Value
ASSETS						
CURRENT						
Cash	2	$ 2,575,525	$ -	$ 2,575,525	$ -	$ 2,575,525
Prepaid expenses	2	45,427	-	45,427	-	45,427
		2,620,952	-	2,620,952	-	2,620,952
DEFERRED INCOME TAXES	3	15,087,945	(15,087,945)	-	-	-
INVESTMENT IN TERRAVEST INDUSTRIES LP	4	23,243,974	(23,243,974)	-	-	-
INVESTMENT IN DIAMOND ENERGY SERVICES LP	5	16,934,132	(16,934,132)	-	-	-
		$ 57,887,003	$ (55,266,051)	$ 2,620,952	$ -	$ 2,620,952
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	2	$ 130,906	$ -	$ 130,906	$ -	$ 130,906
ACCRUED LONG-TERM COMPENSATION	2	17,233	-	17,233	-	17,233
		148,139	-	148,139	-	148,139
EQUITY						
Fund units		174,322,538		174,322,538	-	174,322,538
Accumulated deficit		(116,583,674)	(55,266,051)	(171,849,725)	-	(171,849,725)
		57,738,864	(55,266,051)	2,472,813	-	**2,472,813**
		$ 57,887,003	$ (55,266,051)	$ 2,620,952	$ -	$ 2,620,952

Notes:

1 - Net book values as at May 31, 2012 as per consolidation schedules prepared by management of the Fund.

2 - Net book value assumed to be equal to fair market value as per discussions with management of the Fund.

3 - Deferred income tax asset relates to tax loss balances available within the Fund structure. For purposes of this analysis, the net book value of this asset has been eliminated as the fair market value of the tax losses has been separately determined on Schedule A-6.

4 - For purposes of this analysis, the net book value of the Fund's investment in TerraVest Industries Limited Partnership has been eliminated since the fair market value of this investment has been separately determined on Schedule B-1. Net book value of investment includes $55,854 of advances to TerraVest Industries Limited Partnership as at May 31, 2012. These advances have been treated as equity for purposes of the valuation analysis.

5 - For purposes of this analysis, the net book value of the Fund's investment in Diamond Energy Services Limited Partnership has been eliminated since the fair market value of this investment has been separately determined on Schedule C-1.

6 - Given the liquid nature of the underlying net assets to be valued, we have not deducted any notional disposition costs in our analysis.

TerraVest Income Fund **Schedule A-3**

June 1, 2012 Formal Valuation

Historical Consolidated Income Statements

	5 mos ended					
	May 31,	**Years ended December 31,**				
	2012	**2011**	**2010**	**2009**	**2008**	**2007**
	(unaudited)	(audited)	(audited)	(audited)	(audited)	(audited)
	(Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
REVENUE	$ 30,240,000	$ 74,032,000	$ 46,729,000	$ 97,184,000	$ 241,711,000	$ 229,238,000
COST OF SALES	22,450,000	56,023,000	38,426,000	84,576,000	186,040,000	170,661,000
GROSS PROFIT	7,790,000	18,009,000	8,303,000	12,608,000	55,671,000	58,577,000
EXPENSES						
Administration	3,072,000	9,934,000	10,266,000	8,991,000	18,931,000	22,402,000
Financial	215,000	583,000	1,239,000	-	-	-
Selling	-	-	-	2,497,000	17,932,000	15,945,000
	3,287,000	10,517,000	11,505,000	11,488,000	36,863,000	38,347,000
EARNINGS (LOSS) BEFORE THE UNDERNOTED	4,503,000	7,492,000	(3,202,000)	1,120,000	18,808,000	20,230,000
OTHER EXPENSES (INCOME)						
Amortization of property, plant and equipment	-	-	-	2,305,000	3,690,000	4,800,000
Impairment of property, plant and equipment	-	1,875,000	-	187,000	-	-
Amortization of intangible assets	-	-	-	1,290,000	2,990,000	3,806,000
Impairment of goodwill and intangible assets				-	34,375,000	42,365,000
Loss on disposal of property, plant and equipment	-	-	-	119,000	51,000	68,000
Interest on operating loan	-	-	-	1,336,000	2,669,000	2,195,000
Interest on long-term debt	-	-	-	62,000	-	1,410,000
Foreign exchange (gains) losses	-	-	-	1,223,000	(1,201,000)	1,510,000
Gain on acquisition of retractable non-controlling interest	-	-	-	(2,528,000)	(2,505,000)	-
Retractable non-controlling interest expense (recovery)	-	-	(250,000)	(850,000)	955,000	(5,850,000)
	-	1,875,000	(250,000)	3,144,000	41,024,000	50,304,000
EARNINGS (LOSS) BEFORE TAXES AND DISC. OPERATIONS	4,503,000	5,617,000	(2,952,000)	(2,024,000)	(22,216,000)	(30,074,000)
INCOME TAXES						
Current	-	2,000	-	207,000	578,000	(143,000)
Deferred (recovery)	825,000	2,795,000	(3,352,000)	(2,174,000)	(1,705,000)	(7,471,000)
	825,000	2,797,000	(3,352,000)	(1,967,000)	(1,127,000)	(7,614,000)
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	3,678,000	2,820,000	400,000	(57,000)	(21,089,000)	(22,460,000)
Non-controlling interest	-	-	-	-	(1,132,000)	2,543,000
(Loss) earnings from discontinued operations	-	(4,057,000)	5,492,000	4,466,000	-	-
NET INCOME (LOSS)	$ 3,678,000	$ (1,237,000)	$ 5,892,000	$ 4,409,000	$ (22,221,000)	$ (19,917,000)

Notes:

1 - Financial results for the years ended December 31, 2007 to 2011 as per audited financial statements. Effective January 1, 2010, the Fund transitioned to International Financial Reporting Standards ("IFRS"). Accordingly, the results for 2010 and 2011 reflect IFRS accounting policies and financial statement presentation while the results for 2007 to 2009 reflect the former policies and statement presentation under Canadian Generally Accepted Accounting Principles ("GAAP"). For purposes of this valuation analysis, no attempt has been made to recast the prior years' GAAP statements to align with current IFRS standards.

2 - Financial results for the five months ended May 31, 2012 as per interim consolidated financial statements, which have been prepared in accordance with IFRS by management of the Fund.

	As at					
	May 31, 2012	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**	**December 31, 2008**	**December 31, 2007**
ASSETS	(Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
CURRENT						
Cash	$ 6,261,725	$ 13,241,000	$ -	$ -	$ -	$ 668,000
Accounts receivable	11,971,305	13,556,000	17,486,000	32,647,000	43,756,000	44,242,000
Note receivable	-	-	5,916,000	-	-	-
Inventories	15,722,528	14,988,000	19,758,000	44,411,000	59,402,000	60,540,000
Other current assets	377,235	469,000	1,197,000	1,909,000	2,117,000	2,108,000
Income taxes recoverable	-	-	3,000	-	-	593,000
Current assets - discontinued operations	-	-	15,175,000	-	-	-
	34,332,793	42,254,000	59,535,000	78,967,000	105,275,000	108,151,000
PROPERTY, PLANT AND EQUIPMENT	33,600,765	33,527,000	37,881,000	47,652,000	43,382,000	43,879,000
PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE	-	-	148,000	104,000	-	-
DEFERRED INCOME TAXES	15,315,640	15,876,000	17,328,000	15,364,000	9,426,000	7,243,000
INTANGIBLE ASSETS	689,045	799,000	1,062,000	3,413,000	3,917,000	7,599,000
GOODWILL	2,472,819	2,473,000	2,473,000	2,473,000	2,153,000	35,836,000
	$ 86,411,062	$ 94,929,000	$ 118,427,000	$ 147,973,000	$ 164,153,000	$ 202,708,000
LIABILITIES						
CURRENT						
Bank indebtedness	$ -	$ -	$ 515,000	$ 342,000	$ 1,302,000	$ -
Operating loans	11,735,343	12,360,000	7,275,000	23,706,000	6,479,000	48,024,000
Accounts payable and accrued liabilities	4,277,192	5,899,000	9,013,000	23,937,000	26,722,000	21,204,000
Income taxes payable	-	-	-	57,000	133,000	-
Provisions	-	-	-	497,000	-	-
Derivative instruments	-	-	-	-	-	290,000
Distributions payable	-	9,860,000	-	-	2,095,000	734,000
Current portion of long-term debt and capital lease obligations	-	33,000	17,000	769,000	59,000	40,000
Current liabilities - discontinued operations	-	-	675,000	-	-	-
	16,012,535	28,152,000	17,495,000	49,308,000	36,790,000	70,292,000
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	113,378	22,000	-	3,889,000	30,073,000	75,000
ACCRUED LONG-TERM COMPENSATION	17,233	85,000	77,000	98,000	101,000	95,000
UNIT-BASED COMPENSATION	-	14,000	107,000	88,000	-	-
DEFERRED INCOME TAXES	4,728,583	4,463,000	4,878,000	4,224,000	5,415,000	4,937,000
RETRACTABLE NON-CONTROLLING INTEREST	-	-	421,000	809,000	11,468,000	14,200,000
	20,871,729	32,736,000	22,978,000	58,416,000	83,847,000	89,599,000
UNITHOLDERS' EQUITY						
Units	174,322,538	174,322,000	174,018,000	174,018,000	175,296,000	165,976,000
Contributed surplus	-	-	-	-	1,101,000	11,000
Accumulated deficit	(108,850,111)	(112,526,000)	(78,569,000)	(84,461,000)	(96,091,000)	(62,799,000)
	65,472,427	61,796,000	95,449,000	89,557,000	80,306,000	103,188,000
Non-controlling interest	66,906	397,000	-	-	-	9,921,000
	65,539,333	62,193,000	95,449,000	89,557,000	80,306,000	113,109,000
	$ 86,411,062	$ 94,929,000	$ 118,427,000	$ 147,973,000	$ 164,153,000	$ 202,708,000
Current ratio	2.1	1.5	3.4	1.6	2.9	1.5
Debt-equity ratio	0.3	0.5	0.2	0.7	1.0	0.8

Notes:

1 - Balance sheets for 2007 to 2011 as per audited financial statements. Effective January 1, 2010, the Fund transitioned to International Financial Reporting Standards ("IFRS"). Accordingly, the balance sheets for January 1, 2010, December 31, 2010 and December 31, 2011 reflect IFRS accounting policies and financial statement presentation while the balance sheets for December 31, 2007 and 2008 reflect the former policies and statement presentation under Canadian Generally Accepted Accounting Principles ("GAAP"). For purposes of this valuation analysis, no attempt has been made to recast the prior years' GAAP statements to align with current IFRS standards.

2 - Balance sheet as at May 31, 2012 as per interim consolidated financial statements, which have been prepared in accordance with IFRS by management of the Fund.

TerraVest Income Fund **Schedule A-5**

June 1, 2012 Formal Valuation

Analysis of TerraVest Market Capitalization (TSX: TI.un)

	Summary of Unit Trading Activity (January 1 - June 1, 2012)				
	Open	**High**	**Low**	**Close**	**Volume**
Average	$ 1.99	$ 2.01	$ 1.98	$ 2.00	4,469
Median	$ 2.01	$ 2.01	$ 2.00	$ 2.00	700
Max	$ 2.10	$ 2.30	$ 2.10	$ 2.30	182,100
Min	$ 1.85	$ 1.85	$ 1.80	$ 1.80	-

Number of Units outstanding	19,720,466
Average trading volume as % of total Units outstanding	0.023%
Median trading volume as % of total Units outstanding	0.004%

Source: Yahoo Finance

Adjusted Market Capitalization of TerraVest Income Fund

	Low	**Mid**	**High**
Market Unit price (Note 1)	$ 1.80	$ 2.05	$ 2.30
Units outstanding (Note 2)	19,720,466	19,720,466	19,720,466
Market capitalization	**$ 35,496,839**	**$ 40,426,955**	**$ 45,357,072**
Add: control premium (Note 3)	40.0%	40.0%	40.0%
Adjusted market capitalization	**$ 49,696,000**	**$ 56,598,000**	**$ 63,500,000**

Notes:

1 - Range of market prices based on the low and high closing prices for trading period January 1 to June 1, 2012.

2 - As per March 31, 2012 consolidated financial statements.

3 - Based on the median control premiums realized on public company transactions over the 12 months ending March 31/12 in the following industries (Source: "Control Premium Study 1st Quarter 2012", FactSet Mergerstat):

Industry	**12 month median control premium**
Mining/Energy	40%
Manufacturing	42%
All industries	38%
Average	**40%**

TerraVest Income Fund **Schedule A-6**

June 1, 2012 Formal Valuation

Valuation of Tax Losses - Summary

		Fair Market Value		
Valuation approach	**Reference**	**Low**	**Mid**	**High**
Discounted cash flows	Schedule A-7	$ 4,600,000	$ 4,800,000	$ 5,000,000
Market approach	Note 1	$ 1,500,000	$ 1,750,000	$ 2,000,000
CONCLUSION - FAIR MARKET VALUE		**$ 1,500,000**	**$ 1,750,000**	**$ 2,000,000**

Notes:

1 - The market approach is based on typical sale values of loss companies to arm's length parties calculated as follows:

	Reference	**Low**	**Mid**	**High**
Amount of tax losses in Fund structure	Schedule A-8	$ 29,137,782	$ 29,137,782	$ 29,137,782
Market valuation rule of thumb factor		$ 0.05	$ 0.06	$ 0.07
Market value of tax losses (rounded)		$ 1,500,000	$ 1,700,000	$ 2,000,000

TerraVest Income Fund **Schedule A-7**

June 1, 2012 Formal Valuation

Discounted Cash Flow Value of Tax Losses

	Reference	7 mos ended 31-Dec-12	Reference	Year ended 31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
LOSSES USED IN RJV BUSINESS							
Growth rate			Schedule B-5	2.0%	2.0%	2.0%	2.0%
EBITDA (Note 1)	Schedule B-3	$ 3,383,333	Schedule B-3	$ 5,916,000	$ 6,034,320	$ 6,155,006	$ 6,278,107
Less: CCA on capital assets (Note 2)	Schedule B-8	(291,667)	Schedule B-8	(510,000)	(520,200)	(530,604)	(541,216)
Less: CEC on intangible assets	Note 3	-	Note 3	-	-	-	-
Less: interest and bank charges (Note 4)	Schedule B-6	(96)	Schedule B-6	(885)	(903)	(921)	(940)
Earnings before taxes		3,091,571		5,405,115	5,513,217	5,623,481	5,735,951
Tax losses applied to reduce taxable income	Note 5	(3,091,571)		(5,405,115)	(5,513,217)	(2,785,156)	-
Cash tax savings from losses	25.00%	772,893		1,351,279	1,378,304	696,289	-
Present value factor (mid-year) - Note 6	34.4%	0.9174		0.7259	0.5401	0.4019	0.2990
Present value of cash savings from tax losses		709,038		980,947	744,469	279,828	-

Total present value of tax losses attributable to RJV business (rounded) $ 2,700,000

	Reference	7 mos ended 31-Dec-12	Reference	Year ended 31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
LOSSES USED IN DIAMOND BUSINESS							
Growth rate			Schedule C-5	2.0%	2.0%	2.0%	2.0%
EBITDA (Note 1)	Schedule C-3	$ 3,791,667	Schedule C-2	$ 6,630,000	$ 6,762,600	$ 6,897,852	$ 7,035,809
Less: CCA on capital assets (Note 2)	Schedule C-8	(729,167)	Schedule C-8	(1,275,000)	(1,300,500)	(1,326,510)	(1,353,040)
Less: CEC on intangible assets	Note 3	(358,776)	Note 3	(589,930)	(548,635)	(510,231)	(474,514)
Less: interest and bank charges (Note 4)	Schedule C-6	(311,947)	Schedule C-6	(563,803)	(575,079)	(586,581)	(598,312)
Earnings before taxes		2,391,777		4,201,267	4,338,386	4,474,531	4,609,942
Less earnings to non-controlling interest	12.568%	(300,599)		(528,015)	(545,248)	(562,359)	(579,378)
Pre-tax earnings after non-controlling interest		2,091,179		3,673,252	3,793,138	3,912,172	4,030,565
Tax losses applied to reduce taxable income	Note 5	(2,091,179)		(3,673,252)	(3,793,138)	(2,785,156)	-
Cash tax savings from losses	27.00%	564,618		991,778	1,024,147	751,992	-
Present value factor (mid-year) - Note 6	33.8%	0.9186		0.7295	0.5428	0.4038	0.3005
Present value of cash savings from tax losses		518,647		723,470	555,865	303,683	-

Total present value of tax losses attributable to Diamond business (rounded) $ 2,100,000

	Mid	Low	High
TOTAL PRESENT VALUE OF TAX LOSSES IN FUND STRUCTURE	**$ 4,800,000**	**$ 4,600,000**	**$ 5,000,000**

Notes:

1 - EBITDA is based on the midpoint maintainable EBITDA from Schedule B-3 (RJV) and Schedule C-3 (Diamond) plus an annual growth rate of 2%.

2 - Capital cost allowance on capital assets is based on the annual sustaining capital reinvestment as determined on Schedule B-8 (RJV) and Schedule C-8 (Diamond) plus an annual expected growth rate of 2%.

3 - For RJV, cumulative eligible capital claims on intangible assets are assumed to be nil for all future periods. For Diamond, CEC claims on intangible assets are based on the following calculations:

		7 mos ended 31-Dec-12	Year ended 31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
Opening balance in CEC pool		$ 8,786,349	$ 8,427,573	$ 7,837,643	$ 7,289,008	$ 6,778,778
Less: CEC claim for period	7%	(358,776)	(589,930)	(548,635)	(510,231)	(474,514)
Closing balance in CEC pool		$ 8,427,573	$ 7,837,643	$ 7,289,008	$ 6,778,778	$ 6,304,263

4 - For periods after December 31, 2012, interest and bank charges is based on the forecast for the year ended December 31, 2012 as per Schedule B-6 (RJV) and Schedule C-6 (Diamond) plus an annual expected growth rate of 2%.

5 - Balances in tax loss pools calculated as follows:

	Reference	7 mos ended 31-Dec-12	Year ended 31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
RJV-related tax loss pool						
Opening balance	Schedule A-8	$ 3,519	$ -	$ -	$ -	$ -
Draw-down of losses for current earnings		(3,519)	-	-	-	-
Closing balance		-	-	-	-	-
Diamond-related tax loss pool						
Opening balance	Schedule A-8	2,954,106	862,927	-	-	-
Draw-down of losses for current earnings		(2,091,179)	(862,927)	-	-	-
Closing balance		862,927	-	-	-	-
Fund-level (general) loss pool						
Opening balance	Schedule A-8	26,180,157	23,092,105	14,876,666	5,570,312	-
Draw-down of losses for current earnings (RJV)		(3,088,052)	(5,405,115)	(5,513,217)	(2,785,156)	-
Draw-down of losses for current earnings (Diamond)		-	(2,810,325)	(3,793,138)	(2,785,156)	-
Closing balance		23,092,105	14,876,666	5,570,312	-	-
Total of all loss pools						
Opening balance		29,137,782	23,955,032	14,876,666	5,570,312	-
Draw-down of losses for current earnings		(5,182,749)	(9,078,366)	(9,306,355)	(5,570,312)	-
Closing balance		$ 23,955,032	$ 14,876,666	$ 5,570,312	$ -	$ -

6 - Present value factors based on mid-point of range of equity discount rates as determined on Schedule B-5 (RJV) and Schedule C-5 (Diamond) plus a risk premium of 15% to account for potential restrictions of use on the tax losses.

TerraVest Income Fund **Schedule A-8**
June 1, 2012 Formal Valuation
Summary of Tax Losses in Fund Structure

Legal entity	Tax Loss balances at December 31, 2011: Non-capital losses (Note 1)	Subsection 24(3) losses (Note 2)	Total tax loss carryforwards	Jan - May 2012: Change in Tax Losses to 01-Jun-12 (Note 3)	Tax loss balances at June 1, 2012: Total tax loss carryforwards	Non-controlling interest in tax losses (Note 7)	Tax losses net of non-controlling interest	Impact of Acquisition of Control (Note 8)	Net tax losses available	Business to which losses may be applied against (Note 9)
Fund level losses										
TerraVest Income Fund ("TVIF")	$ 2,332,603	$ -	$ 2,332,603	$ 936,915	$ 3,269,518	$ -	$ 3,269,518	$ -	$ 3,269,518	RJV or Diamond
TerraVest Master Commercial Trust ("TVMCT")	22,910,639		22,910,639	-	22,910,639	-	22,910,639	-	22,910,639	RJV or Diamond
Subtotal - losses at Fund level	25,243,242	-	25,243,242	936,915	26,180,157	-	26,180,157	-	26,180,157	
RJV / TVI losses										
TerraVest Industries Inc. ("TVI")	879,483	11,852,694	12,732,177	(3,909,072)	8,823,105	-	8,823,105	(8,823,105)	-	RJV
TerraVest Industries Limited Partnership ("TVILP")	-	-	-		-	-	-	-	-	RJV
TerraVest Industries General Partner Ltd. ("TVIGP")	3,519	-	3,519		3,519	-	3,519	-	3,519	RJV
Subtotal - losses available for RJV	883,002	11,852,694	12,735,696	(3,909,072)	8,826,624	-	8,826,624	(8,823,105)	3,519	
Diamond losses										
Diamond Energy Services Limited Partnership ("Diamond")	-	-	-		-	-	-	-	-	Diamond
Diamond Energy Services Inc. ("DESI")	4,491,330	-	4,491,330	(1,112,813)	3,378,517	424,612	2,953,905	-	2,953,905	Diamond
Diamond General Partner Ltd. ("DGP")	201	-	201		201	-	201	-	201	Diamond
Subtotal - losses available for Diamond	4,491,531	-	4,491,531	(1,112,813)	3,378,718	424,612	2,954,106	-	2,954,106	
GRAND TOTALS	**$ 30,617,775**	**$ 11,852,694**	**$ 42,470,469**	**$ (4,084,970)**	**$ 38,385,499**	**$ 424,612**	**$ 37,960,887**	**$ (8,823,105)**	**$ 29,137,782**	

Notes:
1 - Agreed to December 31, 2011 tax filings for the subject entities.
2 - Agreed to tax summary analysis prepared by external auditors. Relates to the undeducted cumulative eligible capital (CEC) balance at the time of winding up of the former Beco Industries Limited Partnership ("Beco"). The net operating assets of Beco were sold on December 1, 2011. After sale of the business, Beco was wound up. The remaining CEC balance is deductible by TVI in the tax year following the year of wind-up.
3 - For purposes of the valuation analysis, we have notionally adjusted the available tax losses for earnings/losses generated during the period January 1 - May 31, 2012. Income (loss) for the 5 months ended May 31, 2012 has been estimated by business unit as follows:

	Reference	RJV	Diamond	Head office	Total
Pre-tax earnings (loss) - 5 months ended May 31, 2012	Note 4	$ 3,908,745	$ 1,531,170	$ (936,915)	$ 4,503,000
Add back: depreciation expense on capital assets	Note 4	234,825	789,876	-	1,024,701
Add back: amortization expense on intangibles	Note 4	-	109,693	-	109,693
Less: capital cost allowance on capital assets	Note 5	(234,457)	(1,053,958)	-	(1,288,415)
Less: cumulative eligible capital claim on intangible assets	Note 6	(41)	(263,968)	-	(264,009)
Estimated income (loss) for tax purposes - 5 months ended May 31, 2012		$ 3,909,072	$ 1,112,813	$ (936,915)	$ 4,084,970

4 - As per interim financial statements for the five months ended May 31, 2012 as provided by management.
5 - As per CCA calculations on Schedule B-8 (RJV) and Schedule C-8 (Diamond).
6 - Calculated based on closing CEC balance per December 31, 2011 tax filings.
7 - The tax losses in Diamond Energy Services Inc. have been partially attributed to the non-controlling interest in the Diamond business based on 12.568% non-controlling interest ownership position.
8 - Based on the definition of "fair market value", our valuation analysis requires the assumption of an "acquisition of control" by an arm's length purchaser. Accordingly, we have considered whether any of the losses in the structure may be unavailable to an arm's length buyer as a result of the restrictions stipulated in Canadian tax law. Based on our review, we have determined that the remaining losses attributable to the 24(3) deduction in respect of the wind-up of Beco (per Note 2 above) would be unavailable to an arm's length purchaser. Canadian tax law requires that for losses to be utilized after an acquisition of control, the business that generated such losses must be continued. Because the Beco business has been discontinued, it is assumed that such losses would not be available on a go-forward basis to an arm's length buyer. Our analysis assumes that an arm's length purchaser would continue to operate the RJV and Diamond businesses on a go-forward basis.
9 - Due to the position of the tax losses in the Fund structure, certain of the tax losses are only available to be applied against future taxable income from one of the operating businesses.

Terravest Income Fund **Schedule B-1**

June 1, 2012 Formal Valuation

TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)

Summary of Fair Market Value of Business

Valuation approach	Reference	Fair Market Value Low	Fair Market Value Mid	Fair Market Value High
Income approach				
Capitalized cash flow	Schedule B-2	$ 29,394,101	$ 30,139,766	$ 30,885,431
Market approaches				
Comparable companies and transactions - EV/EBITDA multiple	Schedule B-9	29,407,000	30,857,000	32,307,000
Comparable companies and transactions - EV/Revenue multiple	Schedule B-9	29,607,000	31,407,000	33,207,000
Conclusion - Fair Market Value of Equity Interests		**$ 29,400,000**	**$ 30,150,000**	**$ 30,900,000**
Ownership interest held by TerraVest Income Fund		100%	100%	100%
FMV of Equity Interests Owned by TerraVest Income Fund		**$ 29,400,000**	**$ 30,150,000**	**$ 30,900,000**

TerraVest Income Fund **Schedule B-2**

June 1, 2012 Formal Valuation

TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)

Capitalized Cash Flow Value

			Low (Note 1)	High (Note 1)
Maintainable EBITDA	Schedule B-3		$ 5,800,000	$ 5,800,000
Less: corporate income taxes (Note 2)	Schedule B-8	25.00%	(1,450,000)	(1,450,000)
Pre-debt cash flow before sustaining capital reinvestment			4,350,000	4,350,000
Less: sustaining capital reinvestment, net of tax shield	Schedule B-8		(414,773)	(414,773)
Less: required investment in working capital	Note 3	30.00%	(216,000)	(216,000)
After-tax maintainable cash flow (pre-debt)			3,719,227	3,719,227
Weighted average cost of capital (net of growth)	Schedule B-5		16.3%	15.3%
Capitalized after-tax maintainable cash flow (pre-debt)			22,817,345	24,308,675
Add: Present value of UCC tax shield	Schedule B-8		369,756	369,756
Enterprise value			23,187,101	24,678,431
Deduct / Add:				
Value of redundant assets/(liabilities) - Note 4	Schedule B-4		3,958,585	3,958,585
Net (debt) / cash position	Schedule B-4		2,248,415	2,248,415
			6,207,000	6,207,000
Fair market value of equity interests			**$ 29,394,101**	**$ 30,885,431**
Goodwill Calculation				
Enterprise value	(per above)		$ 23,187,101	$ 24,678,431
Deduct / add: net (debt) cash position	(per above)		2,248,415	2,248,415
Going concern value of net operating assets			25,435,516	26,926,846
Less: net tangible asset value	Schedule B-4		(26,048,988)	(26,048,988)
Goodwill value			$ (613,472)	$ 877,857
Goodwill value as number of years of after-tax cash flow			(0.16)	0.24
Valuation Multiple Analysis				
Enterprise Value / Maintainable EBITDA			4.0X	4.3X
Enterprise Value / TTM EBITDA	Note 5		3.0X	3.2X
Enterprise Value / F2012 Forecast EBITDA	Note 5		4.6X	4.9X

Notes:

1 - The mid-point of the range of maintainable EBITDA from Schedule B-3 was used as proxy for maintainable EBITDA.

2 - It is assumed that a buyer of the business would be structured as a corporation and be subject to taxes accordingly.

3 - Calculated as: expected annual growth in sales multiplied by required annual investment in working capital. Required annual investment in working capital review of historical financial statements and industry comparables. Expected annual growth in sales is based on the midpoint maintainable revenues determined on Schedule B-3 multiplied by the long-run annual growth rate as per Schedule B-5.

4 - Assume no disposal costs and assume all taxes on disposition may be deferred indefinitely through transfers to related corporate entities.

5 - EBITDA for the trailing 12 months ("TTM") May 31, 2012 and year-ended December 31, 2012 as per calculation on Schedule B-3.

TerraVest Income Fund **Schedule B-3**

June 1, 2012 Formal Valuation

TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)

Determination of Maintainable EBITDA and Revenues

	Notes	Year ended 31-Dec-12 (forecast)	Trailing 12 mos 31-May-12	Year ended 31-Dec-11	Year ended 31-Dec-10	Year ended 31-Dec-09	Year ended 31-Dec-08	Year ended 31-Dec-07
REVENUES	Schedule B-6	$ 33,678,611	$ 45,056,016	$ 46,262,526	$ 22,402,167	$ 18,834,894	$ 29,491,270	$ 38,627,982
EARNINGS BEFORE INCOME TAXES	Schedule B-6	$ 5,624,786	$ 8,420,792	$ 8,017,829	$ (907,724)	$ (1,292,069)	$ 5,085,204	$ 11,347,233
Add back (deduct):								
Amortization	Schedule B-6	546,605	724,416	720,287	601,160	514,042	521,275	547,438
Interest expense	Schedule B-6	868	-	1,001	1,409	1,993	-	-
Change in marketable securities	Schedule B-6	(431)	(22,210)	-	17,898	(18,310)	(27,171)	124,404
Normalizations:								
Inventory impairment charge (recovery)	Note 1	(23,063)	(275,400)	(252,437)	(72,758)	2,498,945	-	-
Unusual bad debt (recovery)	Note 2	(300,000)	(400,000)	(100,000)	1,788,474	-	-	-
Head office overhead allocation	Note 3	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Facilities rental adjustment	Note 4	(394,150)	(394,150)	(386,267)	(378,542)	(370,971)	(363,551)	(356,280)
Normalized EBITDA		**$ 5,054,615**	**$ 7,653,448**	**$ 7,600,413**	**$ 649,917**	**$ 933,630**	**$ 4,815,757**	**$ 11,262,795**
Normalized EBITDA as % of Sales		15.0%	17.0%	16.4%	2.9%	5.0%	16.3%	29.2%

Average normalized EBITDA scenarios:

		Normalized EBITDA	Average Revenue
2007-2012	6 years	$ 5,052,854	$ 31,549,575
2007-2012 (excluding high and low years)	4 years	$ 4,601,104	$ 28,606,985
2008, 2011, 2012	3 years	$ 5,823,595	$ 36,477,469
2011-2012	2 years	$ 6,327,514	$ 39,970,569
Trailing 12 months May 31, 2012	1 year	$ 7,653,448	$ 45,056,016
2012 forecast	1 year	$ 5,054,615	$ 33,678,611

Selected maintainable levels

EBITDA		
Low	**Mid**	**High**
$ 5,600,000	**$ 5,800,000**	**$ 6,000,000**

Revenues		
Low	**Mid**	**High**
$ 34,000,000	**$ 36,000,000**	**$ 38,000,000**

Notes:

1 - In 2009, the business recorded an inventory impairment charge of approximately $2.5 million based on a review of slow-moving inventory items. In each of 2010, 2011 and 2012, recoveries were booked as a result of the sale of inventory items previously allowed for in the impairment allowance. The impairment charge and each of the subsequent recoveries were booked through cost of sales. These items are non-cash transactions that are considered to be non-recurring in nature and accordingly, have been eliminated in the calculation of normalized EBITDA.

2 - In 2010, the business recorded bad debt expense of approximately $1.8 million in respect of one customer, which was due to financial solvency issues for this particular customer. In 2011 and 2012, the business has successfully recovered $400,000 on the total amounts owing from this customer. Because the bad debt costs and recoveries relating to this one customer are considered unusual and non-recurring, these amounts have been eliminated in the calculation of normalized EBITDA.

3 - Certain overhead costs are incurred at the Fund level rather than at the operating business level. Such costs include audit and legal fees, directors and officers' insurance, directors' fees and the salary for the Chief Financial Officer. On a normalized basis, the total overhead costs incurred at the Fund level are estimated to be $800,000 per year. For purposes of calculating normalized EBITDA, we have applied 50% of these costs ($400,000) to each of RJV and Diamond.

4 - As noted in Schedule B-4, the land and buildings owned by the business have been treated as redundant assets for purposes of the valuation analysis. As such, we have normalized the historical earnings of the business for notional rents that would need to be paid for the use of the properties. Based on market rent analysis provided in the June 2012 appraisal reports prepared by Suncorp Valuation Ltd., we have derived an annual fair market value rent for 2012 as follows:

		Property: 4905 Bruce Rd	4846 - 50 Ave	5228 - 52 Ave	Total
Appraised fair market value of land and buildings	Schedule B-7	$ 1,560,000	$ 1,490,000	$ 895,000	$ 3,945,000
Estimated real estate capitalization rate	(per appraisal report)	9.5%	10.5%	10.0%	
Estimated market value rent for 2012		$ 148,200	$ 156,450	$ 89,500	**$ 394,150**

For years prior to 2012, we have applied an annual inflation factor equal to 2% per year.

June 1, 2012 Formal Valuation

TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)

Net Tangible Asset Value

	Notes	Net Book Value 31-May-2012	Adjust to FMV	Adjusted Net Asset Value	Redundant Assets/ Liabilities	Net Tangible Asset Value
ASSETS		Schedule B-7				
CURRENT						
Cash	1	$ 2,361,793	$ -	$ 2,361,793	$ -	$ 2,361,793
Accounts receivable	1	9,429,052	-	9,429,052	-	9,429,052
Inventory	1	15,022,178	-	15,022,178	-	15,022,178
Prepaid expenses	1	75,399	-	75,399	-	75,399
Marketable securities	1, 2	13,585	-	13,585	(13,585)	-
		26,902,007	-	26,902,007	(13,585)	26,888,422
PROPERTY, PLANT & EQUIPMENT						
Land and buildings	3	1,088,281	2,856,719	3,945,000	(3,945,000)	-
Equipment and other capital assets	3	2,113,818	-	2,113,818	-	2,113,818
Present value of tax shield lost	4	-	(1,865)	(1,865)	-	(1,865)
		3,202,099	2,854,854	6,056,953	(3,945,000)	2,111,953
		$ 30,104,106	$ 2,854,854	$ 32,958,960	$ (3,958,585)	$ 29,000,375
LIABILITIES						
CURRENT						
Bank indebtedness	1	$ -	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	1	2,838,009	-	2,838,009	-	2,838,009
Current portion of long-term debt	1	-	-	-	-	-
		2,838,009	-	2,838,009	-	2,838,009
LONG TERM DEBT	1	113,378		113,378	-	113,378
		2,951,387	-	2,951,387	-	2,951,387
EQUITY		27,152,719	2,854,854	30,007,573	(3,958,585)	**26,048,988**
		$ 30,104,106	$ 2,854,854	$ 32,958,960	$ (3,958,585)	$ 29,000,375
Current ratio including current portion of LTD		9.5		9.5		9.5
Total debt to shareholder's equity		0.1		0.1		0.1
Total interest-bearing debt (net of cash)		$ (2,248,415)		$ (2,248,415)		$ (2,248,415)
Net redundant assets / (liabilities)						$ 3,958,585

Notes:

1 - Net book value assumed equal to fair market value as per discussions with management.

2 - Marketable securities have been treated as a redundant asset as these investments are not required for the day to day operations of the business.

3 - Fair market value of property, plant and equipment based on summary presented on Schedule B-7. Although the land and buildings are used in the business, these assets have been treated as redundant on the basis that a vendor would maximize shareholder returns by extracting these assets from the business prior to sale. As a result of this treatment, we have normalized historical earnings (see Schedule B-3) for a notional rent expense for the use of the real estate properties.

4 - The present value of the tax shield lost represents the tax shield that is foregone by a purchaser of shares/units as opposed to a purchaser of assets. The related calculation is presented on Schedule B-8.

June 1, 2012 Formal Valuation

TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)

Weighted Average Cost of Capital (WACC)

	Reference	Low	High
COST OF EQUITY ("Modified" CAPM)			
Risk-free rate (Rf)	Note 1	2.26%	2.26%
Beta (B)	Note 2	1.08	1.08
Equity risk premium (RPm)	Note 3	4.00%	4.00%
Small company size premium (RPs)	Note 4	9.81%	9.81%
Specific company premium (RPu)	Note 5	5.00%	6.00%
Cost of equity - Discount rate = Rf + B(RPm - Rf) + RPs + RPu		**18.94%**	**19.94%**
COST OF DEBT			
Prime rate as at June 1, 2012		3.00%	3.00%
Add: risk premium	Note 6	1.00%	1.50%
Pre-tax cost of debt		4.00%	4.50%
Tax rate	Schedule B-8	25.00%	25.00%
After-tax cost of debt		**3.00%**	**3.38%**
WEIGHTED AVERAGE COST OF CAPITAL			
Appropriate proportion of equity in capital structure	Note 7	90.00%	90.00%
Equity discount rate	(per above)	18.94%	19.94%
Weighted cost of equity		17.05%	17.95%
Appropriate proportion of debt in capital structure	Note 7	10.00%	10.00%
After-tax cost of debt	(per above)	3.00%	3.38%
Weighted cost of debt		0.30%	0.34%
Weighted average cost of capital (WACC)		17.35%	18.28%
WACC - rounded		17.30%	18.30%
Less: long-run growth rate		2.00%	2.00%
WACC capitalization rate		**15.30%**	**16.30%**

Notes:

1 - Source: Bank of Canada, long-term Government of Canada bonds, average yield 10+ years as at May 29, 2012.

2 - Beta is based on a review of comparable company betas as follows (Source: Google Finance):

Company	60 month Beta June 2012	Notes
Foremost Income Fund	n/a	Stock delisted - Dec 2010
McCoy Corporation	1.20	
Enerflex Ltd.	n/a	Data not available
Toromont Industries Ltd.	0.77	Former parent of Enerflex
Flint Energy Services Ltd.	1.67	Sold to URS May 2012
ShawCor Ltd.	0.66	
Average	**1.08**	

3 - Source: "Credit Suisse Global Investment Returns Yearbook 2012", Credit Suisse. Represents the geometic average premium return provided by equity securities relative to risk-free government bonds and treasury bills in Canada for the period 1900-2011.

4 - Source: "SBBI Valuation Edition 2012 Yearbook", Morningstar Inc. Represents size premium for firms with a market capitalization US$1.0 million to US$128.7 million.

5 - Based on consideration of company-specific risks.

6 - Based on review of the business risk profile and the current lending facilities already in place.

7 - Based on review of comparable company capital structures (see Schedule B-10 and B-12).

TerraVest Income Fund **Schedule B-6**

June 1, 2012 Formal Valuation

TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)

Historical Income Statements

	Year ended 31-Dec-12 (forecast) (Note 4)	7 mos ended 31-Dec-12 (forecast) (Note 4)	12 mos ended 31-May-12 (unaudited) (Note 3)	5 mos ended 31-May-12 (unaudited) (Note 2)	5 mos ended 31-May-11 (unaudited) (Note 2)	Year ended 31-Dec-11 (unaudited) (Note 1)	Year ended 31-Dec-10 (unaudited) (Note 1)	Year ended 31-Dec-09 (unaudited) (Note 1)	Year ended 31-Dec-08 (unaudited) (Note 1)	Year ended 31-Dec-07 (unaudited) (Note 1)
REVENUE	$ 33,678,611	$ 15,671,425	$ 45,056,016	$ 18,007,186	$ 19,213,696	$ 46,262,526	$ 22,402,167	$ 18,834,894	$ 29,491,270	$ 38,627,982
COST OF SALES	26,207,791	12,858,400	34,317,279	13,349,391	14,454,935	35,422,823	19,549,591	18,257,986	21,928,928	25,442,251
GROSS PROFIT	7,470,820	2,813,025	10,738,737	4,657,795	4,758,761	10,839,703	2,852,576	576,908	7,562,342	13,185,731
	22.2%	18.0%	23.8%	25.9%	24.8%	23.4%	12.7%	3.1%	25.6%	34.1%
SELLING & ADMINISTRATIVE EXPENSES	1,293,904	785,108	1,615,507	508,796	999,128	2,105,839	3,139,833	1,378,998	1,993,695	1,178,348
INCOME (LOSS) BEFORE UNDERNOTED	6,176,916	2,027,917	9,123,230	4,148,999	3,759,633	8,733,864	(287,257)	(802,090)	5,568,647	12,007,383
OTHER EXPENSES (INCOME)										
Interest expense	868	96	-	772	292	1,001	1,409	1,993	-	-
Change in marketable securities	(431)	-	(22,210)	(431)	21,779	-	17,898	(18,310)	(27,171)	124,404
Amortization	546,605	311,780	724,416	234,825	230,696	720,287	601,160	514,042	521,275	547,438
(Gain) loss on sale of assets	-	-	-	-	-	-	-	(7,746)	(10,661)	(11,692)
Foreign exchange (gain) loss	5,088	-	232	5,088	(397)	(5,253)	-	-	-	-
	552,130	311,876	702,438	240,254	252,370	716,035	620,467	489,979	483,443	660,150
NET EARNINGS (LOSS)	$ 5,624,786	$ 1,716,041	$ 8,420,792	$ 3,908,745	$ 3,507,263	$ 8,017,829	$ (907,724)	$ (1,292,069)	$ 5,085,204	$ 11,347,233
EBITDA (before normalizations)	$ 6,171,828	$ 2,027,917	$ 9,122,998	$ 4,143,911	$ 3,760,030	$ 8,739,117	$ (287,257)	$ (794,344)	$ 5,579,308	$ 12,019,075

Notes:

1 - Income statement for the year ended December 31, 2011 is based on the consolidated financial statements of TerraVest Industries Limited Partnership ("TVILP"). Income statements for 2007 to 2010 are based on the divisional financial statements of RJV Gas Field Services. Prior to 2011, TVILP included another business, Ezee-On Manufacturing, which was divested in early 2011. For comparability purposes, the RJV divisional financial statements were used for 2007 to 2010 in order to eliminate the impact of the Ezee-On business on the financial results of TVILP.

2 - Income statements for the five month periods ended May 31, 2011 and 2012 are based on the consolidated interim financial statements of TVILP as prepared by management.

3 - Financial results for the 12 months ended May 31, 2012 are based on the annual results for the year ended December 31, 2011 plus the results for the 5 months ended May 31, 2012 minus the results for the 5 months ended May 31, 2011.

4 - Forecast results for the 7 months ended December 31, 2012 as per 2012 budget prepared by management. Forecast results for the year ended December 31, 2012 are based on the actual results for the 5 months ended May 31, 2012 plus the forecast results for the 7 months ended December 31, 2012.

TerraVest Income Fund **Schedule B-7**
June 1, 2012 Formal Valuation
TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)
Historical Balance Sheets

	Notes	As at 31-May-12	As at December 31, 2011	2010	2009	2008	2007
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
ASSETS		(Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
CURRENT							
Cash		$ 2,361,793	$ 1,308,982	$ -	$ -	$ 153,124	$ -
Accounts receivable		9,429,052	11,077,454	9,061,539	6,155,333	9,472,702	9,418,124
Inventory		15,022,178	14,310,634	12,930,279	11,116,631	15,441,760	16,846,810
Prepaid expenses		75,399	47,000	-	-	118,098	110,796
Marketable securities		13,585	13,154	74,131	248,188	43,559	16,388
		26,902,007	26,757,224	22,065,949	17,520,152	25,229,243	26,392,118
PROPERTY, PLANT AND EQUIPMENT	3	3,202,099	3,241,941	3,084,997	3,184,643	3,309,791	3,277,349
		$ 30,104,106	$ 29,999,165	$ 25,150,946	$ 20,704,795	$ 28,539,034	$ 29,669,467
LIABILITIES							
CURRENT							
Bank indebtedness		$ -	$ -	$ 212,932	$ 90,998	$ -	$ 947,231
Accounts payable and accrued liabilities		2,838,009	4,218,839	3,828,143	2,219,137	2,985,562	1,734,828
Current portion of long-term debt		-	32,623	-	-	-	-
		2,838,009	4,251,462	4,041,075	2,310,135	2,985,562	2,682,059
LONG TERM DEBT		113,378	21,839	17,472	39,128	56,562	-
		2,951,387	4,273,301	4,058,547	2,349,263	3,042,124	2,682,059
EQUITY		27,152,719	25,725,864	21,092,399	18,355,532	25,496,910	26,987,408
		$ 30,104,106	$ 29,999,165	$ 25,150,946	$ 20,704,795	$ 28,539,034	$ 29,669,467
Current ratio		9.5	6.3	5.5	7.6	8.5	9.8
Days sales in A/R		76	87	148	119	117	89
Non-cash working capital (NCWC)	4	$ 21,688,620	$ 21,216,249	$ 18,163,675	$ 15,052,827	$ 22,046,998	$ 24,640,902
NCWC as % of annual revenues		64.4%	45.9%	81.1%	79.9%	74.8%	63.8%
Selected % for valuation purposes	5	**30.0%**					

Notes:

1 - Balance sheet as at December 31, 2011 based on the consolidated financial statements of TerraVest Industries Limited Partnership ("TVILP"). Balance sheets for 2007 to 2010 are based on the divisional financial statements of RJV Gas Field Services. Prior to 2011, TVILP included another business, Ezee-On Manufacturing, which was divested in early 2011. For comparability purposes, the RJV divisional financial statements were used for 2007 to 2010 in order to eliminate the impact of the Ezee-On business on the financial position of TVILP.

2 - Balance sheet as at May 31, 2012 based on the consolidated interim financial statements of TVILP as prepared by management.

3 - Capital assets as at May 31, 2012 includes the following:

	Notes	Cost	Accum Dep	NBV	FMV	CCA Class
Land	7	$ 304,000	$ -	$ 304,000	$ 1,255,000	n/a
Buildings	7	1,157,533	373,252	784,281	2,690,000	1, 3
Production equipment	6	2,233,924	1,278,069	955,855	955,855	8
Office equipment	6	408,200	304,668	103,532	103,532	8
Computer equipment	6	541,693	445,546	96,147	96,147	50
Automotive equipment	6	2,959,462	2,239,308	720,154	720,154	10
Leasehold improvements	6	290,854	52,724	238,130	238,130	13
		$ 7,895,666	$ 4,693,567	$ 3,202,099	$ 6,058,818	

4 - Non-cash working capital excludes cash/bank indebtedness, marketable securities and current portion of long-term debt.

5 - Selected NCWC % of annual revenues based on consideration of the Company's historical financial statements and the industry and comparable company data presented on Schedules B-10 and B-12.

6 - Fair market value assumed equal to net book value as per discussions with management.

7 - Fair market value of land and buildings based on appraisal report dated June 13, 2012 as prepared by Suncorp Valuation Ltd. summarized as follows:

Property Address	Land FMV	Building FMV	Total FMV
4905 Bruce Road, Vegreville, AB	$ 609,000	$ 951,000	$ 1,560,000
4846 - 50 Ave, Vegreville, AB	440,000	1,050,000	1,490,000
5228 - 52 Ave, Vegreville, AB	206,000	689,000	895,000
	$ 1,255,000	**$ 2,690,000**	**$ 3,945,000**

TerraVest Income Fund **Schedule B-8**
June 1, 2012 Formal Valuation
TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)
Summary of Tax Pools and Required Capital Reinvestment

Assumptions

		2012	2013	2014	2015
		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Future estimated tax rate (average of next four years)	25.00%	**25.00%**	**25.00%**	**25.00%**	**25.00%**
Rate of Return	10.00%				
SCR CCA Rate	25.00%				

Sustaining Capital Reinvestment, Net of Tax Shield

Estimated Sustaining Capital Reinvestment (Note 2)	$	500,000
Future Tax Shield (with half year rule)		
SCR x Rate of Tax x Rate of Capital Cost Allowance x (1 + (0.5 x Rate of Return) / Rate of Return + Rate of CCA (1+Rate of Return)		85,227
Sustaining Capital Reinvestment net of tax shield	$	414,773

Calculation of Tax Shield Available on UCC

CCA Class	CCA Rate	UCC balance 31-Dec-11	Net capital additions to 31-May-12	Notional CCA claim to 31-May-12	UCC balance 31-May-12	Income tax Rate	Discount Factor	Present Value of Existing Tax Shield
		(Note 3)	(Note 4)	(5 months)				
Class 6	10%	$ 1,330	$ -	$ (55)	$ 1,275	25.00%	10.00%	$ 159
Class 8	20%	824,654	107,329	(73,193)	858,790	25.00%	10.00%	143,132
Class 9	25%	38	-	(4)	34	25.00%	10.00%	6
Class 10	30%	909,746	78,009	(118,594)	869,161	25.00%	10.00%	162,968
Class 10.1	30%	2,731	-	(341)	2,390	25.00%	10.00%	448
Class 13	20%	221,743	-	(18,479)	203,264	25.00%	10.00%	33,877
Class 16	40%	702	-	(117)	585	25.00%	10.00%	117
Class 17	8%	17,433	-	(581)	16,852	25.00%	10.00%	1,872
Class 43	30%	110,405	-	(13,801)	96,604	25.00%	10.00%	18,113
Class 45	45%	43,666	-	(8,187)	35,479	25.00%	10.00%	7,257
Class 50	55%	-	9,642	(1,105)	8,537	25.00%	10.00%	1,806
Subtotal		$ 2,132,448	$ 194,980	$ (234,457)	$ 2,092,971			$ 369,756
Add: Class 1 & 3 buildings (Note 5)		752,876						
		$ 2,885,324						

Calculation of Tax Shield Lost

CCA Class	CCA Rate	UCC balance 31-May-12	Estimated FMV	Excess of FMV over UCC	Income tax Rate	Discount Factor	PV of Tax Shield Lost / (Gained)
			Schedule B-7				
Class 6	10%	$ 1,275	$ -	$ (1,275)	25.00%	10.00%	$ (159)
Class 8	20%	858,790	1,059,387	200,597	25.00%	10.00%	33,433
Class 9	25%	34	-	(34)	25.00%	10.00%	(6)
Class 10	30%	869,161	720,154	(149,007)	25.00%	10.00%	(27,939)
Class 10.1	30%	2,390	-	(2,390)	25.00%	10.00%	(448)
Class 13	20%	203,264	238,130	34,866	25.00%	10.00%	5,811
Class 16	40%	585	-	(585)	25.00%	10.00%	(117)
Class 17	8%	16,852	-	(16,852)	25.00%	10.00%	(1,872)
Class 43	30%	96,604	-	(96,604)	25.00%	10.00%	(18,113)
Class 45	45%	35,479	-	(35,479)	25.00%	10.00%	(7,257)
Class 50	55%	8,537	96,147	87,610	25.00%	10.00%	18,533
		$ 2,092,971	$ 2,113,818	$ 20,847			$ 1,865
Add: FMV of land and buildings (Note 5)			3,945,000				
Total FMV of capital assets			$ 6,058,818				

Notes:

1 - The business operates in Alberta and accordingly, the tax rates used are based on the substantially enacted rates applicable to Alberta-based corporations.

2 - Required annual sustaining capital expenditures based on discussions with management and review of historical capital expenditures.

3 - UCC balances as per Schedule 8 of the December 31, 2011 tax return for TerraVest Industries Limited Partnership.

4 - Net capital additions from January 1 to May 31, 2012 as provided by management.

5 - Tax shield calculations exclude land and buildings as these properties have been treated as redundant assets for purposes of the valuation analysis.

TerraVest Income Fund **Schedule B-9**

June 1, 2012 Formal Valuation

TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)

Market Valuation Approach

	Reference	Low		High	
Range of Comparable Public Company Reporting Multiples					
EV/EBITDA	Schedule B-10		3.25x		6.50x
EV/Sales	Schedule B-10		0.47x		0.67x
Range of Comparable M&A Transaction Multiples					
EV/EBITDA	Schedule B-11		4.33x		8.95x
EV/Sales	Schedule B-11		0.34x		2.25x
A. EV/EBITDA Multiple					
Maintainable EBITDA	Schedule B-3	$	5,800,000	$	5,800,000
Market-sourced selected EV/EBITDA multiple	Note 1		4.00x		4.50x
Enterprise value			23,200,000		26,100,000
Add/(deduct): redundant assets/(liabilities)	Schedule B-4		3,958,585		3,958,585
Less: debt (net of cash)	Schedule B-4		2,248,415		2,248,415
Fair market value of equity interests		**$**	**29,407,000**	**$**	**32,307,000**
B. EV/Revenue Multiple					
Maintainable revenue	Schedule B-3	$	36,000,000	$	36,000,000
Selected EV/Sales multiple	Note 1		0.65x		0.75x
Enterprise value			23,400,000		27,000,000
Add (deduct): redundant assets (liabilities)	Schedule B-4		3,958,585		3,958,585
Less: actual debt outstanding	Schedule B-4		2,248,415		2,248,415
Fair market value of equity interests		**$**	**29,607,000**	**$**	**33,207,000**

Notes:

1 As per review of comparable public companies on Schedule B-10 and comparable M&A transactions on Schedule B-11.

TerraVest Income Fund **Schedule B-10**

June 1, 2012 Formal Valuation

TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)

Review of Comparable Public Companies

(currency in $CDN thousands)

Company	Ticker	01-Jun-11 Market Capitalization (Notes 2 & 3)	Int-bearing Debt (net of cash) (Note 1)	Enterprise Value (EV) (Note 4)	Debt as % of EV	Trailing 12 Months Results ("TTM") Revenues TTM (Note 1)	EBITDA TTM (Note 1)	EBITDA Margin	Current Ratio (Note 1)	Non-cash working capital (Note 1)	NCWC as % of Revenue (Note 5)	EV/TTM EBITDA	EV/TTM Revenue
Foremost Income Fund	N/A (see Note 3)	$ 136,411	$ (8,213)	$ 128,198	-6.4%	$ 273,804	$ 39,490	14.4%	2.58	$ 89,598	32.7%	3.25x	0.47x
McCoy Corporation	MCB (TSX)	98,090	(17,384)	80,706	-21.5%	166,433	21,613	13.0%	2.38	20,185	12.1%	3.73x	0.48x
Enerflex Ltd.	EFX (TSX)	816,075	27,936	844,011	3.3%	1,268,359	129,893	10.2%	1.56	305,785	24.1%	6.50x	0.67x
			Averages		**-8.2%**			**12.5%**	**2.17**		**23.0%**	**4.49x**	**0.54x**
			Medians		**-6.4%**			**13.0%**	**2.38**		**24.1%**	**3.73x**	**0.48x**
			High		**3.3%**			**14.4%**	**2.58**		**32.7%**	**6.50x**	**0.67x**
			Low		**-21.5%**			**10.2%**	**1.56**		**12.1%**	**3.25x**	**0.47x**

Notes:

1 - Financial results reflect the trailing 12 months ended March 31, 2012, which was the last quarterly reporting prior to June 1, 2012. Balance sheet information as at March 31, 2012 *(Source: SEDAR filings)*.

2 - Stock price information obtained from *Stockhouse.com* (except Foremost Income Fund - see Note 3). Number of shares outstanding obtained from March 31, 2012 SEDAR filings.

3 - Foremost Income Fund was delisted from the TSX in December 2010 and accordingly, there is no active public trading market for this entity. However, the units in the Fund may be redeemed at any time on demand by the Unitholder based on an established pricing formula. As at March 31, 2012, the redemption price per unit was set at $7.25 (Source: March 31, 2012 financial statements). This redemption price has been applied to derive the market capitalization.

4 - Calculated as: Market Capitalization + Interest-bearing debt - Cash

5 - "NCWC" refers to non-cash working capital.

TerraVest Income Fund **Schedule B-11**
June 1, 2012 Formal Valuation
TerraVest Industries Limited Partnership (operating as RJV Gas Field Services)
Review of Comparable Merger & Acquisition Transactions

A. M&A Data per Pratt's Stats®
(currency in $US)

		Deal size	Target Financial Information		Transaction Multiples		Other Information		
Sale Date	Target Business Description	(EV)	Sales	EBITDA	EV/Sales	EV/EBITDA	GP%	EBITDA %	NAICS
05/06/2009	Metal Fabrication & Millwright	$985,655	$2,192,464	$170,874	0.45x	5.77x	63.7%	7.8%	332312
22/10/2009	Manufactures Metal Products	$1,322,105	$3,878,356	$198,770	0.34x	6.65x	21.1%	5.1%	332999
27/08/2009	Commercial Metal Fabrication	$900,000	$1,063,990	$130,734	0.85x	6.88x	59.6%	12.3%	332999
14/12/2010	Commercial Machinery Manufacturer	$27,731,000	$71,644,000	$6,403,000	0.39x	4.33x	52.6%	8.9%	333319
01/10/2010	Specialty manufacturer of quick release pins	$19,000,000	$8,433,194	$2,737,411	2.25x	6.94x	52.2%	32.5%	332999

Source: Pratt's Stats®

B. M&A Data per GF Data Resources LLC

		# of deals	Average EBITDA	Average Transaction Multiples	
NAICS	NAICS Description	2003-2012	Margin	EV/Sales	EV/EBITDA
333	Machinery Manufacturing	82	18.10%	1.00x	5.50x
333132	Oil and Gas Field Machinery and Equipment	6	22.40%	1.10x	5.00x
332	Fabricated Metal Product Manufacturing	64	19.80%	1.10x	5.60x
332312	Fabricated Structural Metal Manufacturing	7	18.70%	0.90x	4.80x
33299	All Other Fabricated Metal Product Mfg	17	21.10%	1.10x	5.20x

Source: GF Data Resources LLC

C. M&A Data from Comparable Company Records
(currency in $Cdn thousands)

			Deal size	Target Financial Information		Transaction Multiples		
Sale Date	Target Company	Buyer	(EV)	Sales	EBITDA	EV/Sales	EV/EBITDA	
21-Jun-12	Hyduke Energy Services Inc.	Do All Industries Ltd.	$ 41,495	$ 99,479	$ 6,497	0.42x	6.39x	(not yet closed)
14-May-12	Flint Energy Services Ltd.	URS Corporation	$ 1,475,000	$ 1,861,746	$ 164,837	0.79x	8.95x	
01-Jul-10	Brahma Compression Ltd.	Foremost Income Fund	$ 7,250	$ 10,000	n/a	0.73x		

Source: Company financial statements and news releases

Summary of Transaction Multiples Data From All Sources

	EV/Sales	EV/EBITDA
Average	0.88x	6.00x
Median	0.85x	5.68x
High	2.25x	8.95x
Low	0.34x	4.33x

NAICS Code	NAICS Industry Code Description	# of reporting companies	Total Debt to Equity	Total LTD to Equity	Total STD to Equity	Total ST & LTD to Equity	Current ratio	NCWC as % of sales (Note 2)
333132	Oil and Gas Field Machinery and Equipment Manufacturing	119	1.2	0.36	0.14	0.50	2.1	19.6%
n/a	Comparable public companies (median)	Schedule B-10	n/a	n/a	n/a	(0.06)	2.4	24.1%
	Averages		1.2			0.22	2.2	21.8%

Notes:
1 - As per 2011/2012 RMA Annual Statement Studies.
2 - "NCWC" refers to non-cash working capital.

Terravest Income Fund **Schedule C-1**
June 1, 2012 Formal Valuation
Diamond Energy Services Limited Partnership
Summary of Fair Market Value of Business

		Fair Market Value		
Valuation approach	**Reference**	**Low**	**Mid**	**High**
Income approach				
Capitalized cash flow	Schedule C-2	$ 23,404,588	$ 24,289,429	$ 25,174,270
Market approaches				
Comparable companies and transactions - EV/EBITDA multiple	Schedule C-9	21,762,065	23,387,065	25,012,065
Comparable companies and transactions - EV/Revenue multiple	Schedule C-9	25,112,065	26,587,065	28,062,065
Conclusion - Fair Market Value of Equity Interests		**$ 23,400,000**	**$ 24,300,000**	**$ 25,200,000**
Ownership interest held by TerraVest Income Fund	Note 1	87.432%	87.432%	87.432%
FMV of Equity Interests Owned by TerraVest Income Fund (rounded)		**$ 20,500,000**	**$ 21,200,000**	**$ 22,000,000**

Notes:
1 - As per Diamond Energy Services Limited Partnership Second Amended and Restated Limited Partnership Agreement dated January 1, 2011.

TerraVest Income Fund **Schedule C-2**

June 1, 2012 Formal Valuation

Diamond Energy Services Limited Partnership

Capitalized Cash Flow Value

			Low (Note 1)	High (Note 1)
Maintainable EBITDA	Schedule C-3		$ 6,500,000	$ 6,500,000
Less: corporate income taxes (Note 2)	Schedule C-8	27.00%	(1,755,000)	(1,755,000)
Pre-debt cash flow before sustaining capital reinvestment			4,745,000	4,745,000
Less: sustaining capital reinvestment, net of tax shield	Schedule C-8		(1,008,381)	(1,008,381)
Less: required investment in working capital	Note 3	10.00%	(59,000)	(59,000)
After-tax maintainable cash flow (pre-debt)			3,677,619	3,677,619
Weighted average cost of capital (net of growth)	Schedule C-5		13.3%	12.5%
Capitalized after-tax maintainable cash flow (pre-debt)			27,651,273	29,420,955
Add: Present value of UCC tax shield	Schedule C-8		1,616,250	1,616,250
Enterprise value			29,267,523	31,037,205
Deduct / Add:				
Value of redundant assets/(liabilities) - Note 4	Schedule C-4		4,548,000	4,548,000
Net (debt) / cash position	Schedule C-4		(10,410,935)	(10,410,935)
			(5,862,935)	(5,862,935)
Fair market value of equity interests			**$ 23,404,588**	**$ 25,174,270**
Goodwill Calculation				
Enterprise value	(per above)		$ 29,267,523	$ 31,037,205
Deduct / add: net (debt) cash position	(per above)		(10,410,935)	(10,410,935)
Going concern value of net operating assets			18,856,588	20,626,270
Less: net tangible asset value	Schedule C-4		(19,331,995)	(19,331,995)
Goodwill value			$ (475,407)	$ 1,294,275
Goodwill value as number of years of after-tax cash flow			(0.13)	0.35
Valuation Multiple Analysis				
Enterprise Value / Maintainable EBITDA			4.5X	4.8X
Enterprise Value / TTM EBITDA	Note 5		4.3X	4.5X
Enterprise Value / F2012 Forecast EBITDA	Note 5		4.1X	4.4X

Notes:

1 - The mid-point of the range of maintainable EBITDA from Schedule C-3 was used as proxy for maintainable EBITDA.

2 - It is assumed that a buyer of the business would be structured as a corporation and be subject to taxes accordingly.

3 - Calculated as: expected annual growth in sales multiplied by required annual investment in working capital. Required annual investment in working capital review of historical financial statements and industry comparables. Expected annual growth in sales is based on the midpoint maintainable revenues determined on Schedule C-3 multiplied by the long-run annual growth rate as per Schedule C-5.

4 - Assume all taxes on disposition may be deferred indefinitely through transfers to related corporate entities.

5 - EBITDA for the trailing 12 months ("TTM") May 31, 2012 and year-ended December 31, 2012 as per calculation on Schedule C-3.

TerraVest Income Fund **Schedule C-3**

June 1, 2012 Formal Valuation

Diamond Energy Services Limited Partnership

Determination of Maintainable EBITDA and Revenues

	Notes	Year ended 31-Dec-12 (forecast)	Trailing 12 mos 31-May-12	Year ended 31-Dec-11	Year ended 31-Dec-10	Year ended 31-Dec-09	Year ended 31-Dec-08	Year ended 31-Dec-07
REVENUES	Schedule C-6	$ 31,214,073	$ 31,069,446	$ 27,769,488	$ 24,327,112	$ 19,565,961	$ 26,019,105	$ 23,466,093
EARNINGS BEFORE INCOME TAXES	Schedule C-6	$ 4,864,631	$ 2,996,183	$ 1,405,407	$ 1,755,627	$ 2,192,088	$ 4,918,509	$ (10,186,199)
Add back (deduct):								
Interest and bank charges	Schedule C-6	552,748	636,779	702,110	643,611	278,098	190,359	172,155
Amortization of property, plant and equipment	Schedule C-6	2,119,474	1,724,924	1,830,921	2,098,517	1,905,173	1,860,098	1,903,425
Amortization of intangible assets	Schedule C-6	263,263	263,263	263,263	551,644	691,638	735,513	735,513
Impairment of goodwill	Schedule C-6	-	-	-	-	-	-	12,900,000
Impairment of property, plant and equipment	Schedule C-6	-	1,875,507	1,875,507	-	-	-	-
Normalizations:								
Management fees (Note 1)	Schedule C-6	3,654	3,654	-	-	-	236,136	576,968
Head office overhead allocation	Note 2	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Facilities rental adjustment	Note 3	(274,800)	(274,800)	(269,304)	(263,918)	(258,640)	(253,467)	(248,397)
Normalized EBITDA		**$ 7,128,970**	**$ 6,825,510**	**$ 5,407,904**	**$ 4,385,481**	**$ 4,408,357**	**$ 7,287,148**	**$ 5,453,465**
Normalized EBITDA as % of Sales		22.8%	22.0%	19.5%	18.0%	22.5%	28.0%	23.2%

Average normalized EBITDA scenarios:

		Normalized EBITDA	Average Revenue
2007 - 2012	6 years	$ 5,678,554	$ 25,393,639
2008 - 2012	5 years	$ 5,723,572	$ 20,962,127
2007-2012 (excluding high and low years)	4 years	$ 5,599,674	$ 25,395,450
2008, 2011, 2012	3 years	$ 6,608,007	$ 28,334,222
2011 - 2012	2 years	$ 6,268,437	$ 29,491,781
Trailing 12 months May 31, 2012	1 year	$ 6,825,510	$ 31,069,446
2012 forecast	1 year	$ 7,128,970	$ 31,214,073

Selected maintainable levels

EBITDA		
Low	**Mid**	**High**
$ 6,300,000	**$ 6,500,000**	**$ 6,700,000**

Revenues		
Low	**Mid**	**High**
$ 28,000,000	**$ 29,500,000**	**$ 31,000,000**

Notes:

1 - Management fees paid to affiliated entities are discretionary and do not reflect value for services rendered. Accordingly, these amounts have been added back in the calculation of normalized EBITDA.

2 - Certain overhead costs are incurred at the Fund level rather than at the operating business level. Such costs include audit and legal fees, directors and officers' insurance, directors' fees and the salary for the Chief Financial Officer. On a normalized basis, the total overhead costs incurred at the Fund level are estimated to be $800,000 per year. For purposes of calculating normalized EBITDA, we have applied 50% of these costs ($400,000) to each of RJV and Diamond.

3 - As noted in Schedule C-4, the land and buildings owned by the business have been treated as redundant assets for purposes of the valuation analysis. As such, we have normalized the historical earnings of the business for notional rents that would need to be paid for the use of the properties. Based on market rent analysis provided in the August 2011 appraisal report prepared by Warkentin Appraisal Services Ltd., we have derived an annual fair market value rent for 2012 as follows:

Appraised fair market value of land and buildings	Schedule C-7	$ 2,748,000
Estimated real estate capitalization rate	(consistent with similar markets)	10.0%
Estimated market value rent for 2012		$ 274,800

For years prior to 2012, we have applied an annual inflation factor equal to 2% per year.

TerraVest Income Fund **Schedule C-4**

June 1, 2012 Formal Valuation

Diamond Energy Services Limited Partnership

Net Tangible Asset Value

	Notes	Net Book Value 31-May-2012	Adjust to FMV	Adjusted Net Asset Value	Redundant Assets/ Liabilities	Net Tangible Asset Value
ASSETS		Schedule C-7				
CURRENT						
Cash	1	$ 1,324,408	$ -	$ 1,324,408	$ -	$ 1,324,408
Accounts receivable	1	2,542,253	-	2,542,253	-	2,542,253
Inventory	1	700,350	-	700,350	-	700,350
Prepaid expenses	1	242,824	-	242,824	-	242,824
		4,809,835	-	4,809,835	-	4,809,835
PROPERTY, PLANT & EQUIPMENT						
Land and buildings	2	680,307	2,067,693	2,748,000	(2,748,000)	-
Equipment and other capital assets	2, 7	29,718,360	6,608,321	36,326,681	(3,055,331)	33,271,350
Present value of tax shield lost	3	-	(5,705,568)	(5,705,568)	-	(5,705,568)
		30,398,667	2,970,446	33,369,113	(5,803,331)	27,565,782
FUTURE INCOME TAXES	4	227,695	(227,695)	-		-
INTANGIBLE ASSETS	5	689,045	(689,045)	-		-
GOODWILL	5	2,472,819	(2,472,819)	-		-
		$ 38,598,061	$ (419,113)	$ 38,178,948	$ (5,803,331)	$ 32,375,617
LIABILITIES						
CURRENT						
Bank indebtedness	1	$ -	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	1	1,308,279	-	1,308,279	-	1,308,279
		1,308,279	-	1,308,279	-	1,308,279
LONG TERM DEBT	1	11,735,343	-	11,735,343	-	11,735,343
FUTURE INCOME TAXES	6	4,728,583	(4,728,583)	-	-	-
		17,772,205	(4,728,583)	13,043,622	-	13,043,622
EQUITY		20,825,856	4,309,470	25,135,326	(5,803,331)	**19,331,995**
		$ 38,598,061	$ (419,113)	$ 38,178,948	$ (5,803,331)	$ 32,375,617
Current ratio including current portion of LTD		3.7		3.7		3.7
Total debt to shareholder's equity		0.9		0.5		0.7
Total interest-bearing debt (net of cash)		$ 10,410,935		$ 10,410,935		$ 10,410,935
Redundant assets						$ 5,803,331
Less: liquidation discount on redundant equipment	7					(1,255,331)
Net value of redundant assets						$ 4,548,000

Notes:

1 - Net book value assumed equal to fair market value as per discussions with management.

2 - Fair market value of property, plant and equipment based on summary presented on Schedule C-7. Although the land and buildings are used in the business, these assets have been treated as redundant on the basis that a vendor would maximize shareholder returns by extracting these assets from the business prior to sale. As a result of this treatment, we have normalized historical earnings (see Schedule C-3) for a notional rent expense for the use of the real estate properties.

3 - The present value of the tax shield lost represents the tax shield that is foregone by a purchaser of shares/units as opposed to a purchaser of assets. The related calculation is presented on Schedule C-8

4 - Future income taxes are an intangible that are eliminated for purposes of calculating net tangible asset value. The recorded future tax assets relate to tax loss carry forward balances available for future use. The fair market value of these tax losses has been determined on Schedule A-6.

5 - The recorded book value of goodwill and intangible assetss has been eliminated for purposes of calculating net tangible asset value.

6 - Future income taxes are an intangible that are eliminated for purposes of calculating net tangible asset value. The recorded future tax liabilities relate to differences between the accounting net book value and tax cost base of capital assets. This amount has been replaced by the present value of lost tax shield as described in Note 3 above.

7 - Management has identified three service rigs and two coiled tubing units as being redundant to the operations of the business. This assessment was based on the lack of current and future expected utilization of these units. For those units identified as redundant, we have notionally removed the fair market values associated with these assets for purposes of calculating net tangible asset value. Further, because the appraised fair market values represent "values in use", management has provided estimated liquidation values for those units identified as redundant. The difference between the appraised FMV and the estimated liquidation value has been treated as a liquidation discount for purposes of the valuation analysis.

TerraVest Income Fund **Schedule C-5**
June 1, 2012 Formal Valuation
Diamond Energy Services Limited Partnership
Weighted Average Cost of Capital (WACC)

	Reference	Low	High
COST OF EQUITY ("Modified" CAPM)			
Risk-free rate (Rf)	Note 1	2.26%	2.26%
Beta (B)	Note 2	1.28	1.28
Equity risk premium (RPm)	Note 3	4.00%	4.00%
Small company size premium (RPs)	Note 4	9.81%	9.81%
Specific company premium (RPu)	Note 5	4.00%	5.00%
Cost of equity - Discount rate = Rf + B(RPm - Rf) + RPs + RPu		**18.30%**	**19.30%**
COST OF DEBT			
Prime rate as at June 1, 2012		3.00%	3.00%
Add: risk premium	Note 6	1.00%	1.50%
Pre-tax cost of debt		4.00%	4.50%
Tax rate	Schedule C-8	27.00%	27.00%
After-tax cost of debt		**2.92%**	**3.29%**
WEIGHTED AVERAGE COST OF CAPITAL			
Appropriate proportion of equity in capital structure	Note 7	75.00%	75.00%
Equity discount rate	(per above)	18.30%	19.30%
Weighted cost of equity		13.72%	14.47%
Appropriate proportion of debt in capital structure	Note 7	25.00%	25.00%
After-tax cost of debt	(per above)	2.92%	3.29%
Weighted cost of debt		0.73%	0.82%
Weighted average cost of capital (WACC)		14.45%	15.29%
WACC - rounded		14.50%	15.30%
Less: long-run growth rate		2.00%	2.00%
WACC capitalization rate		**12.50%**	**13.30%**

Notes:

1 - Source: Bank of Canada, long-term Government of Canada bonds, average yield 10+ years as at May 29, 2012.

2 - Beta is based on a review of comparable company betas as follows (Source: Google Finance):

Company	60 month Beta June 2012
Savanna Energy Services Corp.	1.17
Western Energy Services Corp.	0.83
Bonnett's Energy Corp.	1.65
Ensign Energy Services Inc.	0.97
Precision Drilling Corporation	1.83
CWC Well Services Corp.	1.28
IROC Energy Services Corp.	1.05
Essential Energy Services Ltd.	1.24
Trican Well Service Ltd.	1.37
Calfrac Well Services Ltd.	1.38
Average	**1.28**

3 - Source: "Credit Suisse Global Investment Returns Yearbook 2012", Credit Suisse. Represents the geometic average premium return provided by equity securities relative to risk-free government bonds and treasury bills in Canada for the period 1900-2011.

4 - Source: "SBBI Valuation Edition 2012 Yearbook", Morningstar Inc. Represents size premium for firms with a market capitalization US$1.0 million to US$128.7 million.

5 - Based on consideration of company-specific risks.

6 - Based on review of the business risk profile and the current lending facilities already in place.

7 - Based on review of comparable company capital structures (see Schedule C-10 and C-12).

TerraVest Income Fund **Schedule C-6**

June 1, 2012 Formal Valuation

Diamond Energy Services Limited Partnership

Historical Income Statements

	Year ended 31-Dec-12 (forecast) (Note 4)	**7 mos ended 31-Dec-12** (forecast) (Note 4)	**12 mos ended 31-May-12** (unaudited) (Note 3)	**5 mos ended 31-May-12** (unaudited) (Note 2)	**5 mos ended 31-May-11** (unaudited) (Note 2)	**Year ended 31-Dec-11** (unaudited) (Note 1)	**Year ended 31-Dec-10** (unaudited) (Note 1)	**Year ended 31-Dec-09** (unaudited) (Note 1)	**Year ended 31-Dec-08** (unaudited) (Note 1)	**Year ended 31-Dec-07** (unaudited) (Note 1)
REVENUE	$ 31,214,073	$ 18,980,763	$ 31,069,446	$ 12,233,310	$ 8,933,352	$ 27,769,488	$ 24,327,112	$ 19,565,961	$ 26,019,105	$ 23,466,093
COST OF SALES	20,094,304	11,945,360	20,171,509	8,148,944	6,271,241	18,293,806	16,200,824	11,839,758	15,443,492	14,672,642
GROSS PROFIT	11,119,769	7,035,403	10,897,937	4,084,366	2,662,111	9,475,682	8,126,288	7,726,203	10,575,613	8,793,451
	35.6%	37.1%	35.1%	33.4%	29.8%	34.1%	33.4%	39.5%	40.6%	37.5%
GENERAL & ADMINISTRATIVE EXPENSES	3,329,438	1,906,827	3,415,479	1,422,611	1,405,648	3,398,516	3,061,371	2,691,097	2,634,998	2,691,589
EARNINGS BEFORE THE UNDERNOTED	7,790,331	5,128,576	7,482,458	2,661,755	1,256,463	6,077,166	5,064,917	5,035,106	7,940,615	6,101,862
OTHER EXPENSES (INCOME)										
Interest and bank charges	552,748	311,947	636,779	240,801	306,132	702,110	643,611	278,098	190,359	172,155
Management fees	3,654	-	3,654	3,654	-	-	-	-	236,136	576,968
Exchange (gain) loss	(13,439)	-	(40,482)	(13,439)	4,371	(22,672)	5,614	-	-	-
(Gain) loss on sale of assets	-	-	22,630	-	-	22,630	9,904	(31,891)	-	
Amortization of property, plant and equipment	2,119,474	1,329,598	1,724,924	789,876	895,873	1,830,921	2,098,517	1,905,173	1,860,098	1,903,425
Amortization of intangible assets	263,263	153,570	263,263	109,693	109,693	263,263	551,644	691,638	735,513	735,513
Impairment of goodwill	-	-	-	-	-	-	-	-	-	12,900,000
Impairment of property, plant and equipment	-	-	1,875,507	-	-	1,875,507	-	-	-	-
	2,925,700	1,795,115	4,486,275	1,130,585	1,316,069	4,671,759	3,309,290	2,843,018	3,022,106	16,288,061
EARNINGS BEFORE INCOME TAXES	4,864,631	3,333,461	2,996,183	1,531,170	(59,606)	1,405,407	1,755,627	2,192,088	4,918,509	(10,186,199)
INCOME TAXES (RECOVERY)										
Current	-	-	(134)	-	134	-	-	-	(6,990)	26,566
Future	376,604	178,459	24,180	198,145	144,814	(29,151)	277,279	209,200	173,754	(616,697)
	376,604	178,459	24,046	198,145	144,948	(29,151)	277,279	209,200	166,764	(590,131)
NET EARNINGS	$ 4,488,027	$ 3,155,002	$ 2,972,137	$ 1,333,025	$ (204,554)	$ 1,434,558	$ 1,478,348	$ 1,982,888	$ 4,751,745	$ (9,596,068)
EBITDA (before normalizations)	$ 7,800,116	$ 5,128,576	$ 7,496,656	$ 2,671,540	$ 1,252,092	$ 6,077,208	$ 5,049,399	$ 5,066,997	$ 7,704,479	$ 5,524,894

Notes:

1 - Income statement for the years ended December 31, 2007 to 2011 are based on the externally reviewed consolidated financial statements of Diamond Energy Services Limited Partnership ("Diamond"). The financial statements for the year ended December 31, 2011 (and comparatives for December 31, 2010) were prepared in accordance with IFRS, which resulted in certain changes in financial statement presentation. To allow for better comparability across all years under review, the results for 2010 and 2011 have been presented in the format consistent with prior years.

2 - Income statements for the five month periods ended May 31, 2011 and 2012 are based on the consolidated interim financial statements of Diamond as prepared by management.

3 - Financial results for the 12 months ended May 31, 2012 are based on the annual results for the year ended December 31, 2011 plus the results for the 5 months ended May 31, 2012 minus the results for the 5 months ended May 31, 2011.

4 - Forecast results for the 7 months ended December 31, 2012 as per 2012 budget prepared by management. Forecast results for the year ended December 31, 2012 are based on the actual results for the 5 months ended May 31, 2012 plus the forecast results for the 7 months ended December 31, 2012.

TerraVest Income Fund **Schedule C-7**
June 1, 2012 Formal Valuation
Diamond Energy Services Limited Partnership
Historical Balance Sheets

	Notes	As at 31-May-12 (unaudited) (Note 2)	As at December 31, 2011 (unaudited) (Note 1)	2010 (unaudited) (Note 1)	2009 (unaudited) (Note 1)	2008 (unaudited) (Note 1)	2007 (unaudited) (Note 1)
ASSETS							
CURRENT							
Cash		$ 1,324,408	$ 1,572,089	$ 487,307	$ 387,808	$ 450,206	$ -
Accounts receivable		2,542,253	2,478,312	3,420,139	3,053,762	4,281,442	3,639,647
Inventory		700,350	677,603	622,431	431,646	382,994	343,665
Prepaid expenses		242,824	408,800	529,488	208,785	209,410	423,447
		4,809,835	5,136,804	5,059,365	4,082,001	5,324,052	4,406,759
DUE FROM AFFILIATED COMPANY		-	-	147,008	944,520	83,332	-
PROPERTY, PLANT AND EQUIPMENT	3	30,398,667	30,285,466	32,763,627	33,579,592	27,667,685	27,236,380
FUTURE INCOME TAXES		227,695	160,591	54,891	-	-	995,861
INTANGIBLE ASSETS		689,045	798,739	1,062,001	1,613,643	936,141	1,671,654
GOODWILL		2,472,819	2,474,059	2,474,059	2,474,059	2,153,969	2,153,969
		$ 38,598,061	$ 38,855,659	$ 41,560,951	$ 42,693,815	$ 36,165,179	$ 36,464,623
LIABILITIES							
CURRENT							
Bank indebtedness		$ -	$ -	$ -	$ -	$ -	$ 255,721
Accounts payable and accrued liabilities		1,308,279	1,642,317	1,849,203	1,663,736	2,849,027	1,327,527
Accrued interest		-	50,735	-	-	-	-
Income taxes payable		-	-	-	-	-	45,000
Demand notes payable		-	-	13,802,864	15,302,864	5,366,913	2,567,359
Due to affiliated company		-	-	-	-	-	3,621,150
		1,308,279	1,693,052	15,652,067	16,966,600	8,215,940	7,816,757
LONG TERM DEBT		11,735,343	12,360,343	-	-	-	-
FUTURE INCOME TAXES		4,728,583	4,463,333	4,386,784	4,054,614	3,845,414	4,667,521
		17,772,205	18,516,728	20,038,851	21,021,214	12,061,354	12,484,278
EQUITY		20,825,856	20,338,931	21,522,100	21,672,601	24,103,825	23,980,345
		$ 38,598,061	$ 38,855,659	$ 41,560,951	$ 42,693,815	$ 36,165,179	$ 36,464,623
Current ratio		3.7	3.0	0.3	0.2	0.6	0.6
Days sales in A/R		30	33	51	57	60	57
Non-cash working capital (NCWC)	4	$ 2,177,148	$ 1,871,663	$ 2,722,855	$ 2,030,457	$ 2,024,819	$ 3,034,232
NCWC as % of annual revenues		7.0%	6.7%	11.2%	10.4%	7.8%	12.9%
Selected % for valuation purposes	5		**10.0%**				

Notes:
3 - Capital assets as at May 31, 2012 includes the following:

	Notes	Cost	Accum Dep	NBV	FMV	CCA Class
Land	6	$ 175,699	$ -	$ 175,699	$ 709,710	n/a
Buildings	6	692,826	188,218	504,608	2,038,290	1
Production equipment	7	199,044	127,959	71,085	71,085	8
Office equipment	7	66,986	47,412	19,574	19,574	8
Computer equipment	7	268,279	235,060	33,219	33,219	50
Service rigs	8	36,187,637	9,574,317	26,613,320	32,764,292	10
Coil tubing equipment	8	5,056,615	2,075,453	2,981,162	3,438,511	41
		$ 42,647,086	$ 12,248,419	$ 30,398,667	$ 39,074,681	

4 - Non-cash working capital excludes cash/bank indebtedness, due to affiliated company and demand notes payable.

5 - Selected NCWC % of annual revenues based on consideration of the Company's historical financial statements and the industry and comparable company data presented on Schedules C-10 and C-12.

6 - Fair market value of land and buildings based on appraisal reports dated August 19, 2011 as prepared by Warkentin Appraisal Services. The appraisal reports did not allocate fair market value between land and buildings. For purposes our valuation analysis, we have allocated the total appraised value between land and buildings on the basis of pro-rata net book value as at May 31, 2012.

7 - Fair market value assumed equal to net book value as per discussions with management.

8 - Fair market value of service rigs and coil tubing equipment is based on the December 8, 2010 appraisal prepared by Rykar Industries Ltd. For purposes of our valuation analysis, the values noted in the appraisal report have been adjusted for additions and disposals for the 18 month period between December 8, 2010 and May 31, 2012. In addition, a notional depreciation factor has been applied to the appraised fair market values for the 18 month period to arrive at a revised fair market value for the service rigs and coil tubing equipment.

June 1, 2012 Formal Valuation

Diamond Energy Services Limited Partnership

Summary of Tax Pools and Required Capital Reinvestment

Assumptions

		2012	2013	2014	2015
		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Future estimated tax rate (average of next four years)	27.00%	**27.00%**	**27.00%**	**27.00%**	**27.00%**
Rate of Return	10.00%				
SCR CCA Rate	30.00%				

Sustaining Capital Reinvestment, Net of Tax Shield

Estimated Sustaining Capital Reinvestment (Note 2)	$ 1,250,000
Future Tax Shield (with half year rule)	
SCR x Rate of Tax x Rate of Capital Cost Allowance / Rate of Return + Rate of CCA x (1 + (0.5 x Rate of Return) / (1+Rate of Return)	241,619
Sustaining Capital Reinvestment net of tax shield	$ 1,008,381

Calculation of Tax Shield Available on UCC

CCA Class	CCA Rate	UCC balance 31-Dec-11	Net capital additions to 31-May-12	Notional CCA claim to 31-May-12	UCC balance 31-May-12	Income tax Rate	Discount Factor	Present Value of Existing Tax Shield
		(Note 3)	(Note 4)	(5 months)	(5 months)			
Class 8	20%	$ 135,793	$ 16,903	$ (12,020)	$ 140,676	27.00%	10.00%	$ 25,322
Class 10	30%	5,505,304	763,376	(735,874)	5,532,806	27.00%	10.00%	1,120,393
Class 13	20%	3,224	-	(269)	2,955	27.00%	10.00%	532
Class 16	40%	478,224	-	(79,704)	398,520	27.00%	10.00%	86,080
Class 17	8%	16,930	-	(564)	16,366	27.00%	10.00%	1,964
Class 41	25%	2,067,187	97,795	(220,425)	1,944,557	27.00%	10.00%	375,022
Class 45	45%	4,552	-	(854)	3,698	27.00%	10.00%	817
Class 50	55%	6,037	25,000	(4,248)	26,789	27.00%	10.00%	6,120
Subtotal		$ 8,217,251	$ 903,074	$ (1,053,958)	$ 8,066,367			$ 1,616,250
Add: Class 1 buildings (Note 5)		890,286						
		$ 9,107,537						

Calculation of Tax Shield Lost

CCA Class	CCA Rate	UCC balance 31-May-12	Estimated FMV	Excess of FMV over UCC	Income tax Rate	Discount Factor	PV of Tax Shield Lost / (Gained)
			Schedule C-7				
Class 8	20%	$ 140,676	$ 90,659	$ (50,017)	27.00%	10.00%	$ (9,003)
Class 10	30%	5,532,806	32,764,292	27,231,486	27.00%	10.00%	5,514,376
Class 13	20%	2,955	-	(2,955)	27.00%	10.00%	(532)
Class 16	40%	398,520	-	(398,520)	27.00%	10.00%	(86,080)
Class 17	8%	16,366	-	(16,366)	27.00%	10.00%	(1,964)
Class 41	25%	1,944,557	3,438,511	1,493,954	27.00%	10.00%	288,120
Class 45	45%	3,698	-	(3,698)	27.00%	10.00%	(817)
Class 50	55%	26,789	33,219	6,430	27.00%	10.00%	1,469
		$ 8,066,367	$ 36,326,681	$ 28,260,314			$ 5,705,568
Add: FMV of land and buildings (Note 5)			2,748,000				
Total FMV of capital assets			$ 39,074,681				

Notes:

1 - Diamond operates primarily in Saskatchewan and accordingly, the tax rates used are based on the substantially enacted rates applicable to Saskatchewan-based corporations.

2 - Required annual sustaining capital expenditures based on discussions with management and review of historical capital expenditures.

3 - UCC balances as per Schedule 8 of the December 31, 2011 tax returns for Diamond Energy Services Limited Partnership and Diamond Energy Services Inc.

4 - Net capital additions from January 1 to May 31, 2012 as provided by management.

5 - Tax shield calculations exclude land and buildings as these properties have been treated as redundant assets for purposes of the valuation analysis.

TerraVest Income Fund **Schedule C-9**
June 1, 2012 Formal Valuation
Diamond Energy Services Limited Partnership
Market Valuation Approach

	Reference	Low	High
Range of Comparable Public Company Reporting Multiples			
EV/EBITDA	Schedule C-10	2.65x	5.46x
EV/Sales	Schedule C-10	0.69x	1.72x
Range of Comparable M&A Transaction Multiples			
EV/EBITDA	Schedule C-11	2.79x	7.60x
EV/Sales	Schedule C-11	0.35x	2.05x
A. EV/EBITDA Multiple			
Maintainable EBITDA	Schedule C-3	$ 6,500,000	$ 6,500,000
Market-sourced selected EV/EBITDA multiple	Note 1	4.25x	4.75x
Enterprise value		27,625,000	30,875,000
Add/(deduct): redundant assets/(liabilities)	Schedule C-4	4,548,000	4,548,000
Less: debt (net of cash)	Schedule C-4	(10,410,935)	(10,410,935)
Fair market value of equity interests		**$ 21,762,065**	**$ 25,012,065**
B. EV/Revenue Multiple			
Maintainable revenue	Schedule C-3	$ 29,500,000	$ 29,500,000
Selected EV/Sales multiple	Note 1	1.05x	1.15x
Enterprise value		30,975,000	33,925,000
Add (deduct): redundant assets (liabilities)	Schedule C-4	4,548,000	4,548,000
Less: debt (net of cash)	Schedule C-4	(10,410,935)	(10,410,935)
Fair market value of equity interests		**$ 25,112,065**	**$ 28,062,065**

Notes:
1 As per review of comparable M&A transactions on Schedule 10 and comparable public companies on Schedule 11.

TerraVest Income Fund **Schedule C-10**
June 1, 2012 Formal Valuation
Diamond Energy Services Limited Partnership
Review of Comparable Public Companies
(currency in $CDN thousands)

Company	Ticker	01-Jun-11 Market Capitalization (Note 2)	Int-bearing Debt (net of cash) (Note 1)	Implied Enterprise Value (Note 3)	Debt as % of EV	Trailing 12 Months ("TTM") Results: Revenues TTM (Note 1)	EBITDA TTM (Note 1)	EBITDA Margin	Current Ratio (Note 1)	Non-cash working capital (Note 1)	NCWC as % of Revenue (Note 4)	EV/TTM EBITDA	EV/TTM Revenue
Savanna Energy Services Corp.	SVY (TSX)	$ 649,072	$ 202,191	$ 851,263	23.8%	$ 668,046	$ 164,831	24.7%	2.61	$ 120,746	18.1%	5.16x	1.27x
Western Energy Services Corp.	WRG (TSX)	421,440	133,667	555,107	24.1%	323,313	121,246	37.5%	3.28	64,022	19.8%	4.58x	1.72x
Bonnett's Energy Corp.	BT (TSX)	57,684	14,270	71,954	19.8%	104,711	27,164	25.9%	1.90	21,706	20.7%	2.65x	0.69x
Ensign Energy Services Inc.	ESI (TSX)	2,053,408	602,750	2,656,158	22.7%	2,065,832	551,604	26.7%	0.96	309,320	15.0%	4.82x	1.29x
Precision Drilling Corporation	PD (TSX)	2,166,101	851,758	3,017,859	28.2%	2,065,743	779,620	37.7%	2.42	217,589	10.5%	3.87x	1.46x
CWC Well Services Corp.	CWC (TSX-V)	127,513	44,726	172,239	26.0%	119,106	31,548	26.5%	1.41	24,055	20.2%	5.46x	1.45x
IROC Energy Services Corp.	ISC (TSX-V)	130,682	11,516	142,198	8.1%	93,790	29,678	31.6%	1.12	7,017	7.5%	4.79x	1.52x
Essential Energy Services Ltd.	ESN (TSX)	289,622	55,478	345,100	16.1%	370,378	89,991	24.3%	1.98	78,699	21.2%	3.83x	0.93x
Trican Well Service Ltd.	TCW (TSX)	1,760,463	344,516	2,104,979	16.4%	2,491,373	637,355	25.6%	2.42	522,462	21.0%	3.30x	0.84x
Calfrac Well Services Ltd.	CFW (TSX)	1,010,092	296,983	1,307,075	22.7%	1,674,091	429,780	25.7%	3.61	285,368	17.0%	3.04x	0.78x
			Averages		**20.8%**			**28.6%**	**2.17**		**17.1%**	**4.15x**	**1.19x**
			Medians		**22.7%**			**26.2%**	**2.20**		**18.9%**	**4.22x**	**1.28x**
			High		**28.2%**			**37.7%**	**3.61**		**21.2%**	**5.46x**	**1.72x**
			Low		**8.1%**			**24.3%**	**0.96**		**7.5%**	**2.65x**	**0.69x**
			Average excluding high and low		**21.4%**			**28.0%**	**2.14**		**17.8%**	**4.17x**	**1.19x**

Notes:
1 - Financial results reflect the trailing 12 months ended March 31, 2012, which was the last quarterly reporting prior to June 1, 2012. Balance sheet information as at March 31, 2012 *(Source: SEDAR filings)*.
2 - Stock price information obtained from *Stockhouse.com*. Number of shares outstanding obtained from March 31, 2012 SEDAR filings.
3 - Calculated as: Market Capitalization + Interest-bearing debt - Cash
4 - "NCWC" refers to non-cash working capital.

June 1, 2012 Formal Valuation

Diamond Energy Services Limited Partnership

Review of Guideline Merger & Acquisition Transactions

A. M&A Data per Pratt's Stats®

(currency in $US)

		Deal size	Target Financial Information			Transaction Multiples		Other Information		
Sale Date	**Target Business Description**	**(EV)**	**Sales**	**Gross profit**	**EBITDA**	**EV/Sales**	**EV/EBITDA**	**GP%**	**EBITDA %**	**NAICS**
30/06/2009	Servicing and Maintenance of Natural Gas Wells	$5,000,000	$3,315,492	$3,315,492	$1,169,102	1.51x	4.28x	100.00%	35.26%	213112
31/07/2009	Industrial and Oilfield Maintenance & Production Svcs	$380,313,000	$613,845,000	$174,246,000	$101,843,000	0.62x	3.73x	28.39%	16.59%	213112
30/11/2009	Drilling Fluid Systems for Oil and Gas	$14,839,000	$42,897,000	$12,308,000	$5,325,000	0.35x	2.79x	28.69%	12.41%	213112
30/11/2009	Provides Directional Drilling Services for Oil and Gas	$13,674,000	$23,849,000	$23,849,000	$2,562,000	0.57x	5.34x	100.00%	10.74%	213112
11/01/2010	Directional & Horizontal Drilling Services for Oil & Gas	$17,604,000	$21,726,000	$21,726,000	$3,620,000	0.81x	4.86x	100.00%	16.66%	213112
23/11/2010	Full Service Oilfield Services Provider	$54,074,635	$67,127,416	$62,213,170	$8,452,478	0.81x	6.40x	92.68%	12.59%	213112

Source: Pratt's Stats®

B. M&A Data per GF Data Resources LLC

			Average	Average Transaction Multiples	
NAICS	**NAICS Description / Year(s)**	**# of deals**	**EBITDA Margin**	**EV/Sales**	**EV/EBITDA**
213112	Support Activities for Oil and Gas Operations (2008 - 2010)	4	18.0%	0.80x	4.90x
213112	Support Activities for Oil and Gas Operations (2011)	4	38.5%	1.70x	4.40x
213112	Support Activities for Oil and Gas Operations (2012)	3	31.9%	1.70x	5.00x

Source: GF Data Resources LLC

C. M&A Data per Mergerstat

(currency in $US millions)

Sale Date	**Target Company / Buyer**	**Deal size (EV)**	**TTM Sales**	**TTM EBITDA**	**EBITDA Margin**	**EV/Sales Multiple**	**EV/EBITDA Multiple**
03/08/2009	Eveready, Inc. / Clean Harbors Inc.	$424.62	$589.90	$89.71	15.2%	0.72x	4.73x
31/05/2011	Technicoil Corp. / Essential Energy Services Ltd.	$169.32	$108.20	$26.07	24.1%	1.56x	6.50x
10/06/2011	Peak Energy Services Ltd. / Clean Harbors Inc.	$222.14	$182.81	$34.61	18.9%	1.22x	6.42x
10/06/2011	Stoneham Drilling Trust / Western Energy Services Corp.	$238.02	$116.20	$31.31	26.9%	2.05x	7.60x
15/06/2011	Trinidad Well Servicing / CWC Well Services Corp.	$38.00	$29.54	$8.83	29.9%	1.29x	4.30x

Source: Factset Mergerstat®

Summary of Transaction Multiples Data From All Sources

	EV/Sales	**EV/EBITDA**
Average	1.12x	5.09x
Median	1.01x	4.88x
High	2.05x	7.60x
Low	0.35x	2.79x

TerraVest Income Fund
June 1, 2012 Formal Valuation
Diamond Energy Services Limited Partnership
Analysis of Industry Financial Structures

Schedule C-12

NAICS Code	NAICS Industry Code Description	# of reporting companies	Total Debt to Equity	Total LTD to Equity	Total STD to Equity	Total ST & LTD to Equity	Current ratio	NCWC as % of sales (Note 2)
213112	Support Activities for Oil and Gas Operations	501	1.6	0.55	0.17	0.72	1.6	10.5%
n/a	Comparable public companies (median)	Schedule C-10	n/a	n/a	n/a	0.29	2.2	18.9%
	Averages		1.6			0.51	1.9	14.7%

Notes:
1 - As per 2011/2012 RMA Annual Statement Studies.
2 - "NCWC" refers to non-cash working capital.

The Letter of Transmittal or the Notice of Guaranteed Delivery, certificates for Units and any other required documents must be sent or delivered by each depositing Unitholder or the depositing Unitholder's broker, commercial bank, trust company or other nominee to the Depositary at one of its addresses specified below.

CANADIAN STOCK TRANSFER COMPANY,
DEPOSITARY FOR THIS OFFER:

By Mail

P.O. Box 1036
Adelaide Street Postal Station
Toronto, ON M5C 2K4

Attention: Corporate Restructures

By Hand, Registered Mail or by Courier

320 Bay Street
Basement Level (B1)
Toronto, ON M5H 4A6

Attention: Corporate Restructures

Telephone: (416) 682-3860
Toll Free: 1-800-387-0825
E-Mail: inquiries@canstockta.com

Any questions and requests for assistance may be directed by shareholders to the Depositary at its telephone numbers and locations set out above.

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Any questions or requests for assistance may be directed to the Depositary at the addresses and telephone number specified above. Unitholders also may contact their broker, commercial bank or trust company for assistance concerning the Offer. Additional copies of the Offer, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Depositary. Manually executed photocopies of the Letter of Transmittal or the Notice of Guaranteed Delivery will be accepted.