



# Unlocking Value DAY.UN

## DAYLIGHT RESOURCES TRUST REPORTS FIRST QUARTER 2007 FINANCIAL AND OPERATING RESULTS

### MESSAGE TO UNITHOLDERS

Daylight Resources Trust is pleased to report financial and operating results for the three months ended March 31, 2007.

### HIGHLIGHTS

<b>Financial</b>	Q1	Q4	Q1
(CDN\$ thousands, except unit, per unit and operational data)	2007	2006	2006
Petroleum and natural gas revenues	\$ 91,982	\$ 92,715	\$ 66,187
Operating netback	52,004	52,202	37,575
Cash flow	42,833	43,274	33,025
Per unit – Basic	0.57	0.59	0.80
Per unit – Diluted	0.57	0.59	0.77
Capital expenditures	20,677	49,761	35,378
Units outstanding (000s)			
Basic	76,542	74,322	41,861
Diluted	77,597	75,309	44,110

### Operational

Average daily production			
Natural gas (mcf/d)	78,556	80,991	56,012
Light oil (bbls/d)	4,310	4,455	2,575
Heavy oil (bbls/d)	2,504	2,796	2,701
NGLs (bbls/d)	1,449	1,449	677
Oil & NGLs (bbls/d)	8,263	8,700	5,953
Combined (boe/d)	21,356	22,199	15,288
Average prices received			
Natural gas (\$/mcf)	\$ 7.31	\$ 6.75	\$ 7.77
Light oil (\$/bbl)	61.34	60.07	65.55
Heavy oil (\$/bbl)	42.50	39.59	34.29
NGLs (\$/bbl)	54.31	49.53	60.50
Oil & NGLs (\$/bbl)	\$ 54.40	\$ 51.73	\$ 50.79
Combined (\$/boe)	\$ 47.86	\$ 45.40	\$ 48.10
Petroleum and natural gas revenues (\$/boe)	\$ 47.86	\$ 45.40	\$ 48.10
Royalties (\$/boe)	(8.43)	(8.53)	(9.05)
Realized gain on commodity derivatives (\$/boe)	0.01	0.04	-
Operating expenses (\$/boe)	(11.43)	(10.44)	(10.79)
Transportation (\$/boe)	(0.95)	(0.92)	(0.95)
Operating netback (\$/boe)	\$ 27.06	\$ 25.56	\$ 27.31
G&A – cash charge (\$/boe)	(2.00)	(2.12)	(1.89)
Cash financial charges (\$/boe)	(2.75)	(2.21)	(1.23)
Cash taxes (\$/boe)	(0.02)	(0.04)	(0.19)
Cash flow (\$/boe)	\$ 22.29	\$ 21.19	\$ 24.00

Per boe amounts may not add exactly due to rounding

### **CAPITAL EXPENDITURES – WEIGHTED TO SECOND HALF OF 2007 WITH AN IMPROVING SERVICE COST STRUCTURE OUTLOOK**

- By design, Daylight has weighted its capital expenditure program to the last half of 2007 to obtain the anticipated benefit of reduced drilling and other service costs.
- During Q1 2007 capital expenditures were \$20.7 million of our annual \$90 million capital program and with spring break up limiting sector activity during Q2 2007 we expect to preserve over \$55 million of our annual capital program for application to the last half of 2007 when we anticipate the cost of drilling and other services will be more favorable.
- Production additions planned to be weighted to the last half of the year at improved operating metrics.
- The Trust drilled a total of 11 gross (6.0 net) wells with 100% success rate
  - West Central - 4 gross (2.0 net) natural gas wells and 2 gross (0.7 net) oil wells
  - East - 3 gross (3.0 net) heavy oil wells
  - South - 2 gross (0.3 net) gas wells

### **DAYLIGHT RESOURCES TRUST – HIGHLIGHTS**

- **Production** - Q1 2007 production averaged 21,356 boe per day
- **Cash Flow** - Q1 2007 cash flow was \$42.8 million, \$0.57 per unit and \$22.29 per boe
- **Capital Expenditures** - Q1 2007 capital expenditures of \$20.7 million preserve \$69.3 million of the \$90 million capital budget for application to the remainder of the year.

### **OUTLOOK**

Daylight Resources Trust's 2007 capital expenditure budget of \$90 million remains intact and is weighted to the last half of 2007. With this weighting of the capital expenditure program to the last half of 2007 and significant third party outages and downtime experienced during the first half of 2006, Daylight is expecting Q2 2007 production volumes to be comparable to Q1 2007 and that the last half of 2007 is expected to deliver average production of 22,000 to 23,000 boe per day. Daylight plans to fund the 2007 capital program and cash distributions entirely from internally generated cash flow and has suspended the issuance of units under the Premium Distribution Reinvestment and Optional Trust Unit Purchase Plan.

Daylight has initiated the process of completing a subordinated debt issuance to fully repay our existing \$70 million bridge facility and provide debt facility liquidity of at least \$100 million. Daylight's bridge facility has an extended maturity date of August 31, 2007 and the subordinated debt financing is anticipated to close in advance of this date. Daylight continues to pursue accretive acquisitions that are becoming available in the current marketplace at increasingly attractive metrics. Daylight is focused on providing distributions and creating Unitholder value through investment in our diversified asset portfolio and large undeveloped land base.

Signed:

*"Anthony Lambert"*

Anthony Lambert  
President & CEO

May 8, 2007

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") is dated May 8, 2007 and should be read in conjunction with the accompanying unaudited interim consolidated financial statements and notes for the three months ended March 31, 2007 and 2006 as well as the MD&A and audited consolidated financial statements and notes for the years ended December 31, 2006 and 2005. The consolidated financial statements and other financial data presented have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The following MD&A compares the results of the three months ended March 31, 2007 ("Q1 2007") to the three months ended March 31, 2006 ("Q1 2006") and to the three months ended December 31, 2006 ("Q4 2006").

Daylight Resources Trust ("Daylight" or the "Trust") uses the term cash flow to evaluate operating performance and leverage. Cash flow and cash flow per unit as presented and as used in the MD&A does not have any standardized prescribed meaning under GAAP and therefore it may not be comparable with the calculation of similar measures of other entities. Cash flow does not represent operating profit for the period nor should it be viewed as an alternative to operating profit, net earnings or other measures of financial performance calculated in accordance with GAAP. All references to cash flow throughout the MD&A are based on cash provided by operating activities before changes in non-cash operating working capital, asset retirement expenditures and Plan of Arrangement costs. Daylight uses the term payout ratio (defined on a percentage basis as distributions declared divided by cash flow) to evaluate operating performance and financial flexibility. Payout ratio as used in the MD&A does not have any standardized meaning under GAAP and therefore it may not be comparable with the calculation of similar measures of other entities. Daylight also uses the term operating netback (defined as petroleum and natural gas revenues less royalties, realized gain (loss) on commodity derivatives, operating and transportation expenses) to analyze operating performance. Operating netback as used in the MD&A does not have any standardized meaning under GAAP and therefore it may not be comparable with the calculation of similar measures of other entities.

All references are to Canadian dollars unless otherwise indicated. Where reserves or production are stated on a barrel of oil equivalent ("boe") basis, natural gas volumes have been converted to a boe at a ratio of 6,000 cubic feet of natural gas to one barrel of oil. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe's may be misleading, particularly if used in isolation.

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

*In particular, this Management Discussion and Analysis, and the documents incorporated by reference, contain forward-looking statements pertaining to the following:*

## DAYLIGHT RESOURCES TRUST

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- *the performance characteristics of our oil and natural gas properties;*
- *oil and natural gas production levels;*
- *the size of the oil and natural gas reserves;*
- *projections of market prices and costs;*
- *supply and demand for oil and natural gas;*
- *expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;*
- *treatment under governmental regulatory regimes and tax laws; and*
- *capital expenditures programs.*

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

- *volatility in market prices for oil and natural gas;*
- *market value of the securities of Daylight;*
- *liabilities inherent in oil and natural gas operations;*
- *uncertainties associated with estimating oil and natural gas reserves;*
- *competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;*
- *incorrect assessments of the value of acquisitions;*
- *geological, technical, drilling and processing problems;*
- *changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry and income trusts; and*
- *the other factors discussed under "Risks and Uncertainties" in the annual Management Discussion and Analysis.*

*Statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this Management Discussion and Analysis and the documents incorporated by reference herein are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements.*

# DAYLIGHT RESOURCES TRUST

## HIGHLIGHTS

<b>Financial</b>	<b>Q1</b>	<b>Q4</b>	<b>Q1</b>
(CDN\$ thousands, except unit, per unit and operational data)	<b>2007</b>	<b>2006</b>	<b>2006</b>
Petroleum and natural gas revenues	\$ 91,982	\$ 92,715	\$ 66,187
Royalties	(16,198)	(17,414)	(12,455)
Realized gain on commodity derivatives	24	91	-
Operating expenses	(21,971)	(21,319)	(14,848)
Transportation	(1,833)	(1,871)	(1,309)
Operating netback	52,004	52,202	37,575
G&A – cash charge	(3,840)	(4,325)	(2,596)
Cash financial charges	(5,292)	(4,519)	(1,699)
Cash taxes	(39)	(84)	(255)
Cash flow (excluding Plan of Arrangement costs)	42,833	43,274	33,025
Per unit – Basic	0.57	0.59	0.80
– Diluted	0.57	0.59	0.77
Net income (loss)	5,301	(283,511)	12,093
Per unit – Basic	0.07	(3.88)	0.29
– Diluted	0.07	(3.88)	0.29
Cash distributions declared	34,114	43,008	26,407
Per unit	0.45	0.59	0.63
Payout ratio	80%	99%	80%
Capital expenditures	20,677	49,761	35,378
Wells drilled – gross (net)	11 (6.0)	9 (1.8)	21 (15.6)
Market value of investments	16,673	22,860	-
Bank debt	338,511	349,336	162,190
Working capital deficiency (excluding bank debt)	30,370	15,561	17,048
Total assets	1,083,695	1,114,085	845,746
Units outstanding (000s)			
Basic	76,542	74,322	41,861
Diluted	77,597	75,309	44,110
<b>Operational</b>			
Average daily production			
Natural gas (mcf/d)	78,556	80,991	56,012
Light oil (bbls/d)	4,310	4,455	2,575
Heavy oil (bbls/d)	2,504	2,796	2,701
NGLs (bbls/d)	1,449	1,449	677
Oil & NGLs (bbls/d)	8,263	8,700	5,953
Combined (boe/d)	21,356	22,199	15,288
Average prices received			
Natural gas (\$/mcf)	\$ 7.31	\$ 6.75	\$ 7.77
Light oil (\$/bbl)	61.34	60.07	65.55
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NGLs (\$/bbl)	54.31	49.53	60.50
Oil & NGLs (\$/bbl)	\$ 54.40	\$ 51.73	\$ 50.79
Combined (\$/boe)	\$ 47.86	\$ 45.40	\$ 48.10
Petroleum and natural gas revenues (\$/boe)	\$ 47.86	\$ 45.40	\$ 48.10
Royalties (\$/boe)	(8.43)	(8.53)	(9.05)
Realized gain on commodity derivatives (\$/boe)	0.01	0.04	-
Operating expenses (\$/boe)	(11.43)	(10.44)	(10.79)
Transportation (\$/boe)	(0.95)	(0.92)	(0.95)
Operating netback (\$/boe)	\$ 27.06	\$ 25.56	\$ 27.31
G&A – cash charge (\$/boe)	(2.00)	(2.12)	(1.89)
Cash financial charges (\$/boe)	(2.75)	(2.21)	(1.23)
Cash taxes (\$/boe)	(0.02)	(0.04)	(0.19)
Cash flow (\$/boe) (excluding Plan of Arrangement costs)	\$ 22.29	\$ 21.19	\$ 24.00

Per boe amounts may not add exactly due to rounding

## RESULTS OF OPERATIONS

Daylight is an oil and natural gas energy trust applying a high end technical and business execution team to a high quality asset base to provide sustainable production and reserves levels. Daylight operates in the Western Canadian Sedimentary Basin. Daylight's units and its 8.5% Convertible Debentures trade on the Toronto Stock Exchange ("TSX") with the symbols DAY.UN and DAY.DB, respectively.

### Production

Daylight's total production volumes for Q1 2007 averaged 21,356 boe per day which is a slight decrease of 4% from Q4 2006. Q1 2007 production is comprised of 78,556 mcf per day of natural gas, 4,310 bbls per day of light oil, 2,504 bbls per day of heavy oil and 1,449 bbls per day of natural gas liquids ("NGLs"). Production for Q1 2007 increased 40% over Q1 2006 due to corporate acquisitions and a successful 2006 capital program.

	Q1 2007	Q4 2006	Q1 2006
Natural gas (mcf/d)	78,556	80,991	56,012
Light oil (bbls/d)	4,310	4,455	2,575
Heavy oil (bbls/d)	2,504	2,796	2,701
NGLs (bbls/d)	1,449	1,449	677
Combined oil & NGLs (bbls/d)	8,263	8,700	5,953
Combined all products (boe/d)	21,356	22,199	15,288

2007 production replacement activities will focus on the:

- West Central properties of Pine Creek, Kaybob, Pembina, Sturgeon, Oldman and Windfall
- Peace River Arch properties of Cecil and Elmworth
- Eastern properties of Wildmere, Bon Accord, and Chipman
- Southern properties of Chigwell and Sylvan Lake

### Commodity Prices

Daylight's natural gas prices are influenced by overall North American supply and demand balance, seasonal changes, storage levels and transportation capacity constraints. Daylight's realized natural gas price has a high correlation to the Alberta benchmark price ("AECO") which provides pricing for natural gas based on heating value.

Daylight's oil price is significantly influenced by global supply and demand conditions. Daylight's realized light oil price has a high correlation to the US benchmark West Texas Intermediate at Cushing, Oklahoma ("WTI") price and the Canadian to US dollar exchange rate. Canadian light oil prices correlate to refinery postings that adjust WTI for the Canadian to US dollar exchange rate as well as transportation costs and quality adjustments. Daylight's realized heavy oil price is lower than its light oil price and the historical correlation with WTI is not as strong. Heavy oil requires increased refining and costs, such as condensate for blending, which reduce the realized price of this production. During 2006 and so far in 2007 the WTI price has been very strong which has enhanced the price realized by Daylight on its oil production.

NGLs include condensate, pentane, butane and propane. Prices for NGLs have their own market dynamic with a relatively strong correlation to oil prices for condensate and pentane while butane and propane trade at varying discounts due to market conditions of supply and demand.

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Market Prices	Q1 2007	Q4 2006	Q1 2006
AECO (\$Cdn/mcf)	\$ 7.26	\$ 6.77	\$ 7.34
WTI (\$US/bbl)	58.09	59.96	63.34
Edmonton Par (\$Cdn/bbl)	67.61	64.94	69.27
Bow River (\$Cdn/bbl)	49.73	45.24	40.19
Exchange rate (\$Cdn/\$US)	0.8534	0.8779	0.8662

Daylight prices realized:	Q1 2007	Q4 2006	Q1 2006
Natural gas (\$/mcf)	\$ 7.31	\$ 6.75	\$ 7.77
Light oil (\$/bbl)	61.34	60.07	65.55
Heavy oil (\$/bbl)	42.50	39.59	34.29
NGLs (\$/bbl)	54.31	49.53	60.50
Combined oil & NGLs (\$/bbl)	54.40	51.73	50.79
Combined all products (\$/boe)	\$ 47.86	\$ 45.40	\$ 48.10

Daylight's natural gas price during Q1 2007 was \$7.31/mcf which is a slight premium to AECO for the quarter. During Q1 2007 the range of daily AECO pricing for natural gas ranged from a low of approximately \$6.96/mcf to a high of approximately \$7.85/mcf. Daylight has consistently realized a slight premium to AECO on its natural gas sales as a result of the heating value of the natural gas production and Daylight expects this to continue for 2007. During the month of October 2006 the pricing realized on aggregator contracts was significantly below AECO and eroded Daylight's historical premium to AECO for Q4 2006. During the months of November and December 2006 the realized price on these aggregator contracts correlated to AECO and Daylight's historical premium to AECO was restored. This resulted in an increase of 8% to Daylight's realized price for Q1 2007 over Q4 2006. Daylight's realized price for the three months ended March 31, 2007 was 6% lower than those realized in Q1 2006.

Daylight's realized light oil price generally correlates with the Edmonton par price for the period and is subject to adjustments for quality differentials and transportation costs to market. For Q1 2007, Daylight's light oil realized \$61.34/bbl, 91% of the Edmonton par price, while in Q4 2006 this production realized \$60.07/bbl, 93% of the Edmonton par price. Daylight's light oil price for Q1 2007 was 6% lower than the Q1 2006 of \$65.55/bbl which was 95% of the Edmonton par price.

Daylight's heavy oil production is concentrated at two properties with Wildmere producing approximately 80% of our current volumes and Chipman producing the remaining 20%. Daylight's Q1 2007 realized heavy oil price of \$42.50/bbl, 86% of the Bow River price, is consistent with the Q4 2006 price of \$39.59/bbl, also 86% of the Bow River price, and slightly better than the Q1 2006 price of \$34.29/bbl, 85% of the Bow River price, due to the improved heavy oil differentials experienced during 2006.

Daylight's combined oil and NGLs price during Q1 2007 was \$54.40/bbl, 5% higher than Q4 2006 and 7% higher than Q1 2006.

Daylight's realized prices are expected to continue to correlate with market prices, subject to the impact of our commodity derivatives that are in place, during 2007. Daylight currently has commodity derivatives in place for a portion of natural gas production volumes.

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### Revenue

(000s)	Q1 2007	Q4 2006	Q1 2006
Natural gas	\$ 51,647	\$ 50,291	\$ 39,176
Light oil	23,794	24,619	15,191
Heavy oil	9,578	10,185	8,336
NGLs	7,083	6,603	3,686
Other	(120)	1,017	(202)
<b>Total</b>	<b>\$ 91,982</b>	<b>\$ 92,715</b>	<b>\$ 66,187</b>

Production remained relatively flat on a per boe basis, with a corresponding 1% decrease in revenue for Q1 2007 to \$92.0 million from Q4 2006. Natural gas sales for Q1 2007 were \$51.6 million, an increase of 3% from Q4 2006. Light oil sales for Q1 2007 were \$23.8 million, down 3% from Q4 2006, heavy oil sales for Q1 2007 were \$9.6 million, down 6% from Q4 2006, and NGLs sales for Q1 2007 were \$7.1 million, up 7% from Q4 2006. The increases in prices offset the decreases in production volumes. Total revenue increased 39% Q1 2007 over Q1 2006, consistent with the production volumes increasing 40% and the averaged realized price, on a combined boe basis, remaining flat.

### Royalties

Royalty payments are made to the owners of the mineral rights on our leases which include provincial governments (Crown) and freehold landowners as well as to other third parties by way of contractual overriding royalties.

In Alberta, royalties on natural gas and NGLs are charged by the government based on an established monthly Reference Price. The Reference Price is meant to reflect the average price for natural gas and NGLs in Alberta. Gas cost allowance, custom processing credits and other incentive programs reduce the effective royalty rate.

Overriding royalties are generally paid to third parties where Daylight has entered into agreements to earn an interest in their mineral rights by investing capital in the property.

Oil royalty rates are generally a function of production rates on a per well basis and prices. They are also subject to certain reductions and incentives. Oil crown royalties in Alberta are generally satisfied by delivering the required volume of oil to the Crown.

Royalties by type (000s)	Q1 2007	Q4 2006	Q1 2006
Crown royalties, net of ARTC	\$ 13,003	\$ 14,192	\$ 9,979
Freehold royalties	1,529	1,510	1,282
Overriding royalties	1,666	1,712	1,194
<b>Total</b>	<b>\$ 16,198</b>	<b>\$ 17,414</b>	<b>\$ 12,455</b>
<b>\$ per boe</b>	<b>\$ 8.43</b>	<b>\$ 8.53</b>	<b>\$ 9.05</b>
<b>% of revenue</b>	<b>17.6</b>	<b>18.8</b>	<b>18.8</b>

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Royalties by commodity (000s)	Q1 2007	Q4 2006	Q1 2006
Natural gas	\$ 8,233	\$ 9,937	\$ 8,652
Oil and NGLs	7,965	7,477	3,803
Total	\$ 16,198	\$ 17,414	\$ 12,455
Natural gas (\$/boe)	\$ 6.99	\$ 8.00	\$ 10.30
Oil and NGLs (\$/boe)	10.71	9.34	7.10
Total (\$/boe)	\$ 8.43	\$ 8.53	\$ 9.05
Natural gas (% of revenue)	15.9	19.8	22.1
Oil and NGLs (% of revenue)	19.7	18.1	14.0
Total (% of revenue)	17.6	18.8	18.8

Overall royalty rates decreased from 18.8% of revenue to 17.6% in Q1 2007 over Q4 2006. Natural gas rates decreased from 19.8% of revenue to 15.9% due to additional Gas Cost Allowance credits received in the quarter, while oil and NGLs royalty rates increased from 18.1% of revenue to 19.7%. Rates decreased from 18.8% of revenue to 17.6% from the same period last year. Royalties on a dollar per boe basis decreased 1% from Q4 2006.

### Gain (Loss) on Financial Instruments

Financial instruments comprise accounts receivable, prepaid expenses and deposits, certain investments, accounts payable and accrued liabilities, cash distributions payable and bank debt. Unless otherwise noted, carrying values reflect the current fair value of the Trust's financial instruments. The Trust's investments held for trading include the shares of Pegasus Oil & Gas Inc. ("Pegasus") and Trafalgar Energy Ltd. ("Trafalgar") (see Investment section below). These investments held for trading have a fair value based on quoted market value of \$8.4 million. During the first quarter of 2007 Daylight experienced a \$1.5 million unrealized loss on these investments held for trading.

The Trust's long-term debt bears interest at a floating market rate and accordingly, the fair market value approximates the carrying value. The convertible debentures outstanding at March 31, 2007, with a face value of \$3.6 million, had a fair value based on quoted market value of \$3.7 million.

Prior to the Sequoia acquisition, Daylight did not have any financial derivatives in place. The Trust may enter into financial or commodity derivatives to manage commodity prices, foreign exchange and interest rate risk. The current 12 month forward strip for AECO natural gas is approximately \$8.25 per mcf and WTI oil is approximately US\$67.50 per barrel.

As at March 31, 2007, Daylight had the following commodity derivatives in place:

Type of Contract	Commodity	Hedged Volume <sup>(2)</sup>	Hedge Price	Hedge Period
Financial (Funded Collar <sup>(1)</sup> )	Natural gas	30,000 GJ/d	Cdn\$6.75 - \$8.50/GJ	Apr 1/07 to Oct 31/07
Financial (Funded Collar <sup>(1)</sup> )	Natural gas	5,000 GJ/d	Cdn\$7.00 - \$9.10/GJ	Apr 1/07 to Oct 31/07
Financial (Funded Collar <sup>(1)</sup> )	Natural gas	5,000 GJ/d	Cdn\$7.00 - \$9.21/GJ	Apr 1/07 to Oct 31/07

<sup>(1)</sup> Funded Collar price indicates floor (minimum) and ceiling (maximum). Funded Collar has a premium payable of \$0.10/GJ.

<sup>(2)</sup> A GJ converts to a Mcf at the rate of 1.055056 GJs per Mcf.

Financial or commodity derivatives used to manage risk are subject to periodic settlements throughout the term of the instruments. Such settlements may result in a gain or loss which is recognized as a derivative gain or loss at the time of settlement. The mark-to-market value of a derivative outstanding at the end of a reporting period reflects the value of the derivative based upon market conditions existing as of that date. Any change in value from that determined at the end of the prior period is recognized as an unrealized derivative gain or loss.

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(000s)	Q1 2007	Q4 2006	Q1 2006
Realized gain on commodity derivatives	\$ 24	\$ 91	\$ -
Unrealized gain (loss) on commodity derivatives	(7,784)	5,195	-
Unrealized loss on investments held for trading	(1,501)	-	-
Total	\$ (9,261)	\$ 5,286	\$ -
Realized gain on commodity derivatives (\$/boe)	\$ 0.01	\$ 0.04	\$ -
Unrealized gain (loss) on commodity derivatives (\$/boe)	(4.05)	2.54	-
Unrealized loss on investments held for trading (\$/boe)	(0.78)	-	-
Total (\$/boe)	\$ (4.82)	\$ 2.59	\$ -

For the three month period ending March 31, 2007, Daylight experienced a \$24 thousand realized gain and a \$7.8 million unrealized loss on its commodity derivatives due to the increasing gas prices occurring in Q1 2007. During the first quarter of 2007 Daylight experienced a \$1.5 million unrealized loss on investments held for trading.

### Operating Expenses

Operating expenses include activities in the field required to operate wells and facilities, lift to surface, gather, process, treat and store production.

(000s)	Q1 2007	Q4 2006	Q1 2006
Operating costs	\$ 21,971	\$ 21,319	\$ 14,848
\$ per boe	\$ 11.43	\$ 10.44	\$ 10.79

Daylight experienced a 3% increase to operating costs during Q1 2007 compared to Q4 2006 resulting in an operating cost of \$11.43 per boe. Daylight's operating expenses of \$11.43 on a per boe basis for the three month period ending March 31, 2007 reflects an increase of 6% over the same period last year and a 9% increase over Q4 2006.

### Transportation Expenses

Transportation expenses are defined by the point of legal custody transfer of the commodity and are influenced by the nature of the production, location, availability of transportation and the sales point. The cost of delivering production to the custody transfer point is shown separately as transportation expense.

Daylight generally sells its light oil and NGLs production at the lease with the purchaser taking legal custody of the oil and paying a price for the oil at that delivery point. Daylight's heavy oil, and a small portion of its light oil, production are delivered to a terminal by truck and as such bear trucking charges which are a transportation expense. Natural gas is usually transported to an established delivery point such as AECO in Alberta and then transferred to the purchaser. Transportation expense remained consistent at \$0.95 per boe in Q1 2007 compared to \$0.92 per boe in Q4 2006 and \$0.95 per boe in Q1 2006.

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(000s)	Q1 2007	Q4 2006	Q1 2006
Transportation costs	\$ 1,833	\$ 1,871	\$ 1,309
\$ per boe	\$ 0.95	\$ 0.92	\$ 0.95

### Operating Netbacks

The following table provides detail regarding Daylight's Operating Netbacks on a per boe basis.

\$ per boe	Q1 2007	Q4 2006	Q1 2006
Revenue	\$ 47.86	\$ 45.40	\$ 48.10
Royalties	(8.43)	(8.53)	(9.05)
Realized gain on commodity derivatives	0.01	0.04	-
Operating cost	(11.43)	(10.44)	(10.79)
Transportation	(0.95)	(0.92)	(0.95)
Operating netback	\$ 27.06	\$ 25.56	\$ 27.31

### General and Administrative Expenses

The following table provides detail regarding Daylight's General and Administrative Expense on a total and per boe basis.

(000s)	Q1 2007	Q4 2006	Q1 2006
Gross G&A	\$ 6,573	\$ 7,764	\$ 5,594
Operating recoveries	(1,233)	(1,939)	(2,036)
Capitalized costs	(1,500)	(1,500)	(962)
G&A – cash charge	3,840	4,325	2,596
Unit based compensation	1,410	5,289	1,251
Net G&A	\$ 5,250	\$ 9,614	\$ 3,847

  

\$ per boe	Q1 2007	Q4 2006	Q1 2006
Gross G&A	\$ 3.42	\$ 3.80	\$ 4.07
Operating recoveries	(0.64)	(0.95)	(1.49)
Capitalized costs	(0.78)	(0.73)	(0.70)
G&A – cash charge	2.00	2.12	1.89
Unit based compensation	0.73	2.59	0.91
Net G&A	\$ 2.73	\$ 4.71	\$ 2.80

General and administrative expenses ("G&A") during Q1 2007 were \$5.3 million (\$2.73 per boe) including non-cash unit based compensation of \$1.4 million (\$0.73 per boe). General and administrative expenses for Q4 2006 were \$9.6 million (\$4.71 per boe) including non-cash unit based compensation of \$5.3 million (\$2.59 per boe). G&A expenses for Q1 2006 were \$3.8 million (\$2.80 per boe) including non-cash unit based compensation of \$1.3 million (\$0.91 per boe). Q1 2007 cash G&A expense per boe decreased 6% from the prior quarter and increased 6% from the same period last year.

The Administrative and Technical Services Agreement between Daylight Energy and Midnight Oil Exploration Ltd. ("MOX") was terminated effective December 31, 2006. Certain administrative services which provide reasonable economy and do not involve competitive issues are provided to MOX by Daylight Energy on a fixed fee basis and these services may be cancelled by either party. During Q1 2007 recoveries from MOX were \$0.3 million as compared to \$0.7 million during Q4 2006 and \$1.0 million during Q1 2006.

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Unit based compensation expense is an allocation of the fair value of Restricted Trust Unit Awards ("RTUs") and Performance Trust Unit Awards ("PTUs") to their three year vesting period starting at the date of grant. Unit based compensation expense also includes amounts relating to the Employee Bonus Plan and Employee Unit Ownership Plan that were settled in units issued from treasury.

### Financial Charges

Daylight incurs cash interest expense on its outstanding bank debt and convertible debentures. Daylight's effective bank debt interest rate was 5.8% for Q1 2007 as compared to 5.4% for Q4 2006 and 4.3% for Q1 2006. The convertible debentures have a fixed interest rate of 8.5% for all periods. Non-cash financial charges relate to amortization of costs incurred to issue convertible debentures, establish bank credit facilities and accretion of the convertible debenture discount. Daylight's bank debt interest rate is expected to continue to correlate with market interest rates during 2007 and the convertible debentures interest rate is fixed at 8.5%. Cash financial charges are influenced by both the interest rate and the level of bank debt outstanding.

(000s)	Q1 2007	Q4 2006	Q1 2006
Bank debt interest	\$ 5,217	\$ 4,442	\$ 1,529
Convertible debenture interest	75	77	170
Cash financial charges	5,292	4,519	1,699
Amortization of financial charges	34	34	42
Accretion of convertible debenture discount	6	5	11
Total	\$ 5,332	\$ 4,558	\$ 1,752

\$ per boe	Q1 2007	Q4 2006	Q1 2006
Bank debt interest	\$ 2.71	\$ 2.17	\$ 1.11
Convertible debenture interest	0.04	0.04	0.12
Cash financial charges	2.75	2.21	1.23
Amortization of financial charges	0.02	0.02	0.03
Accretion of convertible debenture discount	-	-	0.01
Total	\$ 2.77	\$ 2.23	\$ 1.27

### Depletion, Depreciation and Accretion

Daylight's depletion, depreciation and accretion for the three months ended March 31, 2007 totalled \$36.1 million which is a 4% decrease from Q4 2006. Q1 2007 charges increased 55% from Q1 2006 as a result of the Sequoia acquisition which occurred in Q3 2006.

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(000s)	Q1 2007	Q4 2006	Q1 2006
Depletion and Depreciation	\$ 35,411	\$ 36,971	\$ 22,785
Accretion	655	640	440
Total	\$ 36,066	\$ 37,611	\$ 23,225
<b>\$ per boe</b>			
Depletion and Depreciation	\$ 18.42	\$ 18.10	\$ 16.56
Accretion	0.34	0.31	0.32
Total	\$ 18.76	\$ 18.41	\$ 16.88

### Goodwill

The Trust records goodwill on corporate acquisitions when the total purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired company. The goodwill balance is assessed for impairment annually at year-end or as events occur that could result in an impairment and any impairment is recognized based on the fair value of the Trust compared to its book value. At March 31, 2007 Daylight performed an assessment of its goodwill and determined that no impairment had occurred. At December 31, 2006 Daylight performed an assessment of its goodwill and determined that the fair value of the entity had been reduced due to the decline in the Trust's market capitalization subsequent to the October 31, 2006 federal government announcement. This test resulted in a write down of goodwill of \$301 million for 2006. There has been no impairment to the value of Daylight's petroleum and natural gas assets during the period.

(000s)	Q1 2007	Q4 2006	Q1 2006
Write down of goodwill	\$ -	\$ 301,000	\$ -

### Future Income and Capital Taxes

During Q1 2007 Daylight recognized cash taxes of \$39 thousand related to Saskatchewan capital tax obligations and a future income tax recovery of \$10.7 million compared to cash taxes of \$0.3 million related to capital tax obligations and a future income tax reduction of \$3.9 million for the same period in 2006. For the three months of Q4 2006, Daylight recognized cash taxes of \$0.1 million related to capital tax obligations and a future income tax reduction of \$12.3 million. Daylight is a taxable entity under the Canadian Income Tax Act and is currently taxable only on income that is not distributed or distributable to its unitholders.

Daylight does not expect to incur any cash income taxes until at least 2011 and expects to continue to recognize recoveries of recorded future tax liability amounts on the balance sheet until at least 2011 as income is generated and distributions are paid to unitholders.

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(000s)	Q1 2007	Q4 2006	Q1 2006
Future Tax	\$ (10,663)	\$ (12,262)	\$ (3,864)
Capital Tax	39	84	255
Total	\$ (10,624)	\$ (12,178)	\$ (3,609)
<b>\$ per boe</b>			
Future Tax	\$ (5.55)	\$ (6.00)	\$ (2.81)
Capital Tax	0.02	0.04	0.19
Total	\$ (5.53)	\$ (5.96)	\$ (2.62)

As at March 31, 2007, Daylight and its subsidiaries have tax pools of approximately \$768 million. These tax pool balances are subject to change as tax returns are completed, annual claims are made, and may involve the reclassification of items between categories.

(000s)	March 31, 2007			December 31, 2006
	Corporate	Trust	Combined	Combined
Canadian exploration expense	\$ 64,000	\$ -	\$ 64,000	\$ 56,000
Canadian development expense	265,000	-	265,000	266,000
Canadian oil and gas property expense	26,000	82,000	108,000	108,000
Undepreciated capital cost	276,000	-	276,000	267,000
Non-capital losses	38,000	-	38,000	38,000
Share and Unit issue costs	4,000	13,000	17,000	21,000
Total	\$ 673,000	\$ 95,000	\$ 768,000	\$ 756,000

### Net Income (Loss) and Cash Flow

As a result of the previously discussed factors, Daylight recognized Q1 2007 net income of \$5.3 million (\$0.07/unit-basic, \$0.07/unit-diluted) and cash flow of \$42.8 million (\$22.29/boe, \$0.57/unit-basic, \$0.57/unit-diluted). Results from the comparative periods are presented below.

(000s)	Q1 2007	Q4 2006	Q1 2006
Net income (loss)	\$ 5,301	\$ (283,511)	\$ 12,093
Per boe	\$ 2.76	\$ (138.82)	\$ 8.79
<b>Per Unit</b>			
Basic	\$ 0.07	\$ (3.88)	\$ 0.29
Diluted	\$ 0.07	\$ (3.88)	\$ 0.29
Cash flow	\$ 42,833	\$ 43,274	\$ 33,025
Per boe	\$ 22.29	\$ 21.19	\$ 24.00
<b>Per Unit</b>			
Basic	\$ 0.57	\$ 0.59	\$ 0.80
Diluted	\$ 0.57	\$ 0.59	\$ 0.77

Daylight's cash flow is significantly influenced by production volumes and commodity prices.

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Daylight's estimated sensitivity to changes in its commodity price, production volume and exchange rate assumptions during the 2007 year is approximately:

- \$2.4 million per \$0.10 change in natural gas price per mcf.
- \$2.2 million per US\$1.00 change in the WTI oil price per bbl.
- \$1.8 million per 1 mmcf per day change in production.
- \$1.7 million per 100 bbl per day change in light oil production.
- \$1.0 million per 100 bbl per day change in heavy oil production.
- \$1.4 million per 100 bbl per day change in NGLs production.
- \$1.6 million per \$0.01 change in the United States dollar to Canadian dollar exchange rate.

### Capital Expenditures

Daylight invested \$20.7 million on its capital expenditure program for the three months ended March 31, 2007 compared to \$49.8 million in Q4 2006 and \$35.4 million in Q1 2006. During Q4 2006, Daylight completed a property acquisition for approximately \$32.7 million.

(000s)	Q1 2007	Q4 2006	Q1 2006
Land and acquisitions	\$ 631	\$ 33,095	\$ 5,109
Geological and geophysical	1,512	1,920	3,101
Drill, complete and recomplete	13,582	8,963	18,201
Equipping and facilities	4,952	5,783	8,967
Capital Expenditures	\$ 20,677	\$ 49,761	\$ 35,378

In the first three months of 2007, Daylight drilled a total of 11 gross (6.0 net) wells with 100% success. This program provided production and reserve additions within the following core areas:

- West Central properties including Pine Creek, Kaybob, Pembina, Sturgeon, Oldman and Windfall. For the three months ended March 31, 2007 Daylight drilled 4 gross (2.0 net) natural gas wells and 2 gross (0.7 net) oil wells.
- Eastern properties include Wildmere, Bon Accord, and Chipman. During Q1 2007 Daylight drilled 3 gross (3.0 net) heavy oil wells.
- Southern properties include Chigwell and Sylvan Lake. For the first three months of 2007 Daylight drilled 2 gross (0.3 net) gas wells.

### Investments

	Symbol	Number of Shares	Equity or Fair Value
Avery Resources Inc.	ARY	21,300,000	\$ 9,408
Trafalgar Energy Ltd.	TFL	740,240	2,998
Pegasus Oil & Gas Inc.	POG.A	2,440,000	5,368
Balance, March 31, 2007			\$ 17,774

In conjunction with the Sequoia acquisition in Q3 2006, Daylight acquired approximately 38% of the basic (46% of the diluted) issued and outstanding common shares of Avery Resources Inc. ("Avery"), a Calgary-based junior exploration company actively pursuing opportunities in Australia. Avery completed an equity issuance in November 2006 which Daylight did not participate in thereby changing Daylight's ownership in Avery to 28% of the basic common shares outstanding. In addition to the 21,300,000 common shares, Daylight also holds 8,400,000 warrants. Each warrant entitles Daylight to acquire one common share of Avery at a price of \$0.50 per share until November 24, 2007. Daylight accounts for this investment using the equity method. Avery is a public company trading on the TSX Venture Exchange under the symbol ARY. On March 30, 2007, Avery common shares closed at \$0.39. As at March 31, 2007, the market value of this investment is approximately \$8.3 million. For the three months ended March 31, 2007 the equity loss on the investment in Avery was \$1.4 million.

## DAYLIGHT RESOURCES TRUST

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On the completion of the Arrangement on September 21, 2006, Daylight contributed non-core assets in Grouard and Cypress areas based on their fair-value, resulting in the transfer of \$21.1 million of property and related asset retirement obligations of \$2.2 million to Trafalgar. Daylight owns 740,240 common shares of Trafalgar which is approximately 7% of the issued and outstanding common shares of Trafalgar at March 31, 2007. The Trust accounts for its investment in Trafalgar at fair value based on the quoted market prices. Trafalgar is a public company trading on the Toronto Stock Exchange under the symbol TFL. On March 30, 2007 the Trafalgar common shares closed at \$4.05. As at March 31, 2007, the market value of this investment is approximately \$3.0 million.

On June 23, 2006, Daylight closed a transaction with Pegasus, whereby Daylight contributed non-core assets in Sunrise, Hines Creek and 50% of its interest in Chigwell valued at \$6.0 million to Pegasus in exchange for 1,840,000 class A common shares of Pegasus and a \$1.4 million promissory note. The promissory note was fully repaid during the fourth quarter of 2006. Immediately prior to this transaction, Daylight also participated in the initial private placement of Pegasus and contributed \$120,000 in exchange for 600,000 class A common shares. At March 31, 2007 300,000 of the class A common shares were held in escrow with 150,000 class A common shares being released on each of June 29, 2007 and December 29, 2007. Daylight owns a total of 2,440,000 Class A common shares of Pegasus which is approximately 12% of the issued and outstanding Class A common shares outstanding at March 31, 2007. The Trust accounts for its investment in Pegasus at fair value based on the quoted market prices. Pegasus is a public company trading on the TSX Venture Exchange under the symbols POG.A and POG.B. On March 30, 2007, the class A shares closed at \$2.20. As at March 31, 2007, the market value of this investment is approximately \$5.4 million.

Daylight continues to consider its equity investments in Avery, Trafalgar and Pegasus as available for disposition.

### **Distributions**

During the three months ended March 31, 2007, Daylight declared three cash distributions totalling \$34.1 million (\$0.45 per Trust Unit). During the same period in 2006 Daylight declared three monthly cash distributions totalling \$24.6 million (\$0.42 per DET Unit).

Daylight's management and the Board of Directors continually monitor the distribution level in relation to forecast net cash flow, debt levels and capital expenditure plans. Commodity prices and production volumes are critical variables in determining cash flow and changes in these two items have a material impact on cash flow and distributions.

As part of the Arrangement, Daylight implemented a Premium Distribution Reinvestment and Optional Trust Unit Purchase Plan ("Premium DRIP™") for eligible unitholders. On distribution payment dates eligible Premium DRIP™ unitholders may receive in lieu of the cash distribution that unitholders are otherwise entitled to receive in respect of their units, a cash payment equal to 102% of such amount.

Unitholders may also reinvest their cash distributions in additional trust units at a price that is 95% of the average market price for the Pricing Period. The Pricing Period refers to the period beginning on the later of the 21<sup>st</sup> business day preceding the distribution payment date and the second business day following the record date applicable to that distribution payment date, and ending on the second business day preceding the distribution payment date. Eligible Premium DRIP™ unitholders may also make optional cash payments on this date to purchase additional trust units at a price that is equal to the average market price for the Pricing Period. During the three month period ended March 31, 2007 Daylight issued 1,891,527 trust units from treasury for the Premium DRIP™ in lieu of cash distributions totalling \$17.6 million. On March 21, 2007 Daylight announced it had suspended the issuance of units under the Premium DRIP™.

On August 9, 2005, Daylight announced the implementation of the Distribution Reinvestment and Optional Trust Unit Purchase Plan ("DRIP") for eligible unitholders of the Trust. On distribution payment dates, eligible DRIP unitholders may reinvest their cash distributions in additional trust units at a price that is 95% of the 10 day weighted average trading price of Daylight units. Eligible DRIP unitholders may also make optional cash payments on this date to purchase additional trust units at a price that is equal to the 10 day weighted average trading price of Daylight units. On September 21, 2006, the DRIP was replaced with the Premium DRIP™ which provides for additional elections by unitholders. During the year ended December

## DAYLIGHT RESOURCES TRUST

31, 2006, Daylight issued 259,326 DET trust units from treasury for the DRIP in lieu of cash distributions totalling \$2.8 million.

### Liquidity and Capital Resources

(000s)	March 31, 2007	December 31, 2006	March 31, 2006
Bank debt	\$ 338,511	\$ 349,336	\$ 162,190
Working capital deficiency (excluding bank debt)	30,370	15,561	17,048
	<b>368,881</b>	364,897	179,238
Market value of investments	(16,673)	(22,860)	-
	<b>352,208</b>	342,037	179,238
Convertible debentures	3,444	3,515	6,996
Capital lease obligation - long term portion	261	857	-
Non-controlling interest - exchangeable shares	-	-	9,783
Unitholders' equity	\$ 612,197	\$ 617,622	\$ 536,051

At March 31, 2007, Daylight had \$338 million outstanding on its credit facilities which provide up to \$380 million and are subject to semi-annual review by the banking syndicate. The credit facilities include \$310 million available under a revolving term credit facility with a syndicate of banks and a \$70 million bridge facility scheduled to mature on August 31, 2007. The market value of Daylight's investments is based on the closing trading value of the related securities at the end of the periods and Daylight's ability to realize this value is subject to the changes in trading value of these securities. Daylight's working capital deficiency, excluding bank debt, at March 31, 2007 was \$30.4 million.

Management anticipates that Daylight will continue to have adequate liquidity to fund future working capital and forecasted capital expenditures during 2007 through a combination of cash flow, debt and equity. Cash flow used to finance these commitments may reduce the amount of cash distributions paid to unitholders. Major acquisitions will require the issuance of new equity in exchange for the equity of acquired entities such as the Flowing acquisition that closed on April 5, 2005, the Tempest acquisition that closed on November 30, 2005 and the Daylight Resources Trust transaction that closed on September 21, 2006.

### Trust Unit Information

Daylight units trade on the Toronto Stock Exchange under the symbol "DAY.UN" and Daylight is a constituent of the S&P/TSX Income Trust Index and S&P/TSX Composite Index. A summary of Daylight's trading history on the TSX follows.

(per unit)	Q1 2007	Q4 2006	Q1 2006
High	\$ 10.65	\$ 14.58	\$ 19.12
Low	\$ 8.74	\$ 9.06	\$ 15.85
Close	\$ 9.64	\$ 10.21	\$ 18.34
Average daily volume	349,132	660,644	281,476

As at March 31, 2007, Daylight had the following trust units and trust unit equivalents outstanding:

	Number
Trust Units	76,542,074
Convertible debentures (\$3,576,000 face value)	253,997
Restricted trust unit awards (505,763)	563,880
Performance trust unit awards (212,500)	236,918
Total Diluted	77,596,869

## DAYLIGHT RESOURCES TRUST

As at May 8, 2007, Daylight has the following trust units and trust unit equivalents outstanding:

	Number
Trust Units	76,561,820
Convertible debentures (\$3,576,000 face value)	253,997
Restricted trust unit awards (978,757)	1,047,615
Performance trust unit awards (180,000)	193,415
<b>Total Diluted</b>	<b>78,056,847</b>

### Commitments

The following is a summary of Daylight's contractual obligations and commitments, other than bank debt and risk management as at March 31, 2007:

	2007	2008	2009	2010	2011	Thereafter
Capital Lease	\$ 3,638	\$ 1,007	\$ -	\$ -	\$ -	\$ -
Operating Leases	6,687	7,312	4,438	2,692	1,536	7,546
Natural gas transportation	695	464	232	98	83	16
	<b>\$ 11,020</b>	<b>\$ 8,783</b>	<b>\$ 4,670</b>	<b>\$ 2,790</b>	<b>\$ 1,619</b>	<b>\$ 7,562</b>

Daylight enters into multiple contractual obligations as part of conducting day to day business. Material contractual obligations include bank debt, leases for office space, a drilling rig contract and commitments for natural gas transportation.

### Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Daylight is accumulated and communicated to Daylight's management as appropriate to allow timely decisions regarding required disclosure. Daylight's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that Daylight's disclosure controls and procedures for the year ended December 31, 2006 and the three month period ended March 31, 2007 are effective to provide reasonable assurance that material information related to Daylight, including its consolidated subsidiaries, is made known to them by others within those entities.

Daylight's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting related to the Trust, including its consolidated subsidiaries, to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Daylight's Chief Executive Officer and Chief Financial Officer are required to disclose herein any change in the Trust's internal control over financial reporting that occurred during the Trust's most recent interim period that has materially affected, or is reasonably likely to have materially affected, the Trust's control over financial reporting. During 2006, the Trust engaged external consultants to assist in documenting and assessing the Trust's design of internal controls over financial reporting. No changes in the Trust's internal control over financial reporting were identified during the three months ended March 31, 2007, that has materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

It should be noted that while Daylight's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### Critical Accounting Estimates and Changes in Accounting Policies

The Trust adopted the new Canadian accounting standards for *Comprehensive Income; Financial Instruments – Recognition and Measurement; Financial Instruments – Presentation and Disclosure; and Hedges* on January 1, 2007 on a retroactive basis without restatement of prior periods.

The impact on the Trust's consolidated financial statements for the three months ended March 31, 2007 on adoption of the above policies is as follows:

These recommendations establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and both financial and non-financial derivatives. These recommendations require that fair value be used, both at inception and subsequent thereto, to measure financial assets that are held for trading or available for sale, financial liabilities that are held for trading and all derivative financial instruments. Other financial assets, such as loans and receivables and investments that are held to maturity, and other financial liabilities are measured at inception at their fair value and subsequent thereto at their amortized cost. On January 1, 2007 the Trust classified its investments in the shares of Trafalgar and Pegasus as financial assets held for trading as the Trust does not exercise significant influence over these entities. As a result, the Trust recorded an increase to investments of \$2.2 million, an increase to future taxes of \$0.3 million and a \$1.8 million decrease to the deficit within Unitholders' Equity. The Trust will continue to record these investments at their fair value with changes in their fair value recognized in earnings.

As the Trust exercises significant influence over Avery, its investment in the shares of Avery continue to be accounted for using the equity method where the recorded amount of the investment is increased or decreased for the Trust's ownership percentage of Avery's net earnings or loss, and reduced by dividends paid to the Trust. Although the investment in Avery under accounting standards is considered to be an equity investment and accounted for using the equity method, the Trust continues to consider all investments as available for disposition.

Long-term financial liabilities are to be measured at fair value when initially recognized and, after initial recognition, at amortized cost using the effective interest method. Transaction costs directly attributable to the issuance of long-term financial liabilities are now added to the fair value on initial recognition. Previously, these amounts were recorded as a deferred charge and amortized using the straight line method over the term of the debt. On January 1, 2007 the Trust recognized the cumulative prior period effect of \$0.1 million, by reducing deferred financing costs and recording it against convertible debentures. The application of the effective interest method for amortization is comparable to the previously used straight line method and accordingly no adjustment was made to the opening deficit.

Prior to the adoption of these new standards, the Trust used fair value accounting for any derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates, and interest rates. Therefore, there is no change in the accounting for these derivatives.

The Trust has elected to account for its commodity sales and other non-financial contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts on an accrual basis rather than as non-financial derivatives. Prior to adoption of the new standards, physical receipt and delivery contracts did not fall within the scope of the definition of a financial instrument and were also accounted for as executory contracts.

#### Future Accounting Changes

The CICA has issued the following accounting standards which will be effective for the Trust from January 1, 2008: *Financial Instruments – Disclosures, Financial Instruments – Presentation and Capital Disclosures*.

These new accounting standards will require the Trust to provide additional disclosures relating to its financial instruments, including hedging instruments, and about the Trust's Capital. It is not anticipated that the adoption of these new accounting standards will impact the amounts reported in the Trust's financial statements as they primarily relate to disclosure.

**Risks and Uncertainties**

Daylight is subject to multiple business risks that are similar to other entities involved in the conventional energy trust sector. Daylight's financial position, results of operations, cash flows and distributions to unitholders are directly impacted by these risks.

For a detailed discussion of Risks and Uncertainties, refer to the Trust Annual Information Form, filed on SEDAR at [www.sedar.com](http://www.sedar.com).

# DAYLIGHT RESOURCES TRUST

## Quarterly Information

Financial <i>(in thousands of dollars, except unit, per unit and boe data)</i>	2007	2006				2005			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Petroleum and natural gas revenues	\$ 91,982	\$ 92,715	\$ 69,877	\$ 68,554	\$ 66,187	\$ 85,615	\$ 76,445	\$ 60,529	\$ 53,984
Royalties	(16,198)	(17,414)	(13,269)	(13,985)	(12,455)	(15,753)	(13,188)	(10,506)	(10,340)
Realized gain (loss) on commodity derivatives	24	91	(133)	-	-	(99)	(350)	59	-
Operating expenses	(21,971)	(21,319)	(15,901)	(15,286)	(14,848)	(13,580)	(12,981)	(13,184)	(12,328)
Transportation	(1,833)	(1,871)	(1,959)	(1,354)	(1,309)	(1,657)	(1,018)	(950)	(430)
Operating netback	52,004	52,202	38,615	37,929	37,575	54,526	48,908	35,948	30,886
G&A – cash charge	(3,840)	(4,325)	(3,634)	(2,625)	(2,596)	(3,545)	(2,216)	(2,108)	(1,987)
Cash financial charges	(5,292)	(4,519)	(2,695)	(2,286)	(1,699)	(1,862)	(2,756)	(2,861)	(2,584)
Cash taxes	(39)	(84)	(44)	167	(255)	(652)	(224)	(347)	(244)
Cash flow (excluding Plan of Arrangement costs)	42,833	43,274	32,242	33,185	33,025	48,467	43,712	30,632	26,071
Per unit – Basic	0.57	0.59	0.71	0.79	0.80	1.33	1.37	1.02	0.95
– Diluted	0.57	0.59	0.68	0.77	0.77	1.26	1.23	0.88	0.80
Net income (loss)	5,301	(283,511)	(2,140)	15,735	12,093	25,447	20,525	12,201	5,887
Per unit – Basic	0.07	(3.88)	(0.05)	0.38	0.29	0.70	0.68	0.41	0.21
– Diluted	0.07	(3.88)	(0.05)	0.38	0.29	0.69	0.63	0.40	0.21
Cash distributions declared	34,114	43,008	31,844	26,663	26,407	24,316	17,023	16,284	14,962
Per unit	0.45	0.59	0.62	0.63	0.63	0.63	0.54	0.54	0.54
Payout ratio <sup>(1)</sup>	80%	99%	n/a <sup>(1)</sup>	80%	80%	50%	39%	53%	57%
Capital expenditures	20,677	49,761	19,358	21,034	35,378	20,215	23,851	14,086	14,387
Non-cash capital divestitures	-	-	(21,100)	(6,628)	-	(14,636)	-	-	-
Corporate acquisitions	-	-	527,691	-	-	116,509	-	61,000	-
Wells drilled - gross (net)	11 (6.0)	9 (1.8)	12 (9.2)	5 (1.0)	21 (15.6)	34 (21.7)	15 (6.9)	5 (3.4)	17 (8.6)
Market value of investments	16,673	22,860	20,500	5,783	-	-	-	-	-
Bank debt	338,511	349,336	287,392	165,114	162,190	123,455	124,185	131,755	101,850
Working capital deficiency	30,370	15,561	46,877	28,931	17,048	26,575	16,467	11,602	12,256
Total assets	1,083,695	1,114,085	1,424,236	833,821	845,746	841,254	689,297	676,212	610,970
Units outstanding (000s)									
Basic	76,542	74,322	71,863	42,209	41,861	40,806	33,767	30,113	27,904
Diluted	77,597	75,309	72,117	44,349	44,110	43,854	37,501	37,334	34,933
<b>Operations</b>									
Average daily production									
Natural gas (mcf/d)	78,556	80,991	57,926	59,452	56,012	54,438	54,096	57,890	58,875
Light oil (bbls/d)	4,310	4,455	3,172	2,855	2,575	2,368	2,527	2,292	2,721
Heavy oil (bbls/d)	2,504	2,796	2,760	2,579	2,701	2,460	2,096	1,937	-
NGLs (bbls/d)	1,449	1,449	756	740	677	814	785	771	892
Oil & NGLs (bbls/d)	8,263	8,700	6,688	6,174	5,953	5,642	5,408	5,000	3,613
Combined (boe/d)	21,356	22,199	16,342	16,083	15,288	14,715	14,424	14,648	13,426
Average prices received									
Natural gas (\$/mcf)	\$ 7.31	\$ 6.75	\$ 5.74	\$ 6.18	\$ 7.77	\$ 11.91	\$ 9.26	\$ 7.51	\$ 6.86
Light oil (\$/bbl)	61.34	60.07	74.23	71.78	65.55	63.40	68.98	62.80	56.49
Heavy oil (\$/bbl)	42.50	39.59	51.27	52.01	34.29	33.06	51.94	23.49	-
NGLs (\$/bbl)	54.31	49.53	67.79	63.05	60.50	58.79	56.56	52.71	46.35
Oil & NGLs (\$/bbl)	\$ 54.40	\$ 51.73	\$ 64.03	\$ 62.48	\$ 50.79	\$ 49.52	\$ 60.57	\$ 46.02	\$ 53.99
Combined (\$/boe)	\$ 47.86	\$ 45.40	\$ 46.48	\$ 46.84	\$ 48.10	\$ 63.24	\$ 57.61	\$ 45.41	\$ 44.68

<sup>(1)</sup> On a proforma basis, if the Sequoia transaction had been completed on September 1, 2006, the payout ratio would have been 88% for Q3 2006.

Dated May 8, 2007

**Consolidated Balance Sheets**

(in thousands of dollars) (unaudited)

	March 31, 2007	December 31, 2006
<b>Assets</b>		
Current assets		
Accounts receivable	\$ 48,670	\$ 58,802
Unrealized gain on derivatives (note 14)	-	7,063
Prepaid expenses and deposits	4,794	4,531
	<b>53,464</b>	70,396
Investments (notes 2 and 4)	17,774	18,498
Petroleum and natural gas assets (note 5)	881,447	895,801
Deferred financing charges (note 10)	289	400
Goodwill (notes 3 and 6)	130,721	128,990
	<b>\$ 1,083,695</b>	<b>\$ 1,114,085</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 68,268	\$ 68,146
Current portion of capital lease obligations (note 8)	3,363	3,318
Unrealized loss on derivatives (note 14)	721	-
Distributions payable	11,482	14,493
Current portion of bank debt (note 7)	70,000	39,336
	<b>153,834</b>	125,293
Bank debt (note 7)	268,511	310,000
Capital lease obligations (note 8)	261	857
Convertible debentures (note 9)	3,444	3,515
Asset retirement obligations (note 11)	22,193	23,294
Future taxes	23,255	33,504
	<b>471,498</b>	496,463
<b>Unitholders' Equity</b>		
Unitholders' capital (note 12)	1,074,166	1,053,317
Contributed surplus (note 12)	1,255	562
Equity component of convertible debentures (note 9)	104	104
Deficit	<b>(463,328)</b>	<b>(436,361)</b>
	<b>612,197</b>	617,622
	<b>\$ 1,083,695</b>	<b>\$ 1,114,085</b>

Commitments (note 16)

See accompanying notes to consolidated financial statements.

**Consolidated Statements of Income and Deficit**

Three months ended March 31,

*(in thousands of dollars, except per unit amounts) (unaudited)*

	2007	2006
<b>Revenues</b>		
Petroleum and natural gas	\$ 91,982	\$ 66,187
Royalties	(16,198)	(12,455)
Loss on financial instruments	(9,261)	-
	<b>66,523</b>	53,732
<b>Expenses</b>		
Operating	21,971	14,848
Transportation	1,833	1,309
General and administrative	5,250	3,847
Financial charges (note 10)	5,332	1,752
Loss on equity investment (note 4)	1,394	-
Depletion, depreciation and accretion	36,066	23,225
	<b>71,846</b>	44,981
<b>Income (loss) before taxes and non-controlling interest</b>	<b>(5,323)</b>	8,751
<b>Taxes</b>		
Capital taxes	39	255
Future taxes (reduction)	(10,663)	(3,864)
	<b>(10,624)</b>	(3,609)
<b>Income before non-controlling interest</b>	<b>5,301</b>	12,360
<b>Non-controlling interest - exchangeable shares</b>	-	267
<b>Net income</b>	<b>5,301</b>	12,093
Deficit, beginning of period	(436,361)	(32,492)
Change in accounting policy (note 2)	1,846	-
Distributions (note 12)	(34,114)	(26,407)
Deficit, end of period	\$ (463,328)	\$ (46,806)
<b>Net income per unit (note 12)</b>		
Basic	\$ 0.07	\$ 0.29
Diluted	\$ 0.07	\$ 0.29

See accompanying notes to consolidated financial statements.

## DAYLIGHT RESOURCES TRUST

### Consolidated Statements of Cash Flows

Three months ended March 31,

(in thousands of dollars) (unaudited)

	2007	2006
<b>Cash provided by (used in):</b>		
<b>Operating</b>		
Net income	\$ 5,301	\$ 12,093
Items not affecting cash:		
Depletion, depreciation and accretion	36,066	23,225
Non-controlling interest - exchangeable shares	-	267
Future taxes (reduction)	(10,663)	(3,864)
Non-cash financial charges (note 10)	40	53
Unit based compensation	1,410	1,251
Unrealized loss on financial instruments	9,285	-
Equity loss on investments	1,394	-
Asset retirement expenditures (note 11)	(1,840)	(1,647)
Change in non-cash operating working capital (note 13)	5,507	(13,489)
	<b>46,500</b>	<b>17,889</b>
<b>Financing</b>		
Bank debt	(10,825)	38,735
Issue of trust units, net of issue costs (note 12)	288	(162)
Cash distribution to unitholders	(19,476)	(24,824)
Repayments on obligation under capital lease	(551)	-
Change in non-cash financing working capital (note 13)	305	255
	<b>(30,259)</b>	<b>14,004</b>
<b>Investing</b>		
Petroleum and natural gas asset additions	(20,677)	(35,378)
Change in non-cash investing working capital (note 13)	4,436	3,485
	<b>(16,241)</b>	<b>(31,893)</b>
Change in cash	-	-
Cash, beginning of period	-	-
<b>Cash, end of period</b>	<b>\$ -</b>	<b>\$ -</b>

Cash is defined as cash and cash equivalents.

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2007 and 2006

(Tabular amounts are stated in thousands of dollars except unit, share, and per unit amounts.) (unaudited)

Daylight Resources Trust (formerly Daylight Energy Trust – see note 3) ("Daylight" or the "Trust") is an open-ended, unincorporated investment trust governed by the laws of the Province of Alberta pursuant to a Trust Indenture. Valiant Trust Company has been appointed trustee under the Trust Indenture. The beneficiaries of the Trust are the holders of the Trust units ("unitholders").

The purpose of the Trust is to explore for, develop and hold interests in petroleum and natural gas properties, through investments in securities of subsidiaries and royalty interests in oil and natural gas properties. The business of the Trust is carried on by Daylight Energy Ltd. ("Daylight Energy") and its subsidiaries. The Trust owns 100% of the common shares of Daylight Energy. The activities of Daylight Energy are financed through internally generated cash flow and third party debt as described in note 7.

Pursuant to the terms of an agreement (the "NPI Agreement"), the Trust is entitled to a payment from Daylight Energy each month equal to the amount by which 99% of the gross proceeds from the sale of production exceed 99% of certain deductible expenditures as defined under the terms of the NPI Agreement. Deductible expenditures may include amounts, determined on a discretionary basis, to fund capital expenditures, to repay debt and to provide for working capital required to carry out the operations of Daylight Energy.

The Trust may declare payable to the unitholders all or any part of the net income of the Trust earned from the income generated under the NPI Agreement, and from any dividends paid on the common shares of Daylight Energy, less any expenses of the Trust, including interest on convertible debentures.

Daylight is involved in the exploitation, development and production of petroleum and natural gas in Alberta, British Columbia and Saskatchewan.

### 1. Significant Accounting Policies

The interim consolidated financial statements are stated in Canadian dollars and have been prepared by management, in accordance with Canadian generally accepted accounting principles ("GAAP"), following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2006 except as described below and include the accounts of the Trust and its wholly owned subsidiaries. These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes for the year ended December 31, 2006.

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results may differ materially from those estimates. Specifically, the amounts recorded for depletion, depreciation and accretion of petroleum and natural gas assets and asset retirement obligations are based on estimates. The ceiling test is based on estimates of reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material.

All previously reported unit and per unit amounts have been retroactively restated to reflect the impact of the established 0.6642 units of Daylight for each unit of Daylight Energy Trust received under the Arrangement (see note 3), unless specifically indicated otherwise.

### 2. Changes in Accounting Policies

The Trust adopted the new Canadian accounting standards for *Comprehensive Income; Financial Instruments – Recognition and Measurement; Financial Instruments – Presentation and Disclosure; and Hedges* on January 1, 2007 on a retroactive basis without restatement of prior periods.

The impact on the Trust's consolidated financial statements for the three months ended March 31, 2007 on adoption of the above policies is as follows:

These recommendations establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and both financial and non-financial derivatives. These recommendations require that fair value be used, both at inception and subsequent thereto, to measure financial assets that are held for trading or available for sale, financial liabilities that are held for trading and all derivative financial instruments. Other financial assets, such as loans and receivables and investments that are held to maturity, and other financial liabilities are measured at inception at their fair value and subsequent thereto at their amortized cost. On January 1, 2007 the Trust classified its investments in the shares of Trafalgar Energy Ltd. ("Trafalgar") and Pegasus Oil & Gas Inc. ("Pegasus") as financial assets held for trading as the Trust does not exercise significant influence over these entities. As a result, the Trust recorded an increase to investments of \$2.2 million, an increase to future taxes of \$0.3 million and a \$1.8 million decrease to the deficit within Unitholders' Equity. The Trust will continue to record these investments at their fair value with changes in their fair value recognized in earnings.

As the Trust exercises significant influence over Avery Resources Inc. ("Avery"), its investment in the shares of Avery continue to be accounted for using the equity method where the recorded amount of the investment is increased or decreased for the Trust's ownership percentage of Avery's net earnings or loss, and reduced by dividends paid to the Trust. Although the investment in Avery under accounting standards is considered to be an equity investment and accounted for using the equity method, the Trust continues to consider all investments as available for disposition.

Long-term financial liabilities are to be measured at fair value when initially recognized and, after initial recognition, at amortized cost using the effective interest method. Transaction costs directly attributable to the issuance of long-term financial liabilities are now added to the fair value on initial recognition. Previously, these amounts were recorded as a deferred charge and amortized using the straight line method over the term of the debt. On January 1, 2007 the Trust recognized the cumulative prior period effect of \$0.1 million, by reducing deferred financing costs and recording it against convertible debentures. The application of the effective interest method for amortization is comparable to the previously used straight line method and accordingly no adjustment was made to the opening deficit.

Prior to the adoption of these new standards, the Trust used fair value accounting for any derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates, and interest rates. Therefore, there is no change in the accounting for these derivatives.

The Trust has elected to account for its commodity sales and other non-financial contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts on an accrual basis rather than as non-financial derivatives. Prior to adoption of the new standards, physical receipt and delivery contracts did not fall within the scope of the definition of a financial instrument and were also accounted for as executory contracts.

There is no other material impact on the Consolidated Financial Statements for the adoption of these new standards.

Future Accounting Changes

The CICA has issued the following accounting standards which will be effective for the Trust from January 1, 2008: *Financial Instruments – Disclosures*, *Financial Instruments – Presentation* and *Capital Disclosures*.

These new accounting standards will require the Trust to provide additional disclosures relating to its financial instruments, including hedging instruments, and about the Trust's Capital. It is not anticipated that the adoption of these new accounting standards will impact the amounts reported in the Trust's financial statements as they primarily relate to disclosure.

**3. Corporate Acquisition**

Sequoia Oil & Gas Trust

On September 21, 2006, a Plan of Arrangement (the "Arrangement") between Daylight Energy Trust ("DET"), Sequoia Oil & Gas Trust ("Sequoia"), and Trafalgar was approved. As a result of the Arrangement, DET and Sequoia merged and certain interests in oil and natural gas properties were transferred to Trafalgar in exchange for common shares and arrangement warrants which were distributed to the DET and Sequoia Unitholders (see note 12(e)) with a portion of the Trafalgar common shares remaining with Daylight (see note 4).

Under the Arrangement each DET Unitholder received 0.6642 units of Daylight for each one DET unit held and Daylight Exchangeable Shareholders received 0.6642 units of Daylight for each DET unit the Exchangeable Shares held were equivalent to at the closing date. Under the Arrangement each Sequoia Unitholder received 0.8250 units of Daylight for each one Sequoia unit held. The DET Unitholders following the Arrangement hold in excess of 50% of the outstanding units of Daylight, resulting in a substantive change in ownership to the Sequoia net assets.

As a result, Daylight Energy is deemed to be the acquirer of Sequoia and consequently has accounted for the acquisition of Sequoia under the purchase method of accounting. The operations of Sequoia have been included with the results of DET commencing September 21, 2006. The fair values allocated to the net assets acquired are as follows:

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<b>Net assets acquired:</b>	
Petroleum and natural gas assets	\$ 347,823
Goodwill	214,857
Unrealized gain on derivatives	2,970
Investments	11,076
Working capital deficiency	(11,724)
Bank debt	(103,695)
Capital lease obligations	(4,715)
Asset retirement obligations	(12,380)
Future taxes	(20,878)
<b>Total net assets acquired</b>	<b>\$ 423,334</b>

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## DAYLIGHT RESOURCES TRUST

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### Consideration:

Trust units issued (27,475,423 units issued to Sequoia unitholders)	\$ 418,413
Transaction costs	4,921
Total purchase price	\$ 423,334

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The above amounts are estimates made by management based on currently available information. Amendments may be made to the purchase equation as the cost estimates and tax balances are finalized.

### 4. Investments

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Entity	Symbol	Number of Shares	Equity or Fair Value
Avery Resources Inc.	ARY	21,300,000	\$ 9,408
Trafalgar Energy Ltd.	TFL	740,240	2,998
Pegasus Oil & Gas Inc.	POG.A	2,440,000	5,368
Balance, March 31, 2007			\$ 17,774

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In conjunction with the transaction with Sequoia, Daylight acquired Sequoia's approximate 38% interest in the common shares of Avery and accounts for the investment using the equity method. Avery completed an equity issuance in November 2006 which Daylight did not participate in thereby changing Daylight's ownership in Avery to approximately 28%. In addition to the 21,300,000 common shares, Daylight also holds 8,400,000 warrants. Each warrant entitles Daylight to acquire one common share of Avery at a price of \$0.50 per share until November 24, 2007. As at March 31, 2007 the market value of the investment in Avery was \$8.3 million. For the three months ended March 31, 2007 the equity loss on the investment in Avery was \$1.4 million.

In conjunction with the Arrangement on September 21, 2006, Daylight transferred interests in certain oil and gas properties, based on their fair-values to Trafalgar, resulting in the transfer of \$21.1 million of property and related asset retirement obligations of \$2.2 million. In exchange, Trafalgar common shares and arrangement warrants were received of which Daylight retained 740,240 common shares with a value of \$3.0 million. The remaining common shares and arrangement warrants were distributed to DET securityholders and Sequoia unitholders (see note 12(e)). Daylight accounts for this investment at fair value based on the quoted market price.

On June 23, 2006, the Trust transferred interests in certain oil and gas properties valued at \$6.0 million, with associated asset retirement obligations of \$0.6 million, to Pegasus in exchange for 1,840,000 Class A common shares valued at \$2.50 per share and a \$1.4 million, non-interest bearing promissory note. The note was secured by the oil and gas properties transferred to Pegasus, was due on December 1, 2006 and was paid in full on that date. Immediately prior to this transaction the Trust acquired 600,000 Class A common shares of Pegasus for \$0.1 million. At March 31, 2007, 300,000 of the Class A common shares were held in escrow with 150,000 Class A common shares being released on each of June 29, 2007 and December 29, 2007. The investment, composed of 2,440,000 Class A common shares of Pegasus, is accounted for at fair value based on the quoted market price.

Daylight continues to consider its equity investments in Avery, Trafalgar and Pegasus as available for disposition.

**5. Petroleum and Natural Gas Assets**

	<b>Cost</b>	<b>Accumulated depletion and depreciation</b>	<b>Net book value</b>
Petroleum and natural gas properties	\$ 1,107,234	\$ 228,856	\$ 878,378
Other assets	4,674	1,605	3,069
Balance, March 31, 2007	\$ 1,111,908	\$ 230,461	\$ 881,447

	<b>Cost</b>	<b>Accumulated depletion and depreciation</b>	<b>Net book value</b>
Petroleum and natural gas properties	\$ 1,086,413	\$ 193,656	\$ 892,757
Other assets	4,438	1,394	3,044
Balance, December 31, 2006	\$ 1,090,851	\$ 195,050	\$ 895,801

During the three months ended March 31, 2007, Daylight capitalized \$1.8 million (2006 - \$1.0 million) of general and administrative expenses related to exploration and development activities. Included in this amount is \$0.2 million of non-cash unit based compensation and the related tax effect of \$0.1 million.

Future development costs of \$50.3 million (2006 - \$47.1 million) associated with proven reserves were included in the depletion and depreciation calculation. Future salvage value of production equipment and facilities of \$32.8 million (2006 - \$23.3 million) and a cost of \$45.0 million (2006 - \$44.2 million) for unproven properties have been excluded from the depletion and depreciation calculation.

**6. Goodwill**

The Trust reviewed the valuation of goodwill as of March 31, 2007 and determined that there has been no impairment to the value of goodwill during 2007 (2006 - \$301.0 million).

	<b>2007</b>	<b>2006</b>
Balance, beginning of period	\$ 128,990	\$ 216,864
Sequoia acquisition (note 3)	1,731	213,126
Goodwill impairment recognized	-	(301,000)
Balance, end of period	\$ 130,721	\$ 128,990

**7. Bank Debt**

Daylight has a total of \$380 million available under credit facilities, of which \$339 million was drawn at March 31, 2007. The credit facilities include \$310 million available under a revolving term credit facility with a syndicate of banks and a \$70 million bridge facility scheduled to mature on August 31, 2007. As a result, \$310 million has been classified on the Balance Sheet as long-term bank debt, with the remaining \$29 million classified as current bank debt. The effective interest rate for the bank debt was 5.8% for the three months ended March 31, 2007 (2006 – 4.3%). The credit facilities bear interest based on the lenders' prime rate and/or at money market rates plus a stamping fee. The facilities are secured with a demand debenture of \$500 million over the petroleum and natural gas assets and are subject to semi-annual review where the lenders may re-determine the borrowing base.

Pursuant to the terms of the credit facilities dated September 21, 2006, Daylight may, with the bank's approval, extend the revolving period for a further 364 day period. If not extended, the revolving facilities will

## DAYLIGHT RESOURCES TRUST

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automatically convert to a one year and one day non-revolving term facility with the entire payment due on the 366<sup>th</sup> day after commencement of the term period.

### 8. Capital Leases

In conjunction with the Arrangement, Daylight acquired capital lease agreements for oil and gas equipment. The minimum lease payments over the initial term are as follows:

	<b>Amount</b>
2007	\$ 3,638
2008	363
Net minimum lease payments	4,001
Less: Current portion of capital lease obligations	(3,363)
Interest	(377)
Capital lease obligations	\$ 261

### 9. Convertible Debentures

On October 21, 2004 Daylight issued \$80 million principal amount of 8.5% Convertible Unsecured Subordinated Debentures (the "Debentures") for net proceeds of \$76.8 million. Issue costs of \$3.2 million were initially classified as deferred financing charges (note 10). Due to the change in accounting policy as disclosed in note 2, the balance of the unamortized costs of \$0.1 million were recorded against the convertible debenture during the three month period ending March 31, 2007.

The Debentures pay interest semi-annually on June 1 and December 1 and have a maturity date of December 1, 2009. The Debentures are convertible at the option of the holder to Trust Units at a conversion price of \$14.07888 per Trust Unit. Daylight has the option to redeem the Debentures at a price of \$1,050 per Debenture after December 1, 2007 and on or before December 1, 2008, at a price of \$1,025 per Debenture after December 1, 2008 and on or before December 1, 2009 and on maturity at \$1,000 per Debenture. On redemption or maturity the Trust may elect to satisfy its obligations to repay the principal and interest obligations by issuing Daylight Trust Units.

The Debentures were initially recorded at the fair value of the obligation without the conversion feature. This obligation to make future payments of principal and interest was determined to be \$77.7 million. The difference between the principal amount of \$80 million and the fair value of the obligation is \$2.3 million and has been recorded in unitholders' equity as the fair value of the conversion feature of the Debentures.

The following table indicates the Convertible Debenture activities for the three months ended March 31, 2007 and the year ended December 31, 2006:

## DAYLIGHT RESOURCES TRUST

	Face Value	Debt Component	Equity Component
Balance, December 31, 2005	\$ 9,433	\$ 9,219	\$ 274
Accretion and amortization	-	27	-
Conversion to Trust Units	(5,857)	(5,731)	(170)
Balance, December 31, 2006	\$ 3,576	\$ 3,515	\$ 104
Less: unamortized transaction costs	-	(77)	-
Accretion and amortization	-	6	-
Balance, March 31, 2007	\$ 3,576	\$ 3,444	\$ 104

### 10. Financial Charges

During the three months ended March 31, 2007 and 2006, Daylight incurred interest charges on bank debt and convertible debentures as well as the amortization of financial charges, transaction costs, and accretion of convertible debenture liability as follows:

	2007	2006
Bank debt interest	\$ 5,217	\$ 1,529
Convertible debenture interest	75	170
Amortization of financial charges and transaction costs	34	42
Accretion of convertible debenture liability	6	11
Total	\$ 5,332	\$ 1,752

A reconciliation of the deferred financing charges is provided as follows:

	March 31, 2007	December 31, 2006
Balance, beginning of period	\$ 400	\$ 720
Change in accounting policy (note 2)	(77)	-
Amortization	(34)	(146)
Conversion to Trust Units	-	(174)
Balance, end of period	\$ 289	\$ 400

### 11. Asset Retirement Obligations

Daylight's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. Daylight estimates the total undiscounted amount of cash flow required to settle its asset retirement obligations is approximately \$105.3 million (2006 - \$104.1 million) which will be incurred between 2007 and 2059. The majority of the costs will be incurred between 2007 and 2031. An inflation factor of 2% has been applied to the estimated asset retirement cost at March 31, 2007 and December 31, 2006. A credit-adjusted risk-free rate of 8% was used to calculate the fair value of the asset retirement obligations at March 31, 2007 and December 31, 2006.

## DAYLIGHT RESOURCES TRUST

A reconciliation of the asset retirement obligations is provided as follows:

	March 31, 2007	December 31, 2006
Balance, beginning of period	\$ 23,294	\$ 18,179
Acquisition (note 3)	-	12,380
Liabilities incurred	84	585
Liabilities settled	(1,840)	(6,968)
Liabilities transferred to Pegasus (note 4)	-	(613)
Liabilities transferred to Trafalgar (note 12(e))	-	(2,230)
Accretion expense	655	1,961
Balance, end of period	\$ 22,193	\$ 23,294

### 12. Unitholders' Equity

The Trust Indenture provides that an unlimited number of trust units may be authorized and issued. Each trust unit is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any distributions from the Trust and in the assets of the Trust in the event of termination or winding-up of the Trust. All trust units are of the same class with equal rights and privileges.

#### a) Trust Units

	Number of Units	Amount
Trust units:		
Balance, December 31, 2005	61,435,965	\$ 565,128
Issued on retraction of exchangeable shares	2,130,342	20,051
Issued on conversion of debentures	616,516	5,727
Issued through DRIP Plan	259,326	2,829
Issued on vesting of unit awards	2,385,757	18,499
Unit issue costs	-	(442)
Balance, prior to Arrangement	66,827,906	\$ 611,792
Conversion ratio to Daylight Resources Trust Units	0.6642	-
Daylight Resources Trust Unit balance, after conversion	44,387,095	\$ 611,792
Issued on acquisition of Sequoia (note 3)	27,475,423	418,413
Issued through Premium DRIP™	1,898,758	19,529
Issued on vesting of unit awards	20,374	223
Issued through employee unit ownership plan	52,588	569
Issued through employee bonus plan	487,939	5,464
Issued through optional cash purchase plan	91	1
Unit issue costs	-	(2,674)
Balance, December 31, 2006	74,322,268	\$ 1,053,317
Issued through Premium DRIP™	1,891,527	17,649
Issued on vesting of unit awards	19,320	210
Issued through employee unit ownership plan	58,359	575
Issued through employee bonus plan	250,600	2,415
Balance, March 31, 2007	76,542,074	\$ 1,074,166

#### *Premium Distribution Reinvestment and Optional Trust Unit Purchase Plan ("Premium DRIP™")*

As part of the Arrangement, Daylight implemented a Premium Distribution Reinvestment and Optional Trust Unit Purchase Plan ("Premium DRIP™") for eligible unitholders of the Trust. On distribution payment dates eligible Premium DRIP™ unitholders may receive in lieu of the cash distribution that unitholders are otherwise entitled to receive in respect of their units, a cash payment equal to 102% of such amount. Unitholders may also reinvest their cash distributions in additional trust units at a price

that is 95% of the average market price for the Pricing Period. The Pricing Period refers to the period beginning on the later of the 21<sup>st</sup> business day preceding the distribution payment date and the second business day following the record date applicable to that distribution payment date, and ending on the second business day preceding the distribution payment date. Eligible Premium DRIP<sup>TM</sup> unitholders may also make optional cash payments on this date to purchase additional trust units at a price that is equal to the average market price for the Pricing Period. During the three months ended March 31, 2007 Daylight issued 1,516,130 trust units from treasury, related to unitholders electing to receive the 102% of cash distributions option, in lieu of cash distributions totalling \$14.1 million. Daylight also issued 375,397 units from treasury, related to unitholders electing to receive the 95% reinvestment price for additional units option, in lieu of cash distributions totalling \$3.5 million in the same period. No units were issued through the optional cash purchase plan. On March 21, 2007 Daylight announced it had suspended the issuance of units under the Premium DRIP<sup>TM</sup>.

### *Distribution Reinvestment and Optional Trust Unit Purchase Plan ("DRIP")*

On August 9, 2005 Daylight announced the implementation of the Distribution Reinvestment and Optional Trust Unit Purchase Plan ("DRIP") for eligible unitholders of the Trust. On distribution payment dates eligible DRIP unitholders may reinvest their cash distributions in additional trust units at a price that is 95% of the 10 day weighted average trading price of Daylight units. Eligible DRIP unitholders may also make optional cash payments on this date to purchase additional trust units at a price that is equal to the 10 day weighted average trading price of Daylight units. On September 21, 2006, the DRIP was replaced with the Premium DRIP<sup>TM</sup> which provides for additional elections by unitholders. During the year ended December 31, 2006 Daylight issued 259,326 DET trust units from treasury for the DRIP in lieu of cash distributions totaling \$2.8 million.

### *Employee Unit Ownership Plan ("EUOP")*

On September 21, 2006 Daylight adopted an Employee Unit Ownership Plan ("EUOP") whereby the Trust matches every dollar contributed by each employee, to a maximum of 9% of employee's salary. Under the terms of the EUOP, the Trust has the option to acquire units on behalf of employees through open market purchases or to issue new units from treasury. During the three months ended March 31, 2007 the Trust elected to issue 58,359 units (\$0.6 million) from treasury in settlement of the EUOP obligations, representing the employee contributions and the Trust's matching contributions. The price used to determine units issued from treasury on a monthly basis is the average market price for the period beginning on the second business day of the month and ending on the second business day preceding the monthly distribution payment date.

### *Redemption Right*

Unitholders may redeem their trust units for cash at any time, up to a maximum of \$250,000 in any calendar month, by delivering their unit certificates to the Trustee, together with a properly completed notice of redemption. The redemption amount per trust unit will be the lesser of 90 percent of the market price of the trust units on the principal market on which they are traded during the 10 day trading period after the trust units have been validly tendered for the redemption and the closing market price of the trust units on the principal market on which they are traded on the date on which they were validly tendered for redemption, or if there was no trade of the trust units on that date, the average of the last bid and ask prices of the trust units on that date.

## DAYLIGHT RESOURCES TRUST

### b) Net Income Per Unit

The following table summarizes the weighted average trust units, exchangeable shares and convertible debentures used in calculating net income per trust unit:

	2007	2006
Basic	75,465,109	41,488,907
Exchangeable shares at exchange ratio	-	911,019
Convertible debentures	253,997	565,900
Restricted and Performance unit awards	103,142	397,901
Diluted	75,822,248	43,363,727

Diluted net income per unit adds back interest, amortization and accretion expense on convertible debentures and non-controlling interest. Interest, amortization and accretion for the three months ended March 31, 2007 was \$0.1 million (2006 - \$0.2 million). Non-controlling interest for the three months ended March 31, 2007 was nil (2006 - \$0.3 million).

### c) Unit Award Incentive Plan

Daylight has a Unit Award Incentive Plan which allows the Board of Directors to grant up to 5% of the trust units outstanding, including trust units which may be issued on exchange of exchangeable shares, as Restricted and/or Performance Unit Awards to directors, officers, employees and service providers of Daylight and its affiliates. The Restricted Unit Awards vest over a three-year period. The Performance Unit Awards vest on the third anniversary of the date of the grant. The number of units issued under the Performance Unit Awards granted is also subject to a performance multiplier and is dependent on the performance of the Trust relative to a peer comparison group of oil and gas trusts. A holder of a Restricted or Performance Unit Award may elect, subject to consent of Daylight, to receive cash upon vesting in lieu of the number of units held. The plan provides for adjustments to the number of units issued based on the cumulative distributions of the Trust during the period that the Restricted or Performance Unit Award is outstanding.

The following tables reconcile the number of restricted and performance units outstanding:

<b>Restricted Awards</b>	<b>Number</b>
Balance, December 31, 2005	1,044,350
Issued	1,011,395
Vested and converted to trust units	(1,420,523)
Forfeited	(77,689)
Balance December 31, 2006	557,533
Vested and converted to trust units	(17,411)
Forfeited	(34,359)
Balance, March 31, 2007	505,763
Weighted average adjustment factor	1.11491
Trust unit equivalent	563,880

## DAYLIGHT RESOURCES TRUST

<b>Performance Awards</b>	<b>Number</b>	<b>Performance Multiplier</b>	<b>Total Number</b>
Balance, December 31, 2005	290,000	2	580,000
Issued	135,000	-	135,000
Vested and converted to trust units	(290,000)	-	(580,000)
Balance, December 31, 2006	135,000	1	135,000
Issued	77,500	-	77,500
Balance, March 31, 2007	212,500	1	212,500
Weighted average adjustment factor			1.11491
Trust unit equivalent			236,918

The performance multiplier is calculated on an annual basis for one third of the performance units originally granted. The performance multiplier may range from 0 to 2 in any given year as determined by the Board of Directors. For the period ended September 21, 2006 a performance multiplier of 2 was granted on the units. Daylight has assumed a multiplier of 1 on the performance units, although the final multiplier may range anywhere from 0 to 2.

The fair value of the Unit Awards are determined at date of grant and amortized through general and administrative expense over the vesting period as unit based compensation with a corresponding increase to contributed surplus. In conjunction with the Arrangement, all outstanding Unit Awards vested immediately prior to closing. The weighted average fair value at the date of grant for the Unit Awards granted during the three months ended March 31, 2007 was \$9.85 per Unit Award (2006 - \$12.44) and \$0.9 million (2006 - \$1.3 million) was charged to general and administrative expense in the period.

### d) Contributed Surplus

	<b>Amount</b>
Balance, December 31, 2005	\$ 2,936
Unit based compensation	16,348
Vested Unit Awards	(18,722)
Balance, December 31, 2006	\$ 562
Unit based compensation	903
Vested Unit Awards	(210)
Balance, March 31, 2007	\$ 1,255

### e) Accumulated Distributions

The table below shows the cumulative distributions and the per unit equivalent for Daylight Energy Trust and Daylight Resources Trust:

## DAYLIGHT RESOURCES TRUST

<b>Record Date</b>	<b>per Daylight Unit equivalent *</b>	<b>per DET Unit</b>	<b>Amount</b>
Total 2004 cash distributions	\$ 0.36	\$ 0.24	\$ 9,777
Total 2005 cash distributions	\$ 2.26	\$ 1.50	\$ 72,585
Open Range distribution (cost base)	0.47	0.31	15,235
Total 2005 distributions	\$ 2.73	\$ 1.81	\$ 87,820
January 31, 2006	0.21	0.14	8,773
February 28, 2006	0.21	0.14	8,810
March 31, 2006	0.21	0.14	8,824
April 28, 2006	0.21	0.14	8,873
May 31, 2006	0.21	0.14	8,893
June 30, 2006	0.21	0.14	8,897
July 31, 2006	0.21	0.14	8,904
August 31, 2006	0.21	0.14	8,927
Total 2006 cash distributions	\$ 1.69	\$ 1.12	\$ 70,901
Trafalgar distribution (cost base)	0.26	0.17	11,202
Total 2006 distributions	\$ 1.94	\$ 1.29	\$ 82,103
Total distributions since inception	\$ 5.03	\$ 3.34	\$ 179,700

\* may not add exactly due to rounding.

The table below shows the cumulative distributions and per unit equivalent for Daylight Resources Trust:

<b>Record Date</b>	<b>Per Unit</b>	<b>Amount</b>
September 29, 2006	\$ 0.195	\$ 14,013
October 31, 2006	0.195	14,187
November 30, 2006	0.195	14,328
December 31, 2006	0.195	14,493
Total 2006 cash distributions	\$ 0.780	\$ 57,021
January 31, 2007	0.150	11,274
February 28, 2007	0.150	11,358
March 31, 2007	0.150	11,482
Total 2007 cash distributions	\$ 0.450	\$ 34,114
Total distributions since inception	\$ 1.230	\$ 91,135

As part of the Arrangement, Daylight Energy disposed of interests in certain oil and gas properties in exchange for Trafalgar common shares and arrangement warrants. Daylight retained 740,240 of the Trafalgar common shares and distributed the remaining securities to DET unitholders, Sequoia unitholders and the Daylight Energy Exchangeable Shareholders. Each DET unitholder received 0.0417 of a Trafalgar common share and 0.0116 of a Trafalgar warrant for each DET unit held. Each Sequoia unitholder received 0.0517 of a Trafalgar common share and 0.0144 of a warrant for each Sequoia unit held. The Daylight Energy exchangeable shareholders received Trafalgar common shares and warrants on the same basis as the DET unitholders based on the number of DET units into which their shares were exchangeable.

At the time of transfer, Daylight and Trafalgar were considered arms length parties and accordingly the property disposition has been recorded at its fair value of \$21.1 million.

The disposition to Trafalgar was recorded using the following fair values:

## DAYLIGHT RESOURCES TRUST

Petroleum and natural gas assets	\$ 23,330
Asset retirement obligations (note 11)	(2,230)
Total	\$ 21,100
<hr/>	
Distributed to DET securityholders	\$ 11,202
Distributed to Sequoia unitholders	6,922
Retained by Daylight (note 4)	2,976
Total	\$ 21,100

### 13. Supplemental Cash Flow Information

Three months ended March 31	2007	2006
Changes in non-cash working capital:		
Accounts receivable	\$ 10,132	\$ 7,986
Prepaid expenses and deposits	(263)	277
Accounts payable and accrued liabilities	122	(18,012)
Plan of arrangement costs settled with units	1,988	-
Working capital acquired on acquisition (note 3)	(1,731)	-
Change in non-cash working capital	\$ 10,248	\$ (9,749)
Relating to:		
Operating activities	\$ 5,507	\$ (13,489)
Financing activities	305	255
Investing activities	4,436	3,485
Change in non-cash working capital	\$ 10,248	\$ (9,749)
<hr/>		
	2007	2006
Interest and taxes paid:		
Interest paid	\$ 4,830	\$ 1,692
Taxes paid	\$ -	\$ 89

### 14. Financial Instruments

#### Balance Sheet Financial Instruments:

Financial instruments comprise accounts receivable, prepaid expenses and deposits, certain investments, accounts payable and accrued liabilities, cash distributions payable and bank debt. Unless otherwise noted, carrying values reflect the current fair value of the Trust's financial instruments. The Trust's investments held for trading have a fair value based on quoted market value of \$8.4 million. The Trust's long-term debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The convertible debentures outstanding at March 31, 2007, with a face value of \$3.6 million (2006 - \$3.6 million), had a fair value based on quoted market value of \$3.7 million (2006 - \$3.7 million).

#### Credit Risk:

Portions of the Trust's accounts receivable are with joint operating partners in the oil and gas industry and are subject to normal industry credit risks. Purchasers of the Trust's oil and natural gas products are subject to an internal credit review designed to mitigate the risk of non-payment.

#### Interest Rate Risk:

The Trust is exposed to interest rate risk to the extent that changes in market interest rates will impact the Trust's bank debt which is subject to a floating interest rate.

## DAYLIGHT RESOURCES TRUST

### Foreign Currency:

While substantially all of the Trust's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar.

### Commodity Price Risk:

The commodity derivatives outstanding at March 31, 2007 are summarized as follows:

Type of Contract	Commodity	Hedged Volume <sup>(2)</sup>	Hedge Price	Hedge Period	Unrealized Loss
Financial (Funded Collar <sup>(1)</sup> )	Natural gas	30,000 GJ/d	Cdn\$6.75 - \$8.50/GJ	Apr 1/07 to Oct 31/07	\$ 673
Financial (Funded Collar <sup>(1)</sup> )	Natural gas	5,000 GJ/d	Cdn\$7.00 - \$9.10/GJ	Apr 1/07 to Oct 31/07	45
Financial (Funded Collar <sup>(1)</sup> )	Natural gas	5,000 GJ/d	Cdn\$7.00 - \$9.21/GJ	Apr 1/07 to Oct 31/07	3
					\$ 721

<sup>(1)</sup> Funded Collar price indicates floor (minimum) and ceiling (maximum). Funded Collar has a premium payable of \$0.10/GJ.

<sup>(2)</sup> A GJ converts to a Mcf at the rate of 1.055056 GJs per Mcf.

The following table provides a summary of the loss on financial instruments for the three months ended March 31, 2007 and 2006:

	2007	2006
Realized gain on commodity derivatives	\$ 24	\$ -
Unrealized loss on commodity derivatives	(7,784)	-
Unrealized loss on investments held for trading	(1,501)	-
Total	\$ (9,261)	\$ -

## 15. Related Party

Since November 30, 2004, Daylight Energy Ltd. ("Daylight Energy") and Midnight Oil Exploration Ltd. ("MOX") had been operating pursuant to an Administrative and Technical Services Agreement which provided for the shared services required to manage the activities of Daylight Energy and MOX and to govern the allocation of general and administrative expenses between the entities. Under this agreement, Daylight Energy was the employer on behalf of the parties and received payment for certain technical and administrative services provided to MOX. Pursuant to DET's merger with Sequoia, Daylight Energy and MOX announced their intention to terminate the agreement on mutually acceptable terms. The Administrative and Technical Services Agreement was terminated effective December 31, 2006. Certain administrative services which provide reasonable economy and do not involve competitive issues are provided to MOX by Daylight Energy on a fixed fee basis and these services may be cancelled by either party.

Pursuant to the Administrative and Technical Services Agreement, Daylight Energy charged Midnight Oil Exploration Ltd. \$0.4 million relating to general and administrative activities and \$0.6 million relating to capital expenditures for the three months ended March 31, 2006. For the three months ended March 31, 2007, Daylight Energy charged MOX \$0.3 million.

## 16. Commitments

The following is a summary of Daylight's contractual obligations and commitments, other than bank debt as disclosed in note 7, as at March 31, 2007:

## DAYLIGHT RESOURCES TRUST

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	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Thereafter</b>
Capital Lease	\$ 3,638	\$ 1,007	\$ -	\$ -	\$ -	\$ -
Operating Leases	6,687	7,312	4,438	2,692	1,536	7,546
Natural gas transportation	695	464	232	98	83	16
	<b>\$ 11,020</b>	<b>\$ 8,783</b>	<b>\$ 4,670</b>	<b>\$ 2,790</b>	<b>\$ 1,619</b>	<b>\$ 7,562</b>

Included in operating leases are obligations related to office space, office equipment and drilling rig contract.

In addition to the above, the Trust has commitments related to its risk management program (see note 14).

### Abbreviations

/d	per day
bbl(s)	barrel(s)
mbbls	thousand barrels
mmbbls	million barrels
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
boe	barrels of oil equivalent
mmboe	million barrels of oil equivalent
mmstb	million stock tank barrels of oil
ARTC	Alberta Royalty Tax Credit
Cdn	Canadian
NGLs	natural gas liquids
WTI	West Texas Intermediate crude oil
US	United States

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### ADVISORY:

**Forward Looking Statements:** This press release contains forward-looking statements as to the internal projections, expectations, estimates or beliefs relating to future events or future performance of Daylight Resources Trust ("Daylight"), including Daylight's guidance for 2007 and the amount and type of 2007 budgeted capital expenditures set forth herein. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "believes", "expects", "intends", "projects", "plans", "anticipates", "estimates" or "contains" or similar words or the negative thereof. These statements represent management's expectations or beliefs concerning, among other things, future capital expenditures and future operating results and various components thereof or the economic performance of Daylight and include, without limitation, statements with respect to the future financial position, business strategy, budgets, projected costs and plans, objectives of or involving Daylight or any of its respective affiliates; amounts to be retained by Daylight for growth; the amount and timing of the payment of distributions of Daylight; payout ratios; access to credit facilities; capital taxes; income taxes; commodity prices; administration costs; commodity price risk management activities; expectation of future production rates and components of cash flow and earnings. Actual events or results may differ materially. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions and assumptions at the time the statements were made including assumptions relating to the production performance of Daylight's oil and gas assets, the cost and competition for services throughout the oil and gas industry in 2006 and 2007 and the continuation of the current regulatory and tax regime in Canada, and necessarily involve known and unknown risks and uncertainties which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Daylight does not undertake to update any forward-looking information contained in this press release whether as to new information, future events or otherwise except as required by securities rules and regulations.

**Barrels of Oil Equivalency:** Barrels of oil equivalent (BOE's) may be misleading, particularly if used in isolation. In accordance with NI 51-101, a BOE conversion ratio for natural gas of 6 Mcf:1bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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