



## **FOUNDATION GROUP CAPITAL TRUST**

**CALGARY, ALBERTA** (December 7, 2011) – Foundation Group Capital Trust (“FR” or the “Trust”) provides the following update to the unitholders of the Trust.

On November 7, 2011 we provided unitholders an update on the Consulting Agreement and Farm-in Agreement with Neo Exploration Inc. (“Neo”), the policy on Distributions and Redemptions, FR’s share ownership in Neo and a Strategic Review process being conducted by the new management team. We also undertook in that update to provide a new unit value for the Trust based on an independent evaluation of the oil and gas assets of the Trust.

The following update to investors will address the new unit value, our strategic plan going forward and steps that are underway to recover monies owing to the Trust by Neo.

In addition to this update we have scheduled meetings where unitholders can come and meet with us in Edmonton, Red Deer, and Calgary to hear more about the strategic plan. The session in Calgary will be webcast for those unable to attend any of these scheduled meetings. The dates, times and addresses of the meetings are highlighted at the end of this update.

### **Net Asset Value of the Trust units as of September 30, 2011**

The Trust retained CB Securities Inc. (“CB”), a recognized expert in the evaluation of oil and gas assets in Western Canada, to provide an independent valuation of the oil and gas assets of the Trust as of September 30, 2011. To assist CB the Trust had Trimble Engineering Associates Ltd. (“Trimble”) update all of its oil and gas reserves as of September 30, 2011.

The valuation and fairness opinion from CB is attached to this Investor update. CB has determined a total value of **\$24 million dollars** as being the fair market value of the oil and gas assets owned by the Trust, including those of White North Energy Corp. and excluding the value of the Neo shares held by the Trust. Effective September 30, 2011 Trimble has estimated the reserves of the Trust on a working interest basis before royalties to be 475.2 thousand barrels of oil equivalent on a proven reserves basis and 1,071.2 thousand barrels of oil equivalent on a proved plus probable reserves basis.

**BOE Conversions:** *The term barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. Per boe amounts have been calculated using a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. This boe conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*



Based on the fairness opinion provided by CB the following calculation outlines the Net Asset Value of the Trust as of September 30, 2011:

		<u>\$ Millions</u>
Aggregate Funds Raised To Date		\$ 68.90
Agents, Administrator and Manager Fees		<u>\$ 10.50</u>
<b>Net Funds Raised To Date</b>		<b>\$ 58.40</b>
<b>Investments</b>		
Neo Common Shares	(a)	\$ 16.60
Petroleum Assets & Working Capital	(b)	<u>\$ 41.80</u>
Total Invested	(c)	<u>\$ 58.40</u>
<b>Decrease in Value</b>		
Neo Common Shares	(a)	\$ 16.60
Petroleum Assets & Working Capital	(b)	<u>\$ 16.77</u>
Total Decrease	(d)	<u>\$ 33.37</u>
<b>Debt</b>		
Promissory Notes	(e)	\$ 4.84
Bank Debt	(f)	<u>\$ 4.62</u>
Total Debt	(g)	<u>\$ 9.46</u>
<b>Net Asset Value</b>	(c-d-g)	<b>\$ 15.57</b>
<b>Net Asset Value Per Unit</b>	(h)	<b>\$ 2.43</b>

**Notes:**

(a) Neo Common shares – Neo has advised FR that it has put all of its oil and gas assets up for public tender to satisfy its obligations to creditors. At this time the Trust is unable to definitively ascertain a value for the shares of Neo and the value of the common shares is assumed to be zero. Once Neo completes the public sale of its assets FR will be able to determine a remaining value, if any.

(b) Petroleum assets and working capital – The reduction in value of \$16.77 million is comprised of a decrease in land value in the Cardium and Manitoba lands based on drilling results in the Cardium and geological mapping in Manitoba and drilling the three Cardium wells for approximately \$15 million in capital expenditures yielded a value to the Trust of approximately \$4.2 million. The decrease in working capital includes an allowance for doubtful accounts of \$1.87 million for balances owing from Exen Resources Inc. and Neo Exploration Inc. where collectability is uncertain. The Trust continues to pursue collection of all of its receivables.

(e) Promissory Notes – This is the total value of promissory notes the Trust has issued to Sept 30, 2011. Of the \$4.84 million in promissory notes \$4.32 million is due to a single party.

(f) Bank Debt – This value is the total debt of the Trust held by Canadian Western Bank. The debt was assumed by the Trust as part of the White North acquisition.

(h) Trust units outstanding as of the date hereof, 6,419,415 units outstanding after redemptions.



## **Neo Exploration Inc.**

On November 4, 2011 the Trust filed a statement of claim against Neo and its Management and Directors and Officers seeking repayment of monies owing, confirmation of earning on the two Cardium farmin wells and breach of fiduciary obligation. The defendants (Neo) have retained counsel and will presumably be filing a statement of defence in the coming weeks. We will update investors on the outcome of this action.

## **Strategic Review Process**

**The Management team is in final discussions with the Director of the Corporate Trustee on the Strategic go forward plan. The details of the plan will be presented at the Public Forum meetings scheduled in this Investor update.**

## **Public Forum Meeting Places, Dates and Times**

The following public meetings have been set up for investors to come and meet in person the new management team and hear our go forward plan.

Edmonton – January 18, 2012 7:00 pm **Delta Edmonton South**, 4404 - Gateway Blvd NW

Red Deer – January 19, 2012 7:00 pm **Capri Hotel Convention Centre**, 3310 - 50 Avenue

Calgary – January 20, 2012 7:00 pm **Coast Plaza Hotel & Conference Centre**, 1316 - 33 Street NE

**Please contact Investor Relations for clarification if required or register at our website [www.foundationresourcestrust.ca](http://www.foundationresourcestrust.ca)**

## **Foundation Group Capital Trust**

403-253-8854

## **Forward-Looking Information Cautionary Statement**

*This document contains forward-looking statements regarding the business and operations of the Trust. All statements other than statements of historical fact contained herein are forward-looking statements under applicable securities laws. In particular, statements as to the Trust's anticipated operational plans are forward-looking statements. These forward-looking statements are based upon various assumptions as to the availability of capital and future costs and availability of labour and services. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.*

**Attachment:** CB Securities Fairness opinion