



VIA SEDAR ONLY

April 5, 2002

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
66 Wellington Street West
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Attention: Joel E. Binder

Dear Sirs/Mesdames:

Re: Canadian Resources Income Trust II ("CaRIT II") - MRRS Application under National Instrument NI 81-102 ("NI 81-102") - Sedar Proj. No. 425908; Our Appl. No. 173/02

By letter dated March 4, 2002 (the "Application"), you applied on behalf of CaRIT Limited to the securities regulatory authority or regulator (collectively, the "Decision Makers") in each province of Canada except Quebec and Manitoba (the "Jurisdictions") for regulatory approval, pursuant to clause 5.5(1)(b) of NI 81-102, of the proposed merger (the "Merger") of CaRIT II and Canadian Resources Income Trust ("CaRIT"), with the latter being the continuing fund (the "Continuing Trust"). CaRIT Limited, which is the trustee (the "Trustee") of both CaRIT II and CaRIT, has caused the Application to be made on behalf of CaRIT II. Following the merger, the Trustee will continue to be the trustee of the Continuing Trust.

From staff's review of the Application, the joint proxy circular of CaRIT and CaRIT II dated February 20, 2002 (the "Proxy Circular"), your letters dated March 21 and 26, 2002, and your oral submissions at our meeting on March 28, 2002, we understand the relevant facts and information to be as follows:

1. Each of CaRIT and CaRIT II was created under the laws of the province of Ontario by an amended and restated declaration of trust dated November 28, 1996 and a declaration of trust dated February 7, 1997, respectively. Each of them is a "mutual fund" under the securities legislation of the Jurisdictions.
2. The Trustee of both trusts is a corporation that has a 5-member board of directors, of which only two are not also officers or directors of Scotia Capital Inc. ("Scotia Capital"), the current administrator of each trust.
3. As administrator of each trust, Scotia Capital receives an administration fee of 0.25% of net asset value ("NAV") per annum from each trust. The amount paid to Scotia Capital for the 6-

month period ending June 30, 2001 was \$89,184 (from CaRIT) and \$70,383 (from CaRIT II). The management expense ratio of each trust is approximately 0.44%.

4. Each trust is a passive investment vehicle whose investment objective is to provide investors with high yield and low cost diversification by acquiring a portfolio of trust units of selected Canadian income funds focussed on the natural resource industry. The composition of the investment portfolio of each trust was fixed at the time of or immediately after their respective initial public offering of units. The investment portfolio of each trust is not actively managed.
5. Each trust completed its initial public offering of units pursuant to a prospectus on November 28, 1996 and February 10, 1997, respectively. Neither trust is in continuous distribution of its units.
6. The units of each trust are listed on the Toronto Stock Exchange ("TSE"). On January 31, 2002, trading in units of CaRIT closed on the TSE at \$8.75 per unit and its NAV per unit was \$8.72. On the same date, trading in units of CaRIT II closed on the TSE at \$10.30 per unit, and its NAV per unit was \$10.45.
7. From the respective formation of the trusts through to January 31, 2002,
 - a. CaRIT's compound annual return of 9.7%, exceeded the 7.1% return of the TSE 300 Index, and
 - b. CaRIT II's compound annual return of 12.1 exceeded the 5.9% return of the TSE 300 Indexover the same period and assuming reinvestment of all distributions.
8. Pursuant to its declaration of trust, CaRIT is scheduled to terminate on May 1, 2002. Similarly, CaRIT II is scheduled to terminate on October 1, 2002.
9. Since the initial public offering of their securities, each trust has successfully provided its unitholders above average annual returns. Each trust has paid its unitholders above average cash distributions, a portion of which was distributed to them on a tax-deferred basis.
10. The Trustee proposed the Merger to provide unitholders of CaRIT and CaRIT II with the opportunity to continue their investment beyond their scheduled termination dates. The Continuing Trust will exist until March 31, 2007.
11. Pursuant to the Merger, units of CaRIT II will be exchanged for units of the Continuing Trust at an exchange ratio calculated based on the relative NAV of each trust as at the close of trading on the TSE on the business day prior to the effective date of the Merger. Assuming receipt of regulatory approval, the effective date of the Merger is scheduled to be April 7, 2002. The NAV of each trust for the purpose of calculating the exchange ratio will be calculated in accordance with the provisions of their respective declarations of trust.

12. The cost of the merger is approximately \$875,000 (the “Merger Cost”), excluding the fees referred to in paragraph 13 below, and will be charged directly against both trusts in proportion to their respective NAV. Of this amount,
 - (a) \$200,000 has been or will be paid to Scotia Capital for structuring the Merger and providing a fairness opinion that the methodology used to determine the exchange ratio referred to in paragraph 11 is fair, from a financial point of view, to the unitholders of CaRIT and CaRIT II;
 - (b) \$125,000 has been or will be paid to Scotia Capital for forming and managing a dealers syndicate to solicit unitholder proxies in favour of the Merger; and
 - (c) \$300,000 will be paid to Scotia Capital upon successful completion of the Merger;
13. In addition to the Merger Cost, each trust will pay the amount of \$0.25 per unit to the members of the dealers syndicate for soliciting proxies in favour of the Merger (the “Solicitation Fees”). Based on the number of each trust’s units that were solicited and voted in favour of the Merger and not retracted, the Solicitation Fees payable by each of CaRIT and CaRIT II are approximately \$690,000 and \$293,000, respectively.
14. The Merger Cost is estimated to be approximately \$0.090 per unit of CaRIT and \$0.109 of CaRIT II, in each case representing 1% of the NAV per unit of each trust. As at March 28, 2002, the aggregate of the Merger Cost and Solicitation Fees is approximately \$0.214 per unit of CaRIT and \$0.230 per unit of CaRIT II, representing 2.257% of the NAV per unit of CaRIT and 2.057% per unit of CaRIT II.
15. Scotia Capital will continue to be the administrator of the Continuing Trust. As such, it will receive an administration fee of 0.25% of NAV per annum.
16. Prior to the development of the Merger proposal, the Trustee created a special committee, consisting of the members of its board of directors who are not also officers or directors of Scotia Capital, to review various alternatives to the scheduled termination of each trust. The members of the special committee are Mr. John Newman and Mr. Stephens Lowden. Whenever the Trustee considers a matter in which Scotia Capital has an actual or potential conflict of interest, Messrs. Newman and Lowden are appointed as members of an independent committee to advise the Trustee.
17. The special committee appointed Scotia Capital to act as financial advisor and make recommendations in connection with the scheduled termination of CaRIT and CaRIT II. Following consideration of various alternatives to termination, Scotia Capital developed and recommended the Merger proposal to the special committee, which accepted the recommendation.

18. Both the establishment of the special committee and the appointment of Scotia Capital as financial advisor were announced in a press release issued on October 29, 2001. They were similarly disclosed in the Proxy Circular, along with the following:
 - (a) the fact that the Merger Cost will be charged against the trusts, and
 - (b) the relationship of Scotia Capital with the trusts, and
 - (c) the Merger Cost to be paid to Scotia Capital.
19. The current administration agreement of Scotia Capital with each of CaRIT and CaRIT II provides for the ability of Scotia Capital to charge and collect fees from each trust, in addition to the administration fee of 0.25% of NAV, for any extraordinary work performed for each trust.
20. Pursuant to the Merger, there will be a one-time adjustment of the investment portfolios of both trusts so that the investment portfolio of the Continuing Trust reflects the current makeup and weighting of the Scotia Capital Income Trust Index, less real estate investment trusts and other securities with an index weighting of less than 1.5%. This one-time adjustment, which will require the sale of certain holdings and the acquisition of new securities, will enable the trusts to make use of their significant loss carryforwards.
21. Separate meetings of the unitholders of both trusts were held on March 25, 2002, at which over 99% of the votes cast at each meeting were voted in favour of the Merger.
22. The Continuing Trust will not issue additional units in the future, except with the approval of the independent directors of the Trustee. There is no current intention for the Continuing Trust to issue additional units.

Decision

This letter confirms that, based on the information provided in the Application and the facts and representations above, and for the purpose described in the Application, the Decision Makers hereby grant approval to the Merger pursuant to clause 5.5(1)(b) of NI 81-102.

Yours truly,

Paul A. Dempsey
Paul A. Dempsey
Manager, Investment Funds
Capital Markets