

Onyx Trust, Series A-1

Financial Statements

June 30, 2006

(unaudited)

Onyx Trust, Series A-1

Statements of Net Assets

As at

	June 30, 2006	December 31, 2005
	(unaudited)	(audited)
	\$	\$
Assets		
Current assets		
Cash	3,058	1,172
Short-term investments (note 3)	12,688,943	13,176,897
Credit derivative related asset (note 4)	440,000	1,226,168
Credit default swap receivable (note 5)	3,127,461	2,643,059
Other accounts receivable	1,391	5,290
	<u>16,260,853</u>	<u>17,052,586</u>
Liabilities		
Accounts payable and accrued liabilities	40,977	34,622
Distributions payable	240,000	240,000
	<u>280,977</u>	<u>274,622</u>
Net assets, represented by:	<u>15,979,876</u>	<u>16,777,964</u>
Unitholder's equity		
Unitholder's capital (note 7)	12,536,757	13,016,757
Retained earnings	3,443,119	3,761,207
	<u>15,979,876</u>	<u>16,777,964</u>
Number of units outstanding – End of period	<u>160,000</u>	<u>160,000</u>
Net assets per unit	<u>99.87</u>	<u>104.86</u>

Approved by the Trustee, Metcalfe & Mansfield Alternative Investments Corp.

Claude Dalphond Director

Benoit Deschamps Director

Onyx Trust, Series A-1

Statements of Operations and Retained Earnings

For the six month period ended June 30, 2006

	For the six months period ended June 30, 2006	For the six months period ended June 30, 2005
	(unaudited)	(unaudited)
	\$	\$
Revenue		
Interest on cash	87	19
Interest on short-term investments	236,975	174,851
Interest on credit default swap	(236,885)	(174,227)
Income from credit default swap	507,856	510,174
	<hr/>	<hr/>
	508,033	510,817
	<hr/>	<hr/>
Expenses		
Audit fees	7,079	7,357
Legal fees	7,078	7,357
Administrative agent fees	9,563	12,305
Regulatory and reporting expenses	7,988	4,013
Directors' fees	8,245	10,256
	<hr/>	<hr/>
	39,953	41,288
	<hr/>	<hr/>
Net investment income for the period	468,080	469,529
Change in value of credit derivative related asset	(786,168)	15,339
	<hr/>	<hr/>
Decrease in net assets from operations	(318,088)	484,868
Retained earnings - Beginning of period	3,761,207	3,307,729
	<hr/>	<hr/>
Retained earnings - End of period	3,443,119	3,792,597
	<hr/>	<hr/>
Increase (decrease) in net assets from operation per unit	(1.99)	3.03
	<hr/>	<hr/>

Onyx Trust, Series A-1

Statements of Change in Net Assets

For the six month period ended June 30, 2006

	For the six month period ended June 30, 2006	For the six month period ended June 30, 2005
	(unaudited)	(unaudited)
	\$	\$
Decrease in net assets from operations	<u>(318,088)</u>	<u>484,868</u>
Distributions to unitholders	<u>(480,000)</u>	<u>(480,000)</u>
Capital unit transactions		
Sale of units	-	-
Unit issue costs	-	-
Unit redeemed	-	-
	<u>-</u>	<u>-</u>
Decrease in net assets for the period	(798,088)	4,868
Net assets – Beginning of period	<u>16,777,964</u>	<u>17,284,486</u>
Net assets – End of period	<u>15,979,876</u>	<u>17,289,354</u>

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Statements of Cash Flows

For the six month period ended June 30, 2006

	For the six month period ended June 30, 2006	For the six month period ended June 30, 2005
	(unaudited)	(unaudited)
	\$	\$
Operating activities		
Increase (Decrease) in net assets operations for the period	(318,088)	484,868
Adjustments for:		
Change in value of credit derivative related asset	786,168	(15,339)
Decrease (Increase) in other accounts receivable	3,899	(2,522)
Increase (Decrease) in account payable and accrued liabilities	6,355	(3,575)
	<u>796,422</u>	<u>(21,436)</u>
	<u>478,334</u>	<u>463,432</u>
Investing activities		
Increase in credit default swap receivable	(484,402)	(510,383)
Financing activities		
Distributions paid to unitholders	(480,000)	(480,000)
Decrease in cash and cash equivalents	(486,068)	(526,951)
Cash and cash equivalents - Beginning of period	13,178,069	14,208,496
Cash and cash equivalents - End of period	<u>12,692,001</u>	<u>13,681,545</u>
Cash and cash equivalents comprise:		
Cash	3,058	292
Short-term investments	12,688,943	13,681,252
	<u>12,692,001</u>	<u>13,681,545</u>

Onyx Trust, Series A-1

Notes to the Financial Statements
June 30, 2006

1 Creation of Trust and nature of operations

The Onyx Trust, Series A-1 (the “Trust”) is a closed-end income trust which was established under the laws of the Province of Ontario on April 25, 2003 by a trust agreement.

National Bank Trust Inc. acts as administrative agent and National Bank Financial Inc., the promoter of the Trust, holds no voting securities of the Trustee, Metcalfe & Mansfield Alternative Investments Corp.

In order to provide the Trust with the means to meet its investment objectives, the Trust entered on May 2, 2003 into a credit default swap agreement with a creditworthy financial institution (the “Bank”).

The Trust provides an exposure to a mezzanine tranche of a portfolio of 99 corporate credits (2005- 99) (“reference entities as listed in Schedule 1”), the objective of which is to provide unitholders with a stream of quarterly distributions and redeem all outstanding units on May 17, 2008. This tranche benefited at inception from a first loss tranche of \$37,490,000 (2005- \$37,490,000), which absorbs all cumulative net loss in relation to any credit event of reference entities up to a maximum of 5.0% of the reference entities’ portfolio size up to a cumulative net loss of \$16,000,000.

Through to the maturity date, the redemption price and the net asset value will vary depending on a number of factors such as the quarterly distributions to be made on the units, interest rates, the creditworthiness of the reference entities and cumulative net loss amounts incurred upon the occurrence of credit events in the portfolio over the first loss tranche. Credit events include bankruptcy, failure to pay and restructuring of a reference entity.

2 Significant accounting policies

Generally accepted accounting principles

In October 2003, the Canadian Institute of Chartered Accountants (“CICA”) issued CICA Handbook Section 1100, “Generally Accepted Accounting Principles” (“GAAP”), which establishes standards for financial reporting. Section 1100 applies to all entities, with the exception of rate-regulated operations, for fiscal years beginning on or after October 1, 2003.

This section primarily impacts the disclosure of the financial statements and accordingly has no impact on the valuation of the Trust or in the calculation of the net assets per unit of the Trust. For financial statement reporting purposes, earnings per share is now included in the statements of operations and retained earnings, in accordance with GAAP.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are the following.

Onyx Trust, Series A-1

Notes to the Financial Statements

June 30, 2006

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Trustee believes that the estimates used in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Short-term investments

Short-term investments are carried at the lower of cost and net realizable value, increased by related accrued interest.

Income recognition

Interest income, interest expense and income from the credit default swap are recorded on an accrual basis.

Valuation of the credit default swap

The credit default swap is presented on the statement of net assets at its estimated replacement cost with changes in the unrealized appreciation or depreciation for the year reported in the statement of operations. The replacement cost is calculated by using several assumptions, including the discounting of the expected contractual cash flows using a rate that reflects the credit quality of the reference entities of the swap. The replacement cost is strongly influenced by other assumptions such as the amount and timing of future estimated cash flows, discount rates, time value of money and yield curves. The calculated replacement cost reflects market conditions on a given date and for this reason cannot be representative of future fair values. Also, the replacement cost does not necessarily reflect the value at which the credit default swap could be liquidated.

3 Short-term investments

Under the credit default swap agreement, short-term investments are pledged to the Bank. They are issued or fully and unconditionally guaranteed as to principal and interest by the Government of Canada or a Canadian financial institution, having a short-term or long-term rating from Standard & Poor's Rating Service of at least A-1 or AA- and a short-term or long-term rating from Moody's of at least P-1 or AA3 respectively. The amount outstanding as at June 30, 2006 had a maturity date of July 7, 2006 and bears interest at 4, 02%.

4 Financial derivative instrument

The Trust has entered into a credit default swap agreement with the Bank pursuant to which the Trust will pay the Bank if a credit event occurs in the reference entities resulting in a cumulative net loss exceeding the first loss tranche of \$37,490,000 (2005 – \$37,490,000). The maximum loss that could be assumed by the Trust for each credit event with respect to a reference entity amounts to \$8,000,000, up to a cumulative net loss of \$16,000,000.

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Notes to the Financial Statements

June 30, 2006

The notional amount of the credit default swap as at June 30, 2006 is \$16,000,000 for a portfolio that consists of a pool of \$792,000,000 (2005 - \$800,000,000) in reference bonds of 99 (2005 - 99) equally weighted entities that had an average Moody's rating of Baa2 on June 30, 2006 and 2005. The credit default swap will mature on May 17, 2008. The net quarterly payments under the swap are based on:

- a) a quarterly payment by the Trust to the Bank based on a banker's acceptance three-month rate on the collateral amount outstanding on the immediately preceding quarterly payment date, pro-rated based on the number of days of the period; and
- b) a quarterly release by the Bank to the Trust of the outstanding collateral amount calculated at an annual rate of 6.46% of the average outstanding amount over the period.

Credit risk

As a result of entering into a credit default swap agreement, the Trust is exposed to a levered credit exposure. Any credit event of a reference entity would result in a loss that would accumulate as a cumulative net loss for the Trust. The cumulative net loss over the first loss tranche of \$37,490,000 (2005 - \$37,490,000) would be assumed by the Trust up to a cumulative net loss of \$16,000,000.

In addition, the Trust is exposed to counterparty credit risk arising from any unrealized gain on the credit default swap plus any amount receivable from the Bank. As the maturity date of the Trust approaches, the amount of exposure to the counterparty risk will gradually grow to approximately \$5,200,000 plus any unrealized gain or minus any unrealized loss on the credit default swap. Management believes that the probability of default is low.

On October 8, 2005, a reference entity included in the portfolio filed for protection under Chapter 11 of the United States Bankruptcy Code. On October 17, 2005, the Trust received from the Bank, as swap counterparty, a Credit Event Notice and a Notice of Publicly Available Information advising that a credit event had occurred with regard to this reference entity. The Bank conducted a valuation on October 25, 2005 and the final price was established at 68.625% of the par value, representing a loss of \$2,510,000. As the Trust benefits from a first loss tranche equal to \$40,000,000, this credit event has no impact on the value of the units at maturity and on the distributions. Following this credit event, the reference entity has been removed from the portfolio which now comprises 99 reference entities and the first loss tranche has been reduced to \$37,490,000.

Interest rate risk

There is an interest rate risk associated with the derivative instrument, which has several components, one of which is to compensate for a risk assumed with time. Market rates can vary and cause fluctuations on the fair value of the derivative instrument having a fixed rate at the signing of the contract.

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Notes to the Financial Statements

June 30, 2006

5 Credit default swap receivable

The credit default swap receivable consists of the unpaid amount to the Trust with regard to the income on the credit default swap, which is calculated at the annual rate of 6.46%, and is reduced by the amount of interest paid on the credit default swap to the Bank at the Canadian banker's acceptance three-month rate.

The amount receivable, net of any excess net loss amounts incurred upon the occurrence of credit events over the short-term investments given as a collateral amount, will be received on May 17, 2008, the maturity date of the Trust.

6 Income taxes

The Trust qualifies as a unit trust within the meaning of the *Income Tax Act* (Canada). The Trust is subject to income taxes under this Act on the amount of taxable income for the period and is permitted a deduction in computing its income tax for all amounts paid or payable to the Trust's unitholders in determining income for tax purposes.

Any amount payable under the credit default swap is considered to be an amount of income payable under the swap agreement and taxable as such. According to the terms of the swap agreement, the amount will be determinable only on the maturity date and therefore the swap payment to the Trust should only be taxable as income at the maturity date.

7 Unitholders' capital

Authorized units

The Trust is authorized to issue an unlimited number of transferable and redeemable units of Series A-1, each of which represents an equal undivided interest in the net assets of the Trust.

All units have equal rights and privileges. Each whole unit is entitled to one vote and to participate equitably with respect to any and all distributions made by the Trust.

Units may be surrendered for redemption at any time but will be redeemed only on a quarterly basis on the last business day of each of the months of March, June, September and December (the "redemption date") for an amount equal to the redemption price of the units determined as of such redemption date.

The redemption price will be equal to 95% of the unwind price per unit as determined by a bid provided by the Bank in its sole discretion, reflecting market conditions on the first business day of each quarter.

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Issued and outstanding units

On April 25, 2003, the Trust issued one unit for a cash consideration of \$100.

On May 2, 2003, the Trust issued 160,000 units for a cash consideration of \$16,000,000 excluding issue costs of \$428,043, and redeemed one unit for \$100.

8 Comparative figures

To conform to the presentation adopted in the current year, certain amounts from the prior year have been reclassified

Onyx Trust, Series A-1

Schedule 1

June 30, 2006

Name	Moody's Industries	Moody's Rating		S&P Rating	
		Initial	Initial	Initial	Initial
		May 2, 2003	June 30, 2006	May 2, 2003	June 30, 2006
ACE Limited	Insurance	A3	A3	BBB+	BBB+
Agrium, Inc.	Farming and Agriculture	Baa2	Baa2	BBB	BBB
Albertson's, Inc.	Grocery	Baa1	B2	BBB+	NR
Alcoa Inc.	Mining, Steel, Iron and non precious metals	A2	A2	A	A-
American International Group, Inc.	Insurance	Aaa	Aa2	AAA	AA
Amgen Inc.	Healthcare, Education and Childcare	A2	A2	A+	A+
Time Warner Inc.	Leisure, Amusement, Motion Pictures, Entertainment	Baa1	Baa2	BBB+	BBB+
ARAMARK Corporation	Personal, Food and Misc. Services	Baa3	(P)Baa3	BBB-	BBB-
Arrow Electronics, Inc.	Electronics	Baa3	Baa3	BBB-	BBB-
ArvinMeritor, Inc.	Automobile	Baa3	Ba2	BBB-	BB
AT&T Corp.	Telecommunications	Baa2	Baa2	BBB+	A
Bank of America Corporation	Banking	Aa2	Aa2	A+	AA-
Baxter International Inc.	Healthcare, Education and Childcare	A3	Baa1	A	A-
BCE Inc.	Telecommunications	Baa1	Baa2	A	A-
BellSouth Corporation	Telecommunications	A1	A2	A+	A
Boeing Capital Corporation	Aerospace and Defense	A3	A2	A+	A
Carnival Corporation	Leisure, Amusement, Motion Pictures, Entertainment	A3	A3	A	A-
Caterpillar Inc.	Machinery (Non-agriculture, Non-construction, Non-electronic)	A2	A2	A+	A
Cendant Corporation	Diversified/Conglomerate Services	Baa1	Baa1	BBB	BBB+
Centex Corporation	Buildings and Real Estate	Baa2	Baa2	BBB	BBB
Cingular Wireless LLC	Telecommunications	A3	Baa2	A+	A
Citigroup Inc.	Banking	Aa1	Aa1	AA-	AA-
Clear Channel Communications, Inc.	Broadcasting	Baa3	Baa3	BBB-	BBB-
CNA Financial Corporation	Insurance	Baa2	Baa3	BBB-	BBB-
Columbia Energy Group (The)	Oil and Gas	Baa2	Baa3	BBB	BBB-
Comcast Corporation	Broadcasting	Baa3	Baa2	BBB	BBB+
Computer Associates International Inc.	Electronics	Baa2	Ba1	BBB+	BBB-
ConAgra Foods, Inc.	Beverage, Food and Tobacco	Baa1	Baa2	BBB+	BBB+
ConocoPhillips	Oil and Gas	A3	A1	A-	A-
Cooper Industries Ltd.	Machinery (Non-agriculture, Non-construction, Non-electronic)	A3	A3	A-	A-
Countrywide Home Loans, Inc.	Finance	A3	A3	A	A
Cox Enterprises, Inc.	Broadcasting	Baa1	Baa3	BBB	BBB-
CSX Corporation	Cargo Transport	Baa2	Baa2	BBB	BBB
CVS Corporation	Retail Stores	A2	Baa2	A	BBB+
Deere & Company	Farming and Agriculture	A3	A3	A-	A-
Delphi Corporation (out Oct 05)	Electronics	Baa2	NR	BBB	NR
Devon Energy Corporation	Oil and Gas	Baa2	NA	BBB	NA
Dow Chemical Company (The)	Chemicals, Plastics and Rubber	A3	A3	A-	A-
Eastman Kodak Company	Healthcare, Education and Childcare	Baa1	B2	BBB+	B+
Electronic Data Systems Corporation	Electronics	Baa2	Ba1	A-	BBB-
ERAC USA Finance Company	Personal Transportation	Baa1	Baa1	BBB+	BBB+
Federated Department Stores, Inc.	Retail Stores	Baa1	(P)Baa1	BBB+	BBB
FirstEnergy Corp.	Utilities	Baa2	Baa3	BBB	BBB
FleetBoston Financial Corporation	Banking	A1	Aa2	A	AA-
Ford Motor Credit Company	Finance	A3	Ba2	BBB	B+
FPL Group Capital Inc	Utilities	A2	A2	A	A
General Electric Capital Corporation	Finance	Aaa	Aaa	AAA	AAA
General Motors Acceptance Corporation	Finance	A2	Ba1	BBB	BB
Goodrich Corporation	Aerospace and Defense	Baa3	Baa3	BBB	BBB
Harrah's Entertainment, Inc.	Hotels, Motels, Inns and Gaming	Baa3	Baa3	BBB-	BBB-
Hertz Corporation (The)	Personal Transportation	Baa2	Ba2	BBB	BB-
Hess Corporation	Oil and Gas	Baa3	Ba1	BBB	BBB
Hewlett-Packard Company	Electronics	A3	A3	A-	A-
Household Finance Corporation	Finance	A2	Aa3	A	AA-
Inco Limited	Mining, Steel, Iron and non precious metals	Baa3	Baa3	BBB-	BBB-
International Business Machines Corporation	Electronics	A1	A1	A+	A+
International Lease Finance Corporation	Diversified/Conglomerate Services	A1	A1	AA-	AA
International Paper Company	Printing and Publishing	Baa2	Baa3	BBB	BBB
Laboratory Corporation of America Holdings	Healthcare, Education and Childcare	Baa3	Baa3	BBB	BBB
Marriott International, Inc.	Hotels, Motels, Inns and Gaming	Baa2	Baa2	BBB+	BBB+
MBIA Insurance Corporation	Insurance	Aaa	Aaa	AAA	AAA
MBNA Corporation	Banking	Baa2	Aa2	BBB	AA-
McDonald's Corporation	Personal, Food and Misc. Services	A2	A2	A+	A
McKesson Corporation	Healthcare, Education and Childcare	Baa2	Baa3	BBB	BBB
Merrill Lynch & Co., Inc.	Finance	Aa3	Aa3	A+	A+
MetLife, Inc.	Insurance	A2	A2	A	A
Monsanto Company	Chemicals, Plastics and Rubber	Baa1	Baa1	A	A-
Motorola, Inc.	Electronics	Baa2	Baa2	BBB	A-
Nabors Industries Inc.	Oil and Gas	A3	A3	A-	A-
National Rural Utilities Coop. Finance Corp.	Utilities	A2	A2	A	A

Onyx Trust, Series A-1

Notes to the Financial Statements

June 30, 2006

Name	Moody's Industries	Moody's Rating		S&P Rating	
		Initial		Initial	
		May 2, 2003	June 30, 2006	May 2, 2003	June 30, 2006
Newmont Mining Corporation	Mining, Steel, Iron and non precious metals	Baa3	Baa1	BBB	BBB+
News America Incorporated	Broadcasting	Baa3	Baa2	BBB-	BBB
Nordstrom, Inc.	Retail Stores	Baa1	Baa1	A-	A
Omnicom Group, Inc.	Broadcasting	Baa1	(P)Baa1	A-	BBB+
PMI Group, Inc. (The)	Insurance	A1	A1	A+	A
PSEG Power L.L.C.	Utilities	Baa1	Baa1	BBB	BBB
Radian Group Inc.	Insurance	A2	A2	A	A
Raytheon Company	Aerospace and Defense	Baa3	Baa2	BBB-	BBB
Ryder System, Inc.	Personal Transportation	Baa1	Baa1	BBB	BBB+
Sabre Holdings Corporation	Electronics	Baa2	Baa3	BBB+	BBB
Safeway Inc.	Grocery	Baa2	Baa2	BBB	BBB-
SBC Communications Inc	Telecommunications	A1	A2	AA-	A
Sears Roebuck Acceptance Corp.	Finance	Baa1	Ba1	BBB+	BB+
Sempra Energy	Utilities	Baa1	Baa1	A-	BBB+
Simon Property Group, L.P.	Buildings and Real Estate	Baa2	Baa1	BBB+	A-
Southwest Airlines Co.	Personal Transportation	Baa1	Baa1	A	A
SUPERVALU, INC.	Grocery	Baa3	B2	BBB	BB-
Target Corporation	Retail Stores	A2	A2	A+	A+
Temple-Inland Inc.	Printing and Publishing	Baa3	Baa3	BBB	BBB
Textron Inc.	Diversified/Conglomerate Services	A3	A3	A	A-
Toys 'R' US, Inc.	Retail Stores	Baa3	Caa2	BBB-	B-
Transocean Inc.	Oil and Gas	Baa2	Baa1	A-	A-
Tyson Foods, Inc.	Beverage, Food and Tobacco	Baa3	Baa3	BBB	BBB
Verizon Global Funding Corp.	Telecommunications	A2	A3	A+	A-
Viacom Inc.	Broadcasting	A3	Baa3	A-	BBB
Visteon Corporation	Automobile	Baa2	B3	BBB	B+
Walt Disney Company (The)	Broadcasting	Baa1	A3	BBB+	A-
Weyerhaeuser Company	Diversified/Conglomerate Services	Baa2	Baa2	BBB	BBB
Wyeth	Healthcare, Education and Childcare	A3	Baa1	A	A
XL Capital Ltd	Insurance	A1	A3	A+	A-

