

AVENIR DIVERSIFIED INCOME TRUST

Annual Information Form

Year Ended December 31, 2006

March 28, 2007

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GLOSSARY OF TERMS

In this Annual Information Form, unless the context otherwise requires, references to "we", "us", "our" or similar terms, or to the "Trust" refer to the Trust (either alone or together with its subsidiaries) and the following terms shall have the meanings set forth below, unless otherwise indicated.

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated thereunder, as amended from time to time.

"**Affiliate**" or "**affiliate**" means, with respect to the relationship between corporations, that one of them is controlled by the other or that both of them are controlled by the same Person and for this purpose a corporation shall be deemed to be controlled by the Person who owns or effectively controls, other than by way of security only, sufficient voting shares of the corporation (whether directly through the ownership of shares of the corporation or indirectly through the ownership of shares of another corporation or otherwise) to elect the majority of its board of directors.

"**Annual Information Form**" means this annual information form.

"**ARTC**" means the Alberta Royalty Tax Credit, an Alberta provincial government program under which, in certain circumstances, tax credits may be provided against royalties on oil and natural gas production payable to the Province of Alberta.

"**Avenir**", the "**Manager**" or the "**Corporation**" means Avenir Operating Corp., an indirect wholly-owned subsidiary of the Trust.

"**Avenir Energy**" means Avenir Energy Services Corp.

"**Avenir Financial**" means Avenir Financial Services Acquisition Corp.

"**Avenir Financial Limited Partnership**" means Avenir Financial Services Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"**Avenir Production Services**" means Avenir Production Services Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"**Avenir Real Estate**" means Avenir Real Estate Acquisition Corp.

"**Avenir Real Estate Partnership**" means Avenir Real Estate Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"**Board of Directors**" or "**Avenir Board**" means the board of directors of the Corporation.

"**Business Day**" or "**business day**" means a day, other than a Saturday, Sunday or statutory holiday in the Province of Alberta or any other day on which banks in Calgary, Alberta are not open for business.

"**Canadian GAAP**" means generally accepted accounting principles in Canada. Unless specified otherwise, all accounting terms in this Annual Information Form shall be construed in accordance with Canadian GAAP.

"**Cardinal**" means Cardinal Well Services Inc.

"**Cascade**" means Cascade Steaming Ltd.

"**Cascade Services Partnership**" means the Cascade Services Partnership, a general partnership established under the laws of Alberta.

"**Cascade Holdings**" means Cascade Steaming Holdings Corp.

"**Cash flow from operations**" means net earnings plus non-cash balances, such as depletion, depreciation, and amortization asset retirement obligation accretion gain on sale of investments, compensation expense, unrealized loss on financial instruments and unsuccessful acquisition and re-organizational costs.

"**Common Shares**" means common shares of the Manager.

"**CRA**" means the Canada Revenue Agency.

"**Distributable Cash**" means cash available for distributions to Unitholders from time to time as determined in accordance with the Trust Indenture.

"**Eagle Oilfield**" means Eagle Oilfield Services Inc., which was amalgamated to form Avenir Energy Services Corp. effective January 20, 2005.

"**Eagle Shares**" means the common shares of Eagle Oilfield.

"**Elbow River**" means Elbow River Resources Ltd.

"**Elbow River Acquisition**" means the acquisition of all of the assets and business of Elbow River pursuant to the acquisition agreement dated February 6, 2005 among the Manager, the Trust, Avenir Financial Services Acquisition Corp., Avenir Financial Limited Partnership, Elbow River, Larry Ruskin, Edward Malcolm and George Petropoulos.

"**Elbow River Acquisition Agreement**" means the acquisition agreement dated February 6, 2005 among the Manager, the Trust, Avenir Financial, Avenir Financial Limited Partnership, Elbow River, Larry Ruskin, Edward Malcolm and George Petropoulos.

"**Elbow River Partnership**" means Elbow River Marketing Limited Partnership, a limited partnership established under the laws of Alberta.

"**ELP**" means EnerVest Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"**EnCana**" means the EnCana Oil & Gas Partnership.

"**Endless**" means Endless Tubing Services Ltd.

"**Energy Services Division**" means collectively, Avenir Energy, Avenir Production Services, Cardinal, Cascade Services Partnership, Cascade Holdings, Eagle Oilfield, Elbow River, Elbow River Partnership, Endless, Millard, Richmond, Richmond LP and Westvac Service Partnership.

"**EnerVest Acquisition**" means the acquisition by the Trust of the entirety of the interest in the Joint Venture Manager pursuant to an acquisition agreement dated July 7, 2005.

"**EnerVest Trust**" means EnerVest Diversified Income Trust, a trust formed under the laws of the Province of Alberta.

"**Essential Trust**" means Essential Energy Services Trust, a trust formed under the laws of the Province of Alberta.

"**Essential Unit**" means a trust unit of the Essential Trust.

"**Finance Services Contracts**" means the financial services contract with an affiliate of a major financial services provider, to provide funding for \$3.265 million of contracts with a cash advance company providing cash advances, cheque cashing and payday loan services.

"**Joint Venture Manager**" means EnerVest Management Ltd., a corporation incorporated under the ABCA.

"**Lightning**" means Lightning Energy Ltd.

"**Makah**" means Makah Energy Corporation.

"**Manager**" means Avenir Operating Corp. in its capacity as manager to the Trust.

"**McDaniel**" means McDaniel & Associates Consultants Ltd., independent oil and natural gas reservoir engineers of Calgary, Alberta.

"**McDaniel Report**" means the independent engineering report dated March 7, 2007 evaluating the crude oil, natural gas, natural gas liquids and sulphur reserves of the Trust as at December 31, 2006, conducted by McDaniel based on constant and escalating price and cost assumptions.

"**Millard**" means Millard Oilfield Services (91) Ltd.

"**NAFTA**" means the North American Free Trade Agreement between the government of Canada, the government of Mexico and the Government of the United States, December 17, 1992, entered into force January 1, 1994.

"**Net Debt**" means the difference between current assets less current liabilities including mortgages.

"**NI 51-101**" means National Instrument 51-101 – Standard of Disclosure for Oil & Gas Activities.

"**Notes**" means the Subordinated Notes and Series B Subordinated Notes each being unsecured, subordinated 13% promissory notes of the Manager, each having a prescribed principal amount and originally issued pursuant to the Trust Conversion.

"**NPI**" means, collectively, the net profit interest owing by the Operating Subsidiaries to the Trust pursuant to the NPI Agreement.

"**NPI Agreement**" means the Net Profit Interests Agreement between the Operating Trust and the Manager dated effective August 1, 2005.

"**Operating Entities**" means collectively, Avenir Operating Trust, Avenir Operating Corp., Avenir Financial Services Acquisition Corp., Avenir Financial Services Limited Partnership, Avenir Financial Funding Limited Partnership, Avenir Financial Funding Corp., Avenir Real Estate Acquisition Corp., Avenir Real Estate Limited Partnership and ELP.

"**Operating Subsidiary**" means any one of the Trust's subsidiaries.

"**Operating Trust**" means Avenir Operating Trust, a trust settled pursuant to the laws of Alberta.

"**Operating Trust Units**" means trust units of the Operating Trust.

"**Ordinary Resolution**" means a resolution approved at a meeting of Unitholders by more than 50% of the votes cast in respect of the resolution by or on behalf of Unitholders present in person or represented by proxy at the applicable meeting.

"**Person**" includes an individual, a body corporate, a trust, a union, a pension fund, a government and a governmental agency.

"**PHS**" means Pacrim Hospitality Services Inc.

"**PrimeWest**" means PrimeWest Energy Inc.

"**Production**" means the produced petroleum, natural gas and natural gas liquids attributed to the Properties.

"**Properties**" means the working, royalty or other interests of the Trust and its subsidiaries in any petroleum and natural gas rights, tangibles and miscellaneous interests, real estate properties and lease hold and rental properties, including properties which may be acquired by any of the Trust and its subsidiaries from time to time.

"**Proved Reserves**", "**Probable Reserves**", "**Proved plus Probable**", "**Reserves**", "**Producing Reserves**", "**Non Producing Reserves**", "**Net Reserves**", "**Undeveloped Reserves**" and "**Total Proved Reserves**" have the meanings given to those terms under the heading "**Oil and Gas Reserves**".

"**Record Date**" means December 31 of each year hereafter and the last day of each calendar month or such other date as may be determined from time to time by the Manager upon the recommendation of the Board of Directors.

"**REIT**" means real estate investment trust.

"**Rentcash**" mean Rentcash Inc.

"**ResourceCo**" or "**928719**" means 928719 Alberta Ltd.

"**Richmond**" means Richmond Endless Tubing Services Ltd.

"**Richmond LP**" means Richmond Energy Services L.P., a limited partnership established under the laws of Alberta.

"**Special Resolution**" means a resolution proposed to be passed as a special resolution at a meeting of Unitholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of the Trust Indenture at which two or more holders of at least 10% of the aggregate number of Trust Units then outstanding are present in person or by proxy and passed by the affirmative votes of the holders of not less than 66 2/3% of the Trust Units represented at the meeting and voted on a poll upon such resolution.

"**Subsidiary**" or "**subsidiary**" has the meaning ascribed to such term in the *Securities Act* (Alberta).

"**Tax Act**" means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as amended from time to time.

"**Trust**" means Avenir Diversified Income Trust, a trust formed pursuant to the laws of the Province of Alberta, and, unless the context otherwise requires, includes its subsidiaries and the Operating Entities.

"**Trust Conversion**" means the conversion of Onward Energy Inc. from a corporate entity to the Trust pursuant to a Plan of Arrangement dated effective January 16, 2003.

"**Trust Indenture**" means the amended and restated trust indenture dated September 24, 2002 between the Trustee and the Manager, as may be amended from time to time.

"**Trust Unit**" means a trust unit of the Trust.

"**Trustee**" means Olympia Trust Company, or its successor as trustee of the Trust.

"**TSX**" means the Toronto Stock Exchange Inc.

"**TSX Venture Exchange**" means the TSX Venture Exchange Inc.

"**Unitholders**" means the holders from time to time of one or more Trust Units.

"**Val Vista**" means Val Vista Energy Ltd.

"**Westvac Service Partnership**" means the Westvac Service Partnership, a general partnership formed under the laws of Alberta.

"**Working Interest**" means an undivided interest held by a party in an oil and/or natural gas or mineral lease granted by a Crown or freehold mineral owner, which interest gives the holder the right to "work" the property (lease) to explore for, develop, produce and market the lease substances but does not include, among other things, a royalty, overriding royalty, gross overriding royalty, net profits interest or other interest that entitles the holder thereof to a share of production or proceeds of sale of production without a corresponding right or obligation to "work" the property.

FORWARD LOOKING STATEMENTS

The Trust prepares its financial statements in Canadian dollars and in conformity with generally accepted accounting principles in Canada ("**Canadian GAAP**").

References in this Annual Information Form to research reports or to articles in publications should not be construed as depicting the complete findings of the entire referenced report or article. The information in each report or article is expressly not incorporated by reference into this Annual Information Form.

The Trust's website is located at www.avenirtrust.com. The contents of this website are expressly not incorporated by reference into this Annual Information Form.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this document, constitute forward looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward looking statements. 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. 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 this document should not be unduly relied upon. These statements speak only as of the date of this document.

In particular, this document contains forward looking statements pertaining to the Trust's future growth, results of operations, performance and business prospects and opportunities, including the following:

- oil and natural gas production levels;
- capital expenditure programs;
- the quantity of the oil and natural gas reserves;
- projections of commodity 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; and
- treatment under governmental regulatory regimes.

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 document:

- volatility in market prices for oil and natural gas;
- 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;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- credit risk and the ability to realize on collateral in the event of default;
- failure of counter-parties to perform on contracts;
- fluctuation in the value of real property;
- failure to produce income or revenue from real estate;
- failure of tenants to meet lease obligations;
- increase in property taxes and mortgage, maintenance, insurance, operating costs and decreases in occupancy and rental rates;
- fixed costs in relation to variable revenue streams; and
- the presence of heavy competition in the industries in which the Trust currently operates and any or all of the factors discussed under "Risk Factors".

These factors should not be construed as exhaustive. Other than the continuous disclosure obligations set forth in National Instrument 51-102 – Continuous Disclosure Obligations, neither the Trust nor the Manager undertakes any obligation to publicly update or revise any forward looking statements.

RESERVE DISCLOSURE

With respect to reserve disclosure for the financial year ended December 31, 2006, the Trust was subject to NI 51-101, which was implemented in September 2003. NI 51-101 prescribes standards for the preparation and disclosure of oil and gas reserves and related estimates, requires the annual public filing of certain of those estimates and other information pertaining to oil and gas activities, and specifies responsibilities of corporate directors. In particular, the definitions of proved reserves and probable reserves contain specific quantifications of levels with respect to certainty of recoverability of 90% for proved reserves and of 50% for proved plus probable reserves.

ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl	Barrel
Bbls	Barrels
Mbbls	thousand barrels
Bbls/d	barrels per day
Mmbbls	million barrels
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
Mmcf	million cubic feet
Bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
Mmcf/d	million cubic feet per day
MMBTU	million British Thermal Units
GJ	GJ

Other

AECO	EnCana Corporation's natural gas storage facility located at Suffield, Alberta.
BOE	means barrel of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one Bbl of oil, unless otherwise specified. The conversion factor used to convert natural gas to oil equivalent is not necessarily based upon either energy or price equivalents at this time.
BOE/d	barrels of oil equivalent per day.
COGEH	means Canadian Oil and Gas Evaluation Handbook
COGPE	means Canadian oil and gas property expense, as defined in the Tax Act.
MBOE	means thousand barrels of oil equivalent.
McfGe	means thousand cubic feet of gas equivalent.
MMBOE	means million barrels of oil equivalent.
OOIP	means original oil in place.
WTI	means West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade.
°API	means the measure of the density or gravity of liquid petroleum products derived from a specific gravity.
MW	megawatts of electrical power.
3D	three dimensional.
Darcies	means the measure of permeability (being the ease with which a single fluid will flow through connected pore space when a pressure gradient is applied).
porosity	means the measure of the fraction of pore space of a reservoir.

CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
Bbls	cubic metres	0.159
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

CURRENCY

All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

AVENIR DIVERSIFIED INCOME TRUST AND RELATED ENTITIES

General

The Trust is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to the Trust Indenture. The Trust was established to:

- invest in debt, equity and other securities of its operating entities from time to time including, without limitation, the Operating Trust Units and the common shares of the Manager;
- either hold directly all types of, or acquire or invest in, securities of any other subsidiary of the Trust and in securities of any other entity including, without limitation, bodies corporate, partnerships or trusts, and borrowing funds for that purpose;
- holding or acquiring royalty or other interests in respect of various assets and businesses discussed above;
- dispose of any part of the monies, properties and assets of the Trust, including, without limitation, any securities of the Manager;
- temporarily hold cash and investments for the purposes of paying the expenses and the liabilities of the Trust, making certain other permitted investments, paying amounts payable by the Trust in connection with the redemption of any Trust Units, and making distributions to Unitholders; and
- pay costs, fees and expenses associated with the foregoing purposes or incidental thereto.

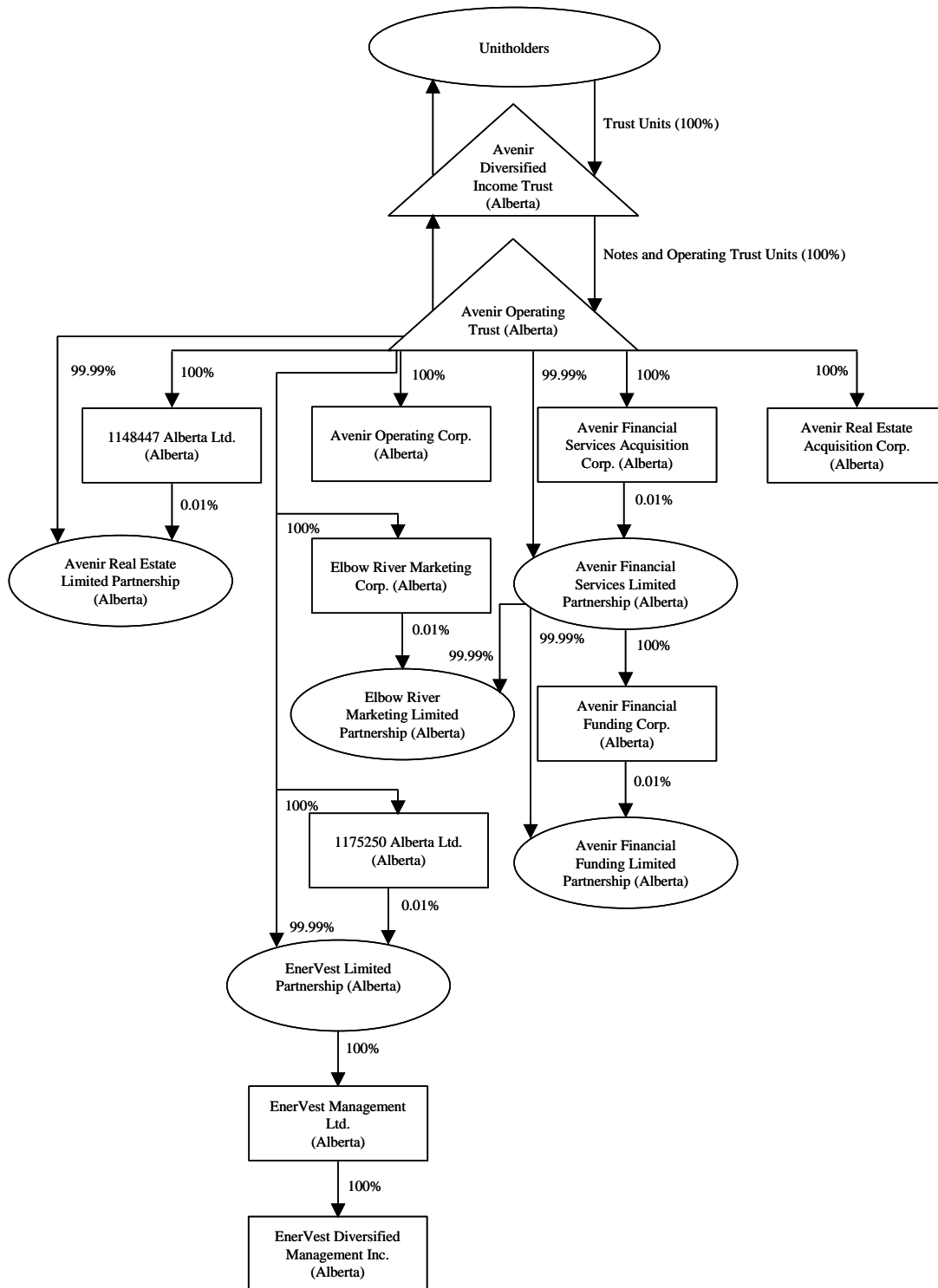
The head and principal office of each of the Trust and its operating or subsidiary entities, is located at Suite 300, 808 - 1st Street S.W., Calgary, Alberta, T2P 1M9. The registered office of the Trust and each of its operating and subsidiary entities is located at Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta T2P 3N9.

The principal undertaking of the Trust is to acquire the securities of the Operating Trust and the Manager or any other subsidiary, to fund the acquisition, development, exploitation and disposition of all types of petroleum and natural gas energy related assets, hotel, industrial, residential or commercial real estate and related and ancillary properties, financial contracts, liquid securities of publicly listed entities. The Trust's primary assets are currently the securities and debt of its subsidiary entities.

Through the Trust, Unitholders will participate in distributions from the operating entities of the Trust to the extent authorized by the board of directors of the Manager. In accordance with the Trust Indenture, the Trust will make cash distributions to Unitholders of the interest, royalty and dividend income of the Trust, net of the Trust's administrative expenses. In addition, Unitholders may, at the discretion of the Board of Directors of the Manager, receive distributions in respect of repayments of principal made on outstanding debt owing from the operating entities to the Trust. However, the Trust endeavours to reinvest a substantial portion of the principal amount of the debt owing to the Trust, to make capital expenditures to develop the working, royalty or other interests of the Manager, as well as making expenditures to expand the Trust's financial services interests, with a view to enhancing cash flow from operations.

Organizational Structure of the Trust

The following diagram sets forth the organizational structure of the Trust and its material subsidiary entities as at March 28, 2007, with the percentage figures denoting the ownership interest, in each case:



Notes:

- (1) Holders of Trust Units own 100% of the equity of the Trust.
- (2) Cash flow payments are made by way of (i) in the case of the Trust, interest payments and principal repayments, if any, on the outstanding debt owing to the Trust and allocations of income and capital gains by Avenir Operating Trust, and (ii) in all other cases, income received indirectly from the securities of the Manager and under the NPI Agreement pursuant to which the Corporation has granted a net profits interest in favour of Avenir Operating Trust and income through ownership (direct and indirect) of securities of the partnerships in which the Trust holds an interest.

- (3) The Trust may invest repayments of principal on the debt owing to it, indirectly, in the operations of the Manager, Avenir Financial Services Acquisition Corp., Avenir Real Estate Acquisition Corp., Avenir Financial Limited Partnership and Elbow River Resources Ltd. to make capital expenditures to develop or acquire additional assets.

BUSINESS OF THE TRUST AND ITS OPERATING ENTITIES

In this document, unless the context otherwise requires, the "Trust" refers to Avenir Diversified Income Trust together with each of its subsidiary or affiliate entities.

This section discusses the major events or conditions that have influenced the general development of the Trust over the last three completed financial years, including significant acquisitions and dispositions which have occurred during the most recently completed financial year.

General Development of the Business

The current operations of the Trust, through its operating subsidiaries, are presently focused in three areas:

Energy:

- oil and gas exploration and development activities, through Avenir Operating Corp.

Financial services:

- financial contracts through Avenir Financial Limited Partnership;
- wholesale marketing, transporting and supplying of butane and propane through North American and markets ethanol, natural gas, diesel and bio-diesel, through Elbow River; and
- management of the EnerVest Management Ltd.'s Group of Funds.

Real estate:

- acquisitions, dispositions and development through Avenir Real Estate and Avenir Real Estate Partnership.

Federal Income Tax Considerations

On October 31, 2006 the Federal Minister of Finance proposed to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders (the "**October 31 Proposals**"). On December 21, 2006 the Federal Minister of Finance released draft legislation to implement the October 31, 2006 Proposals pursuant to which, commencing January 1, 2011 (provided the Trust only experiences "normal growth" and no "undue expansion" before then) certain distributions from the Trust which would have otherwise been taxed as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate rates at the trust level. Assuming the October 31 Proposals are ultimately enacted in their form, the implementation of such legislation would be expected to result in adverse tax consequences to the Trust and certain Unitholders (including most particularly Unitholders that are tax deferred or non-residents of Canada) and may impact cash distributions from the Trust. It is not known at this time when the October 31 Proposals will be enacted by Parliament, if at all, or whether the October 31 Proposals will be enacted in the form currently proposed.

Oil and Gas Operations

Trust Conversion and the Acquisition of ResourceCo

Pursuant to the Trust Conversion, Onward was converted from a corporate entity to the Trust. To facilitate this conversion, all of the common shares and options of Onward were exchanged for an aggregate of 146,289 Trust Units at a deemed price of \$6.00 per unit and \$2,351,305 in cash. As a result, the Trust acquired the oil and gas assets of Onward and \$414,160 in working capital.

In conjunction with this Trust Conversion, the Trust acquired all of the issued and outstanding shares of a private company, ResourceCo, in exchange for an aggregate of 509,991 Trust Units. This transaction was a reverse takeover as the shareholders of

ResourceCo controlled the majority of the units in the Trust subsequent to the transaction and the principals of ResourceCo (now the principals of the Manager) have carried on the management of the Trust since such time.

Also as part of this Trust Conversion, the Trust acquired all of the trust units of Avenir Operating Trust and the shares of Avenir Financial and Avenir Oil & Gas Corp. and completed a private placement of an aggregate of 775,023 Trust Units at \$6.00 per unit.

Following completion of the Trust Conversion, each of Onward and ResourceCo were subsequently dissolved, with all their assets and liabilities distributed to a predecessor of the Manager. In converting Onward to a trust structure and acquiring ResourceCo, the Trust, indirectly, holds the oil and gas assets formerly held by Onward and ResourceCo as well as the financial services contracts formerly held by ResourceCo.

Concurrent with the closing of the Trust Conversion, on January 16, 2003, the Trust also indirectly acquired certain oil and gas interests (the "**Response Assets**") in Alberta, British Columbia and Saskatchewan from Response Energy Corporation ("**Response**"), for approximately \$2,040,451.

Acquisition of Lightning Properties

On September 30, 2004, the Trust acquired oil and gas properties pursuant to an acquisition agreement with Lightning for consideration of \$32,200,000. Properties acquired as part of this acquisition consisted of Noel, Shekilie, Killam, and Three Hills Creek.

Acquisition of PrimeWest Properties

On December 17, 2004, the Trust acquired through the Manager the certain oil and gas properties from PrimeWest for consideration of \$30,000,000 less standard industry adjustments. The acquisition was initially funded through existing bank credit facilities. Properties acquired include Grand Forks, Eagle Lake, Southwest Saskatchewan and Manyberries.

Acquisition of Val Vista

On February 15, 2005, the Trust completed an acquisition, through the Manager, of all of the issued and outstanding securities of Val Vista by way of a formal take over bid. The consideration under the offer consisted of an aggregate of approximately \$25.7 million in cash and Trust Units. Val Vista and the Manager amalgamated effective May 1, 2005. The acquisition of Val Vista included properties located in Sylvan Lake, Conrad, Pembina and Castor.

Acquisition of Makah

Effective August 8, 2005, the Trust acquired all of the issued and outstanding shares and options of Makah by way of a plan of arrangement for consideration of approximately \$28.2 million. After allowing for the value of undeveloped land, proprietary seismic, and the sale of coalbed methane rights, the Trust acquired approximately 1.1 million BOE of Proved plus Probable Reserves at a cost of \$22.70 per BOE. On a cash flow and production basis, the transaction represents approximately 3.4 times annualized cash flow and \$40,000 per producing BOE. Makah has several key operated properties in the Trust's central Alberta focus area that fit geographically and operationally with the existing assets of the Trust and, in particular, the previously acquired assets of Val Vista.

Shekilie Disposition

Effective April 1, 2005 the Trust sold its interests in the Rainbow and Shekilie areas of northern Alberta. Total consideration received for the assets was \$6.65 million cash before adjustments. Production from these assets net to the Trust had been approximately 120 BOE/d and remaining reserves were estimated at 340,000 BOE on a total Proved plus Probable basis. The transaction closed November 23, 2005. The Shekilie and Rainbow areas are extremely challenging due to remoteness, winter only access and lack of oilfield services.

Grand Forks Acquisition

Effective December 1, 2005 the Trust closed the acquisition of assets in the Grand Forks area of southern Alberta. The Grand Forks assets consist of approximately 135 Bbls/d of medium gravity oil production, 252,000 BOE reserves on a total Proved plus Probable basis and almost 6,400 acres of undeveloped land immediately adjacent to the Trust's Grand Forks core area. The Trust has identified

opportunities for facility consolidation and future development that will enhance the value of both this acquisition and the Trust's existing Grand Forks assets. Consideration for the acquisition was \$2,800,000 cash before adjustments.

East Central and Southern Alberta Acquisition

Effective October 26, 2006, the Trust acquired certain oil and gas assets in its East Central and Southern Alberta core areas. The two acquisitions, which total approximately \$11.5 million, including fees and normal industry adjustments, consist of both working interest and overriding royalty production. The working interest production consists of 250 BOE/d (approximately 432 MBOE total proved reserves and 527 MBOE of Proved plus Probable reserves) and the royalty production consists of 25 BOE/d (60 MBOE total proved reserves and 69 MBOE Proved plus Probable reserves). This transaction was funded through available credit facilities.

On a reserve BOE basis the combined acquisition cost, less land value of \$545,000, is \$22.13 per BOE (total proved) and \$18.27 per BOE (proved plus probable). On a cash flow and production basis, the transaction represents approximately 4.0 times annualized cash flow and \$39,593 per producing BOE.

Financial Services Operations

Financial Services Contracts

In connection with the Trust Conversion, Avenir Financial acquired a financial services contract (the "**Financial Services Contract**") with an affiliate of a major financial services provider, to provide funding for contracts having a value of \$600,000 with a cash advance company providing cash advance, cheque cashing and payday loan services. The contract has a term of ten years and provides for the payment of a fixed fee per amount provided per day at a rate of \$0.07 per \$100 loaned per day and 25% per annum on unpaid amounts. On January 31, 2003, Avenir executed an additional \$600,000 to provide funding on an additional ten-year contract on identical terms as that set forth above. Throughout 2004 and 2005, the Trust acquired additional service contracts, whereby at the end of 2005, \$19.9 million were outstanding, in each case on substantially the same terms and condition as those described above.

The underlying contracts are fully collateralized, have a ten-year term callable at Avenir Financial's option and pay a fixed fee over the life of the contract. The stated return on such contracts is subject to a degree of credit risk and risk of not realizing on collateral in the event of default. The Limited Partnership is afforded full collateral on a customer's pay cheque or other security on the transaction entered into by the cash advance stores. As each transaction is generally between \$100 and \$300, the impact of default on any one transaction is quite small when spread over a number of customers. As with respect to all financial instruments, parties are exposed to risk of loss if a counter party fails to perform in accordance with the terms of the contracts. Since inception, the contracts have performed as outlined.

Avenir has since been redeeming these contracts and at the end of 2006, there were \$3.265 million in contracts outstanding. Subsequent to December 31, 2006, an additional \$1.5 million has been redeemed, and currently \$1.766 million remains outstanding.

Subordinated Debenture with Rentcash Inc. and Pacrim Hospitality Services Inc.

On December 5, 2003, the Trust entered into a three-year agreement with Rentcash to fund a subordinated debenture in the aggregate principal amount of \$2 million and on July 15, 2004 increased the aggregate principal amount by \$1 million to \$3 million. The debenture yielded a monthly coupon equivalent to a 12% annualized yield plus additional associated fees of 4% per annum. The debenture was repaid by Rent cash in July 2005 with no balance outstanding.

On August 19, 2004 the Trust entered into a four-year financing commitment with Pacrim Hospitality Services Inc. ("**PHS**") whereby the Trust lent to PHS \$500,000. PHS provides management, operational and consulting services to accommodation and food and beverage based businesses in the hospitality industry. The outstanding principal amount of the loan bears interest at a fixed interest rate of 14% per annum and interest is calculated daily which is payable monthly on the first business day of each month. In addition to the interest payment, PHS shall pay the Trust 20% of the net profits generated from PHS's management contracts on four of its properties. The financing commitment was repaid by PHS at the end of December 2006 with no balance outstanding.

Acquisition of Elbow River

On April 1, 2005, the Trust completed the acquisition of all of the assets of Elbow River for total consideration \$57.8 million, consisting of \$51.8 million cash and \$6.0 million in the form of escrowed Trust Units, 474,006 of which remain in escrow at December 31, 2006 (see "**Escrowed Securities**").

EnerVest Acquisition

On October 4, 2005, the Trust, through its wholly-owned subsidiary, EnerVest Limited Partnership, added to the financial services business unit with the acquisition of the joint venture that is the sole shareholder of the EnerVest Management Company, Manager of the EnerVest Trust, the EnerVest Natural Resource Fund and the EnerVest Flow-Through Limited Partnerships. The total cash consideration was \$125.9 million.

EnerVest Exchange Offering

Effective October 26, 2006, EnerVest Trust completed a \$260 million exchange offering. EnerVest Trust, through EnerVest Limited Partnership receives a management fee from the EnerVest group of funds based on the value of the assets under management. With this exchange offering, the total assets under management for the EnerVest group of funds increased to over \$2.2 billion and was immediately accretive to the Trust's net asset value. As at December 31, 2006 the assets under management totalled approximately \$2.0 billion.

Real Estate Operations

Acquisition of Western Spirit Investments Ltd.

On March 31, 2004, the Trust acquired, indirectly, all of the issued and outstanding common shares ("**Western Shares**") of Western Spirit Investments Ltd. ("**Western Spirit**") by way of a plan of arrangement, thereby acquiring the entirety of Western Spirit's interest in its existing real estate properties.

Through the completion of the acquisition, former shareholders of Western Spirit received a total of \$3,000,000 cash and 332,500 Trust Units in exchange for all of the issued and outstanding common shares of Western Spirit. The Trust also issued one performance right ("**Right**") for each Western Spirit Share, for an aggregate of 10,513,179 Rights, each Right entitling the holder to acquire 0.003333 of a Trust Unit, for no additional consideration, provided that, at any time prior to January 21, 2005, either a signed lease agreement is in place for the portion of the area in Western Spirit's Harris Building which was vacant, or the Trust should sell the existing Harris Building of Western Spirit for no less than \$8,500,000. As at the close of business on January 20, 2005, the performance criteria were not met and all Rights expired, unexercised. The Trust also assumed all of Western Spirit's outstanding debt, including mortgages, of approximately \$12,447,330 as at March 31, 2004.

Concurrently with the completion of the Western Spirit Acquisition, Avenir Real Estate and Western Spirit completed a short form amalgamation under the ABCA to form one company carrying on business under the name "Avenir Real Estate Acquisition Corp."

On February 1, 2005, the Trust through its real estate division purchased a small shopping centre commercial property in Fort Saskatchewan from an arm's length party for cash consideration of approximately \$3.1 million and sold one of its real estate warehouse properties to an arm's length party for cash consideration of approximately \$3.7 million.

On January 31, 2006, the Trust, through its real estate division, purchased the remaining 50% ownership of its Vaughan, Ontario Snidercroft building from an arm's length third party for \$1,910,773.

Acquisition of Portfolio Properties

Effective October 26, 2006, the Trust completed the purchase of two portfolios consisting of 26 buildings and 186,740 leasable square feet. The aggregate purchase price of the two portfolios totals approximately \$29.4 million with mortgaging financing of \$18.4 million provided by two financial institutions with the balance of the funds provided through existing facilities. These transactions provide a levered annual return of approximately 12% to the Trust based on an annual cash flow stream of approximately \$1.3 million in the initial five year terms.

The first portfolio contains eleven (11) Kentucky Fried Chicken ("**KFC**") franchise locations situated in North Central Alberta and British Columbia and the second portfolio consists of fifteen (15) Landmark Theatre locations throughout Western Canada, primarily in Alberta and British Columbia. The purchase represents a long-term, stable cash flow for the Trust as the KFC leases are 10 year terms and the Landmark Theatre leases are for 20 year terms (cross-collateralized across locations). The Trust has a further option on three additional locations currently under development within the portfolios.

Avenir continues to focus on opportunities with respect to real estate acquisitions offering stable cash flow. The Trust portfolio now consists of 31 separate properties with a total area of approximately 625,000 square feet located primarily throughout Western Canada.

Oilfield and Energy Production Services Related Operations

Conveyance to Essential Energy Services Trust

Effective April 5, 2006, the Trust conveyed the entirety of its interest in the Energy Services Division pursuant to a plan of arrangement under the ABCA to the then newly formed oilfield services trust called "Essential Energy Services Trust". As consideration for the conveyance, Unitholders received one Essential Unit for each two Trust Units then held. Essential Trust commenced trading as a stand alone entity at the open of markets on the Toronto Stock Exchange on May 31, 2006 under the symbol "ESN.UN". As a result of the divestiture of the Energy Services Division, the Trust's portfolio of businesses consist of approximately 40% energy and 60% financial services and real estate. Essential Trust provides production services to the oil and gas industry in Western Canada from Fort Nelson in northeastern British Columbia through Alberta into southwest Saskatchewan.

As a result of the conveyance of the Energy Services Division to Essential Trust, each of the entities discussed under this heading "Oilfield and Energy Production Services Related Operations" no longer form part of the Operating Entities of the Trust and thus as at the date hereof and going forward have no business affect on the Trust and its operations.

Acquisition of Cascade

On June 30, 2004, the Trust completed the acquisition of Cascade Services Partnership, which expanded the Trust's business to provide vacuum truck, steaming and hydro-vac services to the energy, utility and construction industries in northeast British Columbia and northwest Alberta, pursuant to an acquisition agreement dated effective May 1, 2004. Under the acquisition agreement, the Trust, through Cascade Holdings, acquired 90% of the issued and outstanding partnership units of Cascade Services Partnership, and Cascade retained the remaining 10% interest. Aggregate consideration for this acquisition totalled approximately \$5.5 million, comprised of \$3.5 million cash and the issuance of 266,667 Trust Units to the shareholders of Cascade at a deemed price of \$7.50 per unit.

Following the acquisition of Cascade by the Trust, on July 15, 2004 the energy production services unit of the Trust expanded with Cascade, acquiring all of the outstanding shares of Indy Oilfield Ltd. ("**Indy**"), a private company incorporated pursuant to the laws of Alberta on August 30, 2001, for \$265,961. The acquisition provided the platform to expand Avenir and Cascade's hydro-vac, steaming and vacuum truck business into the Grande Prairie area of Northwest Alberta. In addition, eight hydro-vac and steaming trucks were purchased for use by Cascade.

Effective January 19, 2005, the Trust acquired through an indirect wholly-owned subsidiary, 1118122 Alberta Ltd. ("**1118122**"), all of the issued and outstanding Eagle Shares for an aggregate purchase price of \$800,000 less assumed debt and working capital of approximately \$150,000 paid in cash. Eagle Oilfield provided steaming, vacuum and pressure truck services in the Spirit River area outside Grande Prairie, Alberta. On January 26, 2005 Avenir Energy amalgamated with Eagle Oilfield to form Avenir Energy. Prior to the conveyance of the Energy Services Division to Essential Trust, Avenir Energy was a wholly owned subsidiary of the Operating Trust.

The acquisition of Eagle Oilfield and Indy resulted in Cascade having 50 plus trucks in operation.

Acquisition of Millard

Effective April 1, 2005, the Trust acquired Millard Oilfield Services ("**Millard**") for total consideration of \$7.6 million. Millard was then amalgamated with 1154443 Alberta Ltd. and 1154368 Alberta Ltd. to form Avenir Production Services, a wholly-owned subsidiary of the Trust prior to the conveyance of the Energy Services Division to Essential Trust. See "Conveyance to Essential Energy Services Trust".

Acquisition of Endless Tubing Services

Effective April 16, 2005, the Trust acquired Endless for total consideration of approximately \$11.2 million. Endless was formed pursuant to the laws of Alberta from an amalgamation between Endless and 1155924 Alberta Ltd. and a subsequent amalgamation between Endless and Richmond on May 10, 2005. Pursuant to a share purchase agreement dated April 19, 2005 between Avenir Production Services and the shareholders of Richmond, the Trust acquired, indirectly, all of the issued and outstanding shares of Endless.

Acquisition of Cardinal

Avenir Production Services was formed pursuant to the laws of Alberta on March 30, 2005 with its general partner being Avenir Production Services Corp. Prior to the conveyance of the Energy Services Division to Essential Trust, Avenir Production Services was a subsidiary of the Operating Trust, and the Operating Trust held a 99.99% ownership interest in Avenir Production Services. Effective May 1, 2005, the Trust also entered into an acquisition agreement whereby Avenir Production Services purchased all the assets and business of Cardinal for consideration of approximately \$6.91 million.

Acquisition of D&G Oil/Gas Service

Effective May 31, 2005, Cascade Services Partnership, a general partnership in which the Operating Trust had a 90% interest prior to the conveyance of the Energy Services Division to Essential Trust, acquired all the assets and business of D&G Oil and Gas Services Ltd. ("**D&G**").

Acquisition of Westvac

On September 1, 2005, the Operating Trust acquired a 90% interest in Westvac through a partnership structure for \$9 million less debt and adjusted for working capital. This was funded through existing credit facilities and the issuance of 170,454 the Trust Units.

Acquisition of Richmond Energy Services

Effective December 15, 2005, the Trust acquired Richmond Energy Services Ltd. for total consideration of approximately \$8.0 million. Richmond was formed pursuant to an amalgamation between 1204713 Alberta Ltd. and Richmond Energy Services Ltd. on December 16, 2005.

Acquisition of Ken's Steaming

On December 21, 2005, Westvac Energy Services Partnership, a general partnership in which the Operating Trust had a 90% interest prior to the conveyance of the Energy Services Division to Essential Trust, acquired all of the assets and business of Ken's Steaming & Maintenance Ltd. for consideration of \$1.35 million. The assets acquired included one combination steamer vacuum truck, two vacuum trucks, three steamers and one picker.

Acquisition of Brian's Hot Oil

On February 8, 2006, the Trust, through Avenir Production Services, acquired all of the assets and business of Brian's Hot Oiling Services Limited for aggregate consideration of \$548,700. The assets acquired included one hot oiling truck and assorted spare parts.

Acquisition of HK Wells Assets

On February 9, 2006, Avenir Trust, through Avenir Production Services, acquired all of the assets and business of Positive Energy Ltd. and HK Well Services Ltd. for aggregate consideration of approximately \$7.9 million. Up to an additional \$2 million may be payable if certain revenue targets are exceeded. The assets acquired included five swabbing rigs, one rod rig (flush-by) and six water tank trucks.

Acquisition of Kodiak Coil Tubing Ltd.

On March 29, 2006, the Trust acquired through its indirect wholly-owned subsidiary Avenir Production Services, that it acquired a 90% interest in the business and assets of Kodiak Coil Tubing Ltd. ("**Kodiak**") and 1074761 Alberta Ltd. ("**107**"), including 10 coil

tubing units. The consideration paid for the acquisition was \$23.65 million (prior to adjustments), including 729,438 Trust Units issued at a deemed price of \$12.11 per unit.

DESCRIPTION OF THE BUSINESS AND PROPERTIES OF THE TRUST AND ITS OPERATING ENTITIES

The following is a summary of the principal properties, both oil and gas and real estate, currently held by the Trust.

Oil and Gas

The Trust is engaged in the exploration for and development and production of crude oil and natural gas in Western Canada. All of the Trust's current oil and natural gas operations are in the Provinces of Alberta, British Columbia and Saskatchewan.

Principal Properties

The following is a description of the Trust's oil and natural gas properties as at December 31, 2006. Production stated is net production to the Trust and, unless otherwise stated, is average production for 2006. Reserve amounts are stated as at December 31, 2006 based on forecast costs and prices as evaluated in the McDaniel Report (see "Reserves Data"). Unless otherwise specified, gross and net acres and well count information are as at December 31, 2006.

BOEs (Mcf or other applicable units of equivalency) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf's/bbl (or an Mcfe conversion ratio of 1 bbls/ 6 Mcf) is based on energy equivalence of conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

The Trust currently has interests in approximately 854 productive oil wells and 490 productive gas wells located in 79 properties in Western Canada. Approximately 78% of the value of the properties of the Trust is comprised of interests in 12 properties. These properties are summarized in the table below:

Properties of the Trust	Property Operator	Total Proved Reserves (MBOE) ⁽¹⁾	Number of Gross Wells ⁽²⁾	Number of Net Wells
Noel	Avenir / Conoco.	956	19	6.6
Grand Forks	Avenir / ARC Resources Ltd. / Celtic Exploration Ltd.	878	143	107.6
Southwest Saskatchewan	Avenir	837	64	56.3
Eagle Lake	Harvest Energy Trust / Petrofund	452	454	34.6
Provost/Castor	Avenir	381	35	19.5
Liege	Bonavista Energy Trust	309	29	15.7
Cherhill	Avenir	242	4	3.5
Taber	Avenir	205	10	9.6
Southeast Saskatchewan	Avenir / Crescent Point Resources Ltd.	188	17	6.8
Mills Grouse	Canadian Natural Resources Ltd. / Harvest Energy Trust	186	149	22.2
Turin	Avenir/Baytex	182	54	9.6
Killam	Crescent Point Resources Ltd.	172	41	12.1
Total		<u>4,988</u>	<u>1,019</u>	<u>304.1</u>

Notes:

- (1) Total proven working interest and royalty interest reserves as of December 31, 2006. All such reserves are based on the McDaniel Report – Forecast Prices. See "Oil and Natural Gas Reserves".
- (2) Wells listed are working interest productive wells and do not include suspended wells or royalty interest wells.

Noel, British Columbia

The Noel property is located in British Columbia from Blocks G/93-P-1 to H/93-P-7 approximately 110 kilometres south of Fort St. John. The Noel area is west of the Elsworth gas field and northwest of the Wapiti gas field in the Alberta Deep Basin. The Trust holds various working interests up to 70% in 204 units (equivalent to approximately 51 sections) of land. The majority of the Trust's production is obtained from the gas bearing Cadotte and Falher formations. The Trust operates 9 of the 19 producing wells and 70% of their working interest production in Noel. The remainder of the producing wells are operated by ConocoPhillips. Sales gas is

processed through Elmworth Deep Cut Gas Plant. Production in the Noel area is characterized by low decline rates and high reserve life indices. The multi-zone nature of this area is well known and the Trust's lands are prospective for gas production from the Nikanissin, Cadomin, Bluesky/Gething, Falher, Cadotte and Doe Creek formations. The Trust has working interests ranging from 12.25% to 70% in 16,058 acres of gross undeveloped land (approximately 25 sections). Current working interest production is 2,127 Mcf/d. Reserves assigned to this property based on the McDaniel Report are total proved reserves of 956 MBOE.

Grand Forks, Alberta

The Grand Forks properties are located in Townships 10-12, Ranges 11-13 W4M approximately 35 kilometres northeast of Taber in southeast Alberta. The Trust holds various working interests averaging 75% in 143 producing wells spread over approximately 52 sections of land. Heavy oil (22-25 degrees API) is produced from the Jurassic age Sawtooth Formation with high water cuts while gas is produced from the Bow Island and Second White Specks Formations. The Trust operates 87% of the oil and gas wells in this area through four oil batteries and a compressor station all owned and operated by the Trust. The remaining 19 non-operated oil and gas wells produce through two independently operated properties in which the Trust holds a 32.71% and a 10% working interest in both the wells and facilities.

Current working interest production is 629 Bbls/d and 567 Mcf/d. Reserves attributed to the Trust's interest in this property in the McDaniel Report are 878 MBOE total proved. The Trust has identified opportunities to increase production through Sawtooth oil development drilling.

Southwest Saskatchewan

The majority of the Southwest Saskatchewan properties are located in Townships 15-17, Ranges 16-18 W3M, 25 kilometres west of Swift Current. The Trust holds 100% working interests in the East Beverly Cantuar and the Antelope Lake Upper Shaunavon Voluntary Units and a 50% working interest in the North Premier Unit #1. In total the Trust holds a 100% working interest in 45 unit and non-unit producing wells and a 50% working interest in 10 producing oil wells in the North Premier Unit. The Cantuar, Roseray and Shaunavon Formations all contribute to production and reserves on this property. Production is gathered and processed at facilities owned and operated by the Trust. Current working interest production is 265 Bbls/d and 143 Mcf/d. Reserves attributed to the Trust's interest in these properties in the McDaniel Report are 676 MBOE total proved.

The Trust operates two additional properties in Southwest Saskatchewan at Covington and Leon Lake located approximately 65 kilometres southwest of Swift Current. The Trust holds an average working interest of 70% in 9 oil wells producing from the Shaunavon formation. Current working interest production is 37 Bbls/d through single well facilities. The trust operates 8 of the 9 producing wells. Reserves assigned to these properties based on the McDaniel Report are total proved of 161 MBOE.

Eagle Lake, Saskatchewan

The Eagle Lake property is located in Township 31, Range 20 W3M 25 kilometres northeast of Kindersley in west central Saskatchewan. The Trust holds a 9.38% working interest in the Eagle Lake Viking Voluntary Unit as well as a combined 3.08% working interest in the North Dodsland Viking Voluntary Units. Independent third party producers operate both the wells and facilities. Current total working interest production is 97 Bbls/d of oil. Reserves attributed to the Trust's interest in this property in the McDaniel Report are 452 MBOE total proved.

Provost/Castor, Alberta

The Trust holds significant working interests in 63 sections of mineral rights in the Provost/Castor area covering Townships 41-34, Ranges 15-2 W4M in East-Central Alberta. Of the 35 active wells, the Trust operates 33 wells producing predominantly natural gas from the Mannville and Viking sands. Production is gathered and processed through third party facilities. The Trust holds an average operated working interest of 56% in 18,694 gross undeveloped acres. Current working interest production is 1,194 Mcf/d. Reserves assigned to this property based on the McDaniel Report are total proved reserves of 381 MBOE.

Liege, Alberta

The Liege property is located in northern Alberta in Townships 89 and 90, Ranges 20-22 W4M, approximately 100 kilometres west of Fort McMurray. The Trust holds interests of 47% to 77% in 126 sections of contiguous land. Liege is a non-operated property in which the Trust has an average producing working interest of 56%. Gas production is obtained from the Cretaceous Mannville group

and the Devonian age Grosmont formation. The gas is sweet and is processed through facilities owned in part by the Trust. Current total working interest production is 1,148 Mcf/d of gas. Reserves assigned to this property based on the McDaniel Report are total proved reserves of 309 MBOE.

Cherhill, Alberta

The Cherhill property is located 80 kilometres northwest of Edmonton, Alberta in Township 55, Range 5W5. The property consists of 4 gross (3.5 net) Banff oil wells that produce medium gravity sour crude from the Banff formation at a depth of 1,350 meters. Surface facilities consist of conventional pumping units with flow lines to gather the produced oil, water and gas. Solution gas is conserved and oil and water volumes are processed at third party facilities. In the fourth quarter of fiscal 2006, the Trust successfully drilled a 100% working interest Banff oil well with initial production rates of 60 BOE/d. This production came on stream in late 2006. For the year ended December 31, 2006, the Trust's annualized share of production for the Cherhill property was 30Bbbls/d of crude oil and 64 Mcf/d of natural gas. Reserves assigned to this property based on the McDaniel Report are total proved reserves of 242 MBOE.

Taber, Alberta

The Taber property is located in southern Alberta in Townships 9 and 10, Ranges 13-15 W4M approximately 20 kilometres east of Taber, Alberta. The Trust holds an average working interest of 96% in 10 producing wells. All production is from the Second White Specs formation. The gas is processed through a 100% working interest compressor facility, and the facility and wells are operated by the Trust. The land position consists of 13 sections of land in which the Trust holds an average working interest of 92%. A 13 well infill and delineation program has been identified to drill the Second White Specs to 320 acre spacing. Current total working interest production is 276 Mcf/d. Reserves assigned to this property based on the McDaniel Report are total proved reserves of 205 MBOE.

Southeast Saskatchewan

The Southeast Saskatchewan properties are located in Townships 7-5, Ranges 14-6 W2M approximately 125 kilometres southeast of Regina. The core property is Weyburn consisting of 12 gross (3.5 net) producing non-operated oil wells and 3 gross (1.8 net) producing operated oil wells. The Weyburn wells produce light quality sweet crude from the Midale formation at a depth of 1300 meters. The Trust has an average working interest of 30% in the Crescent Point Weyburn Midale Pool and the associated oil processing facilities. The three operated wells consist of single well batteries from which the production is trucked to the working interest facilities for processing and water disposal. In the first quarter of fiscal 2006, the Trust drilled a successful 60% working interest horizontal infill well with initial gross production rates of 75 Bbls/d of oil. There are plans to drill a follow-up well to fully develop the Trust's operated land position. The Trust also operates two additional properties in Southeast Saskatchewan located at Benson (Township 6, Range 9W2) and Lampman (Township 5, Range 6W2) consisting of 2 gross (1.6 net) producing oil wells. The Trust's total year end working interest production for Southeast Saskatchewan was 81 Bbls/d of crude oil. Reserves assigned to this property based on the McDaniel Report are total proved reserves of 188 MBOE.

Mills/Grouse, Alberta

The Mills and Grouse fields are located 170 kilometres south of Fort McMurray, Alberta. The properties consist of 14,216 net acres of developed land and 23,285 net acres of undeveloped land. The Trust's interest in these properties consists of 22.2 net (149 gross) producing gas wells. For the year ended December 31, 2006, the Trust's annualized share of production for the Mills and Grouse properties was 966 Mcf/d of natural gas. All production is from Viking, McMurray and Grand Rapids sandstone reservoirs occurring at depths between 250 and 500 meters. The Trust does not operate any facilities or wells in this area. Raw gas is processed at three facilities in which the Trust has an average working interest of 17.4%. Reserves assigned to this property based on the McDaniel Report are total proved reserves of 186 MBOE.

Turin, Alberta

The Turin property is located 20 kilometres west of Grand Forks Township 11, Ranges 18 & 19W4. The property consists of 54 gross (9.6 net) wells that produce primarily from the Manville formation at a depth of approximately 1,000 meters. Current working interest production is 97 Bbls/d of oil and 137 Mcf/d. Reserves attributed to the Trust's interest in this property in the McDaniel Report are 182 MBOE total proved.

Killam, Alberta

The Killam property is located 90 miles southeast of Edmonton, Alberta in Township 42, Range 14 W4M. The Trust has interests in four sections of land, two of which have production. The Trust holds working interests ranging from 17.5 % to 35.7%. The majority of production originates from 41 producing wells in the Crescent Point Energy Trust Glauconitic FF pool. The Trust has an average producing working interest of 29.5%. Current total working interest production is 82 Bbls/d of oil and 6 Mcf/d of gas. Reserves assigned to this property based on the McDaniel Report are total proved reserves of 172 MBOE.

OIL AND NATURAL GAS RESERVES

In accordance with NI 51-101, McDaniel prepared the McDaniel Report dated March 7, 2007, evaluating the crude oil, natural gas, natural gas liquids and sulphur reserves of the Trust as at December 31, 2006. The McDaniel Report evaluated, effective as at December 31, 2006, the Trust's oil, NGL and natural gas reserves. The tables below are a summary of the Trust's oil, NGL and natural gas reserves and the net present value of future net revenue attributable to such reserves as evaluated in the McDaniel Report based on constant and forecast price and cost assumptions, and the information set forth below is prepared in accordance with standards contained in the COGEH and the reserves definitions contained in NI 51-101 and the COGEH. The tables summarize the data contained in the McDaniel Report and as a result may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly. The net present value of future net revenue attributable to the Trust's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by McDaniel. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Trust's reserves estimated by McDaniel represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of the Trust's oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

The McDaniel Report is based on certain factual data supplied by the Trust and McDaniel's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Trust's petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Trust to McDaniel and accepted without any further investigation. McDaniel accepted this data as presented and neither title searches nor field inspections were conducted.

Reserves Definitions

In this section, "Oil and Natural Gas Reserves", the following terms shall have the following meanings:

"Royalties" refers to royalties paid to others. The royalties deducted from the reserves are based on the percentage royalty calculated by applying the applicable royalty rate or formula. In the case of Crown sliding scale royalties which are dependent on selling prices, the price forecasts for the individual properties in question have been employed.

"Reserves" are the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

"Proved Reserves" are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves. At least a 90% probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves is the targeted level of certainty.

"Probable Reserves" are those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable Reserves. At least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable Reserves is the targeted level of certainty.

"Proved Developed Reserves" are those Reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the Reserves on production. The developed category may be subdivided into producing and non producing.

"Developed Producing Reserves" are those Reserves that are expected to be recovered from completion intervals open at the time of the estimate. These Reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"Developed Non Producing Reserves" are those Reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

"Undeveloped Reserves" are those Reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the Reserves classification (proved, probable, possible) to which they are assigned.

Reserves Data - Constant Prices and Costs

Summary of Oil and Gas Reserves: Effective December 31st, 2006

	Gross Reserves ⁽¹⁾				Net Reserves ⁽²⁾			
	Light and Medium Crude Oil	Heavy Oil	Natural Gas Liquids	Natural Gas	Light and Medium Crude Oil	Heavy Oil	Liquids	Natural Gas
	Mbbls	Mbbls	Mbbls	Mmcf	Mbbls	Mbbls	Mbbls	Mmcf
Proved								
Developed Producing	2,185.6	806.8	98.4	15,344.4	1,974.9	754.5	77.2	13,096.7
Developed Non-Producing	0.0	0.0	3.2	1,260.2	0.0	0.0	2.4	1,006.5
Undeveloped	94.7	0.0	4.5	522.6	79.6	0.0	3.9	411.2
Total Proved	<u>2,280.4</u>	<u>806.8</u>	<u>106.1</u>	<u>17,127.3</u>	<u>2,054.5</u>	<u>754.5</u>	<u>83.5</u>	<u>14,514.4</u>
Total Probable	<u>737.6</u>	<u>257.2</u>	<u>52.7</u>	<u>7,853.9</u>	<u>649.9</u>	<u>238.8</u>	<u>39.2</u>	<u>6520.6</u>
Total Proved plus Probable⁽³⁾	<u>3,017.9</u>	<u>1,064.0</u>	<u>158.8</u>	<u>24,981.2</u>	<u>2,704.4</u>	<u>993.2</u>	<u>122.6</u>	<u>21,035.0</u>

Notes:

- (1) Gross reserves include working interest reserves before deduction of royalties but do not include royalty interest reserves.
- (2) Net reserves include working interest reserves less the deduction of royalties plus royalty interest reserves.
- (3) Some totals may differ slightly due to rounding.

Net Present Value of Future Net Revenue of Oil and Gas Reserves

	Before Future Income Tax Expenses and Discounted at		After Future Income Tax Expenses and Discounted at	
	0%	10%	0%	10%
	(M\$)	(M\$)	(M\$)	(M\$)
Proved				
Developed Producing	128,951	94,738	110,856	80,721
Developed Non-Producing	313	53	325	6
Undeveloped	2,383	1,220	1,670	768
Total Proved	<u>131,647</u>	<u>96,011</u>	<u>112,852</u>	<u>81,496</u>
Total Probable	<u>51,025</u>	<u>25,818</u>	<u>36,644</u>	<u>17,832</u>
Total Proved plus Probable	<u>182,672</u>	<u>121,829</u>	<u>149,495</u>	<u>99,328</u>

Additional Information Concerning Future Net Revenue - (Undiscounted)

	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Future Income Tax Expenses	Future Net Revenue After Income Taxes
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved Reserves	284,636	40,761	95,453	3,444	13,331	131,647	18,795	112,852
Total Proved Plus Probable	389,625	57,144	128,483	7,823	13,504	182,672	33,177	149,495

Future net Revenue by Production Group

	Future Net Revenue Before Income Taxes and Discounted at 10% ⁽³⁾
	(M\$)
Total Proved	
Light and Medium Crude Oil ⁽¹⁾	40,276
Heavy Oil	14,755
Natural Gas ⁽²⁾	40,979
Total	96,011
Proved plus Probable	
Light and Medium Crude Oil ⁽¹⁾	50,094
Heavy Oil	18,869
Natural Gas ⁽²⁾	52,866
Total	121,829

Notes:

- (1) Gas reserves included in light, medium and heavy oil are solution gas reserves only.
(2) Non-Associated gas including by-products.
(3) Processing income is included where applicable

Reserves Data - Forecast Prices and Costs Summary of Oil and Gas Reserves**Summary of Oil and Gas Reserves: Effective December 31, 2006**

	Gross Reserves ⁽¹⁾				Net Reserves ⁽²⁾			
	Light and Medium Crude Oil	Heavy Oil	Natural Gas Liquids	Natural Gas	Light and Medium Crude Oil	Heavy Oil	Liquids	Natural Gas
	Mbbls	Mbbls	Mbbls	Mmcf	Mbbls	Mbbls	Mbbls	Mmcf
Proved								
Developed Producing	2,179.6	780.2	98.6	15,467.7	1,969.0	729.4	77.3	13,183.2
Developed Non-Producing	0.0	0.0	3.2	1,285.7	0.0	0.0	2.5	1,026.2
Undeveloped	94.7	0.0	5.1	1,763.3	79.6	0.0	4.3	1,432.2
Total Proved	2,274.3	780.2	106.9	18,516.7	2,048.5	729.4	84.1	15,641.6
Total Probable	732.5	250.5	52.1	6,643.8	644.8	232.6	38.7	5,514.0
Total Proved plus Probable⁽³⁾	3,006.8	1,030.8	159.0	25,160.6	2,693.4	962.0	122.8	21,155.6

Notes:

- (1) Gross reserves include working interest reserves before deduction of royalties but do not include royalty interest reserves.
(2) Net reserves include working interest reserves less the deduction of royalties plus royalty interest reserves.
(3) Some totals may differ slightly due to rounding.

Net Present Value of Future Net Revenue of Oil and Gas Reserves

	Before Future Income Tax Expenses and Discounted at		After Future Income Tax Expenses and Discounted at	
	0%	10%	0%	10%
	(M\$)	(M\$)	(M\$)	(M\$)
Proved				
Developed Producing	142,522	105,419	119,924	88,024
Developed Non-Producing	1,796	916	1,491	624
Undeveloped	3,614	1,457	2,407	710
Total Proved	147,933	107,791	123,822	89,357
Total Probable	62,228	31,707	44,231	22,091
Total Proved plus Probable	210,160	139,498	168,053	111,448

Additional Information Concerning Future Net Revenue - (Undiscounted)

	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Future Income Tax Expenses	Future Net Revenue After Income Taxes
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved Reserves	330,560	48,497	109,889	7,296	16,946	147,933	24,111	123,822
Total Proved Plus Probable	451,149	67,416	147,882	8,011	17,680	210,160	42,107	168,053

Future net Revenue by Production Group

	Future Net Revenue Before Income Taxes and Discounted at 10% ⁽³⁾
	(M\$)
Total Proved	
Light and Medium Crude Oil ⁽¹⁾	38,097
Heavy Oil	13,628
Natural Gas ⁽²⁾	56,067
Total	107,791
Proved plus Probable	
Light and Medium Crude Oil ⁽¹⁾	47,671
Heavy Oil	17,390
Natural Gas ⁽²⁾	74,436
Total	139,498

Notes:

- (1) Gas reserves included in light, medium and heavy oil are solution gas reserves only.
(2) Non-Associated gas including by-products.
(3) Processing income is included where applicable.

Pricing Assumptions - Constant Prices and Costs

McDaniel employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2006 in estimating the Trust's reserves data using constant prices and costs.

Summary Of Pricing Assumptions as of December 31, 2006 - Constant Prices And Cost⁽¹⁾

Year	Oil ⁽¹⁾				Natural Gas ⁽¹⁾		
	WTI Cushing Oklahoma ⁽²⁾ (\$US/bbl)	Edmonton Par Price 40° API ⁽³⁾ (\$Cdn/bbl)	Alberta Bow River Hardisty ⁽⁴⁾ (\$Cdn/bbl)	Cromer Medium 29.3° API (\$Cdn/bbl)	Natural Gas ⁽¹⁾ AECO Gas Price (\$Cdn/GJ)	Natural Gas Liquids Fob ⁽⁵⁾ Field Gate (\$Cdn/BBL)	Exchange Rate ⁽⁶⁾ (\$US/\$Cdn)
Historical							
2002	26.10	39.95	31.65	34.93	3.86	26.20	0.637
2003	31.05	43.15	32.68	37.57	6.32	34.10	0.716
2004	41.40	52.54	37.60	45.94	6.20	39.94	0.770
2005	56.56	68.72	44.83	57.47	8.14	50.20	0.826
2006	66.23	72.80	51.55	61.25	6.25	51.80	0.880
December 31, 2006	61.05	67.06	49.66	58.96	5.81	48.10	0.870

Notes:

- (1) Constant pricing was supplied by McDaniel Constant Prices and Costs.
- (2) West Texas Intermediate at Cushing Oklahoma 40 degrees API/0.5% Sulphur.
- (3) Edmonton Light Sweet 40 degrees API/0.3% Sulphur
- (4) Bow River at Hardisty Alberta (Heavy stream)
- (5) NGL mix based on 45% propane, 35% butane and 20% natural gasolines.
- (6) The exchange rate used to generate benchmark reference prices in this table.

Pricing Assumptions - Forecast Prices and Costs

McDaniel employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2006 in estimating the Trust's reserves data using forecast prices and costs.

Summary Of Pricing And Inflation Rate Assumptions As Of December 31, 2006 Forecast Prices And Costs

Year	Oil ⁽¹⁾				Natural Gas ⁽¹⁾			
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Alberta Bow River Hardisty ⁽⁴⁾ (\$Cdn/bbl)	Cromer Medium 29.3° API (\$Cdn/bbl)	Natural Gas ⁽¹⁾ AECO Gas Price (\$Cdn/GJ)	Natural Gas Liquids Fob ⁽⁵⁾ Field Gate (\$Cdn/BBL)	Inflation Rates ⁽²⁾ %/Year	Exchange Rate ⁽³⁾ (\$US/\$Cdn)
Forecast								
2007	62.50	70.80	49.30	62.20	6.85	50.80	2.0	0.870
2008	61.20	69.30	49.60	60.90	7.05	50.10	2.0	0.870
2009	59.80	67.70	49.80	59.40	7.40	49.50	2.0	0.870
2010	58.40	66.10	49.30	58.00	7.50	48.60	2.0	0.870
2011	56.80	64.20	47.90	56.40	7.70	47.60	2.0	0.870

Notes:

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer. Prices are from the December 31, 2006 McDaniel Forecast Prices and Costs.
- (2) Inflation rates for forecasting prices and costs. The inflation rate of two percent (2.0%) per annum is used to forecast the annual increase in oil and gas prices, operating costs and capital costs.
- (3) Exchange rates used to generate the benchmark reference prices in this table.
- (4) Bow River at Hardisty Alberta (Heavy stream)
- (5) NGL mix based on 45% propane, 35% butane and 20% natural gasolines.

The weighted average realized sales prices for the Trust for the year ended December 31, 2006 was \$6.79/Mcf for natural gas, \$54.71/Bbl for crude oil and \$51.64/Bbl for NGL's.

Reconciliations of Changes in Reserves and Future Net Revenue

Reserves Reconciliation

The following table sets forth a reconciliation of the Trust's total net proved, probable and total net proved plus probable reserves as at December 31, 2006 against such reserves as at December 31, 2005 based on forecast price and cost assumptions.

	Light and Medium Crude Oil			Heavy Oil			Associated and Non-Associated Gas		
	Net Proved Reserves Mbbls	Net Probable Reserves Mbbls	Net Proved Plus Probable Mbbls	Net Proved Reserves Mbbls	Net Probable Reserves Mbbls	Net Proved Plus Probable Mbbls	Net Proved Reserves Mmcf	Net Probable Reserves Mmcf	Net Proved Plus Probable Mmcf
Opening Balance December 31, 2005	1,917	515	2,432	831	221	1,052	17,232	5,620	22,852
Extensions/Infill Drilling	84	93	177	0	0	0	790	369	1,159
Improved Recovery	36	8	44	107	26	133	62	13	75
Technical Revisions	174	(40)	134	5	(14)	(9)	(764)	(775)	(1,539)
Discoveries	47	25	72	0	0	0	309	84	393
Acquisitions	130	47	177	0	0	0	1,243	433	1,676
Dispositions	(18)	(4)	(22)	0	0	0	(174)	(230)	(404)
Production	(321)	0	(321)	(214)	0	(214)	(3,056)	0	(3,056)
Closing Balance December 31, 2006	<u>2,049</u>	<u>644</u>	<u>2,693</u>	<u>729</u>	<u>233</u>	<u>962</u>	<u>15,642</u>	<u>5,514</u>	<u>21,156</u>

	Net Natural Gas Liquids			Total Net Oil Equivalent		
	Net Proved Reserves Mbbls	Net Probable Reserves Mbbls	Net Proved Plus Probable Mbbls	Net Proved Reserves MBOE	Net Probable Reserves MBOE	Net Proved Plus Probable MBOE
Opening Balance December 31, 2005	89	33	122	5,709	1,706	7,414
Extensions/Infill Drilling	1	0	1	217	154	371
Improved Recovery	0	0	0	153	37	190
Technical Revisions	7	6	13	58	(176)	(118)
Discoveries	0	0	0	99	38	137
Acquisitions	6	2	8	343	121	464
Dispositions	(2)	(2)	(4)	(49)	(44)	(93)
Production	(17)	0	(17)	(1,061)	0	(1,061)
Closing Balance December 31, 2006	<u>84</u>	<u>39</u>	<u>123</u>	<u>5,469</u>	<u>1,835</u>	<u>7,304</u>

Future Net Revenue Reconciliation

The following table sets forth a reconciliation of the estimate of the net present value of future net revenue attributable to the Trust's proved reserves as evaluated in the McDaniel Report as at December 31, 2006 against the estimate of such amount as at December 31, 2005, calculated after tax using a discount rate of 10% and constant price and cost assumptions.

Reconciliation of Changes in Net Present Values of Future Net Revenue Discounted at 10% Per Year Proved Reserves After Income Taxes

Value Reconciliation Table Using Constant Prices and Costs

Period and Factor	2006 (\$M)
Estimated Future Net Revenue at Beginning of Year After Tax	108,745
Oil and Gas Sales During the Period Net of Royalties and Production Costs	(27,008)
Changes due to Prices	(28,766)
Actual Development Costs During the Period	12,393
Changes in Future Development Costs	(10,946)
Changes Resulting from Extensions, Infill Drilling and Improved Recovery	4,764
Changes Resulting from Discoveries	2,067
Changes Resulting from Acquisitions of Reserves	8,621
Changes Resulting from Dispositions of Reserves	(1,505)
Accretion of Discount	14,542
Other Significant Factors (ARTC and OPEX)	(16,579)
Net Changes in Income Taxes	14,548
Changes Resulting from Technical Reserves Revisions Plus Effects of Timing	620
Estimated Future Net Revenue at End of Year After Tax	81,496

Undeveloped Reserves

The following discussion generally describes the basis on which we attribute Proved and Probable Undeveloped Reserves and its plans for developing those Undeveloped Reserves.

Proved Undeveloped Reserves Using Forecast Prices and Costs

The following tables set forth the Trust's Gross Company Interest proved undeveloped reserves and the probable undeveloped reserves, each by product type, in the most recent five financial years and, in the aggregate, before that time.

Year	Light and Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Natural Gas (MMcf)		Natural Gas Liquids (Mbbbl)	
	1st Attributed	Cumulative at Year End ⁽¹⁾	1st Attributed	Cumulative at Year End ⁽¹⁾	1st Attributed	Cumulative at Year End ⁽¹⁾	1st Attributed	Cumulative at Year End ⁽¹⁾
2002	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2003	0.0	0.0	0.0	0.0	133.1	133.1	0.0	0.0
2004	42.8	42.8	0.0	0.0	829.9	963.0	2.9	2.9
2005	0.0	28.1	0.0	0.0	836.5	1,132.0	1.0	3.9
2006	60.1	88.2	6.5	6.5	935.2	1,763.3	1.3	5.1

Note:

- (1) Cumulative at Year End = Residual Cumulative of Previous Year plus 1st Attributed.
(2) Royalty interest reserves are not included in Gross Company Reserves.

Proved undeveloped reserves are generally those reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away from the Trust's gathering systems. In addition, such reserves may relate to planned infill drilling locations. The majority of these reserves are planned to be on stream within a two-year timeframe.

Probable Undeveloped Reserves Using Forecast Prices and Costs

Year	Light and Medium Oil (Mbbl)		Heavy Oil (Mbbl)		Natural Gas (MMcf)		Natural Gas Liquids (Mbbl)	
	1st Attributed	Cumulative at Year End ⁽¹⁾	1st Attributed	Cumulative at Year End ⁽¹⁾	1st Attributed	Cumulative at Year End ⁽¹⁾	1st Attributed	Cumulative at Year End ⁽¹⁾
2002	37.0	37.0	0.0	0.0	0.0	0.0	0.0	0.0
2003	0.0	37.0	0.0	0.0	85.4	85.4	0.0	0.7
2004	0.0	37.0	0.0	0.0	1,253.2	1,338.6	3.6	4.3
2005	31.3	68.3	0.0	0.0	399.8	1,407.7	12.0	16.3
2006	87.4	94.5	3.9	3.9	423.1	834.5	0.7	2.3

Note:

- (1) Cumulative at Year End = Residual Cumulative of Previous Year plus 1st Attributed.
(2) Royalty interest reserves are not included in Gross Company Reserves.

Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. The majority of these reserves are planned to be on stream within a two year timeframe.

Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. The Trust's reserves are evaluated by McDaniel, an independent engineering firm.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

Future Development Costs

The table below sets out the development costs deducted in the estimation of future net revenue attributable to proved reserves (using both constant prices and costs and forecast prices and costs) and proved plus probable reserves (using forecast prices and costs only).

	Constant Prices and Costs	Forecast Prices and Costs	
	Total Proved Reserves (M\$)	Total Proved Reserves (M\$)	Total Proved Plus Probable Reserves (M\$)
2007	3,300	7,138	7,729
2008	75	78	78
2009	0	0	10
2010	35	37	37
2011	0	0	0
Remaining Years	34	43	157
Total Undiscounted	3,444	7,296	8,011
Total Discounted 10% per year	3,247	6,867	7,480

The Trust's internally generated cash flow was sufficient to fund the development costs disclosed above. It typically has available three sources of funding to finance its capital expenditure program; internally generated cash flow from operations, debt financing when appropriate and new equity issues, if available on favourable terms. The Trust expects to fund the total 2007 capital program with internally generated cash flow and, although quarterly fluctuations in funding levels are expected, the objective is to remain at the

current net debt level throughout the 2007 financial year. The Trust's objective is to maintain its debt to cash flow ratio at less than 1.2 times estimated future cash flows.

Oil and Gas Properties

A summary description of the Trust's major producing and exploration properties is set out below. References to gross volumes refer to total production. References to net volumes refer to the Trust's working interest share before the deduction of royalties payable to others.

Oil and Gas Wells

The following table sets forth the number and status of wells in which the Trust has a working interest as at December 31, 2006.

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing ⁽³⁾		Producing		Non-Producing	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross	Net	Gross	Net	Gross	Net
British Columbia	0	0.0	1	0.4	18	6.0	11	1.7
Alberta	315	140.5	132	56.2	470	124.9	105	33.6
Saskatchewan	540	95.8	126	28.1	2	2.0	1	1.0
Total	854	236.0	259	84.7	490	132.9	117	36.3

Notes:

- (1) "Gross" wells means the number of wells in which the Trust has a working interest.
- (2) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by the Trust's percentage working interest therein.
- (3) Non-producing includes wells shut-in for economic reasons, wells not capable of production and wells used for disposal of water.

Properties With No Attributed Reserves

The following table summarizes the gross and net acres of unproved properties in which we have an interest. The Trust does not have any properties that are unproductive at this time.

The following table sets out the Trust's undeveloped land holdings as at December 31, 2006.

	Undeveloped Acres	
	Gross	Net
British Columbia	21,775	5,250
Alberta	311,584	109,954
Saskatchewan	16,290	6,980
Total	349,649	122,184

The Trust estimates the value of this land at approximately \$8.1 million based on a third party evaluation by Seaton-Jordon & Associates effective December 31, 2006.

Drilling Activity

The following table summarizes the Trust's drilling results for the year ended December 31, 2006.

	2006	
	Gross	Net
Oil	9	1.9
Natural Gas	36	5.7
Coal bed methane	21	0.7
Dry & Abandoned	1	1.0
Total	67	9.3

In 2007, the Trust will focus development activities towards the operated properties of Cherhill, Noel, Java and Grand Forks oil properties.

Additional Information Concerning Abandonment and Reclamation Costs

The Trust typically estimates well abandonment costs area by area. Such costs are included in the McDaniel Report as deductions in arriving at future net revenue. The expected total abandonment costs included in the McDaniel Report for 490 net wells under the proved reserves category is an estimated \$7,852,181 discounted at 8.5%, of which a total of approximately \$1,413,900 is estimated to be incurred in 2007, 2008 and 2009. (This estimate does not include expected reclamation costs for surface leases). Expected future abandonment costs related to well site facilities are expected to match the salvage value recovery.

The Trust typically estimates that the additional reclamation costs associated with both active and inactive surface leases, wells and major facilities not captured in the McDaniel Report is \$4,947,110 discounted at 8.5%. The abandonment cost for each surface lease was estimated using the lease liability rating system that is available through the Energy Resources Conservation Board. An average abandonment cost of \$30,000 per wellbore was used in the McDaniel Report and is believed to be representative of a typical abandonment operation.

Tax Horizon

The Trust was not required to pay income taxes during the year ended December 31, 2006. Similar to other energy trusts, the corporate structure of the Trust is such that a portion of the corporate income tax is sheltered by available tax pools with any balance of income taxes owing, flowing out to the unitholders of the public trust as taxable income. Accordingly, other than large corporation tax and capital taxes which are minimal, the Trust does not expect to pay income taxes in the foreseeable future. However, the Trust shall be subject to the SIFT Proposals and shall be required to pay income taxes in the form and manner as prescribed by the SIFT Proposals once corresponding legislation is enacted.

Costs Incurred

The following table summarizes the Trust's property acquisition costs, exploration costs and development costs for the year ended December 31, 2006.

	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved Properties	Unproved Properties		
Total (M\$)	10,936	545	0	12,393

Production Estimates

The following table sets out the volume of our production using both constant and forecast prices and costs for the year ended December 31, 2007, which is reflected in the estimate of future net revenue disclosed in the tables contained under "Disclosure of Reserves Data".

	Light and Medium Oil (Bbls/d)	Heavy Oil (Bbls/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	BOE (BOE/d)
2007	933	629	9,828	61	3,261

Production History, Prices Received and Capital Expenditures

The following tables summarize certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

(6:1)	Quarter Ended 2005				Quarter Ended 2006			
	2005				2006			
	Dec. 31	Sept. 30	June 30	Mar. 30	Dec. 31	Sept. 30	June 30	Mar. 30
Average Daily Production ⁽¹⁾								
Light / Medium Crude Oil & Ngl's (Bbls/d)	1,072	1,026	1,051	1,088	1,017	1,005	1,010	1,037
Heavy Oil (Bbls/d)	575	546	558	549	659	638	643	677
Gas (Mcf/d)	9,398	11,540	9,819	7,172	9,919	10,240	10,447	9,586
Combined (BOE/d)	3,213	3,495	3,246	2,832	3,329	3,350	3,394	3,312
Average Price Received								
Light/Med/Heavy Crude Oil & Ngl's /Bbl	\$43.18	\$57.09	\$42.28	\$42.13	\$45.07	\$51.96	\$60.94	\$41.14
After Hedging								
Gas (\$/Mcf)	\$10.83	\$9.09	\$7.06	\$7.05	\$6.78	\$6.27	\$6.15	\$8.10
Combined (\$/BOE) after hedging	\$52.79	\$54.83	\$41.65	\$41.77	\$42.26	\$43.83	\$47.93	\$43.98
Royalties Paid (\$/BOE)	\$9.36	\$7.99	\$6.00	\$7.82	\$5.50	\$6.50	\$5.49	\$8.01
Operating Expenses (\$/BOE)	\$12.51	\$12.07	\$12.51	\$10.63	\$20.77	\$14.91	\$14.89	\$13.13
Netback Received (\$/BOE) ⁽²⁾	\$30.93	\$34.77	\$23.15	\$23.32	\$16.00	\$22.41	\$27.55	\$22.85

Notes:

- (1) Before deduction of royalties.
(2) Netbacks are calculated by subtracting royalties and operating costs from revenues.

The following table indicates the Trust's average daily production from important fields for the year ended December 31, 2006:

	Light and Medium Crude Oil & NGL's (Bbls/d)	Heavy Oil (Bbls/d)	Gas (Mcf/d)	BOE (BOE/d)
Alberta Major Properties				
Grand Forks	0	629	567	724
Provost/Castor	18	0	1,914	337
Liege	0	0	1,148	191
Mills Grouse	0	0	966	161
Taber	0	0	276	46
Killam	82	0	6	83
Cherhill	30	0	64	41
Turin	97	0	137	120
Total Alberta Important Properties	227	629	5,078	1,702
British Columbia Major Properties				
Noel	2	0	2,127	357
Total British Columbia Important Properties	2	0	2,127	357
Saskatchewan Major Properties				
Eagle Lake	97	0	32	102
Southwest Saskatchewan	302	0	143	326
Southeast Saskatchewan	81	0	0	81
Total Saskatchewan Important Properties	480	0	175	510
Total	709	629	7380	2568

REAL ESTATE PROPERTIES

The current properties are described below:

KFC/Taco Bell Portfolio, Northern Alberta and British Columbia

Consists of a portfolio containing thirteen (13) franchise locations (two under development) situated in north central Alberta and British Columbia. The KFC leases are 10 year terms and are cross-collateralized locations and consist of 32,251 square feet in aggregate. The buildings are all freestanding properties in each location.

Landmark Theatres, Western Canada

Consists of a portfolio containing sixteen (16) locations (one under development) situated in western Canada primarily in Alberta and British Columbia. The Landmark Theatre leases are 20 year terms, cross-collateralized across locations and consist of 154,489 square feet in aggregate.

Main Street (99th Avenue) and 100th Street, Fort Saskatchewan, Alberta

This 16,210 square foot strip shopping centre is approximately four years old in downtown Fort Saskatchewan, Alberta. The two tenants with long term leases are Shoppers Drug Mart and Alberta Treasury Branch. The fully leased shopping centre is well positioned with a 35,000 square foot Sobey's grocery store acting as a "shadow anchor" on the immediately adjacent property. Fort Saskatchewan, just outside Edmonton, Alberta, has a stable and prosperous industry and employment base, with major employers being Dow Chemical, Agrium, Shell Canada and Sherritt International.

2305 - 84th Avenue, Edmonton, Alberta

Constructed for Canada Dry Bottling Co. in 1979, and was updated in 1995. This large warehouse and office facility is 4.57 acres located in the Sherwood Industrial subdivision and can service Edmonton's industrial sector. It backs onto and has exposure to the Sherwood Park Freeway. The property's 90,800 square feet is fully leased to Sunbelt Supply Canada Inc., a wholly owned subsidiary of The Home Depot, Inc. with a seven year fully net lease.

6732 - 8th Street N.E., Calgary, Alberta

This research and manufacturing facility constructed in 1991 in the Deerfoot industrial area in northeast Calgary, immediately adjacent to the Calgary International Airport. Built in 1991 by Novatel, this facility comprises approximately 119,551 square feet resting on 9.65 acres, resulting in site coverage of 26%. It enjoys convenient access to Deerfoot Trail. This building is 100% leased to three tenants and the facility has been designed with specialized heating, ventilation and air conditioning ("HVAC") security system and anti static floor treatment along with a quality office fit out, loading facilities and high parking ratio.

222 Snidercroft Road, Vaughan, Ontario

This office and manufacturing facility is located in Greater Toronto's 600 million square foot industrial market, backing onto Highway 407 in a well established business park in Vaughan. Built in two stages (1970 and 1980) for the present tenant Scintrex Limited, this renovated facility comprises approximately 71,000 square feet resting on 4.0 acres, with site coverage of only 29%. The facility is air conditioned and offers mechanical and electrical systems suited to advanced technology and flex office users. The Trust initially owned a 50% interest in this property, however on January 31, 2006 the Trust purchased the remaining 50% for a total of approximately \$1,850,000 at a predetermined cap rate well below appraised value.

1800 Huron Street, London, Ontario

This manufacturing/warehouse facility sits adjacent to London International Airport in the northeast industrial area of London, Ontario. With convenient access to Highway 401, the facility is suited to users that serve the huge southern Ontario and nearby north central U.S. markets. The tenant is Magee Rieter Automotive Systems, a partnership between subsidiaries of Magee Industrial Enterprises, a privately held US company, and Rieter AG, a publicly traded Swiss company. Built in 1989, the building is fully air conditioned and initially comprised 112,000 square feet on 12.65 acres. The building was expanded in 2005 to approximately 141,343 square feet.

DESCRIPTION OF THE TRUST UNITS

Terms of Securities

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture. As at December 31, 2006, 41,745,720 Trust Units are issued and outstanding. Each Trust Unit represents an equal fractional undivided beneficial interest in any distribution from the Trust (whether of net income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding up of the Trust. All Trust Units outstanding from time to time shall be entitled to equal shares of any distribution by the Trust, and in the event of termination or winding up of the Trust, in any net assets of the Trust. All Trust Units of the Trust shall rank among themselves equally and rateably without discrimination, preference or priority. Each Trust Unit is transferable, is not subject to any conversion or pre-emptive rights and entitles the holder thereof to require the Trust to redeem any or all of the Trust Units held by such holder and to one vote at all meetings of Unitholders for each Trust Unit held.

The Trust Units do not represent a traditional investment and should not be viewed by investors as "shares" in either the Manager or the Trust. As holders of the Trust Units in the Trust, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Trust Units also do not represent a debt obligation and should not be viewed by investors as bonds, debentures or other debt instruments. Unitholders will not have the contractual rights normally associated with debt instruments, such as the right to demand repayment and commence collection proceedings if monthly cash distributions are not made or are less than expected.

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of the certificate or certificates representing such Trust Units. Upon receipt of the redemption request by the Trust, the holder thereof shall only be entitled to receive a price per Trust Unit (the "**Market Redemption Price**") equal to the lesser of (i) 90% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10 day trading period commencing immediately after the date on which the Trust Units are surrendered for redemption, and (ii) the "closing market price" on the principal market on which the Units are quoted for trading on the date that the Trust Units are surrendered for redemption.

The market price for the Trust Units shall be an amount equal to the simple average of the closing price of the Trust Units for each of the ten trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the market price shall be the simple average of the following prices established for each of the 10 trading days: the average of the last bid and last ask prices for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day.

The closing market price for the Trust Units shall be an amount equal to the closing price of the Trust Units if there was a trade on the date; an amount equal to the average of the highest and lowest prices of Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; and the average of the last bid and last ask prices if there was no trading on the date.

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. Furthermore, the Trust is not a trust company and is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. The Trust is not considered as a mutual fund pursuant to Canadian securities legislation and does not operate in accordance with the rules applicable to mutual fund enacted by the Canadian Securities regulators.

Trust Unitholder Limited Liability

The Trust Indenture provides that no Unitholder, in its capacity as such, shall incur or will be subject to any liability in contract or in tort in connection with the Trust or its obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of the Unitholder's share of the Trust's assets. Pursuant to the Trust Indenture, the Trust will indemnify and hold harmless each Unitholder from any cost, damages, liabilities, expenses, charges and losses suffered by a Unitholder from or arising as a result of such Unitholder not having such limited liability.

The Trust Indenture provides that all contracts signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Trust Indenture, Unitholders may not be protected from liabilities of the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to the Unitholders of this nature arising is considered unlikely in view of the fact that the undertaking of the Trust is to hold securities of the Operating Trust, and all of the business operations in which the Trust is interested will be carried on by the Manager directly or indirectly or by a limited partnership.

The business of the Trust and its wholly-owned subsidiary, the Manager, will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid, as far as possible, any material risk of liability to the Unitholders from claims against the Trust by obtaining appropriate insurance, where available, for the operations of the Manager and having contracts signed by or on behalf of the Trust include a provision that such obligations are not binding upon the Unitholders personally.

Restrictions on Non-Resident Ownership

The Trust Indenture provides that at no time may more than one-half of the outstanding Trust Units be held by non-residents of Canada within the meaning of the Tax Act ("**Non-Residents**"). If at any time the Trustee becomes aware that the beneficial owners of 25% of the Trust Units then outstanding are or may be Non-Residents or that such a situation is imminent, the Manager shall thereafter request declarations as to beneficial ownership as provided for in the Trust Indenture from Unitholders at least annually in conjunction with the annual meeting of Unitholders to be called by the Manager. If at any time the Trustee becomes aware that the beneficial owners of 49% of the Trust Units then outstanding are or may be Non-Residents or that such a situation is imminent, the Manager may make a public announcement thereof and shall not accept the subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration pursuant to the terms of the Trust Indenture that the person is not a Non-Resident. Notwithstanding the foregoing, if the Manager determines that the majority of the Trust Units are held by Non-Residents the Manager may send a notice to Non-Resident holders of Trust Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a specified portion thereof within a specified period of not less than 60 days in accordance with the terms and conditions of the Trust Indenture. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not Non-Residents within such period, the Manager may on behalf of such Unitholders sell such Trust Units and, interim, shall suspend the voting and distribution rights attached to such Trust Units and shall make any distribution in respect of such Trust Units by depositing such amount in a separate bank account in a Canadian chartered bank (net at any applicable tax). Any sales shall be made on any stock exchange on which the Trust Units are then listed and, upon such sale, the affected holder shall cease to be holders of Trust Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of Trust Certificates representing such Trust Units. Notwithstanding any other provision of the Trust Indenture, Non-Residents shall not be entitled to vote in respect of any special resolutions of Unitholders to amend the sections of the Trust Indenture concerning Non-Resident Unitholders.

CASH DISTRIBUTIONS

The Trustee may declare payable to the Unitholders all or any part of the net income of the Trust earned from any income or dividends, less all expenses and liabilities of the Trust due and accrued and which are chargeable to the net income of the Trust. In addition, Trust Unitholders may, at the discretion of the Trustee, receive distributions in respect of repayments of principal by any of the operating subsidiaries of the Trust to the Trust on any outstanding debt. It is anticipated however, that the Trust will reinvest a portion of any repayments of principal to make capital expenditures to develop the business of the Trust with a view to enhancing the Trust's cash flow from operations.

Pursuant to the provisions of the Trust Indenture all income earned by the Trust in a fiscal year, not previously distributed in that fiscal year, must be distributed to Unitholders of record on December 31. This excess income, if any, will be allocated to Unitholders of record at December 31 but the right to receive this income, if the amount is not determined and declared payable at December 31, will trade with the Trust Units until determined and declared payable in accordance with the rules of the Toronto Stock Exchange. To the extent that a Unitholder trades Trust Units in this period they will be allocated such income but will dispose of their right to receive such distribution.

Since its inception, the Trust has made the following cash distributions to holders of Trust Units:

Period covered	Date of record	Date of Distribution	Per unit \$
January 16, 2003 to February 28, 2003	28/02/03	14/03/03	0.10125
March 1, 2003 to March 31, 2003	31/03/03	15/04/03	0.07875
April 1, 2003 to April 30, 2003	30/04/03	15/05/03	0.07875
May 1, 2003 to May 31, 2003	30/05/03	13/06/03	0.07875
June 1, 2003 to June 30, 2003	30/06/03	15/07/03	0.07875
July 1, 2003 to July 31, 2003	31/07/03	15/08/03	0.08745
August 1, 2003 to August 31, 2003	29/08/03	15/09/03	0.08745
September 1, 2003 to September 30, 2003	30/09/03	15/10/03	0.08745
October 1, 2003 to October 31, 2003	31/10/03	14/11/03	0.08745
November 1, 2003 to November 30, 2003	28/11/03	15/12/03	0.08745
December 1, 2003 to December 31, 2003	31/12/03	15/01/04	0.08745
January 1, 2004 to January 31, 2004	30/01/04	13/02/04	0.08745
February 1, 2004 to February 29, 2004	27/02/04	15/03/04	0.08745
March 1, 2004 to March 31, 2004	31/03/04	15/04/04	0.08745
April 1, 2004 to April 30, 2004	30/04/04	15/05/04	0.08745
May 1, 2004 to May 31, 2004	31/05/04	15/06/04	0.08745
June 1, 2004 to June 27, 2004	30/06/04	15/07/04	0.07870
June 28, 2004 to June 30, 2004	28/06/04	15/07/04	0.00880
July 1, 2004 to July 31, 2004	31/08/04	15/08/04	0.08750
August 1, 2004 to August 31, 2004	31/08/04	15/09/04	0.09625
September 1, 2004 to September 30, 2004	30/09/04	15/10/04	0.09625
October 1, 2004 to October 31, 2004	31/10/04	15/11/04	0.09625
November 1, 2004 to November 30, 2004	30/11/04	15/12/04	0.09625
December 1, 2004 to December 31, 2004	31/12/04	17/01/05	0.10600
January 1, 2005 to January 31, 2005	31/01/05	15/02/05	0.10600
February 1, 2005 to February 28, 2005	28/02/05	15/03/05	0.10600
March 1, 2005 to March 20, 2005	20/03/05	15/04/05	0.06840
March 21, 2005 to March 31, 2005	31/03/05	15/04/05	0.03760
April 1, 2005 to April 30, 2005	29/04/05	16/05/05	0.10600
May 1, 2005 to May 31, 2005	31/05/05	15/06/05	0.10600
June 1, 2005 to June 30, 2005	30/06/05	15/07/05	0.10600
July 1, 2005 to July 31, 2005	29/07/05	15/08/05	0.11130
August 1, 2005 to August 31, 2005	31/08/05	15/09/05	0.11130
September 1, 2005 to September 30, 2005	30/09/05	17/10/05	0.11130
October 1, 2005 to October 31, 2005	31/10/05	15/11/05	0.11130
November 1, 2005 to November 30, 2005	30/11/05	15/12/05	0.11130
December 1, 2005 to December 31, 2005	28/12/05	16/01/06	0.12000
January 1, 2006 to January 31, 2006	31/01/06	15/02/06	0.12
February 1, 2006 to February 28, 2006	28/02/06	15/03/06	0.12
March 1, 2006 to March 31, 2006	31/03/06	17/04/06	0.12
April 1, 2006 to April 30, 2006	28/04/06	15/05/06	0.12
May 1, 2006 to May 31, 2006	31/05/06	15/06/06	0.12
June 1, 2006 to June 30, 2006	30/06/06	17/07/06	0.083
July 1, 2006 to July 31, 2006	31/07/06	15/08/06	0.083
August 1, 2006 to August 31, 2006	31/08/06	15/09/06	0.083
September 1, 2006 to September 30, 2006	29/09/06	16/10/06	0.083
October 1, 2006 to October 31, 2006	31/10/06	15/11/06	0.083
November 1, 2006 to November 30, 2006	30/11/06	15/12/06	0.083
December 1, 2006 to December 31, 2006	29/12/06	15/01/07	0.083
January 1, 2007 to January 31, 2007	31/01/07	15/02/07	0.083
February 1, 2007 to February 28, 2007	28/02/07	15/03/07	0.083
March 1, 2007 to March 31, 2007	30/03/07	16/04/07	0.083

The Trust expects cash distributions will continue to be made on or about the 15th day of each month to Unitholders of record on the immediately preceding distribution Record Date.

DIRECTORS AND OFFICERS

The Manager has a Board of Directors currently comprised of seven individuals. The directors are elected by the Unitholders by ordinary resolution, and hold office until the next annual meeting of the Trust. The names, places of residence, the offices held by each in the Manager, and the principal occupation of the directors and officers, the period served as director and the number of securities of the Trust owned by such individual is as follows:

Name and Place of Residence	Position Held	Year Became Director or Officer	Number of Trust Units Held ⁽¹⁾	Principal Occupation and Positions for the Past Five Years
William M. Gallacher ⁽³⁾⁽⁴⁾ Alberta, Canada	President, Chief Executive Officer and a Director	2003	297,560 (0.7%)	President & Chief Executive Officer of Avenir; President of Avenir Capital Corporation, a private merchant bank.
Gary H. Dundas Alberta, Canada	Vice President, Finance, Chief Financial Officer and a Director	2003	217,206 (0.5%)	Chief Financial Officer of the Manager; prior thereto, Chief Financial Officer and Vice President Finance; General Manager Corporate Development, Marketing; and Controller at Maxx Petroleum Ltd., a publicly traded junior exploration & production company.
David E. Butler ⁽²⁾⁽⁴⁾ Alberta, Canada	Director	2003	75,332 (0.18%)	President of Passport Petroleums Ltd., a private oil and gas company.
Stuart Y. Chow ⁽³⁾⁽⁴⁾ Alberta, Canada	Director	2003	37,397 (0.09%)	President of Bravo Energy Inc., a private oil and gas company; formerly President of Onward Energy Inc. (prior to its acquisition by the Trust in January 2003).
William Patterson ⁽²⁾⁽³⁾ Alberta, Canada	Director	2005	5,000 (0.01%)	Currently an Independent Chartered Accountant and Tax and Business Consultant; previously Vice President, Finance and Chief Financial Officer for Energy North Inc. (January 1999 – July 2004).
Alan C. Moon ⁽²⁾⁽³⁾⁽⁶⁾ Alberta, Canada	Director	2003	26,500 (0.06%)	President of Crescent Enterprise Inc., a private consulting firm and corporate director.
Jeffery D. Kohn Alberta, Canada	Director	2003	167,600 (0.40%)	Currently, the President of MDC Property Services Ltd., the Trust's real estate management company. Previously the CEO of TGS North American REIT ("TGS") from December 2003 to June 2006. Prior to TGS, he was Chairman and Founder of Tonko Development Corp, a public real estate advisory firm.

Notes:

- (1) "Trust Units Held" indicates units beneficially owned directly or indirectly or over which control or direction is exercised.
- (2) Member of the Audit and Risk Management Committee.
- (3) Member of the Corporate Governance and Compensation Committee.
- (4) Member of the Reserves, Review and Environmental, Health and Safety Committee.
- (5) The Manager does not have an Executive Committee of its Board of Directors.
- (6) Mr. Moon serves as Lead Director.
- (7) The directors, executive officers, advisors, managers and officers of the Trust as a group beneficially own, directly or indirectly, or exercise control or direction over, 1,358,231 Units, representing approximately 3.3% of the issued and outstanding Trust Units. This value includes the Trust Units referenced in Note 2 above.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director is as at the date hereof, or has been, within 10 years of the date hereof, a director or executive officer of any company, including the Manager, that while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,

or within a year of that person ceasing to act in that capacity,

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

In addition, no director has had any penalties or sanctions imposed against him or entered into any settlement agreement in respect of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, including a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body.

Conflicts of Interest

Directors and officers of the Manager may, from time to time, be involved with the business and operations of other oil and gas issuers, in which case a conflict may arise. See "Risk Factors."

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Manager, there are no legal proceedings or regulatory actions material to the Manager or the Trust to which the Manager or the Trust is a party, or was a party to in 2006, or of which any of its properties is the subject matter, or was the subject matter of in 2006, nor are there any such proceedings known to the Manager or the Trust to be contemplated. There have been no penalties or sanctions imposed against the Manager or the Trust by a court relating to securities legislation or by a securities regulatory authority and the Manager or the Trust has not entered into any settlement agreements with a court or securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors and senior officers of the Manager, nominees for director, any Unitholder who beneficially owns more than 10% of the shares of the Manager or the Trust Units of the Trust, or any known associate or affiliate of such persons in any transaction during the past three fiscal years or in any proposed transaction which has materially affected or would materially affect the Trust or the Manager or any of its subsidiaries other than as disclosed elsewhere herein or set forth below.

PROMOTERS

William M. Gallacher and Gary H. Dundas may be considered to be the promoters of the Trust in that they took the initiative in founding and organizing the Trust. The promoters hold an aggregate, directly and indirectly, 512,165 Trust Units or approximately 1.2% of the outstanding Trust Units.

PRICE RANGE AND TRADING VOLUME OF THE TRUST UNITS

The outstanding Trust Units are currently traded on the TSX under the trading symbol "AVF.UN". The following table sets forth the price range and trading volume of the Trust Units as reported by the TSX Venture Exchange and the TSX, as applicable, for the periods indicated.

Period	High	Low	Volume
<u>2006</u>			
January	13.20	12.28	159,000
February	13.80	12.35	137,700
March	14.29	12.26	134,100
April	14.75	13.58	174,300
May	14.10	8.45	211,700
June	9.03	7.80	181,600
July	8.39	7.85	162,300
August	9.94	8.25	176,600
September	9.75	8.10	181,700
October	10.39	7.94	160,500
November	9.09	6.75	188,700
December	7.93	6.42	268,700

ESCROWED SECURITIES

As of the date hereof there are Trust Units being held in escrow.

Pursuant to an escrow agreement dated June 22, 2005, 550,458 Trust Units, which formed a portion of the purchase consideration under the Elbow River Acquisition Agreement, were placed in escrow. Of these Trust Units, 229,356 will be released based on time, on each of the first, second and third anniversary dates from the closing of the transaction if the escrowed parties remain with Elbow River for a period of three years. An additional 321,102 Trust Units held in escrow will be released from escrow based on performance. If after 120 days after the third fiscal year ending after the closing date of the transaction, Elbow River has achieved cumulative earnings before income taxes, depreciation and amortization of \$28.5 million or greater after giving effect to bonuses, the escrowed Trust Units will be released. The first anniversary of the time release portion was April 1, 2006 and 76,452 Trust Units were released from escrow. Currently there are now 474,006 Trust Units held in escrow. Burnet, Duckworth & Palmer LLP acts as escrow agent for this escrow.

In addition, on May 31, 2006, in conjunction with the conveyance of the Trust's energy services division to Essential Energy Services Trust, 123,312 Trust Units were placed in escrow for former Trust employees from the energy services division who held options in the Trust. During the year, 28,313 Trust Units were forfeited due to employees leaving the new Essential Energy Services Trust. In November 2006, 20,170 Trust Units were released from escrow in accordance with the escrow vesting terms, and at December 31, 2006, 74,829 Trust Units remained in escrow.

Designation of Class Held in Escrow	Number of Securities	Percentage of Class
Trust Units	548,835	1.31%

INDUSTRY CONDITIONS

Introduction

The industries in which the Trust operates are subject to controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and gas industry, the financial services industry, the real estate industry and the energy, construction and utility service industry. All current legislation is a matter of public record and it is not possible to predict what additional legislation or amendments may be enacted.

Pricing and Marketing – Oil and Natural Gas

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products, the supply/demand balance, and other contractual terms. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "NEB"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m³/day), must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The governments of Alberta, British Columbia, and Saskatchewan also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements, and market considerations.

Pipeline Capacity

Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market natural gas production. In addition, the pro-rationing of capacity on the inter-provincial pipeline systems also continues to affect the ability to export oil and natural gas.

The North American Free Trade Agreement

The North American Free Trade Agreement ("NAFTA") among the governments of Canada, United States of America, and Mexico became effective on January 1, 1994. NAFTA carries forward most of the material energy terms that are contained in the Canada United States Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period); (ii) impose an export price higher than the domestic price subject to an exception with respect to certain voluntary measures which only restrict the volume of exports; and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum or maximum export or import price requirements, provided, in the case of export price requirements, prohibition in any circumstances in which any other form of quantitative restriction is prohibited, and in the case of import-price requirements, such requirements do not apply with respect to enforcement of countervailing and anti-dumping orders and undertakings.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector by 2010 and prohibits discriminatory border restrictions and export taxes. NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements, which is important for Canadian natural gas exports.

Provincial Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection, and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur, and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity,

geographical location, field discovery date, method of recovery, and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays, and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. Royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments and would increase the net income and funds from operations of such producers. However, the trend in recent years has been for provincial governments to eliminate, amend or allow such incentive programs to expire without renewal, and consequently few such incentive programs are currently operative.

The Canadian federal corporate income tax rate levied on taxable income is 22.1% effective January 1, 2007 for active business income including resource income. With the elimination of the corporate surtax effective January 1, 2008 and other rate reductions introduced in the 2006 Federal Budget, the federal corporate income tax rate will decrease to 19% in three steps: 20.5% on January 1, 2008, 20% on January 1, 2009 and 19% on January 1, 2010.

Alberta

In Alberta, companies are granted the right to explore, produce and develop petroleum and natural gas resources in exchange for royalties, bonus bid payments and rents. Currently, the amount of royalties that are payable is influenced by the oil production, density of the oil, and the vintage of the oil. Originally, the vintage classified oil in "new oil" and "old oil" depending on when the oil pools were discovered. If discovered prior to March 31, 1974 it is considered "old oil", if discovered after March 31, 1974 and before September 1, 1992, it is considered "new oil". The Alberta government introduced in 1992 a Third Tier Royalty with a base rate of 10% and a rate cap of 25% for oil pools discovered after September 1, 1992. The new oil royalty reserved to the Crown has a base rate of 10% and a rate cap of 30%. The old oil royalty reserved to the Crown has a base rate of 10% and a rate cap of 35%.

The royalty reserved to the Crown in respect of natural gas production, subject to various incentives, is between 15% and 30%, in the case of new natural gas, and between 15% and 35%, in the case of old natural gas, depending upon a prescribed or corporate average reference price. Natural gas produced from qualifying intervals in eligible gas wells spudded or deepened to a depth below 2,500 metres is also subject to a royalty exemption, the amount of which depends on the depth of the well.

Oil sands projects are subject to a specific regulation made effective July 1, 1997, and expiring June 30, 2007, which, among other things, determines the Crown's share of crude and processed oil sands products.

Regulations made pursuant to the *Mines and Minerals Act* (Alberta) provided various incentives for exploring and developing oil reserves in Alberta. However, the Alberta Government announced in August of 2006 that four royalty programs were to be amended, a new program was to be introduced and the Alberta Royalty Tax Credit Program ("**ARTC**") was to be eliminated, effective January 1, 2007. The programs affected by this announcement are: (i) Deep Gas Royalty Holiday; (ii) Low Productivity Well Royalty Reduction; (iii) Reactivated Well Royalty Exemption; and (iv) Horizontal Re-Entry Royalty Reduction. The program being introduced is the Innovative Energy Technologies Program (the "**IETP**") which is intended to promote the producers' investment in research, technology and innovation for the purposes of improving environmental performance while creating commercial value. The IETP provides royalty reductions which are presumed to reduce financial risk. Alberta Energy will be the one to decide which projects qualify and the level of support that will be provided. The deadline for the IETP's third round of applications is May 31, 2007.

On February 16, 2007, the Alberta Government announced that a review of the province's royalty and tax regime (including income tax and freehold mineral rights tax) pertaining to oil, gas and oil sands will be conducted by a panel of experts, with the assistance of individual Albertans and key stakeholders. The purpose of this process is to ensure that Albertans are receiving a fair share from energy development through royalties, taxes and fees. The issues to be reviewed during this examination process are: (i) undertaking a comparison of Alberta's royalty system to other oil and gas producing jurisdictions, taking into account investment economics and industry returns and risks in Alberta; (ii) whether Alberta's royalty system is sufficiently sensitive to market conditions; (iii) whether the current revenue minus cost system for oil sands royalties is optimal; (iv) which programs built into the existing royalty system should be retained or strengthened, and which should be adapted or eliminated; (v) how the tax treatment of the oil and gas sector compares to other sectors and jurisdictions; (vi) the economic and fiscal impacts of any possible changes to the royalty and corporate tax structures; and (vii) how existing resource development should be treated if changes are to be made to the fiscal regime. The review panel is to produce a final report that will be presented to the Minister of Finance by August, 31, 2007.

British Columbia

Producers of oil and natural gas in the Province of British Columbia are required to pay annual rental payments with respect to the Crown leases and royalties and freehold production taxes in respect of oil and gas produced from Crown and freehold lands. The amount payable as a royalty in respect of oil depends on the type of oil, the value of the oil, the quantity of oil produced in a month, and the vintage of the oil. Generally, the vintage of oil is based on the determination of whether the oil is produced from a pool discovered before October 31, 1975 (old oil), between October 31, 1975, and June 1, 1998 (new oil), or after June 1, 1998 (third-tier oil). The royalty rates are calculated in three stages, which take into account the vintage of the oil, if the oil produced has already been sold and any royalty exempt value applicable (exempt wells). Oil produced from newly discovered pools may be exempt from the payment of a royalty for the first 36 months of production or 11,450m³ produced, whichever comes first; and the royalties for third-tier oil are the lowest reflecting the higher costs of exploration and extraction that the producers would incur. The royalty payable on natural gas is determined by a sliding scale based on a reference price, which is the greater of the price obtained by the producer, and a prescribed minimum price. However, when the reference price is below the select price (a parameter used in the royalty rate formula), the royalty rate is fixed. As an incentive for the production and marketing of natural gas, which may have been flared, natural gas produced in association with oil has a lower royalty than the royalty payable on non-conservation gas.

On May 30, 2003, the Ministry of Energy and Mines for the Province of British Columbia announced an Oil and Gas Development Strategy for the Heartlands ("**Strategy**"). The Strategy is a comprehensive program to address road infrastructure, targeted royalties and regulatory reduction, and British Columbia service sector opportunities. In addition, the Strategy will result in economic and employment opportunities for communities in British Columbia's heartlands.

Some of the financial incentives in the Strategy include:

- Royalty credits of up to \$30 million annually towards the construction, upgrading, and maintenance of road infrastructure in support of resource exploration and development. Funding will be contingent upon an equal contribution from industry.
- Changes to provincial royalties: new royalty rates for low productivity natural gas to enhance marginally economic resources plays, royalty credits for deep gas exploration to locate new sources of natural gas, and royalty credits for summer drilling to expand the drilling season.

On February 27, 2007 the Government of British Columbia unveiled the Energy Plan outlining the Province's strategy towards the environment and which includes targeting for zero net greenhouse gas emissions, promoting new investments in innovation, and becoming the world's leader in sustainable environmental management. With regards to the oil and gas industry the objective is to achieve clean energy through conservation and energy efficient practices, whilst competitiveness is advocated in order to attract investment for the development of the oil and gas sector. Among the changes to be implemented are: (i) a new Net Profit Royalty Program; (ii) the creation of a Petroleum Registry; (iii) the establishing of an infrastructure royalty program (combining roads and pipelines); (iv) the elimination of routine flaring at producing wells; (v) the creation of policies and measures for the reduction of emissions; (vi) the development of unconventional resources such as tight gas and coalbed gas; and (vii) new the Oil and Gas Technology Transfer Incentive Program that encourages the research, development and use of innovative technologies to increase recoveries from existing reserves and promotes responsible development of new oil and gas reserves.

Saskatchewan

In Saskatchewan, the amount payable as a royalty in respect of oil depends on the vintage of the oil, the type of oil, the quantity of oil produced in a month, and the value of the oil. For Crown royalty and freehold production tax purposes, crude oil is considered "heavy oil", "southwest designated oil", or "non-heavy oil other than southwest designated oil". The conventional royalty and production tax classifications ("fourth tier oil" introduced October 1, 2002, "third tier oil", "new oil", or "old oil") of oil production are applicable to each of the three crude oil types. The Crown royalty and freehold production tax structure for crude oil is price sensitive and varies between the base royalty rates of 5% for all "fourth tier oil" to 20% for "old oil". Marginal royalty rates are 30% for all "fourth tier oil" to 45% for "old oil".

The amount payable as a royalty in respect of natural gas is determined by a sliding scale based on a reference price (which is the greater of the amount obtained by the producer and a prescribed minimum price), the quantity produced in a given month, the type of natural gas, and the vintage of the natural gas. As an incentive for the production and marketing of natural gas which may have been flared, the royalty rate on natural gas produced in association with oil is less than on non-associated natural gas. The royalty and production tax classifications of gas production are "fourth tier gas" introduced October 1, 2002, "third tier gas", "new gas", and "old

gas". The Crown royalty and freehold production tax for gas is price sensitive and varies between the base royalty rate of 5% for "fourth tier gas" and 20% for "old gas". The marginal royalty rates are between 30% for "fourth tier gas" and 45% for "old gas".

On October 1, 2002, the following changes were made to the royalty and tax regime in Saskatchewan:

- A new Crown royalty and freehold production tax regime applicable to associated natural gas (gas produced from oil wells) that is gathered for use or sale. The royalty/tax will be payable on associated natural gas produced from an oil well that exceeds approximately 65 thousand cubic metres in a month.
- A modified system of incentive volumes and maximum royalty/tax rates applicable to the initial production from oil wells and gas wells with a finished drilling date on or after October 1, 2002, was introduced. The incentive volumes are applicable to various well types and are subject to a maximum royalty rate of 2.5% and a freehold production tax rate of zero per cent.
- The elimination of the re entry and short section horizontal oil well royalty/tax categories. All horizontal oil wells with a finished drilling date on or after October 1, 2002, will receive the "fourth tier" royalty/ tax rates and new incentive volumes.

In 1975, the Government of Saskatchewan introduced a Royalty Tax Rebate ("**RTR**") as a response to the federal government disallowing crown royalties and similar taxes as a deductible business expense for income tax purposes. As of January 1, 2007, the remaining balance of any unused RTR will be limited in its carry forward to five years since the federal government had the initiative to reintroduce the full deduction of provincial resource royalties from federal and provincial taxable income.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms from two years, and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Environmental legislation in the Province of Alberta has been consolidated into the *Environmental Protection and Enhancement Act* (Alberta) (the "**EPEA**"), which came into force on September 1, 1993, and the *Oil and Gas Conservation Act* (Alberta) (the "**OGCA**"). The EPEA and OGCA impose stricter environmental standards, require more stringent compliance, reporting and monitoring obligations, and significantly increased penalties. In 2006, the Alberta Government enacted regulations pursuant to the EPEA to specifically target sulphur oxide and nitrous oxide emissions from industrial operations including the oil and gas industry. No additional expenses are foreseen that are associated with complying with the new regulations. The Trust will be committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and an expense nature as a result of the increasingly stringent laws relating to the protection of the environment, and will be taking such steps as required to ensure compliance with the EPEA and similar legislation in other jurisdictions in which it operates. We believe that we are in material compliance with applicable environmental laws and regulations. We also believe that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

British Columbia's *Environmental Assessment Act* became effective June 30, 1995. This legislation rolls the previous processes for the review of major energy projects into a single environmental assessment process with public participation in the environmental review process.

In December, 2002, the Government of Canada ratified the Kyoto Protocol ("**Protocol**"). The Protocol calls for Canada to reduce its greenhouse gas emissions to 6% below 1990 "business-as-usual" levels between 2008 and 2012. Given revised estimates of Canada's

normal emissions levels, this target translates into an approximately 40% gross reduction in Canada's current emissions. It remains uncertain whether the Kyoto target of 6% below 1990 emission levels will be enforced in Canada. The Federal Government has introduced legislation aimed at reducing greenhouse gas emissions using a "intensity based" approach, the specifics of which have yet to be determined. Bill C-288, which is intended to ensure that Canada meets its global climate change obligations under the Kyoto Protocol, was passed by the House of Commons on February 14, 2007. As details of the implementation of this legislation have not yet been announced, the effect of our operations cannot be determined at this time.

Trends

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near future of the business.

The first trend is the volatility of commodity prices. Natural gas is a commodity influenced by factors within North America. A tight supply-demand balance for natural gas causes significant elasticity in pricing, whereas higher than average storage levels tend to depress natural gas pricing. Drilling activity, weather, fuel switching and demand for electrical generation are all factors that affect the supply-demand balance. Changes to any of these or other factors create price volatility.

Crude oil is influenced by the world economy, Organization of the Petroleum Exporting Countries' ability to adjust supply to world demand and weather. Crude oil prices have been kept high by political events causing disruptions in the supply of oil and concern over potential supply disruptions triggered by unrest in the Middle East and more recently have been impacted by weather and increased storage levels. Political events trigger large fluctuations in price levels.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline.

A second trend within the Canadian oil and gas industry is the fairly consistent "renewal" of private and small junior oil and gas companies starting up business. These companies often have experienced management teams from previous industry organizations that have disappeared as a part of the ongoing industry consolidation. Many are able to raise capital and recruit well qualified personnel. The Trust will have to compete with these companies and others to attract qualified personnel.

A third trend currently affecting the oil and gas industry is the impact on capital markets caused by investor uncertainty in the North American economy. The capital market volatility in Canada has also been affected by uncertainties surrounding the economic impact that the Protocol, and other environmental initiatives, will have on the sector and, in more recent times, by the October 31, 2006 proposals of the Federal government of Canada (the "**October 31, 2006 Proposals**") relating to income trusts and other "specified investment flow-through" entities ("**SIFTs**"). Pursuant to the existing provisions of the *Income Tax Act* (Canada), to the extent that a SIFT has any income for a taxation year after certain inclusions and deductions, the SIFT will be permitted to deduct all amounts of income which are paid or become payable by it to unitholders in the year. Under the October 31, 2006 Proposals, SIFTs will be liable for tax at a rate consistent with the taxes currently imposed on corporations commencing in January 2011, provided that the SIFT experiences only "normal growth" and no "undue expansion" before then, in which case the tax could be imposed prior to the January 2011 deadline. The October 31 Proposals may have an impact on the ability of a SIFT to purchase producing assets from junior oil and gas companies (as well as the price that a SIFT is willing to pay for such an acquisition) thereby affecting exploration and production companies' ability to be sold to a SIFT which has been a key "exit strategy" in recent years for small to mid sized oil and gas companies. This may be a benefit for the Trust as it will compete with SIFTs for the acquisition of oil and gas properties from junior producers. However, it may also limit the Trust's ability to sell producing properties or pursue an exit strategy.

Generally during the past year, the economic recovery combined with increased commodity prices has caused an increase in new equity financings in the oil and gas industry, although the level of same was negatively impacted by the October 31, 2006 Proposals. The Trust will compete with numerous new companies and their new management teams and development plans in its access to capital. The competitive nature of the oil and gas industry will cause opportunities for equity financings to be selective. The Trust may have to rely on internally generated funds to conduct any exploration and developmental programs.

Real Estate

Over the past few years, the income trust and the real estate sector have performed quite well collectively as they have utilized their competitive edge structurally to meet the strong demand by yield oriented investors. The Trust's tax advantaged regular distributions have compared very favourably in such a low interest rate environment to traditional fixed income instruments and in other sectors of the equity markets that, until 2003, had performed relatively poorly. Additionally, the low interest environment has also been favourable to REIT's from a mortgage perspective, as debt servicing remains at an attractive level. The demand for trust units has lead to unit price appreciation that has enhanced investors' returns. Non-dividend paying real estate operating companies have not appeared to compete with the trusts for investors' capital such that the market has, and will likely continue to, discount real estate companies compared to real estate trusts. Unlike fixed-income securities, however, income trusts do not have a fixed obligation to make payments to investors. Such entities have the ability to reduce or suspend distributions if circumstances warrant.

Natural Gas Liquids Wholesale Brokerage Industry

The natural liquids wholesale brokerage industry in Canada is mature. Products compete with other energy sources such as natural gas, fuel oil, electricity and wood for traditional uses, and gasoline and other alternative fuels for transportation uses. In Canada, the cheapest source of heating fuel is predominately natural gas. Where natural gas is available, other products like propane can be used as a portable fuel and as a standby fuel for peak period requirements for industrial applications. In areas where natural gas is not available, propane is an alternative due to its portability. Natural gas products are generally less expensive than electricity but more expensive than fuel oil on a heat content basis depending upon regional market conditions. However, the cleanliness, versatility, and operating efficiencies of natural gas products make them competitive with fuel oil for heating purposes. Additionally, with a high level of environmental concerns alternative fuels such as ethanol, natural gasoline and bio-diesel are making inroads into the market offering both risk and opportunity.

Funds Investment Manager

Competition in the fund manager industry is split between the major banks, a group of large independent managers and several smaller boutique managers. Each offers various products and has their own distribution chain. EnerVest currently manages one of the largest and most liquid "Fund of Funds" for income trusts. Year over year performance, general market conditions and additional competition does impact management fees to EnerVest.

The recent announcement by the Federal government to tax trusts beginning in 2011 had the immediate effect of reducing the underlying value of the assets EnerVest manages thereby reducing EnerVest's cashflow to Avenir. Although EnerVest can currently invest in securities other than income trusts it will have to adjust its investment criteria as 2011 approaches.

Financial Services

With respect to the cash advance industry, the Trust expects the growth in the Canadian market to be similar to that experienced in the United States market. The Trust examined the white label Automated Teller Machine ("ATM") industry, and concluded that deregulation in the Canadian market followed the lead of the United States. Canadian major banks are also following the United States' major banks as they now all have white label ATM brands. Similarly in the cash advance market, the large banks in the United States have been involved in the payday cash industry and now just recently in Canada, a major bank has just opened two cash advance store fronts in Toronto. The Trust feels that the Canadian industry will continue to follow the United States lead in the cash advance industry as similarities can also be found in their financial institutions, demographic profiles and economic outlooks. As a result, Canada should experience similar growth patterns. The Community Financial Services Association of America ("CFSA"), which is a non-profit professional trade association in the United States for the cash advance industry, provides information on the cash advance market. It asserts that the payday advance industry developed in the early 1990's and grew as a result of increased consumer demand and the changing conditions in the financial services marketplace. Reasons for this include (a) traditional financial institutions exited the small-denomination, short-term credit market, largely due to its high cost structure, (b) the cost of bounced cheque fees, late payment penalties and other short-term credit products soared and (c) enactment of enabling legislation provided regulations and consumer protections for payday advance customers. Similar patterns exist in Canada.

Trust Taxability

On October 31, 2006, the Federal Government announced tax proposals pertaining to taxation of distributions paid by Trusts and the personal tax treatment of Trust distributions. Draft legislation has been tabled by the Federal Government, but has not, as of the date hereof, been enacted. Currently, Avenir does not pay tax on distributions as such taxes are borne by the unitholders. The proposals

would result in a two-tiered tax structure similar to that of corporations whereby distributions would be subject to a 31.5% tax at the Trust level and tax equivalent to that of a taxable dividend at the individual level. At present, Canadian Tax Exempt Entities are not subject to tax on Trust distributions. Under the proposals, those Canadian Tax Exempt Entities would be subject to tax as a result of the tax imposed at the Trust level. The proposals would also increase the tax for non-resident unitholders due to the tax imposed at the Trust level.

RISK FACTORS

The following is a summary of certain risk factors relating to the business of the Trust. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this document. Unitholders and potential Unitholders should consider carefully the information contained herein and, in particular, the following risk factors and the discussion under "Avenir Diversified Income Trust and Related Entities – Recent Tax Developments".

General

The Trust is a limited purpose trust which will be entirely dependent upon the operations and assets of the Operating Trust, the Manager, Avenir Financial, Avenir Real Estate and Avenir Financial Limited Partnership, as well as the underlying assets of all such entities. The Trust's income will be received, directly or indirectly, from (i) the production of oil and natural gas from Canadian resource properties and will be susceptible to the risks and uncertainties associated with the oil and natural gas industry generally, (ii) revenues generated from the Finance Services Contracts and revenues earned by EnerVest Management under investment management agreements with ELP and the Joint Venture Manager, (iii) revenues generated from real estate interests recently acquired by the Trust, and (iv) revenues generated from the Cascade Acquisition.

Nature of Trust Units

Each Trust Unit represents an equal undivided beneficial interest in the Trust. The Trust Units do not represent debt instruments and there is no principal amount owing to Unitholders under the Trust Units. The Trust Units do not represent shares in the Trust, Manager, its affiliates or any other company.

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Possible Failure to Realize Anticipated Benefits of Acquisitions

Since its inception, the Trust has completed a number of acquisitions and is proposing to complete the EnerVest Acquisition to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of these and future acquisitions the Trust may complete depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Trust's and Avenir's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Avenir. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Trust's ability to achieve the anticipated benefits of these and future acquisitions.

Unitholder Limited Liability

On July 11, 2004, the Income Trusts Liability Act (Alberta) (the "ITLA") came into force. The ITLA protects unitholders of Alberta income trusts, such as the Trust, from legal uncertainties regarding potential liability by providing a statutory limitation on unitholders' liability. Specifically, the ITLA provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the ITLA comes into force. The ITLA has not been subject to interpretation by courts in the Province of Alberta or elsewhere.

The Trust Indenture provides that no Unitholder, in its capacity as such, shall incur any liability, direct or indirect, absolute or contingent in contract or in tort or of any other kind whatsoever to any person in connection with the "Trust Fund" (as defined in the

Trust Indenture) or the ownership, use, operation, acquisition or disposition thereof or exercise or enjoyment of the rights, privileges, conditions or benefits attached thereto, associated therewith or derived therefrom or the obligations or the activities or the affairs of the Trust or with respect to any act performed by the Trustee or by any other person pursuant to the Trust Indenture or with respect to any act or omission of the Trustee or any other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Indenture) or with respect to any act or omission of the Trustee or any other person in the performance or exercise, or purported performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustee or such other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Indenture) or with respect to any transaction entered into by the Trustee or by any other person or for any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust or by the Trustee or by any other person on behalf of or in connection with the activities or affairs of the Trust. The Trust Indenture also provides that no Unitholder shall be liable to indemnify the Trustee or any such other person with respect to any such liability or liabilities incurred by the Trustee or by any such other person or persons or with respect to any taxes payable by the Trust or by the Trustee or by any other person on behalf of or in connection with the Trust. Notwithstanding the foregoing, to the extent that any Unitholders are found by a court of competent jurisdiction to be subject to any such liability, such liability shall be enforceable only against, and shall be satisfied only out of, the Trust Fund and the Trust (to the extent of the Trust Fund) is liable to, and shall indemnify and save harmless any Unitholder against any costs, damages, liabilities, expenses, charges or losses suffered by any Unitholder from or arising as a result of such Unitholder not having any such limited liability.

The Trust Indenture provides that the Trustee and the Manager shall make all reasonable efforts to include in every contract entered into by or on behalf of the Trust whether by the Trustee or the Manager, or otherwise, a provision to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Trust Indenture, Unitholders may not be protected from liabilities of the Trust to the same extent a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to Unitholders of this nature arising is considered unlikely in view of the fact that the primary activity of the Trust is to hold securities, and all of the business operations currently carried on by the Trust are carried on by the Manager, directly or indirectly.

The activities of the Trust and its direct and indirect wholly-owned subsidiaries, including the Commercial Trust and, the Manager, will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Unitholders for claims against the Trust including by obtaining appropriate insurance, where available, for the operations of the Trust's direct and indirect subsidiaries and having contracts signed by or on behalf of the Trust include a provision that such obligations are not binding upon Unitholders personally.

Remedies In the Event of Restructuring and Third Party Claims

The Trust is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act* (Canada), and the *Companies' Creditors Arrangement Act* (Canada) or in some cases, the *Winding Up and Restructuring Act* (Canada) and therefore would not be able to access the remedies available thereunder in the event that a restructuring is necessary. As a result, Unitholders may not avail themselves of the remedies typically available to a shareholder of a corporate entity. As a result, Distributable Cash otherwise payable may be subordinate to third party debt such as mortgages, bank facilities and other borrowing arrangements.

Oil and Gas Considerations

Exploration for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Trust.

Redemption of Units

It is anticipated that the redemption right associated with Trust Units will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Notes, which may be distributed in specie to Unitholders in connection with redemption, will not be listed on any stock exchange and no market is expected to develop in such Notes. Notes will not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans.

Reserve Estimates

The reserve and recovery information contained in the reserve reports summarized in this document are only estimates and the actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by such reports. In addition, probable reserves estimate for properties may require revision based on the actual development strategies employed to prove such reserves. Estimated reserves may also be affected by changes in oil and natural gas prices. Declines in the reserves of the Trust which are not offset by the acquisition or development of additional reserves may reduce the underlying value of Trust Units to Unitholders.

Nature of Resource Development, Exploration and Production

An investment in Trust Units of the Trust may be considered highly speculative due to the nature of the Trust's involvement in the development and production of petroleum products and the Trust's present stage of development. Exploitation and production of petroleum products involves a high degree of risk, which even the combination of experience, knowledge and careful evaluation of management of the Trust may not be able to avoid. There is no assurance that further commercial quantities of natural gas and oil will result from the Trust's development programs.

The natural gas and oil industry is intensely competitive and the Trust will compete with a number of other entities which have greater technical or financial resources. Many of such entities not only produce natural gas and oil but also conduct extensive exploratory activities, refining operations and market petroleum and other products on a worldwide basis.

The Trust's ability to increase reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects. Competitive factors in the distribution and marketing of natural gas and oil include price and methods and reliability of delivery. The marketability of natural gas and oil which may be acquired by the Trust will also be affected by numerous other factors beyond the control of the Trust. These factors include possible significant fluctuations in the price of petroleum products and/or the costs of production, the supply and demand for petroleum products and the United States/Canadian dollar exchange rate, the proximity and capacity of appropriate pipelines and processing equipment and government regulations, including regulations relating to prices, taxes, royalties, land tenure, possible claims of native peoples, allowable production, the import and export of petroleum products and environmental protection. The effect of these factors cannot be accurately predicted.

The prices of petroleum products are unstable and are subject to fluctuation. Any material declines in prices could result in a reduction of the Trust's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of the Trust's reserves. The Trust might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Trust's net production revenue causing a reduction in its natural gas and oil exploration and development activities.

Although title reviews will be done according to industry standards prior to the purchase of most natural gas and oil producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Trust which could result in a reduction of the revenue received by the Trust.

The Trust's operations are subject to all of the risks normally incidental to the operation and development of natural gas and oil properties and the drilling of natural gas and oil wells including encountering unexpected formations or pressures, blow outs, cratering and fires, all of which could result in personal injuries, loss of life and damage to the property of the Trust and others. In accordance with customary industry practice, the Trust is not fully insured against all of these risks, nor is all such risks insurable. Although the Trust maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could theoretically exceed policy limits, in which event the Trust could incur significant costs that could have a material effect upon its financial condition. Oil and natural gas production operations are also subject to risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

The Trust may be required to fund its proportionate share of additional expenditures required in excess of the amount committed under a particular program. Such additional expenditures may be paid from the Trust's cash flow and borrowings of the Trust, but the Trust may elect not to pay such additional expenditures and instead have its interest earned (or to be earned) diluted. Dilution would result in a reduction of the Trust's share of net revenue, if any, attributable to the particular program.

The recovery and reserve estimates on the Trust's properties are estimates only and actual reserves may be greater or less than those calculated.

Dependence on Operators

The principal source of income of the Trust is generated by the production and sale of petroleum products. Such production and sale is dependent in part on the managerial ability of the operator of a program. Where the Trust is dependent on the operator of programs, in some cases it may be unable to direct such operators. In such cases, it will review all proposed drilling prospects prior to advancing funds. To the extent that an operator does not appropriately perform its obligations, the income of the Trust could be significantly reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. The amount of, and time of, cash distributions may be delayed as a result of delays in the Trust receiving payment of revenue from resource companies. As well, resource companies may fail to comply with the provisions of the applicable participation agreements; however, it has been the experience of management of the Trust that none of the resource companies which have entered into participation agreements with affiliated entities have breached the provisions thereof.

Conflicts of Interest

The directors of the Manager are engaged and will continue to be engaged in the search for oil and gas interests and other businesses on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Manager. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Manager to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Dependence on Management

Unitholders must rely upon the experience and expertise of the management of the Manager. The Trust's continued success is dependent upon its ability to attract and retain experienced management. The Manager does not have in place employment agreements or key man insurance on its management.

The existing directors and officers of the Manager are involved with a number of other ventures, and, accordingly, will only devote a portion of their time to the business and affairs of the Manager.

Kyoto Accord

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Protocol, which calls for Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Trust. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Trust and its operations and financial condition.

Dilution

The Trust may make future acquisitions or enter into financing or other transactions involving the issuance of securities of the Trust which may be dilutive.

Potential Tax Liability

On October 31, 2006, the Federal Government announced tax proposals pertaining to taxation of distributions paid by Trusts and the personal tax treatment of Trust distributions. Draft legislation has been tabled by the Federal Government, but has not, as of the date hereof, been enacted. Currently, Avenir does not pay tax on distributions as such taxes are borne by the unitholders. The proposals would result in a two-tiered tax structure similar to that of corporations whereby distributions would be subject to a 31.5 per cent tax at the Trust level and tax equivalent to that of a taxable dividend at the individual level. At present Canadian Tax Exempt Entities are

not subject to tax on Trust distributions. Under the proposals, those Canadian Tax Exempt Entities would be subject to tax as a result of the tax imposed at the Trust level. The proposals would also increase the tax for non-resident unitholders due to the tax imposed at the Trust level. If enacted, the proposed plan would apply to Avenir effective January 1, 2011. We continue to assess the proposals and the potential implications to Avenir, so as to ensure the Avenir's organizational structure is efficient and appropriate for our business and assets.

Changes in Legislation

There can be no assurance that the treatment of mutual fund trusts will not be changed in a manner which adversely affects Trust Unitholders. If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act, the Trust Units will cease to be qualified investments for registered retirement savings plans, registered education savings plans, deferred profit sharing plans and registered retirement income funds.

Income tax laws, or other laws or government incentive programs relating to the oil and gas industry, such as the treatment of mutual fund trusts and resource taxation, may in the future be changed or interpreted in a manner that adversely affects the Trust and its Unitholders. Tax authorities having jurisdiction over the Trust or the Unitholders may disagree with how the Trust calculates its income for tax purposes or could change administrative practises to the detriment of the Trust or the detriment of its Unitholders.

The Manager intends that the Trust will continue to qualify as a mutual fund trust for purposes of the Tax Act. The Trust may not, however, always be able to satisfy any future requirement for the maintenance of mutual fund trust status. Should the status of the Trust as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for the Trust and Unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

the Trust Units would cease to be a qualified investment for trusts governed by Exempt Plans (defined herein). Where, at the end of a month, an Exempt Plan holds Trust Units that cease to be a qualified investment, the Exempt Plan, must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1% of the fair market value of the Trust Units at the time such Trust Units were acquired by the Exempt Plan. In addition, trusts governed by a registered retirement savings plan ("**RRSP**") or a registered retirement income fund ("**RRIF**") which hold Trust Units that are not qualified investments will be subject to tax on the income attributable to the Trust Units while they are non-qualified investments, including the full capital gains, if any, realized on the disposition of such Trust Units. Where a trust governed by a RRSP or a RRIF acquires Trust Units that are not qualified investments, the value of the investment will be included in the income of the annuitant for the year of the acquisition. Trusts governed by RESPs which hold Trust Units that are not qualified investments can have their registration revoked by the Canada Revenue Agency ("**CRA**");

Trust Units would become foreign property for Exempt Plans, registered pension plans and other persons subject to tax under Part XI of the Tax Act upon the Trust ceasing to be a mutual fund trust. The Canadian federal budget of February 23, 2005 included a proposal to amend the Tax Act to eliminate the limit in respect of foreign property that may be held by pension plans and other deferred income plans for months that end in 2005 and subsequent calendar years. There can be no assurance that this proposal will be enacted into law;

the Trust would be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Trust may have adverse income tax consequences for certain Unitholders, including non-resident persons and residents of Canada who are exempt from Part I tax;

the Trust would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws;

Trust Units would become taxable Canadian property. As a result, non-resident Unitholders would be subject to Canadian income tax on any gains realized on a disposition of Trust Units held by them; and

In addition, the Trust may take certain measures in the future to the extent the Trust believes such measures are necessary to ensure the Trust maintains its status as a mutual fund trust. These measures could be adverse to certain holders of Trust Units.

Non-resident Ownership of Trust Units

In order for the Trust to maintain its status as a mutual fund trust under the Tax Act, the Trust, subject to certain exceptions, must not be established or maintained primarily for the benefit of non-residents of Canada ("**non-residents**") within the meaning of the Tax Act. Proposed amendments to the Tax Act originally announced by the Minister of Finance on March 23, 2004 provide that after

December 31, 2004, the Trust, subject to certain exceptions, must continuously ensure that not more than 50% of its issued Trust Units (based on fair market value) are held by non-residents of Canada or partnerships (other than "Canadian partnerships" as defined in the Tax Act) (the "**Proposal**"). The Proposal was not included in the Notice of Ways and Means Motion tabled by the Minister of Finance on December 6, 2004 that implemented the proposed amendments announced on March 23, 2004 and furthermore the Minister of Finance has issued a private letter stating that further work will be conducted by the Minister of Finance, including discussions with the private sector, to establish whether an alternative proposal can be devised that would achieve the underlying objectives of the March 23, 2004 Federal Budget proposal without absolute limits on non-resident investments. Accordingly it is uncertain whether the Proposal will be implemented at a later date as currently drafted, in substantially different form, or at all. Moreover, it is uncertain as to what different form, if any, a proposal to achieve the underlying objectives of the March 23, 2004 Federal Budget proposal will take. The Trust Indenture provides that if at any time the Trust becomes aware that the beneficial owners of 25% or more of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, the Trust shall be entitled to request declarations of beneficial ownership and residency. The Trust Indenture also provides that if at any time the Trust becomes aware that the beneficial owners of 49% or more of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, the Trust shall be entitled to take certain actions to attempt to preserve mutual fund trust status. These measures could be adverse to certain holders of Trust Units and may not be effective to avoid the Trust losing its status as a mutual fund trust for the purposes of the Tax Act.

Additional Financing

To the extent that external sources of capital, including the issuance of additional Trust Units, become limited or unavailable, the Trust's ability to make the necessary capital investments to maintain or expand its oil and gas reserves will be impaired.

Competition

There is strong competition relating to all aspects of the oil and gas industry. The Trust actively competes for reserve acquisitions and skilled industry personnel with a substantial number of other oil and gas entities, many of which have significantly greater financial and other resources than the Trust.

Risks Associated with Financial Services Contracts

Avenir Financial's existing Financial Services Contracts are with affiliates of a financial services provider and with a chain of cash advance stores. The stated return on the Financial Services Contracts is subject to a degree of credit risk and risk of not realizing on collateral in the event of default. Avenir Financial is afforded full collateral on a customer's pay cheque or other security on the transaction entered into by the cash advance stores. As each transaction is generally between \$100 and \$300, the impact of default on any one transaction is quite small when spread over a number of customers. As with respect to all financial instruments, Avenir Financial could be exposed to losses if a counter party fails to perform in accordance with the terms of the contracts.

Value of Real Property

The value of a real property and any improvements thereto may depend on the credit and financial stability of the tenants. Avenir Real Estate's projected income would be adversely affected if a significant number of tenants were to be unable to meet their obligations to Avenir Real Estate or if Avenir Real Estate were unable to continue to lease a significant amount of available space in its properties on economically favourable lease terms. In the event of default by a tenant, Avenir Real Estate may experience delays in enforcing its rights as lessor and may incur substantial costs in protecting its investment. Avenir Real Estate's ability to rent unleased space in its properties is affected by many factors. Avenir Real Estate may also incur costs in making improvements or repairs to a property required by a new tenant. The failure by Avenir Real Estate to rent unleased space on a timely basis or at all would likely have an adverse affect on Avenir Real Estate's financial condition.

Speculative Nature of Income Producing Property Acquisition and Management

The acquisition and management of income producing real estate may result in a failure to produce income or revenue. Moreover, the industry is subject to significant risk factors including changes in economic conditions, competition from other properties, the failure of tenants to meet lease obligations, increases in property taxes and mortgage, maintenance, insurance and other operating costs and decreases in occupancy and rental rates.

Real Estate Industry Risks

Real estate investments are generally subject to varying degrees of risk, depending on the nature of the property. These risks include: (i) changes in general economic conditions, (ii) changes in local conditions, (iii) changes to government regulations, (iv) the attractiveness of a property to potential tenants, (v) competition from others with available space, and (vi) the ability of the landlord or owner to provide adequate maintenance economically.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. The Trust's properties will be subject to mortgages, which require significant debt service payments. If the Trust is unable or unwilling to meet the mortgage payments on any of its properties, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. In addition, financial difficulties of other property owners, resulting in distress sales, may depress real estate values in the markets in which the Trust will operate.

Real Estate Investments Illiquidity Risk

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the ability of the Trust to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the Trust may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the Trust to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Competition Risk

The Trust will compete with other investors, developers, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the competitors of the Trust are newer, better located or better capitalized than the Trust. Certain of these competitors have greater financial and other resources and greater operating flexibility than the Trust. The existence of competing developers, managers and owners could have a material adverse effect on the ability of the Trust to acquire attractive properties, to lease space in its units and on the rents charged by the Trust, and could adversely affect the revenues of the Trust and its ability to meet its obligations. In addition, the commercial and industrial real estate industry in Canada is generally characterized by a high degree of competition. In addition to facing competition from existing building of a similar nature, the Trust's properties may face heightened competition from the construction of new buildings. Avenir Real Estate's limited property portfolio makes it especially vulnerable to competition.

Short-Term Debt

The Trust will need to refinance its short-term debt upon its expiry. This carries with it the potential for negative impact on Distributable Cash if such debt is replaced by new debt with less favourable terms or such debt cannot be replaced. In addition, distributions from the Trust may be restricted if the Trust fails to maintain certain covenants under the credit agreements in connection with such debt, such as a failure to maintain customary financial ratios, if such are applicable at the time.

Environmental Liability

As a real property owner, the Trust is subject to various federal and provincial environmental laws and regulations. Such laws provide that the Trust is liable for costs of removal and remediation of certain hazardous toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the owner. The Trust is not aware of any claims involving a breach of environmental laws in relation to any of its properties.

Nature of Operations

The acquisition and management of commercial and industrial real estate involves many risks that management's experience, knowledge and careful consideration may not be able to overcome. There is no certainty that the Trust's properties will generate income.

Risk Factors Associated with Natural Liquids Wholesale Brokerage Business

Historically, overall demand from non-automotive end-use applications has been stable. However, weather conditions and general economic conditions affect market volumes. Weather influences the demand for product primarily for heating uses. Inventory is accumulated during the summer months for delivery to customers during the winter heating season. The cost of inventory may be higher or lower than market prices at the time of sale and can impact profitability.

Risk Factors Associated with Investment Portfolio

Underlying Securities Portfolio

Generally, the value of the securities in which the Trust has an interest may be affected by such factors as investor demand, resale restrictions, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the Joint Venture Manager and there is no assurance that an adequate market will exist for these securities.

Securities in which the Trust may have an interest may be purchased at prices greater than their market prices and will be subject to resale restrictions under applicable securities legislation.

Many of the business activities of the underlying companies of which the Trust may hold securities are speculative and may be adversely affected by factors outside their control. Often, such businesses involve a high degree of risk which even the combination of the experience and knowledge of management of the companies or business entities may not be able to avoid.

MATERIAL CONTRACTS

The Trust currently has in place the following material contracts:

1. Trust Indenture referred to under "Avenir Diversified Income Trust";
2. NPI Agreement referred to under "Organizational Structure of the Trust";
3. Note Indenture dated January 16, 2003 with respect to the issuance of Notes of the Operating Trust;
4. Avenir National Bank of Canada credit agreement dated October 27, 2006;
5. Elbow River Partnership HSBC Bank of Canada credit agreement dated August 31, 2006; and
6. EnerVest Diversified Management Inc. management agreement for EnerVest Diversified Income Trust dated March 14, 2002.

TRANSFER AGENT AND REGISTRAR

Olympia Trust Company at its principal office in Calgary, Alberta, and Toronto, Ontario, is the Transfer Agent and Registrar of the Trust.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of the Audit Committee of the board of directors is attached hereto as **Schedule "C"**. The members of the Audit Committee are William Patterson (Chairman), David E. Butler and Alan C. Moon.

Composition of the Audit Committee

The members of the Audit Committee are independent (in accordance with National Instrument 52-110) and are financially literate. The following table sets out the assessment of each of Audit Committee member's independence, financial literacy and relevant educational background and experience supporting such financial literacy.

Name and Place of Residence	Independent	Financially Literate	Relevant Education and Experience
William Patterson Alberta, Canada	Yes	Yes	Mr. Patterson is a graduate of the University of Calgary with a degree in economics and political science. He received his Chartered Accountancy designation in 1973 and is currently an independent business consultant. He was Vice President of Finance and Chief Financial Officer of Energy North Inc, a Toronto listed public company from 1999 to 2004. Prior to that he was a partner with PricewaterhouseCoopers, Chartered Accountants and a predecessor firm Coopers & Lybrand, Chartered Accountants from 1989 to 1998. He was a partner with Collins Barrow, Chartered Accountants from 1981 to 1989.
David E. Butler Alberta, Canada	Yes	Yes	President of Passport Petroleums Ltd., a private oil and gas company. Mr. Butler also acts as a director for Mahalo Energy Ltd. and RedStar Oil & Gas Inc., which are both oil and gas exploration companies listed on the TSX. As a businessman with over the 30 years of experience, Mr. Butler's experience has provided him with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of accounting issues that can reasonably be expected to be raised by the Trust's financial statements.
Alan C. Moon Alberta, Canada	Yes	Yes	President of Crescent Enterprise Inc., a private consulting firm. As a businessman with an MBA, Mr. Moon engaged in reviewing issuers' financial statements and acquired an understanding of generally accepted accounting principles and financial statements. This experience has provided Mr. Moon with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of accounting issues that can reasonably be expected to be raised by the Trust's financial statements.

Pre-Approval of Policies and Procedures

The Audit Committee must pre-approve all non-audit services, greater than \$50,000, to be provided to the Trust or its subsidiary entities by its external auditors or the external auditors of the Trust's subsidiary entities, as applicable. Prior to engaging the auditors to provide any services over and above the regular audit engagement, management will contact the Chair of the Audit Committee for approval. The Chair of the Audit Committee will assess whether or not he should seek the approval of the entire Audit Committee prior to approving the engagement.

Audit Service Fees

The following table sets forth the audit service fees paid by the Trust to the external auditors, Ernst & Young LLP, for the periods indicated:

Type of Fees	Fiscal Year Ended December 31	Aggregate Fees Billed	Nature of Services Performed
Audit Fees	2006	388,500	Annual audits, quarterly review and regulatory filings
	2005	732,200	
	2004	466,500	
Audit – Related Fees	2006	203,140	M&A Due Diligence
	2005	670,900	
	2004	110,000	
Tax Fees	2006	350,890	Tax Advisory services including M&A
	2005	166,600	
	2004	66,000	

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to the Trust to which the Trust is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

INTERESTS OF EXPERTS

Certain legal matters in connection with this Annual Information Form are being reviewed, on behalf of the Trust and the Manager, by Burnet, Duckworth & Palmer LLP, Calgary, Alberta. As of the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, and the shareholders of McDaniel & Associates Consultants Ltd., as a group, owned less than 1% of the outstanding Trust Units, with the exception of those individuals set forth below.

The Trust's auditor is Ernst & Young LLP, Chartered Accountants, Ernst & Young Tower, 1000, 440 – 2nd Avenue SW, Calgary, Alberta, T2P 5E9. Ernst & Young LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of the Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Trust Units and options to purchase securities, if applicable, is contained in the Trust's Information Circular for the most recent annual meeting of unitholders that involved the election of directors. Additional financial information is provided for in our financial statements and management's discussion and analysis for the year ended December 31, 2006. Documents affecting the rights of securityholders, along with other information relating to the Trust, may be found on SEDAR at www.sedar.com.

SCHEDULE "A"

FORM NI 51-101 F2

**REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED
RESERVES EVALUATOR OR AUDITOR**

**Principals**

P. A. Welch P. Eng.	G. M. Heath P. Eng.
B. H. Emslie P. Eng.	R. F. Ott P. Geol.
C. B. Kowalski P. Eng.	B. J. Wurster P. Eng.

March 7, 2007

Avenir Operating Corporation
300, 808 – 1st Street S.W.
Calgary, Alta.
T2P 3H6

Attention: The Board of Directors of Avenir Operating Corporation

Re: **Form 51-101F2**
Report on Reserves Data by an Independent Qualified Reserves Evaluator
of Avenir Operating Corporation (the “Company”)

To the Board of Directors of Avenir Operating Corporation (the “Company”):

1. We have evaluated the Company’s reserves data as at December 31, 2006. The reserves data consists of the following:
 - (a) proved and proved plus probable oil and gas reserves estimated as at December 31, 2006 using forecast prices and costs and the related estimated future net revenue; and
 - (b) proved and proved plus probable oil and gas reserves estimated as at December 31, 2006 using constant prices and costs and the related estimated future net revenue.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the “COGE Handbook”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).
3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us, for the year ended December 31, 2006, and identifies the respective portions thereof that we have evaluated, audited and reviewed and reported on to the Company’s management:

Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue \$M (before income taxes, 10% discount rate)			
		Audited	Evaluated	Reviewed	Total
March 7, 2007	Canada	-	139,498	-	139,498

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
6. We have no responsibility to update our report for events and circumstances occurring after the preparation date.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

“signed by P. A. Welch”

P. A. Welch, P. Eng.
President & Managing Director

Calgary, Alberta

SCHEDULE "B"

FORM 51-101 F3

**REPORT OF MANAGEMENT AND DIRECTORS
ON RESERVES DATA AND OTHER INFORMATION**

Management of Avenir Operating Corp. (the "**Manager**") are responsible for the preparation and disclosure of information with respect to the oil and gas activities of the Trust in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2006 using forecast prices and costs; and
- (a) (ii) the related estimated future net revenue; and
- (b) (i) proved oil and gas reserves estimated as at December 31, 2006 using constant prices and costs; and
- (b) (ii) the related estimated future net revenue.

An independent qualified reserves evaluator has evaluated the reserves data of the Trust. The report of the independent qualified reserves evaluator is included in this Annual Information Form.

The Reserves Committee of the Board of Directors of the Manager has:

- (a) reviewed the procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed the procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- (b) the filing of the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(Signed) "William Gallacher"

William Gallacher
Director, President and Chief Executive Officer

(Signed) "Gary Dundas"

Gary Dundas
Vice President, Finance and Chief Financial Officer

(Signed) "Stuart Chow"

Stuart Chow
Director and Chairman of Reserves Committee

(Signed) "David Butler"

David Butler
Director and Member of Reserves Committee

March 28, 2007

SCHEDULE "C"

CHARTER OF AUDIT COMMITTEE

**Charter for the Audit and
Risk Management Committee**

CHARTER OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

GENERAL

The primary function of the Audit and Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities through (i) the review of financial information to be provided to the unit holders and others, (ii) the review of the systems of internal controls and management information systems established by management, (iii) the review of the Trust's external audit process, and (iv) monitoring compliance with the Trust's legal and regulatory requirements with respect to its financial statements.

The Committee is accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee is expected to attempt to maintain an open communication between the Trust's external Auditors and the Board.

The responsibilities of a member of the Committee are in addition to such member's duties as a member of the Board.

The Committee does not plan or perform audits or warrant the accuracy or completeness of the Trust's financial statements or financial disclosure or compliance with generally accepted accounting procedures, as these are the responsibility of management and the external Auditors.

The Committee also assists the Board in fulfilling its oversight responsibilities with respect to the Trust's risk management policies and procedures, taking into account the risks inherent in the Trust's businesses, facilities and strategic plan.

PROCEDURAL MATTERS

The Committee shall be governed by the Terms of Reference for Committees adopted by the Board, save as modified by the following procedural requirements and powers. The Committee:

- a. shall meet at least five times per year, either by telephone conference or in person;
- b. may invite the Trust's external Auditors, the Chief Financial Officer, and such other persons as deemed appropriate by the Committee to attend meetings of the Committee;
- c. shall report material decisions and actions of the Committee to the Board, together with such recommendations as the Committee may deem appropriate, at the next Board meeting;
- d. has the power to conduct or authorize investigations into any matter within the scope of its responsibilities. It has the right to engage independent counsel and other advisors as it determines necessary to carry out its duties and the right to set the compensation for any advisors employed by the Committee;
- e. has the right to communicate directly with the CFO and other members of management who have responsibility for the external audit process; and
- f. has the right to pre-approve non-audit services, in accordance with the Committee's pre-approval policies and procedures, to be performed by the external Auditors. The Committee may delegate certain pre-approval functions for non-audit services to one or more independent members of its Committee if it first adopts specific policies and procedures respecting same and provided such decisions are presented to the full Committee for approval at its next meeting.

RESPONSIBILITIES

The Committee has primary responsibility for the selection, appointment, dismissal, compensation and oversight of the external Auditors, subject to the overall approval of the Board. For this purpose, the Committee may consult with management.

External Auditors

The responsibilities of the Committee are:

- a. to recommend to the Board either that the current external Auditor should be reappointed for the ensuing year or, if the current external Auditor is not to be reappointed, select and recommend a suitable alternative;
- b. to oversee the work of the external Auditors engaged for the purpose of preparing or issuing an Auditors' report or performing other audit, review or attest services for the Trust, and to review the amount of compensation payable;
- c. to resolve disagreements, if any, between management and the external Auditors regarding financial reporting. The Committee will provide the Board with such recommendations and reports with respect to the financial statements of the Trust as it deems advisable;
- d. to take reasonable steps to confirm the independence of the external Auditors, including but not limited to pre-approving any non-audit related services provided by the external Auditors to the Trust with a view to ensuring independence of the external Auditors, and in accordance with any applicable regulatory requirements with respect to approval of non-audit related services performed by the external Auditors;
- e. to obtain from the external Auditors confirmation that the external Auditors are a 'participating audit' firm for the purpose of National Instrument 52-108 Auditor Oversight and are in compliance with governing regulations;
- f. to review and evaluate the performance of the external Auditors including the external Auditors' internal quality-control procedures; and
- g. to review and approve the Trust's hiring policy regarding partners, employees and former partners and employees of the Trust's external Auditors.

Audit and Review Process and Results

The Committee has a duty to receive, review and make any inquiry regarding the completeness, accuracy and presentation of the Trust's financial statements to ensure that the financial statements fairly present the financial position and risks of the organization and that they are prepared in accordance with generally accepted accounting principles. To accomplish this, the Committee is required to:

- a. review annually the Trust's internal system of audit and financial controls, internal audit procedures and results of such audits;
- b. prior to the annual audit by external Auditors, consider the scope and general extent of the external Auditors' review, including their engagement letter;
- c. ensure the external Auditors have full, unrestricted access to required information and have the cooperation of management;
- d. review with the external Auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Trust and the manner in which these matters are being disclosed in the financial statements;
- e. review the appropriateness and disclosure of any off-balance sheet matters;
- f. review disclosure of related-party transactions;
- g. receive and review with the external Auditors, the external Auditors' audit report and the audited financial statements;
- h. make recommendations to the Board respecting approval of the audited financial statements;
- i. meet with the external Auditors separately from management to review the integrity of the Trust's financial reporting, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and

estimates, the performance of internal audit management, any significant disagreements or difficulties in obtaining information, the adequacy of internal controls over financial reporting and the degree of compliance of the Trust with prior recommendations of the external Auditors;

- j. direct management to implement such changes as the Committee considers appropriate, subject to any required approvals of the Board arising out of the review; and
- k. meet at least annually with the external Auditors, independent of management, and report to the Board on such meetings.

Interim Financial Statements

The Committee shall:

- a. review on an annual basis the Trust's practice with respect to review of interim financial statements by the external Auditors;
- b. conduct all such reviews and discussions with the external Auditors and management as it deems appropriate and make recommendations to the Board respecting approval of the interim financial statements.

Involvement with Management

The Committee has primary responsibility for overseeing the actions of management in all aspects of financial management and reporting. The Committee:

- a. shall review the Trust's public disclosure of financial information extracted from the Trust's financial statements, if such financial statements have not previously been reviewed by the Committee prior to such information being made public by the Trust, and for such purpose, the CFO assumes responsibility for providing the information to the Committee for their review;
- b. consult annually, and more often if required, with the Trust's CEO and CFO respecting the adequacy of the internal controls and review any breaches or deficiencies;
- c. obtain such certifications by the CEO and CFO attesting to internal controls, disclosure and procedures as are required by Multilateral Instrument 52-109;
- d. review management's response to significant written reports and recommendations issued by the external Auditors and the extent to which such recommendations have been implemented by management;
- e. review as required with management the annual financial statements, the quarterly financial statements, MD&A's, annual information forms, future-oriented financial information or pro-forma information and other financial disclosure in continuous disclosure documents;
- f. review annual and interim earnings press releases before the Trust publicly discloses this information;
- g. review with management the Trust's compliance with applicable laws and regulations respecting financial matters;
- h. review proposed regulatory changes and their impact on the Trust with management; and
- i. review with management and approve public disclosure of the Committee's Charter in the Trust's annual information form, information circular and on the Trust's website.

Risk Management

With respect to the Trust's enterprise risk management policies and procedures review, the Committee shall review with management on an annual basis the following:

- a. the material financial risks inherent in the Trust's businesses, facilities and strategic direction;

- b. the plan that management has implemented to monitor and deal with such risks and the success of management in following the plan;
- c. the use of derivative financial instruments, if any;
- d. the signing authority granted to the various levels of management;
- e. the overall financing of risk including insurance coverage;
- f. the risk retention philosophy and the resulting uninsured exposure of the Trust; and
- g. loss prevention policies, risk management programs, standards and accountabilities of the Trust in the context of competitive and operational considerations.

If any changes are considered to be advisable, the Committee shall make the appropriate recommendations to the Board for approval.

COMPLAINTS – Accounting, Internal Accounting Controls, Auditing Matters

The Committee shall establish procedures for:

- a. the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls, or auditing matters; and
- b. the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters.

Complaints regarding accounting, internal accounting controls, or auditing matters may be submitted as outlined in the Trust's Whistle Blower Policy. Complaints may be made anonymously and, if not made anonymously, the identity of the person submitting the complaint will be kept confidential. Upon receipt of a complaint, the Chair will conduct or designate a member of the Committee to conduct an initial investigation. In all cases, the matter will be brought before the Committee for a determination of further investigation and action. Records of complaints made and the resulting action or determination with respect to the complaint shall be documented and kept in the records of the Committee for a period of three years.

The Committee shall review the Whistle Blower Policy annually.

COMPLAINTS – Environmental, Human Resource & Safety Matters

The Committee shall establish procedures for:

- a. the receipt, retention and treatment of complaints received by the Trust regarding EHR&S matters; and
- b. the confidential, anonymous submission by employees of the Trust of concerns regarding questionable EHR&S matters.

Complaints regarding EHR&S matters may be submitted as outlined in the Trust's Whistle Blower Policy. Complaints may be made anonymously and, if not made anonymously, the identity of the person submitting the complaint will be kept confidential. Upon receipt of a complaint from the Audit Chair, the Chair will conduct or designate a member of the Committee to conduct an initial investigation. In all cases, the matter will be brought before the Committee for a determination of further investigation and action. Records of complaints made and the resulting action or determination with respect to the complaint shall be documented and kept in the records of the Committee for a period of three years.

REPORTING

The Committee shall make regular reports to the Board concerning its activities.