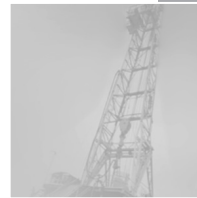



AVENIR DIVERSIFIED INCOME TRUST



**QUARTER
THREE
FINANCIAL
STATEMENTS
2005**

THIRD QUARTER 2005 FINANCIAL HIGHLIGHTS

For the periods ended	Three months Ended Sept. 30		Six months Ended Sept. 30	
	2005	2004	2005	2004
FINANCIAL				
Gross Revenue	\$102,196,091	\$ 6,222,299	\$ 186,393,527	\$ 12,365,794
Net Revenue	\$ 96,847,926	\$ 5,326,013	\$ 171,777,083	\$ 10,291,258
Funds From Operations (FFO) ¹	\$ 16,360,170	\$ 2,806,379	\$ 32,990,474	\$ 5,563,080
FFO Per Unit ¹ – Basic	\$ 0.67	\$ 0.39	\$ 1.59	\$ 1.26
Distributions	\$ 8,389,202	\$ 2,015,805	\$ 20,532,864	\$ 3,617,782
Distributions Per Unit – Basic	\$ 0.34	\$ 0.28	\$ 0.99	\$ 0.82
Distribution Payout Ratio ²	51%	72%	62%	65%
Net Income (loss)	\$ 6,592,212	\$ 780,599	\$ 8,732,675	\$ 1,058,758
Net Income (loss) Per Unit – Basic	\$ 0.27	\$ 0.11	\$ 0.42	\$ 0.24
Total Assets	\$401,226,507	\$ 109,945,145	\$ 401,226,507	\$ 109,945,145
Working Cap. (Net Debt) including mortgages ¹	\$ (83,944,095)	\$ (48,308,300)	\$ (83,944,095)	\$ (48,308,300)
Wtd. Avg. Units Outstanding – Basic	24,518,236	7,199,303	20,737,474	4,409,696
Units Outstanding (incl. escrowed units)	24,631,254	7,199,303	24,631,254	7,199,303
OPERATING				
Production				
Oil and NGL's – bbls per day	1,572	344	1,606	302
Gas – Mcf per day	11,540	3,901	9,526	2,986
Total BOE3 per day	3,495	995	3,193	800
Average Pricing				
Oil & NGL (\$/Bbl) before hedging ⁵	\$ 61.00	\$ 44.38	\$ 50.85	\$ 42.09
Oil & NGL (\$/Bbl) after hedging ⁵	\$ 57.09	\$ 38.28	\$ 47.11	\$ 36.61
Natural Gas (\$/Mcf)	\$ 9.09	\$ 6.24	\$ 7.89	\$ 6.37
Average Price Per BOE3 before hedging ⁵	\$ 56.59	\$ 39.69	\$ 48.42	\$ 39.70
Average Price Per BOE3 after hedging ⁵	\$ 54.83	\$ 37.58	\$ 46.55	\$ 37.63

1 Funds from operations, Funds per unit, net back, and working capital (net debt) are not recognized measures under Canadian generally accepted accounting principles (GAAP). Funds from operations is calculated by taking net income and adding back non-cash balances such as depletion, depreciation and amortization, asset retirement obligation accretion, gain on sale of real estate properties, stock based compensation expense, unrealized (gain) loss on financial instruments and future income tax recovery. Working capital (net debt) is calculated by taking current assets less current liabilities including mortgages (upon mortgage maturity it is the Trust's intention to renew the mortgages on a long term basis at or below current rates) and long-term debt. Management believes that these measures are useful supplemental measures to analyze operating performance as they demonstrate the Trust's ability to generate the Funds from operations necessary to fund future distributions and capital investments. The Trust's method of calculating these measures may differ from other issuers, and accordingly, they may not be comparable to measures used by other issuers. Investors should be cautioned that "Funds from operations" and "Funds per unit" should not be construed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

2 Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from operations.

3 Natural Gas conversion ratio of 6:1

4 Certain comparative figures for prior quarters have been retroactively restated to incorporate the fifteen-for one unit consolidation and the retroactive application of the changes in accounting policies for transportation charges, as described in notes 3 and 20 to the consolidated financial statements for the year ended December 31, 2004.

5 Hedging in this situation means the realized gain or loss on physical delivery contracts and financial commodity fixed price transactions.

PRESIDENT'S MESSAGE

Results for the third quarter were at or ahead of forecast with particular strength in energy services and commodity prices in our oil and gas division. With the fourth quarter and first quarter being the Trust's traditional strong quarters due to seasonal strengths in energy services and natural gas liquids marketing, the Trust is positioned operationally for a very robust six months. Record cashflow, low pay-out ratio and balance sheet strength affords Avenir the ability to take advantage of opportunities and review our current distribution level.

The third quarter of 2005 saw the Trust take a key step forward in our diversification strategy with the initiation of the acquisition of the joint venture management company of the EnerVest Group of Funds. This purchase further solidified our Financial Services business unit and gave us a great cornerstone for future diversification and growth within our business units.

Our oil and gas division continued to make positive strides with the integration of our earlier acquisitions and adding Makah Energy Corp. ("Makah") in August. Our oil and gas team has identified several development projects within our current portfolio consisting of greater than \$50 million in work-overs, re-completions and drilling opportunities. Development projects in this portfolio should add oil and gas production at approximately \$20,000 per producing BOE per day, and will be added throughout the balance of 2005 and into 2006. Current production is approximately 3,700 BOE per day with about 100 BOE per day shut-in due to service work requirements and a pipeline dispute. We continue to review new and existing opportunities and are also continuing to evaluate farmout options on our lands.

Our energy services division had a very successful and busy third quarter despite wet conditions in September throughout southern Alberta. With the addition of Westvac Services Ltd. in late August, we added hydro-vac, vacuum truck and steaming operations in an area that we had not been previously active. This acquisition, along with our existing energy services operation, gives the Trust sufficient critical mass to compete and provide outstanding, quality service across most of Alberta and northeast British Columbia. The fourth and first quarters are typically the strongest quarters for this division and we are well positioned to exceed budgets through the winter months. With our growth to date this division is now approaching the size of a stand-alone Trust in this sector.

Elbow River Marketing LP ("Elbow River") continued to gear up for what we believe will be a strong winter season. The winter is traditionally Elbow River's busy season and judging by activity and pre-sales this period we are on track to meet or surpass budget expectations.

Subsequent to the third quarter, the Trust closed a \$196.2 million bought deal equity financing. Proceeds from this financing were used to pay for the acquisitions of the joint venture that is the sole shareholder of the management company of EnerVest Diversified Income Trust, Makah, and to pay down bank lines. The Trust currently has very little in the way of bank debt and has the financial flexibility to react quickly to acquisition opportunities.

The Federal Government's recent announcement regarding a review of the trust sector has created an air of uncertainty in the marketplace and has largely contributed to the recent sell off and market price erosion in the trust sector. We are pleased the Finance Minister has indicated a willingness to provide a quick resolution to the issue and is reviewing a number of economic and taxation considerations, not just the impact of trust distributions on tax revenues. Avenir, as an indicator of the economic growth provided by the trust sector, has increased its size through internal growth and acquisitions by over 50 times and has increased distributions by over 60% in less than the three years since inception. It is the current uncertainty surrounding the government review of the income trust sector and potential taxation impacts, however, that makes it very difficult to make prudent business decisions when we do not know the rules.

We remain focused and diligent with respect to our operations and acquisitions and continue to see, evaluate opportunities and plan to remain active on the acquisition front. We firmly believe that we will continue to provide sustainable distributions and accretive growth on a per unit basis.

REVIEW OF FINANCIAL RESULTS

The Trust had net income for the quarter ended September 30, 2005 of \$6,592,212. Net Income is up 745% over the \$780,599 net income for the quarter ended September 30, 2004. Net income was affected by the non-cash mark-to-market opportunity loss related to risk management contracts. Excluding the unrealized mark-to-market loss of \$2,504,278 on the Trust's hedging contracts, and the resulting future income tax impact of \$857,465, the Trust had a net income of \$8,239,025 for the quarter. Net income for the nine months ended September 30, 2005 was \$8,732,675 or \$0.42 per unit versus \$1,058,758 or \$0.24 per unit for the first nine months of 2004. The nine month 2005 net income figures were impacted by the recognition of \$7,698,333 in unrealized losses on financial instruments. In its oil and gas division, consistent with most oil and gas firms of the Trust's size, the Trust does not follow hedge accounting for those contracts due to the onerous monitoring and regulatory requirements.

Funds from operations for the third quarter 2005 were \$16,360,170 or \$0.67 per unit versus \$2,806,379 or \$0.39 per unit for the third quarter 2004. For the nine months ended September 30, 2005, funds from operations were \$32,990,474 compared to \$5,563,080 for the same period in 2004, a 493% increase. The increase in the funds from operations were primarily the result of growth in the Trust's business units, including: oil and gas acquisitions, high commodity prices, the energy services acquisitions, additional financial services contracts, and the initial inclusion of the Elbow River Marketing acquisition April 1, 2005.

The Trust distributed \$8,389,202 or \$0.34 per unit for the quarter ended September 30, 2005 versus \$2,015,805 or \$0.28 per unit distributed for the quarter ended September 30, 2004. For the quarter ended September 30, 2005 the payout ratio was 51% of funds from operations. For the nine months ended September 30, 2005 the payout ratio was 62% versus 65% for the first nine months of 2004 and a target payout ratio of 75% to 80%.

REVIEW OF BUSINESS UNIT OPERATIONS

I. ENERGY BUSINESS UNIT

a. OIL & GAS OPERATIONS

Production increases over the second quarter of 2005 resulted primarily from the inclusion of the Makah properties for a portion of the quarter. On a quarter over quarter basis average oil production was down slightly (7%) compared to the second quarter at 1,465 BOE per day due to natural declines and some production issues in Shekilie. Minor temporary production losses have occurred on operated oil producing properties through the quarter due to voluntary shut-ins to allow for work-over and re-completion programs to proceed as discussed below. Gas production increased from 9.6 Mmcf per day to 11.9 Mmcf per day. On a BOE basis production averaged 3,495 BOE per day in the third quarter compared to 3,246 in the second, an increase of 8%. Increases from the inclusion of Makah were offset by temporarily shut-in production at several properties. Production for the quarter was negatively impacted by about 37 BOE per day due to ongoing facility constraints at Noel in northeast British Columbia. This property was producing at close to capacity during September. Some additional downtime occurred in October but production should remain near capacity through the winter. Production for the quarter was further impacted by approximately 140 BOE per day on average due to ongoing weather related access problems and gathering system access issues in the Shekilie area in northwest Alberta. Some work to rectify these issues was accomplished during the quarter but further work is required. During September approximately 42 boed of gas production (12 BOE per day average for the quarter) was shut-in due to a dispute over access to a gathering line in the Taber area. This production remains shut-in pending a hearing which is scheduled before the Alberta Energy and Utilities Board in November.

At quarter end the exit production was estimated at 3,642 BOE per day with approximately 192 BOE per day shut-in due to issues described above. It is expected that these issues will all be resolved in the near future and production will return to near full capacity of approximately 3,800 BOE per day.

The addition of key technical staff in both the office and field has allowed the Trust to develop and begin to execute a capital investment program aimed at low risk production and reserve additions. During the third quarter the Trust initiated a program including 11 work-overs, 9 re-activations, 2 re-completions, battery upgrades and one tie-in on properties located in the Java and Antelope Lake areas of southwest Saskatchewan. Preliminary results from this program have been very encouraging and will lead to the assessment of infill drilling programs early in 2006. The Trust has a 100% working interest in most of these properties. In the Trust's core southern Alberta area of Grand Forks a similar program of work-overs, reactivations and equipment upgrades is underway and yielding positive initial results. In the Huxley/Twining area of central Alberta the Trust is participating in a 43 well coal bed methane development drilling project. The Trust has approximately a 4% to 16% working interest in these wells that are being drilled by an experienced coal bed methane operator. In the Cessford area of southern Alberta the Trust is participating in a 36 well conventional shallow gas development drilling program at a working interest ranging between 1% and 7%. In the Eagle Lake area of western Saskatchewan the Trust is participating in a 12 well Viking oil development program at a 9% working interest. The Trust has also identified several low risk drilling opportunities on operated lands at Weyburn in southeast Saskatchewan and Provost in central Alberta and will commence drilling as early as the fourth quarter contingent on availability of rigs and other oilfield equipment. Production increases related to these capital investment programs will begin to appear in the fourth quarter.

During the quarter, effective August 4, 2005, the Trust completed the acquisition of Makah Energy Corp. This acquisition has added approximately 650 BOE per day of predominantly sweet gas production in the Trust's central Alberta core area. Total Proved plus Probable reserves are approximately 1.5 million BOE. The Makah assets are largely operated with high working interests and excellent upside drilling opportunities that the Trust is evaluating to either drill or farm-out. Consideration for the acquisition was \$29.8 million less approximately \$4.0 million in net debt and transaction costs. After allowing for the value of undeveloped land, proprietary 3D seismic and a transaction to sell certain Coal Bed Methane rights, the Trust acquired proved plus probable reserves at a cost of \$17.00 per BOE or \$37,000 per producing BOE.

b. ENERGY SERVICES OPERATIONS

The third quarter was another busy period for the energy services division of the Trust as better weather allowed activity levels in the southern Alberta area to return to higher levels following the wet conditions experienced in the second quarter. The companies that make up the division, Cascade Services, Millard Oilfield, Cardinal Well, Endless Tubing and Westvac Service all enjoyed results that exceed expectations. The oil and gas industry is expected to see very high activity levels for the foreseeable future and the upcoming fourth and first quarters are typically the busiest for oilfield services companies. Current high commodity prices place a premium on the essential production services provided by Avenir's service companies. High utilization coupled with higher equipment rates have led to growing revenues while cost pressures have been effectively contained, in part by the implementation of fuel surcharges. While the availability of skilled and experienced workers continues to be a challenge for the oilfield service industry, all of the Trust's service companies have been able to retain and increase their workforce to accommodate the increased demand for services from the oil and gas industry.

Effective September 1, 2005, the Trust acquired a 90% interest in Westvac Service Ltd. for \$9 million less debt and adjusted for working capital. Mr. Rod MacDonald, the owner of Westvac, retained a 10% partnership interest and will remain with Westvac in the capacity of President of Westvac Service Partnership to manage the day to day operations. Westvac provides production related services to the oil and gas industry with a fleet of forty vacuum trucks, pressure trucks, steamers and hydro-vacs. Westvac is based in Edmonton, Alberta and provides services across west central Alberta primarily in the Swan Hills, Wabasca and Pelican Lake areas. The acquisition of Westvac

continues to focus the Trust's Energy Service division on essential production services, greatly expands the pressure truck, vacuum truck and steamer truck business line and extends its geographic reach through central Alberta.

The Trust has acquired options and placed orders for approximately \$6.0 million of new equipment to expand all of its existing businesses over the next six to eight months to be able to keep up with demand. The Trust also continues to evaluate acquisition opportunities.

II. FINANCIAL SERVICES BUSINESS UNIT REVIEW

i. Rentcash Inc. Financial Services Contracts

In January 2003, Avenir Financial acquired its first financial services contract with an affiliate of a financial services provider, Rentcash Inc. ("Rentcash"), to provide funding of \$600,000 for Rentcash end users. Rentcash provides cash advance, cheque cashing and payday loan services. Since that time the Trust has entered into a number of contracts with Rentcash and currently now holds \$19.9 million in cheque cashing contracts. This segment provides very good returns and represents about 7% of Avenir Trust's annual cashflow; however this has continued to become a smaller part of Avenir Trust's business as we have grown into other areas.

Avenir is effectively responsible for loan losses up to a level that provides a return to Avenir of \$0.07 per \$100 loaned per day. Losses beyond that fall back to Rentcash under terms of the administrative services agreement. As a result, Avenir Trust's cashflow from this division has not been negatively impacted nor has there been any impairment of our principal balances with Rentcash.

ii. Elbow River Marketing Limited Partnership

Elbow River Resources Ltd. ("Elbow River") was acquired by the Trust on April 1, 2005. Elbow River is a wholesale broker, transporter and supplier of butane to major refineries and propane to major retailers in the United States, Canada and Mexico. For Q3 2005, Elbow River was essentially on budget as most of the transitional issues were resolved and the liquids market returned to normal levels after initially digesting the shock of higher commodity prices in Q2 2005. The market price volatility allowed for favourable margins to be locked in during the quarter and has resulted in a significant presales program for Q4 2005 and Q1 2006. The start of the winter season has seen one of the tightest rail car markets ever which has aided early winter sales and should bode well for the remainder of the year and into Q1 2006. The Specialty Products group has continued to grow by expanding the product line as well as the customer base.

iii. EnerVest Management Ltd. Joint Venture ("EnerVest Management Company")

Subsequent to the quarter, on October 4, 2005, the Trust was pleased to further add 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 Diversified Income Trust ("EnerVest"), the EnerVest Natural Resource Fund and the EnerVest Flow-Through Limited Partnerships. The Trust expects that the acquisition will add approximately \$14.0 million of stable distributable cash flow to the Trust and further diversify the Financial Services division. In addition, the Trust believes this asset will allow for consistent organic growth. Cypress Capital Management Ltd. ("Cypress") remains as the investment manager of EnerVest. The sale of the joint venture interests will have no impact on the investment management agreement between the EnerVest Management Company and Cypress and EnerVest will operate independently of Avenir. EnerVest is an actively managed, closed-end trust which invests in a diversified portfolio of income, royalty and real estate investment trusts, and limited partnerships, all of which trade on the Toronto Stock Exchange under the symbol "EIT.UN".

III. REAL ESTATE BUSINESS UNIT REVIEW

At September 30, 2005 the Trust's real estate portfolio consisted of five properties with approximately 400,000 square feet of leasable area. The properties are located in Toronto, London (Ontario), Calgary, Fort Saskatchewan and Edmonton (Alberta). A property management company, Tonko Realty Advisors, administers the day to day operations of the Trust's real estate business unit. Currently the portfolio is 93% leased. Subsequent to the quarter end, the Trust has re-mortgaged two of its buildings at rates approximately 2% less than the previous mortgages and this interest savings will be reflected in future period's earnings and funds from operations. The Trust continues to evaluate opportunities, but to date has been reluctant to undertake acquisitions at the historically low cap rates in the current environment.

To follow is the Trust's Management Discussion and Analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis should be read in conjunction with the unaudited consolidated financial statements for the quarter and nine months ended September 30, 2005, audited consolidated financial statements for the year ended December 31, 2004 and the management discussion and analysis thereto. This management discussion and analysis relates to events up to November 11, 2005.

Except for historical financial information contained herein, the matters discussed in this document may be considered forward-looking statements. Such statements include declarations regarding management's intent, belief or current expectations. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties; actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is of a preliminary nature and may be subject to further adjustment, (ii) the possible unavailability of financing, (iii) risks related to the exploration and development of oil and gas properties, (iv) the impact of price fluctuations and the demand and pricing for oil and natural gas, (v) the seasonal nature of the business, (vi) start-up risks, (vii) general operating risks, (viii) dependence on third parties, (ix) changes in government regulation, (x) the effects of competition, (xi) dependence on senior management, (xii) financial condition of real estate tenants and financial services counterparts, (xiii) impact of the Canadian economic conditions or the demand for real estate leasing opportunities, and (xiv) fluctuations in currency exchange rates and interest rates.

Funds from operations, funds per unit, net back and working capital (net debt) are not recognized measures under Canadian generally accepted accounting principles (GAAP). Funds from operations is calculated by taking net income and adding back non-cash balances such as depletion, depreciation and amortization, asset retirement obligation accretion, gain on sale of real estate properties, stock based compensation expense, unrealized (gain) loss on financial instruments and future income tax recovery. Working capital (net debt) is calculated by taking current assets less current liabilities including mortgages (upon mortgage maturity it is the Trust's intention to renew the mortgages on a long term basis at or below current rates) and long-term debt. Management believes that these measures are useful supplemental measures to analyze operating performance as they demonstrate the Trust's ability to generate the funds from operations necessary to fund future distributions and capital investments. The Trust's method of calculating these measures may differ from other issuers, and accordingly, they may not be comparable to measures used by other issuers. Investors should be cautioned that "Funds from operations" and "Funds from operations per unit" should not be construed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from operations.

The Trust's strategy is comprised of having three distinct business units: Energy (comprised of oil & gas production and energy services), Financial Services and Real Estate. These three units combine the stability of funds from operations from both real estate and financial services with a more variable higher return from the energy sector.

Significant Events for the Third Quarter Ended September 30, 2005

- **5% Increase in Monthly Distributions Effective July 2005 Record Date**

With the integration of a number of acquisitions in the first half of 2005 and the continued high commodity prices, the Trust was able to increase monthly distributions in the third quarter for the fifth time since inception in 2003 and over that period distributions have increased 65%.

- **Redemption of \$3 Million Debentures with RentCash Inc.**

On July 12, 2005 the Trust reached an agreement with Rentcash to redeem a total of \$3,000,000 in debentures for principal value and outstanding interest. On the same day the Trust entered into a new financial services contract for \$1,500,000 with terms identical to the previous contracts. The total value of contracts outstanding at this time is \$19.9 million.

- **Banking Facilities for Energy Business Unit Increased**

On August 5, 2005 Avenir Operating Corp. entered into a syndicated operating loan agreement with a syndicate of two Canadian Banks for \$47,000,000 and a bridge facility for \$15,000,000. The bridge facility was used specifically for the Makah Energy transaction and was repaid upon completion of the equity financing on October 4, 2005. In the energy services division, a \$5,000,000 operating line and a \$20,000,000 capital demand facility was put in place on August 31, 2005.

- **Energy Services Acquisition – Westvac Service Ltd.**

On August 31, 2005 the Trust entered into an acquisition agreement to purchase 90% of the shares of Westvac Service Ltd. ("Westvac"), through a partnership structure. Mr. Rod MacDonald, the owner of Westvac, retained a 10% partnership interest and remain with Westvac in the capacity of President of Westvac Service Partnership and manages the day-to-day operations. Westvac provides production related services to the oil and gas industry with a fleet of 40 vacuum trucks, pressure trucks, steamers and hydro-vacs. Westvac is based in Edmonton, Alberta and provides services across west central Alberta primarily in the Swan Hills, Wabasca and Pelican Lake areas. Total consideration for the transaction of \$9 million less debt and working capital was funded from existing credit facilities and the issuance of approximately 170,455 units of the Trust.

- **Oil & Gas Acquisition – Makah Energy Corp.**

Effective August 4, 2005, the Trust completed the acquisition of Makah Energy Corp. This acquisition has added approximately 650 BOE per day of predominantly sweet gas production that is primarily in the Trust's central Alberta core area. Total Proved plus Probable reserves are approximately 1.5 million BOE. The Makah assets are largely operated by the Trust with high working interests and have excellent upside drilling opportunities that the Trust is evaluating to either drill or farm-out. Total consideration for the acquisition was \$29.8 million less assumed net debt plus estimated transaction costs. After allowing for the value of undeveloped land, proprietary 3D seismic and a pending transaction to farm-out a portion of Coal Bed Methane rights the value of the reserves and current production was determined to be approximately \$17.00 per BOE of proved plus probable reserves or \$37,000 per producing BOE.

Subsequent Significant Events after September 30, 2005

- **\$196.2 Million Bought Deal Equity Financing**

On September 13, 2005 the Trust entered into an agreement with a syndicate of underwriters (the "Underwriters"), co-led by GMP Securities Ltd. and Raymond James Ltd., and including First Associates Investments Inc., Canaccord Capital Corporation and Acumen Capital Finance Partners Limited, in connection with a "bought deal" trust unit financing by way of short form prospectus. On October 4, 2005 the Trust completed the public offering which was fully subscribed and the Trust issued an aggregate of 11,857,750 trust units at a price of \$12.65 per unit for gross proceeds of approximately \$150,000,000. The underwriters also exercised an underwriters' option to acquire an additional 3,652,550 trust units at a price of \$12.65 per unit for additional proceeds of approximately \$46,205,295. Net proceeds of the financing were used primarily to complete the previously announced acquisition of the joint venture that is the sole shareholder of the management company, EnerVest Diversified Management Inc., which acts as a the manager and administrator for EnerVest Diversified Income Trust, to repay debt incurred in connection with the Trust's previously announced oil and gas acquisition of Makah Energy Corporation and for working capital to fund growth capital expenditures associated with the Trust's business units.

• **Acquisition of EnerVest Management Ltd. Joint Venture for \$125.5 million**

On October 4, 2005 the Trust successfully completed the acquisition of the privately held joint venture that is the sole shareholder of the EnerVest Diversified Management Inc., Manager of the EnerVest Diversified Income Trust ("EnerVest"). Cypress Capital Management Ltd. ("Cypress") remains as the investment manager of EnerVest. The sale of the joint venture interests will have no impact on the investment management agreement between the Manager and Cypress, and EnerVest will continue to operate independently to Avenir. EnerVest is an actively managed, closed-end trust which invests in a diversified portfolio of income, royalty and real estate investment trusts, and limited partnerships, all of which trade on the Toronto Stock Exchange under the symbol "EIT.UN".

Selected Quarterly Information

(000's \$)	Sept 30 2005	June30 2005	Mar 31 2004	Dec 31 2004	Sept 30 2004	June 30 2004	Mar 31 2003	Dec 31 2003	Sept 30 2003
Total Net Revenue	96,848	65,949	8,980	11,614	5,326	2,811	2,154	1,730	946
Net Income (loss)	6,592	2,744	(604)	2,955	781	(145)	423	(73)	177
Net Income (loss) per Unit basic	0.27	0.11	(0.05)	0.31	0.11	(0.04)	0.15	(0.03)	0.11
Funds from Operations	16,360	9,351	7,279	4,991	2,806	1,439	1,318	853	532
Funds per unit	0.67	0.38	0.55	0.53	0.39	0.45	0.48	0.31	0.32
Total Assets	401,227	317,217	274,220	155,315	109,945	66,771	44,888	22,430	19,620
Distributions paid	8,389	7,954	4,190	3,053	2,016	847	755	726	516
Distributions (per Unit)	0.34	0.33	0.32	0.32	0.28	0.26	0.27	0.26	0.31

Net Income (loss)

Net income (loss) before corporate costs for each of the Trust's business units are as follows:

	For the three months ended		For the nine months ended	
	Sept 30, 2005 \$	Sept 30, 2004 \$	Sept 30, 2005 \$	Sept 30, 2004 \$
Net Income (loss)				
Oil and Gas	3,792,386	114,195	3,124,628	27,567
Energy Services	1,246,427	230,702	2,523,168	230,702
Financial Services	2,125,197	387,594	3,818,834	724,256
Real Estate	6,250	48,108	434,223	76,233
Net Income before Corporate Costs	7,170,260	780,599	9,900,853	1,058,758
Corporate	(578,048)	—	(1,168,178)	—
Net Income Consolidated	6,592,212	780,599	8,732,675	1,058,758

The Trust had net earnings for the quarter ended September 30, 2005 of \$6,592,212 up 745% over the \$780,599 for the quarter ended September 30, 2004. Net income for the nine months ended September 30, 2005 was \$8,732,675 or \$0.42 per unit versus \$1,058,758 or \$0.24 per unit for the first nine months of 2004. The nine month 2005 net income figures were impacted by the recognition of \$7,698,333 in unrealized loss on financial instruments relating to commodity risk management contracts in our oil and gas division. If the unrealized mark-to-

market loss on the Trust's hedging contracts of \$7,698,333, and the resulting future income tax impact of \$2,635,909 was excluded, the Trust would have had a net income of \$13,795,099 for the nine months ended September 30, 2005. In its oil and gas division, consistent with most oil and gas firms of the Trust's size, the Trust does not currently follow hedge accounting for those contracts due to the onerous monitoring and regulatory requirements.

1(a). Oil & Gas

The oil and gas net income was \$3,792,386 for the quarter ended September 30, 2005 versus \$114,195 for the quarter ended September 30, 2004. For the nine months ended September 30, 2005 net income was \$3,124,628 compared to \$27,567 for the first nine months of 2004. The 3,221% increase quarter over quarter and the 11,235% increase for the nine month period 2005 over 2004 was the result of acquisitions in the division, specifically Lightning, PrimeWest, Val Vista, and Makah. 2005 results have been significantly impacted by the recognition of unrealized losses on its financial instruments used to lock-in acquisition economics. If the unrealized mark-to-market loss on the Trust's hedging contracts of \$2,504,278 and the future income tax impact of \$857,465 was excluded, the Trust's oil and gas division would have had a net income of \$8,239,025 for the quarter.

1(b). Energy Services

Net Income for the third quarter 2005 totaled \$1,246,427 which is a 440% increase over the third quarter of 2004 of \$230,702. Third quarter 2005 includes results from the energy services acquisitions completed during the second and third quarter of 2005. For the nine months 2005 the energy service net income totaled \$2,523,168 compared to \$230,702 for the nine months ended September 2004. The 2004 numbers include only the Cascade Energy Services acquisition for the third quarter as the acquisition was made at the end of June 2004.

2. Financial Services

Net income in the financial services business unit increased from \$387,594 in the third quarter of 2004 to \$2,125,197 in the third quarter of 2005. For the nine months ended September 30, 2005 the net income for this business unit was \$3,818,834 compared to \$724,256 for the first nine months of 2004. The 427% increase for the nine months ended is due to the additional financial service cheque cashing contracts and inclusion of the Elbow River marketing natural gas liquids brokerage business in April 2005. Net income for the nine months ended September 30, 2005 from financial service contracts and debenture interest totaled \$3,135,709 and \$683,125 for Elbow River.

3. Real Estate

The Real Estate business unit net income for the third quarter ended September 30, 2005 totaled \$6,250 compared to net income of \$48,108 in the third quarter of 2004. The 2004 third quarter was higher as certain annual costs were not included until the fourth quarter of 2004. For the nine months ended September 30, 2005 net income was \$434,223 compared to \$76,233 in the first nine months of 2004. The 2005 increase is largely due to the recognition of a \$222,360 gain on property sales in the first quarter 2005. In 2004, the Trust did not acquire any real estate properties until the second quarter of 2004.

Funds from Operations

The funds from operations for the third quarter 2005 were \$16,360,170 or \$0.67 per unit versus \$2,806,379 or \$0.39 per unit for the third quarter 2004. For the nine months ended September 30, 2005, funds from operations were \$32,990,474 compared to \$5,563,080 for the same period in 2004, a 493% increase. The increase in funds from operations was primarily the result of the growth in the Trust's business units, including: oil and gas acquisitions, energy services acquisitions, additional financial services contracts, the full period inclusion of the Western Spirit real estate acquisition, the Elbow River Marketing acquisition in April 2005 and high commodity prices.

QUARTER THREE FINANCIAL STATEMENTS 2005

The Trust distributed \$8,389,202 or \$0.34 per unit for the quarter ended September 30, 2005 versus \$2,015,805 or \$0.28 per unit distributed for the quarter ended September 30, 2004. Since the third quarter of 2004, the Trust has increased the monthly distribution approximately over three separate increases. For the quarter ended September 30, 2005 the payout ratio was 51% of funds from operations. For the nine months ended September 30, 2005 the payout ratio was 62% versus 65% for the first nine months of 2004 and a target payout ratio of 75% to 80%.

The following reconciliation has been prepared using reasonable and supportable assumptions, all of which reflect the trust's planned courses of action given management's judgment about the most probable set of economic conditions.

Reconciliation of Unaudited Non-GAAP Financial Measures to GAAP Measures
(in thousands)

Funds Available for Distribution and Retention for the Three months ended September 30

	2005	2004
Net Income	6,592,212	780,599
Depletion, depreciation and amortization	8,371,452	1,742,712
Non-cash general and administrative	356,239	42,597
Asset retirement obligation accretion	202,186	44,034
Unrealized foreign exchange	288,181	0
Unrealized (gain) loss on financial instruments	2,504,278	196,437
Future income tax expense (recovery)	(2,023,551)	—
Non-controlling interest	69,173	—
Funds available for distribution and retention	16,360,170	2,806,379
Funds available for maintenance capital, production replacement, growth and debt repayment	(7,970,968)	(790,574)
Cash distribution in respect of the period	8,389,202	2,015,805

A detailed analysis of maintenance capital and production replacement costs will be completed annually in conjunction with the Trust's annual third-party engineering report.

Monthly cash distributions declared per Trust unit issued and outstanding for the period were as follows:

Period covered	Date of Distribution	Per Unit \$
January 1, 2005 to January 31, 2005	02/15/2005	0.1060
February 1, 2005 to February 28, 2005	03/15/2005	0.1060
March 1, 2005 to March 20, 2005*	04/15/2005	0.0684
March 21, 2005 to March 31, 2005*	04/15/2005	0.0376
April 1, 2005 to April 30, 2005	05/15/2005	0.1060
May 1, 2005 to May 31, 2005	06/15/2005	0.1060
June 1, 2005 to June 30, 2005	07/15/2005	0.1060
July 1, 2005 to July 31, 2005	08/15/2005	0.1113
August 1, 2005 to August 31, 2005	09/15/2005	0.1113
September 1, 2005 to September 30, 2005	10/17/2005	0.1113

* Total March 2005 distribution was split into two pieces to accommodate the closing of the March 21, 2005 equity financing and the resulting increase in the number of units outstanding.

Revenue

1(a). Oil & Gas

i. Revenue and Production

The substantial increase in world oil prices and North American natural gas prices is reflected in the Trust's higher product prices in 2005. The third quarter price differential for the Bow River medium stream that is representative of the majority of the Trust southern Alberta production, to Edmonton light sweet crude was slightly narrower than the second quarter of 2005. However, with the approach of winter we would expect a widening of this differential to up to 35% in the fourth quarter as demand for this crude decreases.

For the quarter ended September 30, 2005, oil and gas gross revenue was \$17,905,399 compared to \$3,534,847 for the same period in 2004, up 407%, and is attributable in most part to the acquisitions made over the past twelve months.

Revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) for the quarter ended September 30, 2005 was \$12,557,234 up 376% compared to \$2,638,561 for the quarter ended September 30, 2004. The average price received for crude oil and natural gas liquids during the quarter ended September 30, 2005 was \$57.09 per barrel ("bbl") an increase of 49% versus \$38.28 per bbl which was received for the quarter ended September 30, 2004 and \$9.09 per mcf for natural gas, up 46% from the 2004 third quarter average of \$6.24 per mcf.

Although the Trust hedges a portion of its production to add stability to its distributions, to guard against fluctuations in commodity prices and to support acquisition economics, it has been determined that its oil and gas swap transactions does not qualify under new hedge accounting guidelines. Accordingly, the Trust recorded an unrealized hedging loss of \$2,504,278 for the quarter ended September 30, 2005. In addition, the accounting treatment requires the Trust to recognize an unrealized loss of \$7,698,333 for the change in the mark-to-market position on existing contracts for the nine months ended September 30, 2005.

Average daily production volumes for the quarter ended September 30, 2005 were 3,495 BOE per day up 251% over 2004 production of 995 BOE per day. Third quarter 2005 production consisted of 1,572 bbls per day of crude oil and natural gas liquids and 11,540 mcf per day of natural gas (compared to 344 bbls per day and 3,901 mcf per day for the third quarter 2004, respectively). The 251% increase in production came from the Lightning, PrimeWest, Val Vista and Makah acquisitions that occurred post Q3 2004. Both Val Vista and Makah were substantially natural gas weighted thereby moving the Trust's product mix to approximately 60/40 natural gas to oil split. Production for the nine months ended September 30, 2005 averaged 3,193 BOE per day versus 800 BOE per day in the same period ended September 30, 2004.

ii. Royalties

The Trust's royalty costs net of ARTC for the quarter ended September 30, 2005 were \$2,567,784 or 14.11% of revenue, versus third quarter 2004 of \$601,687 or 16.57% of revenue. On a BOE basis, royalty costs averaged \$7.99 per BOE in the period, which is up 21% over the third quarter 2004 cost of \$6.58 per BOE reflecting the impact of higher commodity prices. Much of the Trust's production is new gas classification and qualifies for low productivity reductions thereby resulting in a lower royalty rate. With the complete integration of the Val Vista and Makah natural gas acquisitions we would expect the royalty rate to trend to the 18% forecast level.

iii. Operating Expenses

The Trust's operating costs, net of processing income, for the quarter ended September 30, 2005 were \$3,881,114, up 457% over the third quarter 2004 a result of increased production and higher volumes and higher operating cost properties acquired in 2004 and 2005. On a BOE basis, operating costs for the quarter averaged

\$12.07 per BOE in the period, which is up 57% over the third quarter 2004 cost of \$7.69 per BOE. Third quarter 2005 operating costs continue to reflect the impact of higher inherent operating costs associated with the southern Alberta acquisitions from PrimeWest and Val Vista. The quarter was negatively affected by operating costs in part due to the Shekilie property (\$24.66 per BOE) where high fixed costs continue to be spread over reduced volumes. The Trust is working with the operator to resolve the problems. Disputed pipeline fees in Taber of \$35,000, the \$130,000 in one-time turn-around costs in Grand Forks and Veteran and about \$0.50 per BOE in prior period costs also contributed to the increase above our expected \$11.00 per BOE level. For the nine month period ended September 30, 2005 operating costs totaled \$10,283,458 or \$11.80 per BOE versus \$1,659,181 and \$7.57 per BOE in the same period in 2004.

During the quarter Dynege Canada was successful in a claim before the Alberta Court of Queen's Bench for rent on a seven kilometre section of gathering line in the Taber area of southern Alberta. Total rent for the quarter owing under this claim was approximately \$35,000 and approximately \$105,000 on a year to date basis, which has been charged to operating expense. The pipeline was shut-in in September resulting in the loss of 42 BOE per day (12 BOE per day averaged over the quarter) and the arrangement was terminated eliminating any future claim by Dynege. The issue will be heard by the Alberta Energy and Utilities Board on November 16, 2005 pursuant to a Common Carrier Application filed by the Trust. It is anticipated that production will be restored shortly thereafter and reasonable fees will be applied to this section of pipeline.

iv. Netbacks

	2005			2004			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	S/BOE	S/BOE	S/BOE	\$/BOE	\$/BOE	\$/BOE	\$/BOE
Gross revenue after hedging	54.83	41.65	41.77	39.51	37.58	38.11	37.19
Royalties	7.99	6.00	7.82	7.67	6.58	6.12	5.07
Operating costs	12.07	12.51	10.63	7.20	7.37	8.61	6.29
Operating netback	34.77	23.15	23.32	24.64	23.63	23.38	25.83

1(b). Energy Services Revenue

Revenue for the Energy Services division totaled \$9,905,666 for the quarter ended September 30, 2005 versus \$1,493,312 for the quarter ended September 30, 2004, a 563% increase year over year. The increase reflects the inclusion of revenue from the new acquisitions made throughout 2005 and organic growth within the business unit. Further increases in the fourth quarter will result from inclusion of the Westvac acquisition for the full quarter and the industry's typical higher utilization rates in the winter. For the nine months ended September 30, 2005, revenues totaled \$20,727,179 versus \$1,493,312 for the nine months ended September 30, 2004 reflecting the acquisitions made throughout 2005 to date and the fact that the first energy services acquisition for the Trust only occurred at the beginning of the third quarter of 2004 and the acquisitions made throughout 2005 to date.

The Trust recognized revenue in the financial services business unit of \$47,681,876 for the quarter ended June 30, 2005 and \$48,434,778 for the six months ended June 30, 2005, up 20,897% and 12,567% respectively over the comparative second quarter and first six months of 2004 of \$227,092 and \$382,364, respectively. The increase is primarily due to the acquisition of Elbow River which provided \$46,492,110 in the period, as well as additional cheque cashing contracts that were added.

2. Financial Services Revenue

The Trust recognized revenue in the financial services business unit of \$73,405,265 for the quarter ended September 30, 2005 and \$121,833,203 for the nine months ended September 30, 2005, up 18,231% and 15,463% respectively over the comparative third quarter and nine months of 2004 of \$400,454 and \$782,818, respectively. The increase is primarily due to the acquisition of Elbow River which provided revenue of \$118,535,311 for the nine months ended September 30, 2005. Elbow River Marketing is a high revenue low margin (4.5% – 5.0%) brokerage marketing business. Additional cheque cashing contracts were also added.

3. Real Estate Revenue

The revenue from the Real Estate business unit for the quarter ended September 30, 2005 was \$820,405 compared to \$703,836 for the third quarter of 2004. For the nine months period ended September 30, 2005 revenue totaled \$2,206,063 compared to \$1,569,018 for the first nine months of 2004. The increase is primarily due to the Western Spirit Investments Ltd. acquisition that closed March 31, 2004, so no revenues were recorded in the first quarter of 2004.

General and Administrative Expenses

General and administrative (“G&A”) expenses for the quarter ended September 30, 2005 were \$3,931,891 compared to \$756,738 for the quarter ended September 30, 2004. For the nine months ended September 30, 2005 G&A expenses totaled \$8,400,825 compared to \$1,678,164 for the first nine months of 2004. Non-cash stock based compensation expense of \$764,662 is included in the nine months ended September 30, 2005 reflecting the increase in options as a result of new employees in the Trust’s respective divisions. G&A expenses on the split between the respective business units for the third quarter 2005 were: \$1,822,663 for oil and gas, \$1,629,046 for financial services, \$195,363 for real estate, \$3,555,552 for energy services and \$1,198,201 for corporate costs. The 401% increase in G&A expenses in the nine months of 2005 versus 2004 is the result of additional staffing costs associated with the increase in the Trust’s asset base from September 2004, with large staff components being added in energy services and Elbow River, the additional reporting and regulatory costs of being a TSX listed company and increased costs associated with multiple business units.

Depletion, Depreciation and Amortization

Provision for depletion, depreciation and amortization was \$8,371,452 in the quarter ended September 30, 2005, compared to \$1,742,712 for the third quarter of 2004 and \$18,878,903 for the nine months ended September 30, 2005 versus \$3,677,813 for the nine months ended September 30, 2004. The Trust’s depletion and depreciation rate in its oil and gas division was \$16.21 per BOE during the third quarter 2005 up from the \$15.35 per BOE rate in the third quarter of 2004. The depletion rate continues to reflect the historically high cost per BOE of acquisitions including Val Vista and Makah, in the current market. For the nine months ended September 30, 2005, \$12,738,210 of the depletion and depreciation cost was on oil and gas assets, \$3,901,709 of depreciation and amortization was in the energy services division, \$1,483,254 for amortization of intangibles in the financial services division and \$755,730 of depreciation and amortization was from real estate.

Asset Retirement Obligations

The total future asset retirement obligation was estimated by management based on the Trust's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Trust has estimated the net present value of its total asset retirement obligations to be \$9,730,898 as at September 30, 2005 based on a total future liability of \$28,878,021. These payments are expected to be made over the next 2 to 31 years. The Trust's credit adjusted risk free rate of 8.5% and an inflation rate of 2% were used to calculate the present value of the asset retirement obligation.

The following table reconciles the Trust's total asset retirement obligation:

	\$
Carrying amount, as at January 1, 2005	8,033,301
Oil and gas property acquisitions during the period	1,503,323
Oil and gas activities during the period	57,930
Abandonment costs incurred during the period	(462,888)
Asset retirement obligation accretion for the period	572,232
Carrying amount, as at September 30, 2005	9,730,898

Income Taxes

The Trust did not provide for current income taxes, as it expects that all taxable income will be passed to unitholders in the form of distributions. Future income tax recovery totaled \$2,023,551 for the three months ended September 30, 2005 and \$3,888,351 for the nine months ended September 30, 2005. The future income tax recovery for the nine months ended September 30, 2005 resulted from the recognition of the future tax benefits of the unrealized loss on the Trust's fixed price commodity transactions. In addition, the Trust recognized a small adjustment due to the recognition of future income tax benefits of loss carry forwards not previously recognized. 2005 capital tax of \$443,938 reflects the growth in the asset base of the Trust and the Saskatchewan resource surcharge for the Prime West properties versus \$30,516 recorded in 2004.

Interest Expense

Interest expense and bank fees were \$1,189,354 for the three months and \$2,376,125 for the nine months ended September 30, 2005. For the three and nine months ended September 30, 2004, interest expense and bank fees were \$252,384 and \$605,982. The 2005 figures reflect a 371% and 292% increase over the comparative 2004 figures. Interest expense for the third quarter of 2005 includes bank fees of \$138,948. The oil and gas division accounted for \$1,209,526 of the interest expense for the nine months ended September 30, 2005 primarily as a result of approximately \$30 million of debt that was carried for most of the first quarter of 2005 for the Prime West acquisition and approximately \$57 million of debt that was carried in the third quarter relating to the acquisition of Makah. The financial services division accounted for \$308,207 of interest expense the majority of which relates to the outstanding balance on the banking facility for Elbow River. Most of the remaining interest expense was in the real estate division where the Trust had \$14,008,063 in mortgages outstanding in the quarter ended September 30, 2005 versus September 30, 2004 where mortgages of \$12,241,600 were recognized.

Financial Instruments

The following table details those transactions that qualify for hedge accounting as at September 30, 2005. Under hedge accounting the unrealized loss below is not required to be reflected in the financial statements:

Commodities hedging contracts:			September 30, 2005
Settlement dates	Volume (bbl)	Prices \$/(bbl)	Unrealized gain (loss)
October 2005	260,966	33.92 – 102.90	(521,875)
November 2005	346,964	33.92 – 87.18	(456,780)
December 2005	537,119	33.92 – 80.64	(325,605)
January 2006	339,467	33.92 – 79.70	(394,960)
February 2006	122,305	33.92 – 79.55	50,780
March 2006	56,900	37.15 – 79.55	(137,441)
April 2006	28,000	65.84 – 79.55	(281,728)
May 2006	28,000	65.84 – 79.55	(288,196)
June 2006	28,000	65.84 – 79.55	(275,554)
	1,747,721		(2,631,359)
		Exchange rate	1.1775904
		Total CDN dollars	(3,098,663)

Forward exchange contracts:			September 30, 2005
Term Due	Amount	Forward Rates	Unrealized gain (loss)
October 2005	\$ 1,205,000	1.1611 – 1.2445	108,793
November 2005	(1,920,000)	1.1611 – 1.2295	25,020
December 2005	—	1.1611 – 1.2475	548,409
January 2006	4,839,000	1.1611 – 1.2272	295,466
February 2006	4,180,000	1.1611 – 1.2105	280,132
March 2006	4,755,000	1.1611 – 1.1762	77,080
April 2006	280,000	1.1611 – 1.2243	20,530
Total US dollars	\$ 13,339,000		1,355,430
Exchange rate	1.1775904		1.1775904
Total CDN dollars	\$ 15,707,878		1,596,141

The net unrealized loss of \$1,502,522 is offset by the increase in the market value of the inventory over the carrying cost as at September 30, 2005.

The following table presents those transactions that do not qualify for hedge accounting together with a reconciliation of the risk management liability and the deferred financial instrument loss as at September 30, 2005. These amounts are reflected in the financial statements as unrealized loss on financial instruments:

	\$
Risk management asset (liability), January 1, 2005	1,147,127
Change in mark-to-market unrealized gain (loss)	(7,698,333)
Change in recognized loss relating to expired contracts	12,416
Risk management asset (liability), September 30, 2005	(6,538,791)

The Trust has the following fixed price forward contracts outstanding (note: these do not qualify for hedge accounting):

- A fixed price AECO natural gas swap for the period November 1, 2004 to October 31, 2006 on 700 gigajoules ("GJ")/day of gas at a price of \$7.17 Cdn/GJ
- A fixed price AECO natural gas swap for the period November 1, 2006 to October 31, 2007 on 700 GJ/day of gas at a price of \$6.64 Cdn/GJ
- A fixed price WTI swap for the period January 1, 2005 to December 31, 2006 on 200 barrels/day of crude oil at a price of \$40.50 US/Bbl
- A fixed price WTI collar for the period November 1, 2004 to October 31, 2007 on 70 barrels/day of crude oil with a floor price of \$38.00 US/Bbl and a ceiling price of \$44.65 US/Bbl
- A fixed price WTI floor for the period December 1, 2004 to November 30, 2007 on 170 barrels/day of crude oil with a floor price of \$40.00 US/Bbl
- A fixed price WTI floor for the period from July 1, 2005 to June 30, 2006 on 200 barrels/day of crude oil with a floor of \$52.50 and the Trust participates in 75% of the upside above the floor price

The Trust's financial instruments that are exposed to credit risk consist primarily of trade accounts receivable and financial services contracts. Although a substantial portion of trade receivables is dependant upon the strength of the Canadian oil and gas industry, management considers credit risk to be minimal. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses.

With respect to derivative financial instruments, the Trust could be exposed to losses if the counter party fails to perform in accordance with the terms of the contract. This risk is managed by diversifying the portfolio among counter parties meeting certain financial criteria.

The Trust's financial services contracts are with an affiliate of RentCash and with a chain of cash advance stores. The stated return on the financial services contracts and the principal are subject to significant credit risk. The Trust has attempted to mitigate this risk by advancing amounts to various counterparties; however, some credit risk remains. Under the Trust's revenue recognition policy, fees earned on these contracts are adjusted to reflect anticipated credit losses. No credit loss provision currently exist, but a credit loss provision will be established when management deems the risk to be significant.

The Trust is exposed to interest rate fluctuations on its bank indebtedness, which is tied to Canadian bank prime rate. In addition, given the fixed fee nature and the long period to maturity of the financial services contracts, a significant change in interest rates will affect the value of these contracts.

Liquidity and Debt

At September 30, 2005 in relation to its oil and gas division, the Trust has a combined revolving demand facility with a syndicate of two major Canadian banks in the amount of \$47,000,000 bearing interest ranging from prime plus one-quarter of one percent to prime plus one percent depending on the debt to cash flow ratio of the Trust. The revolving facility is collateralized by a floating charge debenture over all of the Trust's assets. In addition, the Trust entered into a bridge facility for \$15,000,000, bearing interest at bank prime plus two percent. As at September 30, 2005, \$42,700,000 was drawn on the revolving demand facility, and \$15,000,000 was drawn on the bridge facility. The current debt outstanding is \$nil, as debt was reduced on October 4, 2005 in conjunction with the close of the equity financing.

In relation to the Trust's energy service division, the Trust has an extendible revolving loan facility with another major Canadian bank in the amount of \$5,000,000 bearing interest at prime plus one-half of one percent. As well the Trust has an extendible revolving term loan facility with a syndicate of two Canadian banks in the amount of \$20,000,000 bearing interest at prime plus three-quarters of one percent. These facilities are available for the operations and acquisitions in the energy services division. As at September 30, 2005, \$1,830,408 was drawn on the revolving loan facility, \$8,395,000 was drawn on the revolving term loan facility. The current debt outstanding is \$8,930,000, as debt was reduced on October 4, 2005 in conjunction with the close of the equity financing.

The Trust also has a demand revolving loan with a Canadian bank through its subsidiary Elbow River Marketing Partnership in the amount of \$30,000,000 and a foreign exchange loan in the amount of \$10,500,000 bearing interest at bank prime plus one quarter of a percent or US bank's base rate plus one quarter of a percent. The facility is primarily used to provide credit for natural gas liquids inventory purchases and increases or decreases over the course of the year with the changes in inventory. As at September 30, 2005 \$17,691,761 was drawn on this facility. The current debt outstanding is \$18,043,620.

On September 1, 2005 the Trust borrowed an additional \$7,500,000 from a third-party bearing interest at 12% to fund additional opportunities in its Elbow River Marketing division.

The effective average interest rate on borrowings under these lines for the nine months ended September 30, 2005 including services fees was 5.33% (September 30, 2004 – 6.40%).

As at September 30, 2005, the Trust also had twenty letters of credit outstanding in the aggregate maximum amount of \$6,092,144. To Provide Elbow River Marketing Partnership with additional credit on natural gas liquids inventory purchases, the Trust also has guarantees to third parties for an amount up to \$19,845,716.

Payments due by period

	Total	Less than 1 year	1 – 3 years	4+ years
Mortgages	14,008,063	1,385,957	7,997,989	4,624,117
Long-term debt	2,585,229	518,071	2,052,890	14,268
Lease Commitments	13,805,995	914,211	9,655,449	3,236,335
Total Contractual Obligations	30,399,287	2,818,239	19,706,328	7,874,720

Ongoing operations and capital expenditures will be managed by existing funds from operations and the availability of the Trust's current revolving demand facility and proposed future financings. The Trust renewed two mortgages, one totaling \$2,290,000 for a 5 year term at a rate of 4.849% and another totaling \$1,631,296 for a nine month term at a rate of 4.25%.

Capital Expenditures

	Quarter Ended September 30, 2005	Quarter Ended September 30, 2005
	\$	\$
Land	188,343	311,368
Drilling	1,114,928	2,231,860
Production equipment and facilities	1,390,359	2,530,519
Other	424,618	556,373
Development expenditures	3,118,248	5,630,120
Oil and gas acquisitions	28,428,754	41,197,424
Energy services acquisitions	5,075,609	32,205,585
Financial services acquisitions	12,765	52,629,213
Real estate acquisitions	—	2,915,290
Oil and gas property acquisitions	248,370	248,370
Financial services development expenditures	5,047,105	5,102,435
Real estate development expenditures	—	162,355
Energy services property and equipment	1,391,984	7,049,955
Proceeds received on oil and gas property dispositions	(1,301,089)	(1,441,319)
Proceeds received on energy services dispositions	(22,000)	(40,575)
Proceeds received on real estate property dispositions	—	(3,718,797)
Other assets	67,650	218,168
Net capital expenditures	42,067,396	142,158,224
Property and equipment September 30, 2005	206,371,472	206,371,472

Contractual Obligations

The contracts outstanding with respect to the physical deliveries of oil and gas as at September 30, 2005 are as follows:

- A physical fixed price sale for the period November 1, 2004 to October 31, 2005 on 700 gigajoules/day of gas at a price of \$5.94/ gigajoule.
- A physical fixed price sale for the period November 1, 2004 to October 31, 2007 on 1,050 gigajoules/day of gas at a price of \$6.55/ gigajoule.
- A physical fixed price sale for the period April 1, 2005 to October 31, 2005 on 750 gigajoules/day of gas at a price of \$6.70/ gigajoule.

The Trust has various long-term lease commitments with respect to its premises, equipment and rail car leases, with lease terms ranging from one to nine years.

The payments over the remaining terms are as follows:	\$
2005	914,211
2006	3,560,147
2007	3,261,845
2008	2,833,457
2009	1,854,071
2010	1,069,721
2011	290,313
2012	22,230
	13,805,9956

Unitholders' Capital

Trust Units	Number of Units	Amount \$
Balance December 31, 2004	11,671,524	84,662,250
Units issued on financing March 21, 2005	11,605,504	126,499,993
Units issued on Val Vista Acquisition	1,121,545	12,000,532
Trust unit issue costs	—	(8,213,562)
Balance at March 31, 2005	24,398,573	214,949,213
Units issued on Val Vista Acquisition	62,227	665,829
Balance at June 30, 2005	24,460,800	215,615,042
Units issued on the Westvac Acquisition	170,454	2,250,000
Balance at September 30, 2005	24,631,254	217,865,042

For the three months ended September 30, 2005, the Trust had a weighted average number of trust units outstanding of 24,518,236 (September 30, 2004 – 7,199,303) reflecting the inclusion of the units issued in the Trust's financings since September 30, 2004. During the quarter 55,000 options were granted at an average strike price of \$11.20. The Trust has currently granted approximately 40% of the number of options approved by unitholders.

Related Party Transactions

During the three months ended September 30, 2005, the Trust paid \$31,259 (September 30, 2004 – \$25,092) to Avenir Capital Corporation ("Avenir"), a significant unitholder of the Trust, for rent, administration and advisory services. Included in accounts payable and accrued liabilities is \$17,334 owing to Avenir relating to administration and advisory services and \$120,298 owing to Avenir relating to the acquisition of certain oil and gas properties in 2004.

During the three and nine months ended September 30, 2005, the Trust incurred marketing fees of \$18,000 and \$54,000 (September 30, 2004 – \$nil) payable to a company with a director who is also a unitholder of the Trust. Of this balance \$18,000 is included in accounts payable and accrued liabilities as at September 30, 2005.

In the period ended September 30, 2005, the Trust paid \$500,000 to a non-management director of the Trust for financial consulting fees relating to services provided in connection with the closing of an acquisition and have been recorded as transaction costs.

Risks and Uncertainties

Federal Government Income Trust Review

On September 5, 2005, the Federal Government of Canada issued a consultation paper regarding the income trust sector and began a period of discussion with the tax department, and affected stakeholders. The process is supposed to address a number of economic issues and not focus solely on potential tax leakage around the current Trust structure. That said, the current consultation paper, and signals out of Ottawa, have had a negative impact on the market value of the Trust sector at large. Currently there is no certainty as to the outcome or timing of the consultation process, and what the impact will be on Avenir Trust, but it may potentially include some form of taxation on the Trust sector.

Business Risks

Within each of the business units of the Trust there are a number of risks that can affect the amount of funds available for distribution to unitholders and the ability to grow. These risks include but are not limited to:

a) Oil and Gas

- Fluctuations in commodity prices, exchange rates and interest rates;
- Government and regulatory risk with respect to royalty and income tax regimes;
- Operational and geological risk that may affect the quality and recoverability of reserves; and
- Capital markets risk and the ability to finance future growth.

b) Energy Services

- Seasonality with lower second quarter and higher fourth and first quarter activity;
- Commodity prices and health of oil and gas production companies;
- Availability of skilled workers;
- Ability to retain key customers; and
- Environmental and safety risks.

c) Financial Services

Cheque cashing:

- Negative regulatory regime change in payday loan business; and
- Key relationship in financial services business with payday loan provider;

Elbow River:

- Energy market division relies on rail transportation; and
- Ability to maintain key customer relationships to protect energy market revenues.

d) Real Estate

- Interest rates and strong economic environment are key drivers in real estate division; and
- Loss of key tenants could impact real estate profits due to large fixed expenditures relating to commercial properties.

The Trust strives to mitigate these risks by:

- Following a diversification strategy – no individual risk could have a significant impact on the Trust's results;
- Employing experienced incentivized personnel in all divisions;
- Hedging energy marketing transactions to lock in margins;
- Fixing commodity prices on a portion of oil and gas volumes to ensure stability of cash available for distribution and to support acquisition economics;
- Marketing to selected credit worthy customers
- Proactively working with payday loan association and government to regulate the payday loan industry
- Maintaining prudent financial leverage;
- Managing mortgage terms to rental leases and monitoring financial status of tenants;
- Adhering to strict environmental, health and safety programs; and
- Maintaining strong relationships with investment community and capital providers.

For a discussion of additional business risks, see "Risk Factors" detailed in the Annual Information Form dated March 31, 2005 available on SEDAR (www.sedar.com).

Recent Accounting Pronouncements

Comprehensive Income, Financial Instruments and Hedges

The CICA issued new standards in early 2005 for Comprehensive Income (CICA 1530), Financial Instruments (CICA 3855) and Hedges (CICA 3865), which will be effective for the reporting year-end 2007. The new standards will bring Canadian rules in line with current rules in the US. The standards will introduce the concept of "Comprehensive Income" to Canadian GAAP and will require that an enterprise (a) classify items of comprehensive income by their nature in a financial statement and (b) display the accumulated balance of comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. Derivative contracts will be carried on the balance sheet at their mark-to-market value, with the change in value flowing to either net income or comprehensive income. Gains and losses on instruments that are identified as hedges will flow initially to comprehensive income and be brought into net income at the time the underlying hedged item is settled. It is expected that this standard will be effective for the Trust's 2007 reporting. Any instruments that do not qualify for hedge accounting will be marked-to-market with the adjustment (tax effected) flowing through the income statement.

Outlook

Results for the third quarter were at or ahead of forecast with particular strength in energy services and commodity prices in our oil and gas division. With the fourth quarter and first quarter being the Trust's traditional strong quarters due to seasonal strengths in energy services and natural gas liquids marketing, the Trust is positioned operationally for a very robust six months. Record cashflow, low pay-out ratio and balance sheet strength affords Avenir the ability to take advantage of opportunities and review our current distribution level. It is the current uncertainty surrounding government review of the income trust sector and potential taxation impacts, however, that make it very difficult to make prudent business decisions when we do not know the rules.

For additional information on the Trust, including the Annual Information Form (AIF), please go to the company's profile on SEDAR at www.sedar.com or the Trust's website at www.avenirtrust.com.

Submitted on behalf of the Board of Directors by:



WILLIAM M. GALLACHER
President & CEO



GARY DUNDAS
Vice President Finance & CFO

FORWARD LOOKING STATEMENTS

Except for historical financial information contained herein, the matters discussed in this document may be considered forward-looking statements. Such statements include declarations regarding management's intent, belief or current expectations. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties; actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is of a preliminary nature and may be subject to further adjustment, (ii) the possible unavailability of financing, (iii) risks related to the exploration and development of oil and gas properties, (iv) the impact of price fluctuations and the demand and pricing for oil and natural gas, (v) the seasonal nature of the business, (vi) start-up risks, (vii) general operating risks, (viii) dependence on third parties, (ix) changes in government regulation, (x) the effects of competition, (xi) dependence on senior management, (xii) financial condition of real estate tenants and financial services counterparts, (xiii) impact of the Canadian economic conditions or the demand for real estate leasing opportunities, (xiv) fluctuations in currency exchange rates and interest rates.

CONSOLIDATED BALANCE SHEETS

	September 30, 2005 \$ (unaudited)	December 31, 2004 \$
ASSETS [note 4]		
Current		
Cash and cash equivalents	127,666	327,217
Restricted cash [note 5]	364,539	160,227
Accounts receivable and prepaid expenses	55,243,662	9,847,972
Inventory	27,588,901	—
Marketable securities	12,515	—
Risk management asset [note 10]	—	1,147,127
	83,337,472	11,482,543
Property and equipment [notes 2, 5 and 6]	206,371,472	120,822,688
Investment in financial services contracts	20,446,005	12,472,055
Intangibles and other assets [notes 2 and 3]	21,737,740	2,356,422
Goodwill	69,334,007	8,181,145
	401,226,507	155,314,853
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness [note 4]	85,617,169	31,475,000
Accounts payable and accrued liabilities [note 12]	47,920,942	9,470,009
Distributions payable	2,802,725	1,237,182
Deferred revenue	200,439	230,805
Due to non-controlling interest owner	108,020	66,667
Risk management liability [note 10]	6,538,791	—
Notes payable [note 4]	7,500,000	—
Current portion of capital lease obligations	—	32,459
Current portion of long-term debt [note 6]	1,243,510	693,888
Current portion of mortgages [note 5]	4,273,610	5,024,920
	156,205,206	48,230,930
Long-term debt [note 6]	1,341,719	911,775
Mortgages [note 5]	9,734,453	7,108,761
Asset retirement obligation [note 7]	9,730,898	8,033,301
Future income taxes	19,916,099	9,626,982
Non-controlling interest [note 11]	987,517	259,755
Commitments [note 4]		
Unitholders' equity		
Unitholder capital [note 8]	217,865,042	84,662,250
Contributed surplus [note 8]	1,086,726	322,064
Accumulated earnings	13,416,863	4,684,187
Accumulated cash distributions	(29,058,016)	(8,525,152)
	203,310,615	81,143,349
	401,226,507	155,314,853

See accompanying notes to the consolidated financial statements.

On behalf of the Board



Director



Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED EARNINGS

(unaudited)	Three months ended		Nine months ended	
	Sept 30, 2005 \$	Sept 30, 2004 \$	Sept 30, 2005 \$	Sept 30, 2004 \$
REVENUE				
Oil and gas revenue	17,905,399	3,534,847	41,163,004	8,416,832
Oil and gas transportation costs	(276,103)	(98,162)	(585,132)	(173,919)
Royalties, net of ARTC	(2,567,784)	(601,687)	(6,332,979)	(1,317,879)
Unrealized gain (loss) on financial instruments	(2,504,278)	(196,437)	(7,698,333)	(582,738)
	12,557,234	2,638,561	26,546,560	6,342,296
Real estate revenue	820,405	703,836	2,206,063	1,569,018
Energy services revenue	9,905,666	1,493,312	20,727,179	1,493,312
Financial services revenue	73,405,265	400,454	121,833,203	782,818
Interest and other revenue	159,356	89,850	235,643	103,814
Gain on sale of property and equipment	—	—	228,435	—
	96,847,926	5,326,013	171,777,083	10,291,258
EXPENSES				
Oil and gas operating	3,881,114	696,545	10,283,458	1,659,181
Real estate operating	274,790	231,978	681,970	665,144
Energy services operating	4,743,543	776,158	10,436,988	776,158
Financial services operating	68,870,773	—	114,161,078	—
General and administrative [notes 9 and 12]	3,931,891	756,738	8,400,825	1,678,164
Foreign exchange	554,600	—	524,968	—
Short-term interest and bank fees	898,174	13,955	1,676,803	141,654
Long-term interest	291,180	238,429	699,322	464,328
Capital taxes	190,389	19,206	443,938	30,516
Depletion, depreciation and amortization	8,371,452	1,742,712	18,878,903	3,677,813
Asset retirement obligation accretion [note 7]	202,186	44,059	572,232	113,908
	92,210,092	4,519,780	166,760,485	9,206,866
Income before income tax and non-controlling interest	4,637,834	806,233	5,016,598	1,084,392
Future income tax recovery	2,023,551	—	3,888,351	—
Net income before non-controlling interest	6,661,385	806,233	8,904,949	1,084,392
Non-controlling interest [note 11]	(69,173)	(25,634)	(172,274)	(25,634)
Net income for the period	6,592,212	780,599	8,732,675	1,058,758
Accumulated earnings, beginning of the period	6,824,651	947,895	4,684,188	669,736
Accumulated earnings, end of the period	13,416,863	1,728,494	13,416,863	1,728,494
Net income per unit basic and diluted [note 8]	0.27	0.11	0.42	0.24

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended		Nine months ended	
	Sept 30, 2005 \$	Sept 30, 2004 \$	Sept 30, 2005 \$	Sept 30, 2004 \$
OPERATING ACTIVITIES				
Net income for the period	6,592,212	780,599	8,732,675	1,058,758
Add (deduct) non-cash items:				
Gain on sale of property and equipment	—	—	(228,435)	—
Non-cash general and administrative [note 9]	356,239	42,597	764,662	129,888
Depletion, depreciation and amortization	8,371,452	1,742,712	18,878,903	3,677,813
Asset retirement obligation accretion	202,186	44,034	572,232	113,883
Unrealized foreign exchange	288,181	—	288,181	—
Unrealized (gain) loss on financial instruments	2,504,278	196,437	7,698,333	582,738
Future income tax recovery	(2,023,551)	—	(3,888,351)	—
Non-controlling interest	69,173	—	172,274	—
Funds from operations	16,360,170	2,806,379	32,990,474	5,563,080
Asset retirement costs incurred during period	(462,888)	—	(462,888)	—
Change in non-cash working capital	(16,077,500)	(128,042)	(33,465,291)	231,576
Cash provided by operating activities	(180,218)	2,678,337	(937,705)	5,794,656
FINANCING ACTIVITIES				
Issue of trust units, net of issue costs	—	(6,924)	118,286,432	26,373,202
Distributions to unitholders	(8,237,671)	(1,627,797)	(18,967,322)	(3,166,813)
Increase (decrease) in bank indebtedness	42,257,051	33,650,000	42,882,268	29,145,000
Increase in notes payable	7,500,000	—	7,500,000	—
Repayment of subordinated debt	(192,271)	—	(192,271)	—
Increase in mortgages	203,411	—	4,118,411	—
Repayment of mortgages	(110,758)	(103,821)	(2,244,029)	(205,730)
Repayments of capital lease obligations	—	(15,440)	(32,459)	(45,411)
Increase in long-term debt	35,914	—	232,979	542,258
Repayment of long-term debt	(400,477)	(354,673)	(806,654)	(896,930)
Change in non-cash working capital	(43,009)	—	283	—
Cash provided by financing activities	41,012,190	31,541,345	150,777,638	51,745,576
INVESTING ACTIVITIES				
Purchase of Western Spirit Investments Ltd.	—	(60,010)	—	(3,218,697)
Purchase of Cascade Services Partnership	—	(10,678)	—	(3,492,451)
Purchase of Indy Oilfield Ltd.	—	(265,961)	—	(265,961)
Purchase of Val Vista Energy Ltd. [note 2]	(258,406)	—	(13,027,076)	—
Purchase of Eagle Oilfield Services Ltd.	—	—	(771,833)	—
Purchase of Elbow River [note 2]	(12,765)	—	(52,629,213)	—
Purchase of Endless Tubing [note 2]	—	—	(11,178,600)	—
Purchase of Millard	—	—	(7,775,852)	—
Purchase of Cardinal	(15,088)	—	(7,418,779)	—
Purchase of Westvac	(5,060,521)	—	(5,060,521)	—
Purchase of Makah [note 2]	(28,170,348)	—	(28,170,348)	—
Oil and gas property acquisitions	(248,370)	(32,691,326)	(248,370)	(44,388,772)
Oil and gas property disposals	1,301,089	18,137	1,441,319	1,251,503
Oil and gas development expenditures	(3,118,248)	(511,664)	(5,630,120)	(955,896)
Financial services development expenditures	(5,047,105)	—	(5,102,435)	—
Purchase of energy services assets	(1,391,984)	(421,233)	(7,049,955)	(421,233)
Net proceeds on sale of energy services assets	22,000	—	40,575	—
Purchase of other assets	(67,650)	(11,590)	(218,168)	(37,150)
Purchase of financial services contracts	(1,505,550)	(4,376,441)	(11,018,930)	(6,019,013)
Redemption of financial services contracts	3,000,000	—	3,000,000	—
Purchase of real estate properties	—	—	(2,915,290)	—
Real estate development expenditures	—	—	(162,355)	—
Proceeds on sale of real estate properties	—	—	3,718,794	—
Change in restricted cash	(202,974)	—	(204,312)	(338,950)
Change in non-controlling interest	(88,889)	(2,144)	313,465	(2,144)
Changes in non-cash working capital	160,503	220,366	28,520	548,829
Cash used in investing activities	(40,704,306)	(38,112,544)	(150,039,484)	(57,339,935)
Increase in cash and cash equivalents during the period	127,666	(3,892,862)	(199,551)	200,297
Cash and cash equivalents, beginning of period	—	4,350,031	327,217	256,872
Cash and cash equivalents, end of period	127,666	457,169	127,666	457,169
Cash interest paid	722,865	248,339	1,857,350	587,231

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2005 and 2004 (unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Avenir Diversified Income Trust (the "Trust") have been prepared by management in accordance with Canadian generally accepted accounting principles and in a manner consistent with the accounting policies in the audited consolidated financial statements of the Trust for the year ended December 31, 2004. Certain information has been condensed or omitted although the Trust believes that the disclosures are adequate to make the information presented not misleading. The following notes are incremental to and should be read in conjunction with the 2004 audited consolidated financial statements.

The operating results for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the full fiscal year revenues and expenses during the reporting period, due to seasonal factors. The Trust's energy services and natural gas marketing divisions traditionally have stronger results in the first and fourth quarters of the fiscal year. In energy services the requirement for services increases in the winter months while spring and parts of the summer months are negatively affected by the weather and access problems. In the natural gas liquids marketing business colder winter weather also provides more opportunities for sale of propane and butane. Actual results may differ from those estimates.

Certain comparative figures have been reclassified to conform with current period presentation.

2. ACQUISITIONS

The following acquisitions represent those which were completed during the period that were significant acquisitions to the Trust.

a) Val Vista Energy Ltd.

On March 24, 2005 the Trust acquired the outstanding shares of Val Vista Energy Ltd. ("Val Vista"), for total consideration of \$25,693,437 consisting of cash of \$11,845,158, estimated transaction costs of \$1,181,918 and the issuance of 1,183,772 Trust Units at \$10.70 per unit. The Trust Units were valued based on the average fair market value of the units immediately prior to the date the acquisition was announced.

Results from operations for Val Vista are included in the Trust's consolidated financial statements from the closing date of acquisition. The transaction has been accounted for using the purchase method of accounting as follows:

	\$
Calculation of purchase price:	
Cash consideration	11,845,158
Trust units issued	12,666,361
Estimated transaction costs	1,181,918
	25,693,437
Allocation of purchase price:	
Non-cash working capital	(89,869)
Property and equipment	26,610,223
Goodwill	11,418,146
Bank indebtedness	(5,455,894)
Asset retirement obligation	(805,700)
Future income taxes	(5,983,469)
	25,693,437

b) Elbow River

On April 1, 2005 the Trust, through its financial services division, acquired all of the assets of Elbow River Resources Ltd. for \$57.8 million consisting of \$51.8 million cash and \$6 million of Trust Units. The Trust Units will be held in Escrow until certain conditions are met. Of the \$6 million of Trust Units, one third of \$2.5 million will be released to the Escrowed parties 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 and performance targets based on the latest budget of Elbow River are met. The remaining \$3.5 million in Escrowed Trust Units shall be released from escrow 120 days after the third fiscal year ending after the closing date of the transaction if Elbow River has achieved cumulative earnings before income taxes, depreciation and amortization of \$28.5 million or greater after giving effect to bonuses. These Escrowed Trust Units are considered part of the purchase price however due to the inability to estimate beyond a reasonable doubt the incremental amount of Escrowed Trust Units that will be issued; the \$6 million has not been reflected in the purchase price allocation or in these unaudited interim consolidated financial statements. However if the maximum number of Trust Units are issued there would be a decrease of \$0.01 in the basic and diluted earnings per unit for the three and nine months ended September 30, 2005. Trust Units were valued at \$10.90 per Trust Unit, based on the average fair market value of the units immediately prior to the date the acquisition was announced.

Results from operations for Elbow River are included in the Trust's consolidated financial statements from the closing date of acquisition. The transaction has been accounted for using the purchase method of accounting as follows:

	\$
Calculation of purchase price:	
Fair value of cash consideration	51,800,000
Estimated transaction costs	829,213
	52,629,213
Allocation of purchase price:	
Property and equipment	848,000
Customer relationships	2,393,000
Contracts	5,300,000
Tradename	8,100,000
Non-compete agreements	5,500,000
Goodwill	30,488,213
	52,629,213

c) Richmond Endless Tubing Services Ltd.

On April 15, 2005 the Trust acquired all of the issued and outstanding shares of Richmond Endless Tubing Services Ltd. ("Endless"), which provides coiled tubing services to the oil and gas industry, for net cash consideration of \$11,178,600. Transaction costs of the acquisition were approximately \$400,000.

Results from operations for Endless are included in the Trust's consolidated financial statements from the closing date of the acquisition. The transaction has been accounted for using the purchase method as follows:

	\$
Calculation of purchase price:	
Fair value of cash consideration	10,873,543
Estimated transaction costs	400,000
Less cash acquired	(94,943)
	11,178,600
Allocation of purchase price:	
Non-cash working capital	428,753
Property and equipment	6,248,620
Goodwill	5,667,691
Bonus and note payable	(1,166,464)
	11,178,600

d) Makah Energy Corporation

On August 5, 2005 the Trust acquired all of the issued and outstanding shares of Makah Energy Corporation ("Makah"), a private oil and gas company, for total cash consideration of \$27,418,997 including transaction costs.

Results from operations for Makah are included in the Trust's consolidated financial statements from the closing date of acquisition. The transaction has been accounted for using the purchase method of accounting as follows:

\$	
Calculation of purchase price:	
Cash consideration	26,392,310
Estimated transaction costs	1,026,687
Less cash received	751,351
	28,170,348
Allocation of purchase price:	
Non-cash working capital	(3,361,160)
Property and equipment	34,190,000
Goodwill	5,961,131
Asset retirement obligation	(724,623)
Future income taxes	(7,895,000)
	28,170,348

3. INTANGIBLES AND OTHER ASSETS

	September 30, 2005		
	Cost \$	Accumulated Depletion and Depreciation \$	Net Book Value \$
In-place leasing costs	2,383,588	603,925	1,779,663
Above market rent	142,559	44,909	97,650
Below market rent	(920,734)	(194,520)	(726,214)
Customer relationships	5,721,968	301,893	5,420,075
Contracts	2,393,000	233,350	2,159,650
Trade name	5,300,000	—	5,300,000
Non-compete agreements	8,100,000	810,000	7,290,000
Tenant improvement and leasing costs	566,840	149,924	416,916
	23,687,221	1,949,481	21,737,740

4. BANK INDEBTEDNESS

At September 30, 2005 in relation to its oil and gas division, the Trust has a combined revolving demand facility with a syndicate of two major Canadian banks in the amount of \$47,000,000 bearing interest ranging from prime plus one-quarter of one percent to prime plus one percent depending on the debt to cash flow ratio of the Trust. The revolving facility is collateralized by a floating charge debenture over all of the Trust's assets. In addition, as part of the acquisition of Makah, the Trust entered into a bridge facility for \$15,000,000, bearing interest at bank prime plus two percent. As at September 30, 2005, \$42,700,000 was drawn on the revolving demand facility, and \$15,000,000 was drawn on the bridge facility.

The Trust also has an extendible revolving loan facility with another major Canadian bank in the amount of \$5,000,000 bearing interest at prime plus one-half of one percent. In addition, the Trust has an extendible revolving term loan facility with a syndicate of two Canadian banks in the amount of \$20,000,000 bearing interest at prime plus three-quarters of one percent. These facilities are available for the operations and acquisitions in the Trust's energy services division. As at September 30, 2005, \$1,830,408 was drawn on the revolving loan facility and \$8,395,000 was drawn on the revolving term loan facility.

The Trust has a demand revolving loan with a Canadian bank in the amount of \$30,000,000 and a foreign exchange loan in the amount of \$10,500,000 bearing interest at bank prime plus one quarter of a percent or US bank base rate plus one quarter of a percent. The facility is primarily used to provide credit for natural gas liquids inventory purchases through its subsidiary Elbow River Marketing Partnership. As at September 30, 2005, \$17,691,761 was drawn on this facility.

The average effective interest rate on borrowings under all of the above lines for the nine months ended September 30, 2005 including services fees was 5.33% (September 30, 2004 – 6.40%).

As at September 30, 2005, the Trust also had twenty letters of credit outstanding in the aggregate amount of \$6,092,144.

To provide the Elbow River Marketing Partnership with additional credit on natural gas liquids inventory purchases, the Trust also has guarantees to third parties for a maximum of \$19,845,716. These guarantees provided by the Trust, to third party counterparties of Elbow River, require the Trust to be responsible for inventory settlements if Elbow River was unable to do so. The Trust has no specific assets pledged and the amounts exposed against the total outstanding guarantees will vary depending on the transactions in place at a specific point in time.

On September 1, 2005, the Trust borrowed an additional \$7,500,000 from a third party to fund additional opportunities in its Elbow River Marketing Division. The note payable bears interest at 12% and is repayable November 30, 2005 with the option to extend the due date based on mutual agreement of both parties.

5. MORTGAGES

	2005 \$
Various mortgages with interest rates ranging from 4.85% to 7.24% (weighted average rate of 5.23%), maturities from September 2006 to February 2010 and collateralized by first charge over the related properties, and restricted cash	14,008,063
Less current portion of mortgages	(4,273,610)
	9,734,453

Approximate principal repayments required to maturity are as follows:

	\$
2005	1,385,957
2006	6,754,777
2007	616,359
2008	626,853
2009	4,557,024
2010	67,093
	14,008,063

Upon maturity, the Trust intends to re-mortgage each of the properties.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using September 30, 2005 market rates for debt of similar terms. Based on these assumptions, the fair value of the mortgages as at September 30, 2005 has been estimated at \$14,235,244.

During the nine-month period ended September 30, 2005, the mortgages for two of the Trust's real estate properties matured. One mortgage was renewed for a total amount of \$2,290,000 at a rate of 4.849% for a term of 5 years. The second mortgage was renewed for a total amount of \$1,631,296 at a rate of 4.25% for a term of six months.

6. LONG-TERM DEBT

The Trust has the following long-term loans outstanding which are collateralized by energy services equipment:

	2005 \$
Various loans payable in monthly instalments with interest rates ranging from prime plus 1.8% to prime plus 2.65%, and maturities from January 2006 to September 2008	1,072,826
Various loans payable in monthly instalments with interest rates ranging from 0.00% to 10.95%, and maturities from November 2005 to November 2009	1,512,403
	2,585,229
Less current portion	(1,243,510)
	1,341,719

There is no significant difference in the carrying value of these loans versus the fair value as a majority of the loans were entered into during the last quarter of 2004 or have variable interest rates.

7. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligation was estimated by management based on the Trust's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Trust has estimated the net present value of its total asset retirement obligations to be \$9,730,898 as at September 30, 2005 based on a total future liability of \$28,878,021. These payments are expected to be made over the next 2 to 31 years. The Trust's credit adjusted risk free rate of 8.5% and an inflation rate of 2% were used to calculate the present value of the asset retirement obligation.

The following table reconciles the Trust's total asset retirement obligation:

	\$
Carrying amount, as at January 1, 2005	8,033,301
Oil and gas property acquisitions during the period [note 2]	1,530,323
Oil and gas activities during the period	57,930
Abandonment cost incurred during the period	(462,888)
Asset retirement obligation accretion for the period	572,232
Carrying amount, as at September 30, 2005	9,730,898

8. UNITHOLDERS' CAPITAL

a) Unitholders' capital

Authorized

Authorized capital consists of an unlimited number of Trust Units, without par value, and an unlimited number of Special Voting Units, without par value. No Special Voting Units have been issued to date.

Issued

Trust Units	Number of Units	Amount \$
Balance December 31, 2004	11,671,524	84,662,250
Units issued on financing March 21, 2005 (i)	11,605,504	126,499,993
Units issued on Val Vista acquisition	1,121,545	12,000,532
Trust unit issue costs (i) and (ii)	—	(8,213,562)
Balance March 31, 2005	24,398,573	214,949,213
Units issued on Val Vista acquisition (iii)	62,227	665,829
Balance June 30, 2005	24,460,800	215,615,042
Units issued on Westvac acquisition (iv)	170,454	2,250,000
Balance September 30, 2005	24,631,254	217,865,042

- (i) On March 21, 2005 the Trust completed a public offering by way of a prospectus for net proceeds of \$118,431,820. Costs associated with this offering amounted to \$8,068,173;
- (ii) Additional costs of \$145,389 associated with the Trust's public offering which was completed November 15, 2004 have been recorded.
- (iii) Represents additional units issued on final take up of 100% of the outstanding shares of Val Vista Energy Ltd.
- (iv) Trust Units issued in relation to the acquisition of Westvac Service Ltd. ("Westvac") on August 31, 2005.

b) Net income per unit

For the three and nine months ended September 30, 2005, the Trust had a weighted average number of trust units outstanding of 24,518,236 and 20,737,474, respectively (three and nine months ended September 30, 2004 – 7,199,303 and 4,409,696, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options resulting in a weighted average number of trust units outstanding for the three and nine months ended

September 30, 2005, of 24,606,392 and 20,737,474, respectively (three and nine months ended September 30, 2004 – 7,256,125 and 4,466,134, respectively).

c) Contributed surplus

The following table reconciles the movement in the contributed surplus balance:

	\$
Contributed surplus, beginning of period	322,064
Compensation expense [note 9]	764,662
Contributed surplus, end of period	1,086,726

9. STOCK-BASED COMPENSATION

The following table summarizes the status and changes during the period ended September 30, 2005:

	Number of options outstanding	Weighted average grant date exercise price
Outstanding, December 31, 2004	254,430	\$ 7.63
Granted	780,070	10.93
Expired	(1,100)	(9.13)
Outstanding, September 30, 2005	1,033,400	\$ 10.12
Exercisable, September 30, 2005	83,329	\$ 6.22

The following table summarizes information about the unit options outstanding at September 30, 2005:

Grant date exercise price	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
6.00	106,666	2.3	71,108
7.00	16,665	2.9	11,110
7.00	3,333	3.7	1,111
9.00	127,166	4.1	—
10.00	652,170	4.6	—
11.00	72,400	4.3	—
11.00	55,000	4.8	—
	1,033,400	3.9	83,329

The Trust recorded compensation expense and contributed surplus of \$356,239 and \$764,662 for the three and nine months ended September 30, 2005, respectively (three and nine months ended September 30, 2004 – \$42,597 and \$129,888). The total value of stock-based compensation of \$3,626,683 for those options issued to employees and directors was calculated using a Black-Scholes option-pricing model to estimate the fair value of stock options at the date of grant. The assumptions made for the options granted in 2005 include a volatility factor of expected market price ranging from 19.4% to 21.3%, a weighted average risk-free interest rate of 4.25%, an average dividend yield ranging from 11% to 12% and a weighted average expected life of the options of 5 years.

10. FINANCIAL INSTRUMENTS

The Elbow River Marketing division of the Trust sells natural gas liquids product in the United States and Canada, giving rise to significant exposure to market risks from foreign exchange rates and commodity price changes. The Trust uses derivative financial instruments to reduce risks including foreign exchange and commodities hedging contracts. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures.

The following table details those transactions that qualify for hedge accounting that are outstanding:

Commodities hedging contracts:			September 30, 2005
Settlement dates	Volume (bbl)	Prices \$/(bbl)	Unrealized gain (loss)
October 2005	260,966	33.92 – 102.90	\$ (521,875)
November 2005	346,964	33.92 – 87.18	(456,780)
December 2005	537,119	33.92 – 80.64	(325,605)
January 2006	339,467	33.92 – 79.70	(394,960)
February 2006	122,305	33.92 – 79.55	50,780
March 2006	56,900	37.15 – 79.55	(137,441)
April 2006	28,000	65.84 – 79.55	(281,728)
May 2006	28,000	65.84 – 79.55	(288,196)
June 2006	28,000	65.84 – 79.55	(275,554)
	1,747,721		\$ (2,631,359)
		Exchange rate	1.1775904
		Total CDN dollars	\$ (3,098,663)

Forward exchange contracts:			September 30, 2005
Term Due	Amount	Forward Rates	Unrealized gain (loss)
October 2005	\$ 1,205,000	1.1611 – 1.2445	\$ 108,793
November 2005	(1,920,000)	1.1611 – 1.2295	25,020
December 2005	—	1.1611 – 1.2475	548,409
January 2006	4,839,000	1.1611 – 1.2272	295,466
February 2006	4,180,000	1.1611 – 1.2105	280,132
March 2006	4,755,000	1.1611 – 1.1762	77,080
April 2006	280,000	1.1611 – 1.2243	20,530
Total US dollars	\$ 13,339,000		\$ 1,355,430
Exchange rate	1.177590		1.1775904
Total CDN dollars	\$ 15,707,878		\$ 1,596,141

The net unrealized loss of \$1,502,522 is offset by the increase in the market value of the inventory over the carrying cost as at September 30, 2005.

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The following table presents a reconciliation of the risk management liability and the deferred financial instrument losses or those transactions that do not qualify for hedge accounting:

	\$
Risk management asset (liability), January 1, 2005	1,147,127
Change in mark-to-market unrealized gain (loss)	(7,698,333)
Change in recognized loss relating to expired contracts	12,416
Risk management asset (liability), September 30, 2005	(6,538,791)

The Trust has the following fixed price forward contracts outstanding as at September 30, 2005:

- A fixed price AECO natural gas swap for the period November 1, 2004 to October 31, 2006 on 700 gigajoules ("GJ")/day of gas at a price of \$7.17 Cdn/GJ
- A fixed price AECO natural gas swap for the period November 1, 2006 to October 31, 2007 on 700 GJ/day of gas at a price of \$6.64 Cdn/GJ
- A fixed price West Texas Intermediate ("WTI") swap for the period January 1, 2005 to December 31, 2006 on 200barrels/day of crude oil at a price of \$40.50 US/Bbl
- A fixed price WTI collar for the period November 1, 2004 to October 31, 2007 on 70barrels/day of crude oil with a floor price of \$38.00 US/Bbl and a ceiling price of \$44.65 US/Bbl
- A fixed price WTI floor for the period December 1, 2004 to November 30, 2007 on 170barrels/day of crude oil with a floor price of \$40.00 US/Bbl
- A fixed price WTI floor for the period from July 1, 2005 to June 30, 2006 on 200barrels/day of crude oil with a floor of \$52.50 and the Trust participates in 75% of the upside above the floor price

11. NON-CONTROLLING INTEREST

As a result of its partnership structure in two of its energy services divisions, the Trust accounts for non-controlling interest as follows:

	2005 \$
Non-controlling interest, January 1, 2005	259,755
Adjustments to acquisition of Indy Oilfield Ltd.	37,762
Acquisition of Eagle Oilfield Ltd.	75,536
Acquisition of D&G assets	373,317
Acquisition of Westvac Service Ltd.	50,418
Capital contributions	218,455
Non-controlling interest in earnings for the nine months ended September 30, 2005	172,274
Distributions payable to non-controlling interest holders	(200,000)
Non-controlling interest, September 30, 2005	987,517

12. RELATED PARTY TRANSACTIONS

In addition to the related party transactions described elsewhere in these interim consolidated financial statements, the Trust entered into the following transactions with related parties during the period which are recorded at exchange amounts:

- During the three and nine months ended September 30, 2005, the Trust paid \$31,259 and \$91,047, respectively (three and nine months ended September 30, 2004 – \$25,092 and \$76,231, respectively) to Avenir Capital Corporation ("Avenir"), a significant unitholder of the Trust for rent, administration and advisory services. Included in accounts payable is \$17,334 owing to Avenir relating to administration and advisory services and \$120,298 owing to Avenir relating to the acquisition of certain oil and gas properties.
- During the three and nine months ended September 30, 2005, the Trust incurred marketing fees of \$18,000 and \$54,000, respectively (September 30, 2004 – \$nil) payable to a company with a shareholder who is also a director of the Trust. Of this balance \$18,000 is included in accounts payable and accrued liabilities as at September 30, 2005
- During the period the Trust paid \$500,000 to a non-management director of the Trust for consulting fees relating to services provided in connection with the closing of the Elbow River acquisition which has been recorded as transactions costs (see note 2).

13. SEGMENTED INFORMATION

The Trust determines its reportable segments based on the structure of its operations, which are primarily focused on four principal business segments – oil and gas, financial services, real estate and energy services. The accounting policies followed by these business segments are the same as those described in the summary of significant accounting policies.

The following is selected financial information for each business segment:

	For the three months ended		For the nine months ended	
	Sept 30, 2005 \$	Sept 30, 2004 \$	Sept 30, 2005 \$	Sept 30, 2004 \$
Revenue, net				
Oil and Gas	12,557,234	2,728,411	26,548,242	6,446,110
Financial Services	73,490,609	400,454	121,925,387	782,818
Real Estate	820,405	703,836	2,428,423	1,569,018
Energy Services	9,905,663	1,493,312	20,733,254	1,493,312
Corporate	74,015	—	141,777	—
	96,847,926	5,326,013	171,777,083	10,291,258

	For the three months ended		For the nine months ended	
	Sept 30, 2005 \$	Sept 30, 2004 \$	Sept 30, 2005 \$	Sept 30, 2004 \$
Operating expenses				
Oil and Gas	3,881,114	696,545	10,283,458	1,659,181
Financial Services	68,870,773	—	114,161,078	—
Real Estate	274,790	231,978	681,970	665,144
Energy Services	4,743,543	776,158	10,436,988	776,158
	77,770,220	1,704,681	135,563,494	3,100,483

	For the three months ended		For the nine months ended	
	Sept 30, 2005 \$	Sept 30, 2004 \$	Sept 30, 2005 \$	Sept 30, 2004 \$
Net income				
Oil and Gas	3,792,386	114,195	3,124,628	27,567
Financial Services	2,125,197	387,594	3,818,834	724,256
Real Estate	6,250	48,108	434,223	76,233
Energy Services	1,246,427	230,702	2,523,168	230,702
Corporate	(578,048)	—	(1,168,178)	—
	6,592,212	780,599	8,732,675	1,058,758

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September 30, 2005

	Oil and Gas \$	Financial Services \$	Real Estate \$	Energy Services \$	Total \$
Selected balance sheet items					
Property and equipment	148,640,783	844,010	19,421,718	37,464,961	206,371,472
Investment in financial services contracts	—	20,446,005	—	—	20,446,005
Intangibles	—	19,974,650	1,763,090	—	21,737,740
Goodwill	22,404,432	30,488,213	—	16,441,362	69,334,007
Total assets	185,883,300	128,962,434	21,797,760	64,583,013	401,226,507
Bank indebtedness	57,700,000	17,691,761	—	10,225,408	85,617,169
Mortgages	—	—	14,008,063	—	14,008,063
Long-term debt	—	—	—	2,585,229	2,585,229

14. SUBSEQUENT EVENTS

On July 11, 2005 the Trust announced it had reached an agreement to purchase the joint venture that is the sole shareholder of the Manager of EnerVest Diversified Income Trust, EnerVest Management Ltd. for approximately \$125,500,000. The transaction closed on October 4, 2005.

On October 4, 2005 the Trust completed a public offering involving the issuance of 15,510,300 Trust Units, including the over-allotment option for 3,652,550 Trust Units, at a price of \$12.65 per Trust Unit for gross proceeds of \$196,205,295. The net proceeds of the offering were used for the closing of the acquisition of the joint venture of the manager of the Enervest group of funds, to pay down its debt incurred on various acquisitions and for continued growth and development in the Trust's oil and gas, financial services, real estate and energy services operations.

On October 4, 2005, the Trust, in conjunction with the closing of the public offering noted above, paid off all outstanding bank debt in its oil and gas division including the \$15,000,000 bridge facility.

CORPORATE INFORMATION

Directors

William M. Gallacher^(2,3)
President & CEO

Gary Dundas
VP Finance & CFO

David E. Butler^(1,3)

Stuart Y. Chow^(2,3)

Jeffery Kohn

Alan Moon^(1,2)

William E. Patterson^(1,2)

1 Audit Committee

2 Governance and Compensation
Committee

3 Reserves Committee

Corporate Secretary

J.G. (Jeff) Lawson
Burnet, Duckworth & Palmer, LLP

Auditors

Ernst & Young, LLP

Bankers

National Bank of Canada
HSBC Bank Canada
Canadian Western Bank

Evaluation Engineers

McDaniel & Associates
Consultants Ltd.
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer, LLP

Transfer Agent

Olympia Trust Company

Officers & Key Personnel

William Gallacher, P.Eng
President & CEO

Gary Dundas, CMA, MBA
Vice President, Finance & CFO

Jill Koskimaki, BBA
Manager Bus. Development

Michelle O'Grady, CA
Controller

James Burns, P. Geol., MBA
COO, Energy

Grant Leslie, P. Eng.
VP Operations, Energy

Debbie Carter
Controller, Energy

Stuart King
Controller, Energy Services

EnerVest Management Ltd.
Kevin Wolfe, President
Ward Mallabone, COO

Elbow River Marketing LP
Ed Malcolm, President

Cascade Services LP
Ken Wagner, President

Cardinal Well Services LP
Troy Fisher, President

Endless Tubing LP
Steve Sykes, General Mgr.

Millard Oilfield Services LP
Clyde Moch, President

Westvac Energy Services Partnership
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