



AVENIR DIVERSIFIED INCOME TRUST

Avenir Diversified Income Trust Posts 2004 Year End Results

March 31, 2005 News Release

AVENIR DIVERSIFIED INCOME TRUST (the "Trust", TSX: AVF.UN) is pleased to announce the financial and operational results for the year ended December 31, 2004 and to announce they have filed the Management Discussion and Analysis and Audited Consolidated Financial Statements for the years ended December 31, 2004 and 2003 on SEDAR. An electronic copy of these documents may be obtained on the Trust's SEDAR profile at www.sedar.com, or the Trust's website at www.avenirtrust.com.

2004 FINANCIAL HIGHLIGHTS & YEAR IN REVIEW

For the year ended	December 31		
	2004	2003 (restated) ⁴	% Change
FINANCIAL			
Gross Revenue	25,047,961	5,219,610	380
Net Revenue	21,907,316	4,451,033	398
Cash Flow From Operations ¹	10,579,736	2,362,525	349
Cash Flow Per Unit ¹ - Basic	1.86	1.28	45
Distributions	6,671,281	1,853,871	260
Distributions Per Unit - Basic	1.17	1.01	16
Distribution Payout Ratio ²	63%	78%	19
% of Distributions Taxed as Income	75%	68%	10
Net Income (loss)	4,014,451	446,843	798
Net Income (loss) Per Basic Unit	0.71	0.24	196
Total Assets	155,314,853	22,430,980	592
Oil and Gas Working Cap. (Net Debt) ¹	(29,663,555)	(4,241,206)	599
Financial Services Working Cap. ¹	663,178	--	100
Real Estate Working Capital (Net Debt including mortgages) ¹	(14,360,246)	--	100
Energy Services Working Capital (Net Debt) ¹	(1,408,299)	--	100
Wtd. Avg. Common Shares Outstanding - Basic	5,685,210	1,841,437	209
Common Shares Outstanding	11,671,524	2,766,836	322
OPERATING			
Production			
Oil and NGL's – bbls per day	431	239	80
Gas – mcf per day	4,336	767	465
Total Boe ³ per day	1,153	367	214
Boe ³ per day Exit Rate	2,900	660	193
Average Pricing			
Oil & NGL (\$/Bbl) before hedging	44.11	36.19	22
Oil & NGL (\$/Bbl) after hedging	39.66	35.08	13
Natural Gas (\$/mcf)	6.46	5.97	8
Average Price Per Boe ³ before hedging	40.20	36.35	11
Average Price Per Boe ³ after hedging	38.53	35.62	8
Gross Reserves (Proved plus Probable 6:1)			
Natural Gas (Mmcf)	19,543.7	4,375.5	355
Oil & NGL (Mmbl)	3,849.9	730.0	429
Total (Mboe) ³	7,107.2	1,459.3	387

¹ Cash flow from operations, cash flow per unit, net back, and working capital (net debt) are not recognized measures under Canadian generally accepted accounting principles (GAAP). Cash flow from operations (referenced to in the Trust's consolidated financial statements as "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 investments, compensation expense, unrealized loss on financial instruments and unsuccessful acquisition and re-organizational costs. Working capital (net debt) is calculated by taking current assets less current liabilities not including current portion of 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 cash flow 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 "Cash Flow From Operations" and "Cash Flow 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.

² Distribution Payout Ratio is calculated by dividing the Distributions by the Cash Flow From Operations.

³ Natural Gas conversion ratio of 6:1

⁴ Certain comparative figures for prior years have been retroactively restated to incorporate the fifteen-for one unit consolidation and the retroactive application of the changes in accounting policies for asset retirement obligations and transportation charges, as described in notes 3 and 20 to the consolidated financial statements for the years ended December 31, 2004 and 2003

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.

President's Message

Avenir Diversified Income Trust continued to enjoy very good success during 2004. For the year-ended December 31, 2004, the Trust delivered a 38.5% return to unitholders, including \$2.25 per unit capital appreciation and \$1.104 per unit in distributions paid. Distributions were increased twice for a total of 20% and distributions represented a 63% payout of the cash flow for the year.

It was another year of growth. The market capitalization of the Trust grew from approximately \$24 million to \$130 million by the end of December 2004. The number of units outstanding increased with two financings, the first closed in June 2004 at a price of \$7.50 per unit for gross proceeds of \$28.75 million and the second closed in November 2004 at a price of \$9.00 per unit, for gross proceeds of \$40.25 million.

Since inception, the Trust has followed a corporate philosophy that combines the cash flow streams from three business units: Energy (oil & gas and energy services), Financial Services and Real Estate. The strategy of the Trust is to diversify risk and maintain attractive yields, with sustainable distributions. Through acquisition, the Trust has been able to successfully grow each of these business units accretively throughout 2004 and generate steady income and capital appreciation for unitholders. Over the next three years, the Trust will continue with this growth strategy, building each business unit to a size of independence. From the outset, the three business units have been organized to possess their own trust-like characteristics, operate independently, and be managed by experienced industry individuals, with significant input at the Trust level. Outlined next are the strategies of each business unit.

Within the Energy business unit, in the oil & gas division, we look to target opportunities of less than 1,000 boe per day which are too small for pure-play energy trusts, maintain the Trust's reserve life index at 6 to 8 years and hedge commodity price exposure. Within the energy services division, we look to continue to pursue diversification opportunities which are economic and accretive in the essential production services segment of the industry.

In our Financial Services business unit, our focus is on providing high-yield financial services contracts to businesses outside the energy and real estate industries. In this business unit we look for opportunities which allow us to wrap a contract around a stream of cash flow. We will look to further diversify this business unit's portfolio across multiple business lines.

The Real Estate business unit has proven to be the hardest to transact on throughout 2004 as we look to target and acquire real estate properties that will yield a 9-12% return. Our target range of leverage is 65% and in this business unit we will continue to identify properties that are too large for individual investors yet too small for other REIT's.

Highlights from 2004 includes:

- Listing on the TSX in July 2004;
- Completing two equity financings totaling \$69 million;
- Diversifying the Energy portfolio by expanding into the energy services sector;
- Increasing in distributions;
- Completing approximately:
 - \$74.3 million in oil and gas acquisitions;
 - \$5.8 million in energy services acquisitions;
 - \$9.2 million in financial services contracts; and
 - \$20.0 million real estate acquisition.

So far in 2005 to date, we have already completed a \$126.5 million equity financing at \$10.90 per unit, closed a \$29.6 million oil and gas acquisition and announced a \$57.8 million financial services acquisition.

We continue to evaluate opportunities in all three segments of our Trust and are confident that we will continue to grow in size, liquidity, diversity, cashflow and in distributions, as we have demonstrated since our inception. We will continue to implement a strategic commodity hedging program for a portion of our oil and gas production; this will provide some protection from price weakening but still provides the opportunity to participate in commodity price appreciation.

In closing, we would like to express our appreciation to our employees and consultants for their efforts, to our Board of Directors and our Advisors for their guidance, and to our unitholders for their continued support as we execute our business plan.

We look forward to a successful 2005.

Submitted on behalf of the Board of Directors by:

William M. Gallacher
President & CEO

Gary Dundas
Vice President Finance & CFO

REVIEW OF FINANCIAL RESULTS

The net income for the year ended December 31, 2004 was \$4,014,451 which is up 798% versus the \$446,843 net income for the year ended December 31, 2003. The Trust recorded net income of \$2,955,693 for the three months ended December 31, 2004 compared to a loss of \$72,767 for the three months ended December 31, 2003. The three months ended December 31, 2004 net income has been positively impacted by recognition of \$1,742,280 non-cash mark-to-market opportunity gain related to risk management contracts.

Cash flow from operations was \$10,579,736 for the year ended December 31, 2004, up 349% as cash flow for the year ended December 31, 2003 was \$2,362,525. The cash flow for the fourth quarter 2004 was \$4,991,022 or \$0.53 per unit up 485%, compared to the fourth quarter 2003 of \$853,418 or \$0.31 per unit. The increase in cash flow was primarily the result of the growth in the Trust's business units, including: oil and gas acquisitions made, continued high commodity prices, additional financial services contracts, and the initial inclusion of the Western Spirit real estate acquisition at the end of March 2004.

The Trust distributed \$6,671,281 or \$1.17 per unit for the year ended December 31, 2004 which is up 260% over the \$1,853,871 or \$1.01 per unit distributed for the year ended December 31, 2003. For the fourth quarter 2004 the Trust distributed \$3,053,499 (\$0.32 per unit), to unitholders compared to \$725,892 (\$0.26 per unit) for the quarter ended December 31, 2003. On August 19, 2004 the Trust announced a 10% increase in the monthly distribution beginning with the August distribution payable September 15, 2004. On December 16, 2004 the Trust announced a further 10% increase in the monthly distribution beginning with the December distribution payable January 15, 2005. The 2004 year end payout ration was 63% of cash flow and the fourth quarter payout was 60% of cash flow.

REVIEW OF BUSINESS UNIT OPERATIONS

I. ENERGY BUSINESS UNIT

a. OIL & GAS OPERATIONS

Operationally, the Oil and Gas business unit had an extremely busy year growing through acquisition with production increasing from 660 barrels of oil equivalent (boe) per day at the end of the fourth quarter 2003 to 2,990 boe per day at the end of the fourth quarter 2004.

On June 30, 2004, the Trust completed two oil and gas property acquisitions in two core areas, Northeast Alberta and Southern Alberta. The acquisitions totalled \$9.9 million (plus related costs and fees) and adds approximately 340 boe per day (82% gas and 18% light oil). The reserve life index for these properties, based on a proved plus probable reserve estimate was 8.0 years. The acquisition equated to approximately \$30,000 per producing boe, based on the stabilized production levels.

On September 30, 2004, the Trust acquired the shares of a private oil and gas company, from Lightning Energy Ltd. The \$32.7 million acquisition (plus related costs and fees), resulted in the Trust acquiring assets in N.E. British Columbia and Shekille and Central Alberta, with estimated production of approximately 1,000 boe per day (60% natural gas and 40% light oil). Several development prospects identified to provide growth through drilling or farm-out opportunities for the Trust. The reserve life index for the properties, based on the proved plus probable reserve estimate, is approximately 8.2 years. After accounting for \$2.5 million in undeveloped land and seismic, the acquisition equates to production and reserve valuations of approximately \$29,800 per producing boe.

Another acquisition was completed on December 17, 2004. Avenir closed the acquisition of various properties from PrimeWest Energy Inc. and PrimeWest Gas Corp. for \$30.0 million (plus related costs and fees). The acquisition provides Avenir with approximately 1,020 boe per day (80% light oil, 20% natural gas) of production and long life reserves in its core areas of southern Alberta and southwest Saskatchewan.

On March 28, 2005 the Trust announced that 91.38% of the issued and outstanding common shares of Val Vista Energy Ltd. ("Val Vista") have been tendered to the offer dated February 15, 2005 ("Offer") to purchase all of the issued and outstanding Val Vista shares. The Trust will proceed to take up and pay for all of the Val Vista shares deposited under the Offer. The Trust will also proceed to acquire all of the remaining outstanding Val Vista shares pursuant to the compulsory acquisition provisions of the Business Corporations Act. The consideration given to the Val Vista shareholders will be a combination of cash and Trust Units. The cash portion has a maximum of \$12, 666,600 and the maximum number of Trust Units to be issued is 1,183,795.

OIL AND NATURAL GAS RESERVES

To follow is a consolidated summary combining two reserve reports at December 31, 2004. The table is based on a McDaniel & Associates Consultants Ltd. ("McDaniel") Report dated March 2, 2005, evaluating the crude oil, natural gas, natural gas liquids and sulphur reserves of the Trust as at December 31, 2004, and a Gilbert Laustsen Jung Associates Ltd. ("GLJ") Report dated January 19, 2005, which was prepared for the PrimeWest Property Acquisition as at December 31, 2004. Both reports use McDaniel Price forecast at December 31, 2004. The tables summarize the data contained in the Reports and as a result may contain slightly different numbers than such reports due to rounding. Also due to rounding, certain columns may not add exactly. The recovery and reserve estimates of the Trust's oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

Reserves Data - Forecast Prices and Costs Summary of Oil and Gas Reserves Effective December 31, 2004

	Gross Reserves				Net Reserves			
	Light and Medium Crude Oil	Heavy Oil	Natural Gas Liquids	Natural Gas	Light and Medium Crude Oil	Heavy Oil	Natural Gas Liquids	Natural Gas
	Mbbls	Mbbls	Mbbls	Mmcf	Mbbls	Mbbls	Mbbls	Mmcf
Proved								
Developed Producing	2324.4	593	50	12533.6	2005.6	537.7	40.5	10441.2
Developed Non-Producing	43	81	5.9	879.8	35.2	74	4.4	757.5
Undeveloped	56	0	1	901.1	53	0	1	635.1
Total Proved	<u>2423.4</u>	<u>674</u>	<u>56.9</u>	<u>14314.5</u>	<u>2093.8</u>	<u>611.7</u>	<u>45.9</u>	<u>11833.8</u>
Total Probable	<u>558.6</u>	<u>117.3</u>	<u>19.7</u>	<u>5229.2</u>	<u>470.9</u>	<u>106.9</u>	<u>15.3</u>	<u>4202.4</u>
Total Proved plus Probable	<u>2982</u>	<u>791.3</u>	<u>76.6</u>	<u>19543.7</u>	<u>2564.7</u>	<u>718.6</u>	<u>61.2</u>	<u>16036.2</u>

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

The net present value of future net revenue attributable to the Trust's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by McDaniel and GLJ. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Trust's reserves estimated represent the fair market value of those reserves.

	Before Future Income Tax Expenses and Discounted at				
	0%	5%	10%	15%	20%
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved					
Developed Producing	81,842	70,429	62,441	56,417	51,672
Developed Non-Producing	6,455	5,631	5,035	4,580	4,218
Undeveloped	3,089	2,548	2,157	1,862	1,631
Total Proved	91,386	78,608	69,633	62,858	57,520
Total Probable	28,681	20,660	15,931	12,859	10,731
Total Proved plus Probable	120,066	99,268	85,564	75,717	68,251

	After Future Income Tax Expenses and Discounted at				
	0%	5%	10%	15%	20%
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved					
Developed Producing	74,098	63,116	55,504	49,813	45,364
Developed Non-Producing	4,448	3,895	3,390	3,018	2,731
Undeveloped	2,297	1,703	1,409	1,190	1,023
Total Proved	80,843	68,713	60,302	54,021	49,119
Total Probable	23,152	15,951	11,848	9,267	7,530
Total Proved plus Probable	103,995	84,664	72,150	63,288	56,649

Pricing Assumptions - Forecast Prices and Costs

McDaniel & GLJ employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2004 in estimating the Trust's reserves data using forecast prices and costs.

Summary of Pricing and Inflation Rate Assumptions As Of December 31, 2004 Forecast Prices And Costs

Year	Oil ⁽¹⁾				Natural Gas ⁽¹⁾			
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Hardisty Heavy 12° API (\$Cdn/bbl)	Cromer Medium 29.3° API (\$Cdn/bbl)	Natural Gas ⁽¹⁾ AECO Gas Price (\$Cdn/MMBtu)	Natural Gas Liquids Fob ⁽¹⁾ Field Gate (\$Cdn/BBL)	Inflation Rates ⁽²⁾ %/Year	Exchange Rate ⁽³⁾ (\$US/\$Cdn)
Forecast								
2005	42.00	49.60	29.40	43.50	6.65	37.20 ⁽⁴⁾	2.00	0.830
2006	39.50	46.60	29.90	40.90	6.40	35.10	2.00	0.830
2007	37.00	43.50	27.90	38.20	6.20	33.00	2.00	0.830
2008	35.00	41.10	26.30	36.00	5.90	31.20	2.00	0.830
2009	34.50	40.50	25.90	35.50	5.80	30.80	2.00	0.830

Notes:

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
- (2) Inflation rates for forecasting prices and costs. The inflation rate of two percent (2%) per annum is used to forecast the annual increase in oil and gas prices, operating costs and capital costs.
- (3) Exchange rates used to generate the benchmark reference prices in this table.
- (4) NGL mix based on 45% propane, 35% butane and 20% natural gasoline.

b. ENERGY SERVICES OPERATIONS

The June 30, 2004 acquisition of 90% of the Cascade Services Partnership ("Cascade") provided a strong entry into the energy services industry. Cascade provides vacuum truck, steaming and hydro-vac services to the energy, utility, and construction industries in Northeast British Columbia. The transaction was effected by way of a partnership structure whereby Cascade founder Ken Wagner retained a 10% partnership interest and remained with the Cascade Services Partnership as President and Chief Operating Officer. Mr. Wagner is responsible for all aspects of the day to day operations of the business. Aggregate consideration for this acquisition was approximately \$5.8 million and was comprised of \$3.8 million cash and the issuance of 266,667 Trust Units to the shareholders of Cascade at a deemed price of \$7.50 per unit.

On July 15, 2004, the Trust, expanded its Energy Services business unit with the purchase of Indy Oilfield Services for \$265,961. This acquisition provided the platform to expand the Trust/Cascade's hydro-vac, steaming and vacuum truck business into the Grande Prairie area of Northwest Alberta. In addition, eight hydro-vac and steaming trucks were purchased.

Subsequent to the year end, effective January 19, 2005, the Trust acquired Eagle Oilfield Services Inc. ("Eagle Oilfield") for an aggregate purchase price of \$800,000 less assumed debt and working capital of approximately \$150,000. Eagle Oilfield is now part of Cascade Services Partnership. Eagle Oilfield provides steaming, vacuum and pressure truck services in the Spirit River area outside Grande Prairie, Alberta.

With the completion of this acquisition, the Energy Services division has a total of 32 steaming, vacuum and pressure trucks in operation in northeast British Columbia and northwest Alberta.

II. FINANCIAL SERVICES BUSINESS UNIT REVIEW

At December 31, 2004 the Trust's financial services business unit, Avenir Financial Services Acquisition Corp. consisted of:

i. Financial Services Contracts

In January 2003, Avenir Financial acquired a financial services contract with an affiliate of a financial services provider, RentCash Inc. ("RentCash"), to provide funding of \$600,000 for a cash advance company. RentCash provides cash advance, cheque cashing and payday loan services. The Trust has expanded its business with RentCash and has entered into additional contracts that totalled \$8.9 million by the end of December 2004.

Each contract has terms as outlined below:

- A ten year life;
- The loan's callable in 30 days at the Trust's option;
- A payment of a fixed fee per amount provided per day at a rate of \$0.07 per \$100 loaned per day; and
- Collateralization of the loan by the end user.

Subsequent to the year end the Trust entered into an additional \$1.25 million contract and expects to add additional financial services contracts in 2005. Rentcash is a growing company and currently has over 140 Cash Stores and over 55 Insta-rent stores. The Trust expects to continue a relationship with Rentcash in the future as they grow.

ii. Subordinated Debenture

The Trust entered into respective three and four year debentures with RentCash and Pacrim Hospitality Inc. ("Pacrim") respectively. The debentures financed expansions in the respective companies and provide the Trust with 16% and 14% plus profit sharing returns.

Proposed Acquisition of Elbow River Resources Ltd.

Subsequent to year end, on February 6, 2005, the Trust announced that it had entered into an agreement to acquire Elbow River Resources Ltd. ("Elbow River"), a wholesale broker, transporter and supplier of butane to major refineries and propane to major retailers in the United States, Canada and Mexico. The proposed consideration is \$57.8 million, consisting of \$51.8 million cash and \$6 million in the form of escrowed Trust Units, subject to normal course purchase adjustments. Elbow River, established in 1984, is considered to be one of the largest wholesale brokers in Canada and United States in providing brokerage, marketing, logistics, transportation, storage and risk management services to the natural gas liquids market. They currently transact over 12,000 boe per day of liquids sales with approximately 160 customers and suppliers.

The team at Elbow River will operate separately under the Trust's umbrella of companies. All key employees are remaining on staff and have been incentivized to meet specific EBITDA performance targets over the next three years. The acquisition,

expected to close on or about April 1, 2005, expands Avenir's Financial Services business unit and continues a diversification strategy.

The suppliers and purchasers of Elbow River are generally the major oil and gas and chemical companies in Canada and the United States. Elbow River takes title of the product, arranges transportation and delivery, mainly by rail tank cars, with Elbow River paying for product and transportation. Product prices are normally determined by the spot market price. Elbow River has minimal product risk as the delivery price is generally fixed at the time that Elbow River takes title.

III. REAL ESTATE BUSINESS UNIT REVIEW

On March 31, 2004 the Trust closed its first real estate agreement when the Trust would acquired Western Spirit under a plan of arrangement. Western Spirit was a public real estate investment company with a portfolio consisting of five properties with approximately 433,000 square feet of leasable area. The properties are located in Toronto, London (Ontario), Calgary and Edmonton. Shareholders of Western Spirit received \$3 million in cash and approximately 332,500 trust units of Avenir. The Trust also assumed all of Western Spirit's outstanding debt, including mortgages, of approximately \$12.4 million. The Trust also issued to each Western Spirit shareholder one performance right for each Western Spirit share, each right entitling the holder to acquire 0.003333 of a trust unit, for no additional consideration, provided that, at any time on or prior to January 21, 2005, certain leasing conditions were met; however, the conditions were not met and the rights expired. A management company, Tonko Realty Advisors, administers the day to day operations of the Trust's real estate business unit.

The Trust's acquisition of Western Spirit Investments Ltd. was the founding corner stone to the real estate business unit. The Trust acquired five properties with long life leases including triple net fees (all costs are paid by the leasee including property management fees). In October 2004 the Trust approved a \$1,900,000 expansion on a building in London, Ontario when the current tenant needed to increase lease space. This added 29,343 square feet to the building. The expansion was substantially completed on February 3, 2005, and includes a 10 year triple net fee lease at an approximate 9.59% cap rate. As at December 31, 2004 \$1,710,000 of costs associated with this expansion have been reflected in the Trust's consolidated financial statements as an increase in the property and equipment and increased accounts payable and accrued liabilities.

Subsequent to the year end December 31, 2004 the Trust sold a warehouse building in Calgary Alberta. The building was sold for approximately 18% more than the purchase price of March 2004. On February 1, 2005 the Trust purchased an additional property, a fully leased shopping plaza in Fort Saskatchewan, Alberta, which totals 16,000 square feet, for total cash consideration of approximately \$3.1 million. Currently the Real Estate business unit has over 400,000 square feet of commercial properties located in Toronto and London, Ontario and Edmonton and Calgary, Alberta of which 93% is currently leased.

The following are the annual audited financial statements for the Trust.

Avenir Diversified Income Trust

CONSOLIDATED BALANCE SHEETS

As at December 31,

	2004 \$	2003 \$ (restated)
ASSETS		
Current		
Cash	327,217	256,872
Restricted cash	160,227	—
Accounts receivable and prepaid expenses	9,847,972	1,799,803
Risk management asset	1,147,127	—
	11,482,543	2,056,675
Property and equipment	120,822,688	16,045,613
Investment in financial services contracts	12,472,055	3,241,963
Deferred charges	442,358	—
Goodwill and other intangibles	10,095,209	1,086,729
	155,314,853	22,430,980
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	31,475,000	4,505,000
Accounts payable and accrued liabilities	9,470,009	1,489,755
Distributions payable	1,237,182	241,964
Deferred revenue	230,805	—
Due to non-controlling interest owner	66,667	—
Current portion of capital lease obligations	32,459	61,162
Current portion of long-term debt	693,888	—
Current portion of mortgages	5,024,920	—
	48,230,930	6,297,881
Capital lease obligations	—	32,459
Mortgages	7,108,761	—
Long-term debt	911,775	—
Asset retirement obligation	8,033,301	1,312,965
Future income taxes	9,626,982	—
Non-controlling interest	259,755	—
Commitments		
Unitholders' equity		
Unitholder capital	84,662,250	15,851,942
Contributed surplus	322,064	119,868
Accumulated earnings	4,684,187	669,736
Accumulated cash distributions	(8,525,152)	(1,853,871)
	81,143,349	14,787,675
	155,314,853	22,430,980

Avenir Diversified Income Trust

**CONSOLIDATED STATEMENTS OF
OPERATIONS AND ACCUMULATED EARNINGS**

For the year ended December 31,

	2004 \$	2003 \$ (restated)
REVENUE		
Oil and gas revenue	16,528,426	4,560,568
Oil and gas transportation costs	(264,953)	(4,385)
Royalties, net of ARTC	(2,875,692)	(764,192)
Unrealized gain on financial instruments	1,159,542	—
	14,547,323	3,791,991
Real estate revenue	2,018,475	—
Energy services revenue	3,877,905	—
Financial services revenue	1,358,908	298,404
Investment revenue	—	226,975
Interest and other revenue	104,705	5,154
Gain on sale of short-term investments	—	128,509
	21,907,316	4,451,033
EXPENSES		
Oil and gas operating	3,089,847	1,021,601
Real estate operating	753,942	—
Energy services operating	1,915,684	—
Financial services operating	12,000	—
General and administrative	3,342,700	868,914
Interest and bank fees	1,117,438	176,504
Capital taxes	138,598	12,848
Depletion, depreciation and amortization	7,212,726	1,612,264
Asset retirement obligation accretion	241,948	79,002
Unsuccessful acquisition and re-organizational costs	—	233,057
	17,824,883	4,004,190
Income before income tax and non-controlling interest	4,082,433	446,843
Income tax expense	—	—
Net income before non-controlling interest	4,082,433	446,843
Non-controlling interest	(67,982)	—
Net income for the year	4,014,451	446,843
Accumulated earnings (deficit), beginning of year	669,736	(233,372)
Retroactive application of change in accounting policy	—	456,265
Accumulated earnings, beginning of year, as restated	669,736	222,893
Accumulated earnings, end of year	4,684,187	669,736
Net income per unit		
Basic	0.71	0.24
Diluted	0.70	0.24

Avenir Diversified Income Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31,

	2004 \$	2003 \$ (restated)
OPERATING ACTIVITIES		
Net income for the year	4,014,451	446,843
Add (deduct) non-cash items:		
Depletion, depreciation and amortization	7,212,726	1,612,264
Gain on sale of short-term investments	—	(128,509)
Non-cash general and administrative	202,196	119,868
Asset retirement obligation accretion	241,923	79,002
Unrealized gain on financial instruments	(1,159,542)	—
Non-controlling interest	67,982	—
Unsuccessful acquisition and re-organizational costs	—	233,057
Funds from operations	10,579,736	2,362,525
Change in non-cash working capital	(2,888,095)	(506,904)
Cash provided by operating activities	7,691,641	1,588,621
FINANCING ACTIVITIES		
Issue of trust units, net of issue costs	63,817,796	14,599,000
Distributions to unitholders	(5,676,063)	(1,611,907)
Increase in bank indebtedness	26,970,000	3,642,141
Repayment of mortgages	(313,649)	—
Repayments of capital lease obligations	(61,162)	(14,544)
Increase in long-term debt	408,645	—
Change in non-cash working capital	—	(2,386)
Cash provided by financing activities	85,145,567	13,612,304
INVESTING ACTIVITIES		
Purchase of Onward Energy Inc.	—	(1,643,458)
Purchase of Outback Energy Inc.	—	(141,592)
Purchase of 728409 Alberta Ltd.	—	(1,319,863)
Purchase of Western Spirit Investments Ltd.	(3,557,647)	—
Purchase of Cascade Services Partnership	(3,492,451)	—
Purchase of Indy Oilfield Ltd.	(265,961)	—
Oil and gas property acquisitions	(74,269,334)	(9,480,647)
Oil and gas property disposals	1,513,906	65,000
Oil and gas development expenditures	(1,965,020)	(730,886)
Purchase of energy services assets	(2,196,693)	—
Purchase of other assets	(37,329)	(17,377)
Disposal of other assets	—	3,905
Purchase of financial services contracts	(9,243,520)	(2,641,963)
Sale of marketable securities	—	4,186,199
Purchase of marketable securities	—	(3,047,690)
Unsuccessful acquisition and re-organizational costs	—	(233,057)
Restricted cash	178,723	—
Changes in non-cash working capital	568,463	(292,121)
Cash used in investing activities	(92,766,863)	(15,293,550)
Increase in cash and cash equivalents during the year	70,345	174,375
Cash and cash equivalents, beginning of year	256,872	82,497
Cash and cash equivalents, end of year	327,217	256,872
Cash interest paid	1,003,405	144,359

For further information please contact:

Avenir Diversified Income Trust
Suite 300, 808 – 1st Street S.W.
Calgary, Alberta T2P 1M9

William Gallacher or *Gary Dundas*
President & CEO Vice President, Finance & CFO

Telephone: (403) 237-9949 Facsimile: (403) 237-0903

The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.