

## Avenir Diversified Income Trust Posts Second Quarter 2006 Results

August 14, 2006 News Release

AVENIR DIVERSIFIED INCOME TRUST (“Avenir Trust”, TSX: AVF.UN) is pleased to announce the financial and operational results for the three and six months ended June 30, 2006 and to announce they have filed the complete Management Discussion and Analysis and Unaudited Interim Consolidated Financial Statements for the three and six months ended June 30, 2006 on SEDAR. An electronic copy of these documents may be obtained on Avenir Trust’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

For the periods ended	Three months Ended June 30			Six months Ended June 30		
	2006	2005 (restated) <sup>4</sup>	% Change	2006	2005 (restated) <sup>4</sup>	% Change
<b>FINANCIAL</b>						
Gross Revenue	\$171,034,177	\$61,297,621	179	\$340,348,433	\$73,369,845	364
Net Revenue	\$169,126,889	\$59,325,819	185	\$335,827,608	\$64,101,566	424
Funds From Operations (FFO) <sup>1</sup>	\$15,747,172	\$9,351,360	68	\$36,342,738	\$16,630,304	119
FFO Per Unit <sup>1</sup> - Basic	\$0.38	\$0.38	0	\$0.90	\$0.88	2
Distributions <sup>2</sup>	\$13,448,537	\$7,953,581	69	\$28,185,194	\$12,143,662	132
Distributions Per Unit - Basic	\$0.33	\$0.33	0	\$0.69	\$0.65	6
Distribution Payout Ratio <sup>3</sup>	85%	85%	0	78%	73%	7
Income from continuing operations	\$9,782,609	\$2,332,049	319	\$16,897,956	\$863,722	1856
Income from continuing operations/Unit - Basic	\$0.24	\$0.10	140	\$0.42	\$0.05	740
Income from discontinued operations	\$527,106	\$412,296	28	\$3,517,261	\$1,276,741	175
Income discontinued operations/Unit - Basic	\$0.01	\$0.01	0	\$0.08	\$0.06	33
Net Income	\$10,309,715	\$2,744,345	276	\$20,415,217	\$2,140,463	854
Net Income Per Unit - Basic	\$0.25	\$0.11	127	\$0.50	\$0.11	355
Total Assets	\$476,204,685	\$317,216,981	50	\$476,204,685	\$317,216,981	50
Working Cap. (Net Debt) including mortgages <sup>1</sup>	\$(34,385,547)	\$(42,210,037)	(19)	\$(34,385,547)	\$(42,210,037)	(19)
Wtd. Avg. Units Outstanding - Basic	41,047,398	24,441,653	68	40,601,009	18,815,761	116
Units Outstanding (incl. escrowed units)	41,763,367	25,011,258	67	41,763,367	25,011,258	67

<sup>1</sup> Funds from operations, Funds from operations per unit, net back, and working capital (net debt) including mortgages 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, (loss) gain on sale of property and equipment, stock based compensation expense, unrealized foreign exchange, unrealized (gain) loss on financial instruments, non-controlling interest and future income tax recovery. Working capital (net debt) is calculated by taking current assets less current liabilities including capital lease obligations, mortgages (upon mortgage maturity it is the Trust’s intention to renew the mortgages on a long term basis at 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.

<sup>2</sup> Distributions represents the actual cash distribution paid during the period. It does not include the special distribution in June 2006 of the Essential Energy Services Trust Units.

<sup>3</sup> Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from operations.

<sup>4</sup> Comparative periods have been restated to conform to current period presentation – specifically relating to the discontinued operations of the Energy Services Division of the Trust.

## **President's Message**

The second quarter was in line with expectations taking into account the spin-off of the energy services division on May 31, 2006. The Trust is now approximately 40% energy (oil and gas production) and 60% non-energy (financial services and real estate) and the Trust will continue to target a 75% annual payout ratio, as it has since inception in 2003. The energy services division is included in the Trust's operations for the months of January through May only and is accounted for as a discontinued operation in the financial statements accompanying this write-up. The second quarter is traditionally the Trust's weakest quarter with the seasonal slowdown in the Elbow River natural gas liquids marketing division, some production restrictions due to spring break-up and turnarounds in the oil and gas division and the impact of spring rains and break-up in the energy services division. This year was no exception as the energy services division was particularly impacted by early spring rains that reduced contributions from the Southern Alberta business units in April and May. The Elbow River division had a solid quarter and will benefit in the coming quarters from a larger than usual sales in transit volume at quarter end and significant product presales which will be recognized when deliveries are made. The Enervest fund management group had a very good quarter despite a general weakness in the Trust and energy segment of the market and the continued uncertainty around the direction of interest rates throughout the quarter. The oil and gas division has been able to keep production volumes flat at approximately 3,400 BOE per day for the past three quarters and has increased cashflow despite significantly lower natural gas prices in the second quarter of 2006. The benefits of a balanced product mix of 52% natural gas and 48% oil was proved out in Q2 2006. Real Estate continued to perform well but to date is a very small contributor to our monthly distributions.

The second quarter of 2006 was largely focused on the spin-off of our energy services division into a publicly-traded oilfield services trust, Essential Energy Services Trust ("Essential"). Since inception, the Avenir Trust's business strategy has been consistent; in addition to providing sustainable distributions across energy and non-energy businesses, the Trust has and continues to look at unlocking additional value for the Avenir Trust unitholders through the disposition or the spinning-off of its divisions. By spinning-off a division which has grown to a sufficient independent size and stability, the market is better able to value them on their own. While the Avenir Trust continues to provide and focus on sustainable distributions through diversified businesses, the Trust has also been able to achieve distribution growth through accretive acquisitions. Built in to the May 31, 2006 spin-off of the energy service division was a small distribution increase which represented the 7th distribution increase in the three years since the Trusts inception. In conjunction with the spin-off, the Trust's monthly distribution was reduced from \$0.12 per month to \$0.083 per month; however Trust unitholders also now receive the equivalent of \$0.0415 per month (1/2 of the \$0.083 being distributed by Essential monthly) from the Essential units they received in the spin-off. On a combined basis this results in a distribution increase from \$1.44 per year to \$1.495 per year or 4%.

With respect to Essential, its name was chosen for the reason that "Essential" correctly described the nature of the services provided, as they focus on oilfield maintenance activities after a well has been drilled. These services help provide ongoing cashflow to oil and gas companies and in effect become "essential" to the oil and gas producers. With almost 300 employees and now over \$35 million per year in EBITDA, the energy services division reached a juncture in its evolution that required a focused management team that could dedicate 100% of their efforts to the energy services division. From the Avenir Trust unitholder perspective, Avenir had invested approximately \$80 million in energy services assets and new equipment and spun the division out such that Avenir unitholders would have a current market value of approximately \$165 million. Management felt the spin-off was a means of crystallizing the value for unitholders that had been added within the division. We firmly believe that once the market better understands the Essential story and sees their profitable results, the Essential units will perform as expected. We also must take into consideration that the second quarter is by far the weakest quarter for the energy services division, with the fourth and first quarters being the strongest. The future looks very bright for this group.

We encourage the Avenir Trust unitholders to take the time to better understand the opportunities and growth potential that lie ahead for Essential Energy Services Trust (ESN.UN) by going to Essential's website at [www.essentialenergy.ca](http://www.essentialenergy.ca) to view their most recent information and presentations.

**William M. Gallacher**  
President & CEO

## REVIEW OF FINANCIAL RESULTS

Due to the seasonal nature of the energy services division and its Elbow River natural gas marketing division, the second quarter of the year will tend to be the Trust's weakest quarter; Energy Services impacted by weather and spring breakup and marketing revenues tending to decline in the spring shoulder months after the busy winter sales season. However, taking this into consideration, along with only two months of revenue from the energy service division prior to its spin-off, the Trust had a solid second quarter that was ahead of forecast.

The Trust had net earnings for the quarter ended June 30, 2006 of \$10,309,715 as profits were recorded across each of its operating divisions. Net Income was up 276% over the \$2,744,345 net income for the quarter ended June 30, 2005. Net income for the six months ended June 30, 2006 was \$20,415,217 or \$0.50 per unit versus \$2,140,463 or \$0.11 per unit for the first six months of 2005. The funds from operations for the second quarter 2006 were \$15,747,172 or \$0.38 per unit versus \$9,351,360 or \$0.38 per unit for the second quarter 2005. For the six months ended June 30, 2006, funds from operations were \$36,342,738 compared to \$16,630,304 for the same period in 2005, a 119% increase. The increase in funds from operations was primarily the result of the growth in the Trust's business units, including an August 2005 oil and gas acquisition, a much larger energy services division due to acquisitions throughout the second half of 2005 and the first quarter of 2006, and the addition of the EnerVest Management contract in October 2005. The Trust distributed \$13,448,537 or \$0.33 per unit for the quarter ended June 30, 2006 versus \$7,953,581 or \$0.33 per unit distributed for the quarter ended June 30, 2005. This does not include the special distribution of the Essential Trust Units on a ratio of one Essential Trust unit for each two Avenir Trust units held. For the quarter ended June 30, 2006 the payout ratio was 85% of funds from operations. For the six months ended June 30, 2006 the payout ratio was 78% versus 73% for the first six months of 2005 and a target payout ratio of 75% to 80%. With traditionally stronger third and fourth quarters ahead, the Trust is well positioned to be at or less than its payout ratio target.

## REVIEW OF BUSINESS UNIT OPERATIONS

### 1. OIL AND GAS

For the periods ended	Three months Ended June 30			Six months Ended June 30		
	2006	2005	% Change	2006	2005	% Change
<b>Production</b>						
Oil and NGL's – bbls per day	1,653	1,609	3	1,683	1,623	4
Gas – Mcf per day	10,447	9,819	6	10,019	8,503	18
Total BOE <sup>1</sup> per day	3,394	3,246	5	3,353	3,040	10
<b>Average Pricing</b>						
Oil & NGL (\$/Bbl) before hedging <sup>2</sup>	\$66.76	\$47.28	41	\$56.78	\$45.85	24
Oil & NGL (\$/Bbl) after hedging <sup>2</sup>	\$60.94	\$42.28	44	\$50.91	\$42.20	21
Natural Gas (\$/Mcf)	\$6.15	\$7.06	(13)	\$7.08	\$7.06	0
Average Price Per BOE <sup>1</sup> before hedging <sup>2</sup>	\$50.76	\$44.01	15	\$49.93	\$43.65	12
Average Price Per BOE <sup>1</sup> after hedging <sup>2</sup>	\$47.93	\$41.65	15	\$45.99	\$41.71	10

<sup>1</sup> Natural Gas conversion ratio of 6mcf:1bbl

<sup>2</sup> Hedging in this situation means the realized gain or loss on physical delivery contracts and financial commodity fixed price transaction

For the second quarter of 2006, production volumes for the Trust have remained flat through continued focus on optimization and capital projects on the existing asset base. Oil and gas sales averaged 3,394 BOE per day in the second quarter compared to an average production rate of 3,373 BOE per day in the previous two quarters. Weather impacts and maintenance outages in the second quarter caused a restriction of 62 BOE per day indicating a current production capability for the Trust of approximately 3,450 BOE per day.

Oil and natural gas liquid sales for the second quarter averaged 1,653 Bbls per day down 4% from the first quarter due primarily to weather related lease access and power reliability issues. Natural gas sales were up 9% to 10,447 Mcf per day with fewer third party restrictions at Noel and the completion of turnaround work at Liege.

Total gross revenue from petroleum and natural gas sales in the second quarter was \$15,016,412 up 20% from \$12,499,460 in the first quarter 2006. Stronger oil and liquids pricing along with prior year royalty revenue adjustments helped to offset the lower gas prices experienced in the second quarter. The average price received for crude oil and natural gas liquids during the second quarter was \$60.94 per barrel after hedging (a majority of the hedges were put in place in 2004 to support the Prime West acquisition) representing a 44% increase over first quarter pricing. Natural gas pricing for the second quarter of 2006 was \$6.15 per Mcf versus \$8.10 per Mcf in the first quarter, a decrease of 24%. The lower gas pricing and a prior year gas cost allowance adjustment resulted in a decreased overall royalty rate of 11% compared to 17% in the first quarter.

Oil and Gas operating expenses in the current period reflects normal course adjustments relating to prior period activity. Additional workover and turnaround costs in the first quarter of 2006 resulted in an accounting period adjustment of \$406,600 while adjustments relating to prior period activity from non-operated properties increased the overall operating expenses by \$276,400. The total operating expense for the second quarter including these adjustments was \$4,599,650 resulting in a division operating expense of \$14.89 per BOE. Without these adjustments, the division operating expense for the second quarter production period was \$12.68 per BOE. The average year to date division operating expense excluding these adjustments was \$13.60 per BOE. The Trust expects the average division operating expense to remain in the range of \$12.50 to \$13.00 per BOE for the remainder of the year.

The total second quarter net capital expenditure by the Trust was \$2.4 million bringing the total year to date net capital expenditure to \$6.3 million. Activity in the second quarter continued to focus on optimization and re-completions and included the drilling of 4 gross (3 net) operated wells in South and East Central Alberta. All 4 wells were cased as gas targets and are currently awaiting completion and evaluation for tie-in.

Activity also continued on the non-operated development program in the Deer Mountain Oil Unit in which the Trust holds a 4% working interest. To date in 2006, 4 wells have been drilled and cased in the Beaverhill Lake Pool. An additional 8 wells and facilities are planned by year end at an estimated net capital expenditure of \$1.1 million. Coal bed methane development in the non-operated areas of Central Alberta progressed in the first half of 2006 based on the successful results of 2005. The Trust has agreed to participate in 23 wells planned for 2006 at an average working interest of 4%.

The current focus for the Trust in the second half of 2006 will include the advancement of the gas development programs in South and East Central Alberta combined with oil development opportunities in Saskatchewan and Central Alberta. The Trust remains flexible on the timing of the capital programs based on the commodity pricing in the third and fourth quarters of 2006. Total capital spending is estimated at \$10 to \$11 million for the 2006 budget year.

As part of the ongoing rationalization of the asset base, the Trust has completed the divestiture of the Rigel assets in Northeast British Columbia effective May 2006. The sale of this operated property is consistent with the mandate of the Trust to focus resources on the core areas of Central and South Alberta and Saskatchewan. Total consideration for the property was \$1.56 million for approximately 25 BOE per day of net production, yielding an approximate \$62,400 per flowing BOE disposition price. In the second half of 2006, the Trust will continue to evaluate accretive acquisition opportunities to strengthen the core areas with the focus being opportunities in the 250 to 1,000 BOE per day range.

## **2. FINANCIAL SERVICES**

At June 30, 2006 the Trust's financial services business unit consisted of:

### **i. ENERVEST LIMITED PARTNERSHIP ("EnerVest") – MANAGEMENT CONTRACT**

Despite declines in the Canadian equity markets and a rising interest rate environment, EnerVest's assets under management remained relatively static during the quarter with the launch of two new projects. As of June 30, 2006 the value of the total "assets under management" was just under \$2 billion. During the quarter, \$50 million was raised in April with the closing of the EnerVest Energy and Oil Sands Total Return Trust and \$29 million was raised in June for the EnerVest FTS Limited Partnership 2006 flow through fund. Funds from operations for the quarter were 14% higher than the previous quarter as a result of EnerVest growing through the 2006 Rights Offering of the EnerVest Diversified Trust for a full quarter. Avenir Trust receives a fee based on the percentage of the total assets under management for managing the EnerVest group of funds. Looking ahead, EnerVest is working to bring new products to the market over the next few months to further diversify their offerings and add to their total assets under management.

In June, EnerVest joined the Investment Funds Institute of Canada. Most of Canada's investment managers belong to this organization to promote the investment funds industry and establish "Best Practices" procedures.

### **i. ELBOW RIVER RESOURCES MARKETING LP ("Elbow")**

Elbow posted very solid second quarter results in a quarter that is traditionally Elbow's weakest by a significant margin due to little shoulder season weather demand. Second quarter 2006 funds from operations were slightly ahead of forecast after accounting for foreign exchange movements and product sales in transit and well ahead of second quarter 2005. Additionally, this quarter did not have transitional issues, as was the case in Q2 2005, which allowed Elbow to focus solely on their business. Propane sales were on par with typical years whereby Q2 is historically the slowest quarter with little weather demand and minimal sales for storage. Butane sales were strong due to favourable spread opportunities related to volatile crude and unleaded gasoline prices as well as shifting market conditions related to Alberta Oil Sands activity. Ethanol sales also had a strong quarter as a result of significant demand increases as the U.S. adds new ethanol markets related to their Renewable Fuels Energy Bill. Bio-diesel sales started to gain momentum with several spot deals and some term deals being consummated as the market started to see significant growth again aided by the Renewable Fuels Energy Bill.

The balance of the year looks positive based on record presales and opportunities identified by the Elbow team. Propane is well positioned for the winter with some favourable storage positions and term deals in place. Butane presales are at record levels as Elbow has been able to capture spread opportunities through the balance of the year. Ethanol also has strong presales as buyers were scrambling earlier in the year to secure supply for the upcoming winter due to demand growing faster than new plant construction. Bio-diesel should continue to show strong growth as new plants continue to come on-stream and the company will soon be adding a second marketer to help develop this segment.

### **ii. FINANCIAL SERVICE CONTRACTS**

In January 2003, Avenir Financial Services Partnership acquired its initial financial services contract with an affiliate of a financial services provider, RentCash Inc. ("RentCash"), to provide funding for a cash advance company. RentCash provides cash advance, cheque cashing and payday loan services. The Trust had since expanded this business and at the peak held \$19.9 million in contracts. Although the Trust continues to be comfortable with this investment and its returns based on results to date, since July of 2005 the Trust has not entered into any new contracts and has since redeemed \$4.13 million. Currently the Trust holds \$15.77 million in outstanding contracts.

As the Trust identifies other opportunities, it may choose to reallocate investments within its portfolio into other areas providing greater long term impact.

### 3. REAL ESTATE

On April 1, 2006 the real estate division changed management companies and is now under the direction of MDC Property Services Ltd. ("MDC"), a Calgary based firm that currently has approximately \$150 million under management. The Trust's management is excited to have MDC as advisors and is looking forward to working with MDC in locating opportunities to grow this business unit.

The business unit currently has over 430,000 square feet of light industrial and smaller commercial properties located in Toronto and London, Ontario and Edmonton and Calgary, Alberta. During the first quarter the remaining vacancy at the Harris location was filled and the Trust's real estate properties are now 100% leased.

In the near term, the Trust would like to increase its investments in real estate in order to make this division a more meaningful contributor to the Trust's total assets and funds from operations. Although cap rates remain at historically low levels, the Trust believes it can identify niche opportunities which will provide returns that meet our 9% to 10% hurdle targets. The new relationship with MDC should allow the Trust to more aggressively source opportunities that fit our investment criteria.

### 4. DISCONTINUED OPERATIONS - ENERGY SERVICES

During the second quarter the main focus of this division was its spin-off into the publicly-traded oilfield services trust, Essential Energy Services Trust ("Essential") that occurred on May 31, 2006. For 2006, the energy services division is included in the Trust's operations for the period from January 1 through May 31 only and is accounted for as a discontinued operation in the financial statements. The second quarter is traditionally the energy services division's weakest quarter with the impact of wet weather and spring break-up and this year was no exception. The division was particularly impacted by early spring rains that reduced contributions from the Southern Alberta business units in April and May.

Second quarter 2006 includes only partial results from energy services as the division was spun-out on May 31, 2006 and therefore includes two rather than three months of operations for the quarter. The results are outlined in the MD&A and financial statements to follow.

For additional information, please refer to the complete Management Discussion and Analysis and Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2006 on the company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or the Trust's website at [www.avenirtrust.com](http://www.avenirtrust.com).

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#### **Forward Looking Statements**

*Except for historical financial and operating 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**  
(unaudited)

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	—	6,767,724
Restricted cash	203,000	366,057
Accounts receivable and prepaid expenses	65,772,334	95,663,009
Inventory	31,596,301	31,786,855
Marketable securities	12,500	12,500
Notes receivable	—	1,050,000
	<b>97,584,135</b>	<b>135,646,145</b>
<b>Property and equipment</b>	<b>162,582,134</b>	<b>204,615,394</b>
<b>Investment in financial services contracts</b>	<b>19,370,000</b>	<b>20,440,209</b>
<b>Intangibles and other assets</b>	<b>144,127,094</b>	<b>146,572,446</b>
<b>Goodwill</b>	<b>52,541,322</b>	<b>76,352,738</b>
	<b>476,204,685</b>	<b>583,626,932</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	53,948,757	58,881,771
Accounts payable and accrued liabilities	56,620,697	68,922,316
Distributions payable	3,466,359	4,883,041
Deferred revenue	248,393	200,439
Due to non-controlling interest owner	—	43,674
Risk management liability	3,258,032	5,256,170
Notes payable	—	7,500,000
Current portion of capital lease obligations	—	155,127
Current portion of long-term debt	—	1,159,521
Current portion of mortgages	8,223,511	7,684,571
	<b>125,765,749</b>	<b>154,686,630</b>
<b>Capital lease obligations</b>	<b>—</b>	<b>325,521</b>
<b>Mortgages</b>	<b>6,203,933</b>	<b>6,203,933</b>
<b>Long-term debt</b>	<b>—</b>	<b>1,124,424</b>
<b>Asset retirement obligation</b>	<b>11,727,412</b>	<b>11,479,561</b>
<b>Future income taxes</b>	<b>17,967,163</b>	<b>20,123,076</b>
<b>Non-controlling interest</b>	<b>—</b>	<b>1,004,965</b>
<b>Unitholders' equity</b>		
Unitholder capital	413,519,814	401,918,365
Contributed surplus	3,213,536	2,136,030
Accumulated earnings	48,038,743	27,623,526
Accumulated distributions	(150,231,665)	(42,999,099)
	<b>314,540,428</b>	<b>388,678,822</b>
	<b>476,204,685</b>	<b>583,626,932</b>

## CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED EARNINGS

(unaudited)

For the

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	\$	\$ (restated*)	\$	\$ (restated*)
<b>REVENUE</b>				
Oil and gas revenue	15,016,412	12,499,460	28,353,593	23,259,287
Oil and gas transportation costs	(213,200)	(200,328)	(439,968)	(309,029)
Royalties, net of ARTC	(1,694,088)	(1,771,474)	(4,080,857)	(3,765,195)
Unrealized gain (loss) on financial instruments	672,747	363,167	1,998,138	(5,194,055)
	<b>13,781,871</b>	<b>10,890,825</b>	<b>25,830,906</b>	<b>13,991,008</b>
Real estate revenue	989,995	695,355	1,728,897	1,385,658
Financial services revenue	154,286,797	47,681,876	308,199,579	48,434,778
Interest and other revenue	68,226	57,763	68,226	67,762
Gain (loss) on sale of property and equipment	—	—	—	222,360
	<b>169,126,889</b>	<b>59,325,819</b>	<b>335,827,608</b>	<b>64,101,566</b>
<b>EXPENSES</b>				
Oil and gas operating	4,599,650	3,689,805	8,512,976	6,402,344
Real estate operating	380,447	185,131	562,466	407,180
Financial services operating	145,007,238	45,278,305	288,646,314	45,290,305
General and administrative	4,472,533	1,758,533	8,361,789	2,530,796
Foreign exchange	(257,321)	(29,632)	(870,396)	(29,632)
Interest and bank fees	678,254	308,768	1,157,189	716,549
Interest on long-term debt and capital leases	182,702	200,256	368,350	408,142
Capital taxes	30,986	206,254	167,169	253,549
Depletion, depreciation and amortization	6,696,570	5,197,293	13,427,246	8,753,365
Asset retirement obligation accretion	209,400	199,057	453,462	370,046
	<b>162,000,459</b>	<b>56,993,770</b>	<b>320,786,565</b>	<b>65,102,644</b>
Income (loss) from continuing operations before income tax	7,126,430	2,332,049	15,041,043	(1,001,078)
Future income tax recovery	2,656,179	—	1,856,913	1,864,800
Net income from continuing operations	9,782,609	2,332,049	16,897,956	863,722
Net income from discontinued operations	527,106	412,296	3,517,261	1,276,741
Net income for the period	<b>10,309,715</b>	<b>2,744,345</b>	<b>20,415,217</b>	<b>2,140,463</b>
Accumulated earnings, beginning of the period	37,729,028	4,080,306	27,623,526	4,684,188
Accumulated earnings, end of the period	<b>48,038,743</b>	<b>6,824,651</b>	<b>48,038,743</b>	<b>6,824,651</b>
Net income from continuing operations per unit				
Basic	0.24	0.10	0.42	0.05
Diluted	0.24	0.07	0.42	0.03
Net income from discontinued operations per unit				
Basic	0.01	0.01	0.08	0.06
Diluted	0.01	0.01	0.08	0.05
Net income per unit				
Basic	0.25	0.11	0.50	0.11
Diluted	0.25	0.08	0.50	0.08

\*Comparative periods have been restated to conform to current period presentation – specifically relating to the discontinued operations of the Energy Services Division of the Trust.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

For the

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	\$	\$	\$	\$
		(restated*)		(restated*)
<b>OPERATING ACTIVITIES</b>				
Net income from continuing operations	9,782,609	2,332,049	16,897,956	863,722
Add (deduct) non-cash items:				
(Gain) on sale of property and equipment	—	—	—	(222,360)
Non-cash general and administrative	1,471,990	345,189	2,103,135	408,423
Depletion, depreciation and amortization	6,696,569	5,197,293	13,427,246	8,753,365
Asset retirement obligation accretion	209,400	199,057	453,462	370,046
Unrealized foreign exchange	(1,195,310)	—	(1,778,184)	—
Unrealized (gain) loss on financial instruments	(672,747)	(363,167)	(1,998,138)	5,194,055
Future income tax expense (recovery)	(2,656,179)	—	(1,856,913)	(1,864,800)
Funds from continuing operations	13,636,332	7,710,421	27,248,564	13,502,451
Funds from discontinued operations	2,110,840	1,640,939	9,094,174	3,127,853
Funds from operations	15,747,172	9,351,360	36,342,738	16,630,304
Asset retirement costs incurred during period	(69,423)	—	(136,856)	—
Change in non-cash working capital	(14,375,269)	(17,179,439)	11,318,970	(17,374,182)
Cash provided by (used in) operating activities	1,302,480	(7,828,079)	47,524,852	(743,878)
<b>FINANCING ACTIVITIES</b>				
Issue of trust units, net of issue costs	1,149,823	—	1,149,823	118,286,431
Distributions to unitholders	(14,952,752)	(7,018,107)	(29,601,876)	(10,729,651)
Increase in bank indebtedness	19,257,848	31,950,217	22,466,986	625,217
Decrease in notes payable	—	—	(7,500,000)	—
Decrease in note receivable	1,050,000	—	1,050,000	—
Increase in mortgages	—	1,900,000	—	3,915,000
Repayment of mortgages	(133,361)	(103,249)	(263,611)	(2,133,271)
Repayments of capital lease obligations	(21,659)	(16,391)	(51,174)	(32,459)
Increase in long-term debt	—	4,388	—	197,065
Repayment of long-term debt	(171,080)	(214,406)	(2,993,521)	(406,176)
Change in non-cash working capital	(74,764)	(305,668)	(41,076)	43,292
Cash provided by (used in) financing activities	6,104,055	26,196,784	(15,784,449)	109,765,448
<b>INVESTING ACTIVITIES</b>				
Purchase of Val Vista Energy Ltd.	—	(160,849)	—	(12,768,670)
Energy Services Division acquisitions	(4,244,642)	(30,567,781)	(30,994,706)	(32,655,346)
Purchase of Elbow River	—	(51,852,069)	—	(52,616,448)
Disposition of Energy Services Division	(2,383,243)	—	(2,383,243)	—
Oil and gas property disposals	1,543,346	65,910	1,638,196	140,230
Oil and gas development expenditures	(2,439,179)	(1,486,378)	(6,347,618)	(2,511,872)
Financial services expenditures	(24,061)	(71,830)	(25,361)	(56,830)
Purchase of other assets	(19,932)	(35,077)	(41,150)	(150,518)
Purchase of financial services contracts	—	(6,763,380)	—	(9,513,380)
Redemption of financial services contracts	1,030,000	—	1,030,000	—
Purchase of real estate properties	(183,660)	—	(1,225,294)	(2,915,290)
Proceeds on sale of real estate properties	—	—	—	3,718,794
Change in restricted cash	—	(681)	163,057	(1,338)
Change in non-controlling interest	(418,763)	—	(524,318)	—
Changes in non-cash working capital	(266,401)	(2,771,207)	202,310	(18,119)
Cash used in investing activities	(7,406,535)	(93,643,342)	(38,508,127)	(109,348,787)
<b>Decrease in cash during the period</b>	<b>—</b>	<b>(75,274,637)</b>	<b>(6,767,724)</b>	<b>(327,217)</b>
Cash, beginning of period	—	75,274,637	6,767,724	327,217
<b>Cash, end of period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash interest paid</b>	<b>999,584</b>	<b>529,126</b>	<b>1,845,355</b>	<b>1,156,934</b>
<b>Cash taxes paid</b>	<b>335,248</b>	<b>25,066</b>	<b>338,379</b>	<b>64,040</b>

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