



## Avenir Diversified Income Trust Announces First Quarter 2008 Results

May 15, 2008 News Release

AVENIR DIVERSIFIED INCOME TRUST ("Avenir Trust", TSX: AVF.UN) is pleased to announce the financial and operational results for the quarter ended March 31, 2008 and to announce they have filed the complete Management Discussion and Analysis and Unaudited Interim Consolidated Financial Statements 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).

<b>TOTAL CONSOLIDATED FINANCIAL SUMMARY</b>			
<i>(in thousands of dollars except for per unit amounts)</i>	<b>For the three months ended March 31</b>		
	<b>2008</b>	<b>2007<sup>4</sup></b>	<b>% Change</b>
Total Revenue	\$437,777	\$231,210	89%
Funds From Continuing Operations <sup>1,2</sup>	\$16,795	\$12,589	33%
Funds from Continuing Operations Per Unit - Basic	\$0.40	\$0.31	29%
Funds From Operations <sup>1</sup>	\$21,730	\$17,677	23%
Funds from Operations Per Unit <sup>1</sup> - Basic	\$0.52	\$0.43	21%
Distributions	\$10,432	\$10,395	0%
Distributions Per Unit - Basic	\$0.25	\$0.25	0%
Distribution Payout Ratio <sup>3</sup>	48%	59%	19%
Net Income from continuing operations <sup>2</sup>	\$4,896	\$3,414	43%
Net Income from continuing operations Per Unit - Basic	\$0.12	\$0.08	50%
Net Income	\$7,780	\$7,331	6%
Net Income Per Unit - Basic	\$0.19	\$0.18	6%
Total Assets	\$656,118	\$546,829	20%
Working Cap. (Net Debt) <sup>1</sup> (not incld. Assets held for sale)	(\$57,207)	(\$25,175)	(127%)
Wtd. Avg. Units Outstanding - Basic	41,788,894	41,202,084	1%
Units Outstanding (including escrowed units)	41,897,645	41,748,403	0%

<sup>1</sup> Funds from continuing operations, Funds from continuing operations per unit, Funds from operations, Funds from operations per unit and working capital (net debt) including notes payable are not recognized measures under Canadian generally accepted accounting principles (GAAP). Funds from operations is calculated by taking cash provided by operating activities on the statement of cash flows adjusted for the effect of changes in non-cash working capital and asset retirement costs incurred. Working capital (net debt) is calculated by taking current assets less current liabilities excluding the balances relating to assets held for sale. 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 these measures 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> The operations of the Trust's Real Estate Division and EnerVest Limited Partnership, as a result of being classified as 'Assets held for sale', have been excluded from the Trust's Continuing Operations.

<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 reclassification of the assets of the Real Estate Division and EnerVest Limited Partnership, Trust as held for sale.

## Overview

Avenir Diversified Income Trust enjoyed a record first quarter of 2008 on the strength of strong results in the Oil and Gas Division and Elbow River Marketing LP ("Elbow River"). Record world oil prices and a narrow winter medium crude differential contributed to the increased oil and gas cash flows. In Elbow River, the strong export biodiesel sales, some of which had been delayed from the fourth quarter of 2007, were the main contributor to their strong results.

Funds from operations were \$21.7 million in the first quarter up 23% from the prior year period and 126% from the \$9.6 million in the fourth quarter of 2007. Overall our distribution payout ratio for the quarter was 48% of funds from operations, well within our target 75%-80% payout ratio, providing flexibility for the balance of the year.

Production in the Oil and Gas Division, in line with expectations, was consistent with the prior year at approximately 3,329 BOE/d with a split of 52% natural gas and 48% oil and liquids. Pricing for both natural gas and crude oil is up significantly boding well for a strong second quarter as well. The improved pricing has also increased the economics of a number of gas development drilling opportunities and the Trust is planning on beginning these after break-up in the late second quarter 2008.

Elbow River benefitted from the development and execution of its export biodiesel strategy, where it has become one of the leading exporters in North America. Certain export sales originally scheduled to be transacted in December 2007 were concluded in the first quarter of 2008 increasing the quarterly cashflows. Butane continued strong as did the natural gasoline market with increased diluent opportunities associated with Alberta oilsands production. Based on initial presale levels, the second quarter for Elbow River, while not at first quarter levels, should be solid in what has traditionally been their weakest quarter.

The Real Estate Division continues to be fully leased with a new KFC restaurant location completed in Wetaskiwin, Alberta and a new Cineplex theatre completed in Red Deer Alberta late in the first quarter. The Trust is progressing on the sale of the Real Estate Division, with a number of offers for specific properties currently being evaluated. We are still targeting this summer for the sale of the properties.

The EnerVest Management Group had a relatively weak early first quarter as markets were impacted by credit worries in the financial sectors before recovering nicely as the higher commodity prices pushed markets higher. The second quarter is currently trending in line with the latter part of the first quarter.

On April 25, 2008 the Trust announced that it had reached an agreement to sell the EnerVest Management assets to a private entity for \$185.0 million, subject to normal industry closing adjustments based on an April 1, 2008 effective date. Closing is expected on or about May 16, 2008. The sales price is to be satisfied through the cash payment at closing of approximately \$140.0 million, the assumption of approximately \$20.0 million in debt and working capital and the provision of a promissory note of \$25.0 million with a scheduled payment on December 31, 2008 unless extended under certain conditions. EnerVest's management will remain with the new entity and Cypress Capital, the investment manager, will also be retained. The decision to sell a key piece of the Trust was similar to the spin off of the Energy Services Division in May 2006; management felt this transaction afforded the Trust the opportunity to crystallize unitholder value not reflected in the unit price.

In view of the pending sale described above, the previously announced decision to sell the Real Estate Division and the pending taxation of income trusts in 2011, the Trust has established a Strategic Review Committee, which includes all of the independent board members, to consider strategic alternatives and opportunities to provide the maximum value to unitholders. Given the strong first quarter performance, the second quarter gain expected on the sale of the EnerVest assets, the continued bullish outlook for the oil and gas pricing and strong presales in Elbow River, the Trust intends to maintain distributions at current levels as the Special Review Committee works its way through the review process. The Board of Directors of the Trust will keep the unitholders advised of any updates to the review process as information becomes available.

We would like to thank our unitholders for their support as management and the Board of Directors review the direction of the Trust over the next few months. The Trust's diversification model has served unitholders well over the past five years, as the Trust has returned \$10.23 or 170% in distributions over our original issue price of \$6.00. That said, tax regimes, markets and business models change and evolve and the Trust needs to ensure it is positioned to provide the best value to its unitholders. Accordingly, we believe this process is prudent at this time.

## **REVIEW OF FINANCIAL RESULTS**

Net income from continuing operations for the quarter ended March 31, 2008 was \$4.9 million up 43% from \$3.4 million in the quarter ended March 31, 2007. The net income for the quarter ended March 31, 2008 was \$7.8 million which is up 6% versus the \$7.3 million net income for the quarter ended March 31, 2007. The quarter ended March 31, 2008 net income was higher than 2007 due to higher results from Elbow River, particularly increased biofuel export sales, and the increased commodity pricing in the Oil and Gas Division offset by an unrealized loss on financial instruments in Elbow River of \$7.0 million compared to a loss of \$0.8 million for the first quarter of 2007.

Funds from continuing operations were \$16.8 million for the quarter ended March 31, 2008 up 33% from \$12.6 million in the comparable quarter in 2007. The increase reflected a strong Q1 from Elbow River and higher commodity pricing for the Oil and Gas Division. Funds from operations were \$21.7 million for the quarter ended March 31, 2008, up 23% as funds from operations for the quarter ended March 31, 2007 were \$17.7 million.

The Trust declared distributions of \$10.4 million (\$0.25 per unit) for the quarter ended March 31, 2008 which is consistent on a per unit and total cash basis over the \$10.4 million (\$0.25 per unit) distributed for the quarter ended March 31, 2007. The 2008 quarter end payout ratio was 48% of funds from operations compared to 59% at March 31, 2007, as a result of higher cash flows in 2008.

The Financial Statements for the quarter ended March 31, 2008 are attached below, with detailed Financial Statements and the Management Discussion and Analysis for the quarter and year ended March 31, 2008 available 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).

### **Contact Info:**

Avenir Diversified Income Trust  
300, 808 - First Street S.W.,  
Calgary, Alberta  
T2P 1M9

William M. Gallacher                      or  
President & CEO  
Phone: (403) 237-9949 Fax: (403) 237-0903

Gary Dundas  
Vice President Finance & CFO  
Phone: (403) 237-9949 Fax: (403) 237-0903

### ***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

As at	March 31, 2008	December 31, 2007
<i>(in thousands of dollars)</i>	\$	\$
		(restated)
<b>ASSETS</b>		
<b>Current</b>		
Marketable securities	1,235	1,275
Accounts receivable and prepaid expenses	149,687	76,295
Inventory	75,362	83,653
Risk management assets	20	4,828
Assets held for sale - EnerVest	143,167	144,277
Assets held for sale – Real Estate	1,230	1,793
	370,701	312,121
<b>Property and equipment</b>	148,112	150,018
<b>Intangibles and other assets</b>	14,654	15,059
<b>Goodwill</b>	56,875	56,875
<b>Assets held for sale – Real Estate</b>	65,776	64,192
	656,118	598,265
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	137,816	110,331
Accounts payable and accrued liabilities	103,770	73,813
Distributions payable	3,478	3,476
Risk management liability	26,759	18,578
Notes payable	12,000	10,000
Liabilities of assets held for sale – EnerVest	23,220	23,704
Liabilities of assets held for sale – Real Estate	18,356	15,807
	325,399	255,709
<b>Asset retirement obligation</b>	13,067	12,905
<b>Future income taxes</b>	4,293	5,500
<b>Liabilities of assets held for sale – Real Estate</b>	28,798	29,191
<b>Unitholders' equity</b>		
Unitholder capital	419,668	419,533
Contributed surplus	6,597	6,033
Accumulated earnings	100,451	92,671
Accumulated other comprehensive loss	(19,034)	(10,589)
Accumulated distributions	(223,121)	(212,688)
	284,561	294,960
	656,118	598,265

## CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED EARNINGS

For the

<i>(in thousands of dollars)</i>	<b>Three months ended</b>	
	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	<b>\$</b>	<b>\$</b>
		<b>(restated)</b>
<b>REVENUE</b>		
Financial services revenue	430,689	219,989
Unrealized loss on financial instruments	(6,963)	(807)
<b>Total financial services revenue</b>	<b>423,726</b>	<b>219,182</b>
Oil and gas revenue	17,486	14,665
Oil and gas transportation costs	(280)	(267)
Royalties	(2,839)	(1,845)
Unrealized loss on financial instruments	(316)	(525)
<b>Total oil and gas revenue</b>	<b>14,051</b>	<b>12,028</b>
<b>Total revenue</b>	<b>437,777</b>	<b>231,210</b>
<b>EXPENSES</b>		
Financial services operating	415,264	207,372
Oil and gas operating	4,850	5,104
General and administrative	6,732	6,252
Foreign exchange	(1,766)	2,019
Interest and bank fees	2,243	1,053
Capital taxes	136	90
Depletion, depreciation and amortization	6,358	6,076
Asset retirement obligation accretion	272	270
	<b>434,089</b>	<b>228,236</b>
Income from continuing operations before income tax	3,688	2,974
Future income tax recovery	1,208	440
<b>Net income from continuing operations</b>	<b>4,896</b>	<b>3,414</b>
Net income from discontinued operations – EnerVest	3,125	3,575
Net (loss) income from discontinued operations – Real Estate	(241)	342
<b>Net income for the period</b>	<b>7,780</b>	<b>7,331</b>
Accumulated earnings, beginning of period	92,671	65,022
Change in accounting policy	—	258
<b>Accumulated earnings, end of period</b>	<b>100,451</b>	<b>72,611</b>
Net income from continuing operations per unit		
Basic and Diluted	0.12	0.08
Net income from discontinued operations per unit		
Basic and Diluted	0.07	0.10
Net income per unit		
Basic and Diluted	0.19	0.18

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the

<i>(in thousands of dollars)</i>	<b>Three months ended</b>	
	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	<b>\$</b>	<b>\$</b>
Net income for the period	7,780	7,331
Change in fair value of derivative instruments designated as cash flow hedges	(8,417)	3,481
Change in fair value of marketable securities	(28)	150
<b>Other comprehensive (loss) income</b>	<b>(8,445)</b>	<b>3,631</b>
<b>Comprehensive (loss) income for the period</b>	<b>(665)</b>	<b>10,962</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the

<i>(in thousands of dollars)</i>	Three months ended	
	March 31, 2008	March 31, 2007
	\$	\$
		(restated)
<b>OPERATING ACTIVITIES</b>		
Net income from continuing operations	4,896	3,414
Add (deduct) non-cash items:		
Non-cash general and administrative	657	1,054
Depletion, depreciation and amortization	6,358	6,076
Asset retirement obligation accretion	272	270
Unrealized (gain) loss on foreign exchange	(1,459)	883
Unrealized loss on financial instruments	7,279	1,332
Future income tax expense (recovery)	(1,208)	(440)
Funds from continuing operations	16,795	12,589
Funds from discontinued operations – EnerVest	4,272	4,367
Funds from discontinued operations – Real Estate	663	721
	21,730	17,677
Asset retirement costs incurred during period	(146)	(86)
Change in non-cash working capital	(35,888)	(3,405)
Cash (used in) provided by operating activities	(14,304)	14,186
<b>FINANCING ACTIVITIES</b>		
Issue of trust units, net of issue costs	46	15
Cash settlement of options	(4)	—
Distributions to unitholders	(10,432)	(10,395)
Increase in bank indebtedness	27,484	3,798
Increase in notes payable	2,000	—
Increase in mortgages	1,423	1,907
Repayment of mortgages	(506)	(207)
Repayment of long-term debt	(838)	—
Change in non-cash working capital	2	—
Cash provided by (used in) financing activities	19,175	(4,882)
<b>INVESTING ACTIVITIES</b>		
Financial services development expenditures	(3)	(125)
Redemption of financial services contracts	—	1,499
Oil and gas property acquisitions	(30)	(7,212)
Oil and gas property disposals	—	27
Oil and gas development expenditures	(3,908)	(1,954)
Purchase of other assets	(5)	(78)
Purchase of real estate properties	—	(810)
Real estate development expenditures	(1,550)	(571)
Changes in non-cash working capital	205	(589)
Cash used in investing activities	(5,291)	(9,813)
<b>Decrease in cash during the period</b>	<b>(420)</b>	<b>(509)</b>
Cash, beginning of period	—	187
Change in cash of assets held for sale	420	322
<b>Cash, end of period</b>	<b>—</b>	<b>—</b>
<b>Cash interest paid</b>	<b>2,813</b>	<b>1,776</b>
<b>Cash taxes paid</b>	<b>116</b>	<b>10</b>