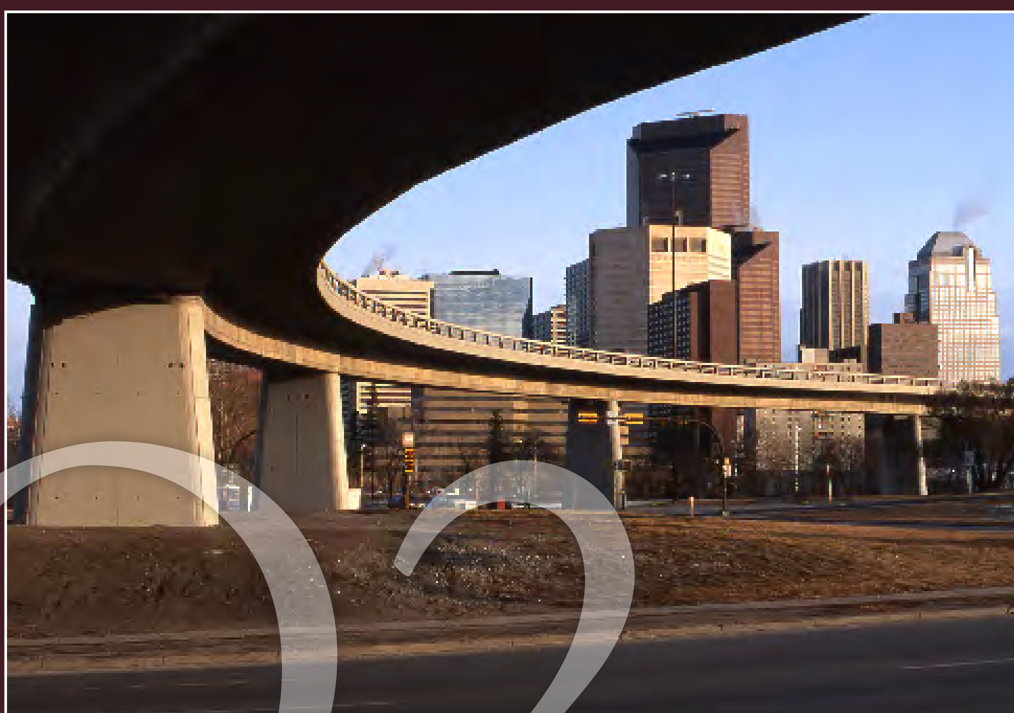
AVENIR DIVERSIFIED INCOME TRUST

Second Quarter Interim Report

for the period ending June 30, 2008



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AVENIR DIVERSIFIED INCOME TRUST

SECOND QUARTER 2008 FINANCIAL HIGHLIGHTS & REVIEW

TOTAL CONSOLIDATED FINANCIAL SUMMARY

	For the three months ended June 30			For the six months ended June 30		
(in thousands except for per unit amounts)	**2008[4]**	**2007**	**% Change**	**2008[4]**	**2007**	**% Change**
Total Revenue	$469,478	$219,581	114%	$907,257	$450,792	101%
Funds From Continuing Operations (FFCO)[1,2]	$10,256	$7,800	31%	$25,593	$20,389	26%
FFCO[1,2] Per Unit - Basic	$0.24	$0.19	26%	$0.61	$0.49	24%
Funds From Operations (FFO)[1]	$13,714	$13,167	4%	$33,986	$30,843	10%
FFO Per Unit[1] - Basic	$0.33	$0.32	3%	$0.81	$0.74	9%
Distributions	$10,442	$10,413	0%	$20,874	$20,808	0%
Distributions Per Unit - Basic	$0.25	$0.25	0%	$0.50	$0.50	0%
Distribution Payout Ratio[3]	76%	79%	4%	61%	67%	9%
Net Income from continuing operations (NICO)	$7,752	$1,527	408%	$10,023	$4,941	103%
NICO Per Unit - Basic	$0.18	$0.04	350%	$0.24	$0.12	100%
Net Income	$43,033	$5,671	659%	$48,188	$13,002	271%
Net Income Per Unit - Basic	$1.03	$0.14	636%	$1.15	$0.31	271%
Total Assets	$666,632	$526,536	27%	$666,632	$526,536	27%
Working Cap. (Net Debt) including notes payable[1] (not incld. Assets held for sale)	$67,993	$(25,081)	371%	$67,993	$(25,081)	371%
Wtd. Avg. Units Outstanding - Basic	41,911,460	41,663,371	1%	41,850,177	41,434,002	1%
Units Outstanding (including escrowed units)	41,968,552	41,826,194	0%	41,968,552	41,826,194	0%

1 Funds from continuing operations, funds from continuing operations per unit, funds from operations, funds from operations per unit and working capital (net debt) 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 and discontinued operations. 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.

2 The operations of the Trust's Real Estate Division and EnerVest Limited Partnership, as a result of being classified as 'Assets held for sale' and 'Discontinued operations', have been excluded from the Trust's Continuing Operations.

3 Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from Operations.

4 Comparative periods have been restated to conform to current period presentation – specifically relating to the reclassification of the assets of the Real Estate Division as held for sale and EnerVest Limited Partnership as discontinued operations.

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.

PRESIDENT'S MESSAGE

Overview

The second quarter of 2008 was highlighted by the previously announced sale of the Enervest Management Limited Partnership, the establishment of a Strategic Review Committee set-up to evaluate the strategic options available to the Trust, and rising energy commodity prices. Record world oil prices contributed to record results in our Oil and Gas Division while our Elbow River Marketing LP was negatively impacted by delays and the roll-forward of hedge contracts on its export biodiesel business, similar to yearend.

Funds from operations were $13.7 million in the second quarter and $34.0 million on a year to date basis. This is up about 4% from the prior year quarter mainly as a result of higher commodity prices in the Oil and Gas Division. On a year to date basis the Trust is up 10% over 2007. Overall our distribution payout ratio was 76% of the quarterly funds from operations and 61% of the 2008 year to date funds from operations; well within our target 75%-80% payout ratio.

Production in our Oil and Gas Division was 3,215 BOE/d consistent with the 3,266 BOE/d in the second quarter of the previous year but down 114 BOE/d from the first quarter of 2008 due to third party plant turnarounds and very wet weather throughout the break-up period. Current production is approximately 3,300 BOE/d. The Trust continued to have a balanced portfolio with 48% oil and natural gas liquids and 52% natural gas. Higher commodity prices resulted in revenues of $20.4 million, 48% ahead of the previous year and 16% up on the first quarter of 2008. Drilling activity was slow for the quarter with spring break-up, but has picked up significantly in July. The third quarter 2008 is scheduled to be an active quarter with 5 gross (2.1 net) successfully drilled since the end of June and another 5 gross (3.1 net) expected to be drilled in the next couple of months. The Oil and Gas Division mandate is to continue to maintain production at current levels using only the appropriate capital expenditure payout. Current capital expenditure payout is expected to be less than 50% of funds from operations.

Elbow River's results were down from the previous year and expectations for the quarter as export biodiesel cash flows were hurt by delays due to labour issues in South America and the roll-forward of hedge contracts into the third quarter of 2008. Sales on the LPG side were inline with 2007 results, but expected biodiesel gains have been pushed forward into the July-September time frame. Elbow River hedges the margin on its biodiesel transactions and the delays caused by strikes and logistical issues resulted in certain hedge positions in the second quarter being rolled forward into the third quarter to match the new sales timing. The subsequent second quarter hedging losses will not be offset until the third quarter when these delayed sales are concluded. For the third quarter 2008, Elbow River's results look to be exceptionally strong as presales for the balance of the year are currently in the $15-$20 million range. The push forward of sales from Q2 to Q3 2008 is similar to what we encountered between Q4 2007 and Q1 2008.

The Real Estate Division continues to be fully leased and a new KFC is currently under construction in Spruce Grove, Alberta, just outside Edmonton, with a scheduled completion later this fall. The sale of the Real Estate Division continues, albeit slower than we had expected as the turmoil in the credit markets, the levelling off of the real estate market and the slow down in the economy have served to increase cap rates and reduce the number of potential buyers. The properties are being sold in packages and currently the Trust has agreements to close on about 75% of the portfolio. We continue to work to dispose of the entire portfolio but now expect final sales not to occur until later in the year.

On May 16, 2008 the Trust sold the EnerVest Management contracts for $185 million less debt and working capital, transaction costs, severance, and based on an April 1, 2008 effective date. The Trust received approximately $136.2 million with an additional $25 million due December 31, 2008 or up to June 30, 2009 if certain conditions are met. Funds have initially been used to pay down debt within the Trust's divisions, fund opportunities, particularly in the Elbow River division, and invest in secure short term money market funds. The Trust has recognized results in EnerVest up to the sale date of May 16, 2008.

The Trust was not actively marketing the EnerVest Management contract, but received an offer that, after reviewing current valuations and the expected future returns made sense to accept and lock-in value for the Trust unitholders. This event, together with the previously announced sale of the real estate assets, led the Trust's Board of Directors to establish a Strategic Review Committee made up of all non-management board members. This Committee is reviewing the strategic options available to the Trust to maximize value for the unitholders, as it moves forward with cash in hand, two of its divisions sold or being sold and the implications of the trust tax looming in two and half years. Many options are being considered and the Board of Directors expects to be able to provide an update to the unitholders by the end of the third quarter 2008. In the interim, results from the Oil and Gas Division and Elbow River business have remained strong with positive debt plus working capital and a distribution payout ratio at or below our target payout ratio of 75%-80%. The Trust expects to maintain distributions at current levels during this review process, barring a major correction in energy prices or a significant slowdown in business.

We continue to be pleased with operations and look forward to a strong third quarter 2008 on the back of strong energy prices, a historically narrow medium light oil differential, drilling success, Elbow River's continued solid LPG marketing success and near term export opportunities in biodiesel. The Trust is poised to take advantage of the current cash flow opportunities with a positive cash situation, while we methodically determine the direction of the Trust on a longer-term basis. We thank our unitholders for their continued support and patience as we continue to evaluate the Trust's options.

Submitted on behalf of the Board of Directors by:

William M. Gallacher,
President & CEO

REVIEW OF FINANCIAL RESULTS

Net income from continuing operations for the quarter ended June 30, 2008 was $7.8 million up 420% from $1.5 million in the quarter ended June 30, 2007. Net income from continuing operations for the six months ended June 30, 2008 was $10.0 million up 103% from $4.9 million for the six months ended June 30, 2007. The net income for the quarter ended June 30, 2008 was $43.0 million which is up 659% versus the $5.7 million net income for the quarter ended June 30, 2007. Net income for the six months ended June 30, 2008 was $48.2 million which is up 271% versus the $13.0 million net income for the same period ended June 30, 2007. The quarter and six month net income was higher in 2008 due to the recognition of the gain on the sale of the EnerVest assets.

Funds from continuing operations were $10.3 million for the quarter ended June 30, 2008 up 31% from $7.8 million in the comparable quarter in 2007. The increase reflected higher commodity pricing for the Oil and Gas Division. Funds from operations were $13.7 million for the quarter ended June 30, 2008, up 4% as funds from operations for the quarter ended June 30, 2007 were $13.2 million.

The Trust declared distributions of $10.4 million ($0.25 per unit) for the quarter ended June 30, 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 June 30, 2007. The 2008 quarter end payout ratio was 76% of funds from operations compared to 79% at June 30, 2007, as a result of higher cash flows in 2008. For the six months ended June 30, 2008 the payout ratio was 61% under our stated payout ratio target of 75-80%.

REVIEW OF BUSINESS UNIT OPERATIONS

1. Financial Services

At June 30, 2008 the Trust's Financial Services business unit consisted only Elbow River Marketing LP as the EnerVest Management Group has been classified for accounting purposes as 'Discontinued Operations'.

ELBOW RIVER MARKETING LP ("ELBOW RIVER")

The second quarter for Elbow River was impacted by logistical delays in the biodiesel business resulting in a number of contracts being re-hedged and rolled forward in the third quarter. These hedges were rolled forward due to delays in shipping export biodiesel largely because of Argentinean labour unrest which has since been settled. The impact of the re-hedging to protect the expected margins was to recognize hedging losses in the second quarter with the offsetting sales gains not recognized until the contracts are delivered in the third quarter. As such the second quarter was virtually a nil cashflow quarter with the sales gains to be reflected in Q3. In the other products, Ethanol was able to capitalize on various geographic niches that allowed for an increase in sales versus. the same quarter last year. The LPG segment was also ahead of our normal slower second quarter mainly due to incremental sales in some of the non-core LPG related commodities as well as a continued increase in natural gasoline sales related to Alberta diluent demand.

As noted above, the third quarter should be well ahead of prior years due to the impact of the roll-forward of re-hedged second quarter sales contracts into the third quarter. Elbow has record presales on the books in the range of $15 - $20 million gross margin for the balance of the year and this is spread across all of the commodity groups. In the LPG side of the business, the continually increasing demand for diluent in Western Canada is allowing for numerous opportunities related to all LPG products and this should continue thru the rest of the year and beyond. For the biofuels segment, Ethanol is experiencing numerous spot and term opportunities at increased margins vs. the past year and Bio-diesel demand continues to grow domestically and internationally as energy and geopolitical issues present numerous arbitrage opportunities.

2. Oil & Gas Division

For the second quarter of 2008, the oil and gas division averaged sales of 3,215 BOE/d compared to 3,329 BOE/d in the first quarter of 2008 due to third party facility maintenance and weather impacts in June. The estimated production impact was 85 BOE/d for the first quarter of 2008. As of mid year 2008, production capability for the Trust is 3340 BOE/d. In comparison to the first quarter of 2008, oil and natural gas liquid sales for the second quarter averaged 1,548 Bbl/d down 3% while natural gas sales were down 4% to 10,002 Mcf/d.

Total gross revenue from petroleum and natural gas sales in the second quarter was $20.4 million up 16% from $17.5 million in the first quarter of 2008 due to both higher oil and natural gas pricing. The average price received for crude oil and natural gas liquids during the first quarter was $85.17 per barrel after hedging representing a 19% increase over first quarter pricing. Natural gas pricing for the second quarter of 2008 was $9.18 per Mcf versus $7.53 per Mcf in the first quarter of 2008 representing an increase of 22%.

The total oil and gas operating expenses in the second quarter of 2008 were consistent with the first quarter of 2008 at $4.9 million despite abnormally high power pool costs during April and May. The unit operating expense for the Trust was $16.88 per BOE for the second quarter of 2008 due to the impact of production restrictions during third party facility shutdowns. The year to date operating costs for the Trust is $16.44 per BOE consistent with the forecast of $16.35 per BOE for 2008.

The total second quarter net capital expenditure by the Trust was $2.6 million. As expected, drilling activity in the second quarter was slowed due to access issues related to spring break-up and weather. Four (0.2 net) non-operated wells were drilled in late June and achieved 100% success on 2 gas wells and 2 oil wells. The Trust also executed a successful recompletion and facility optimization project in Noel B.C. resulting in a net production add of 120 BOE/d. Since the end of the second quarter, the Trust has successfully drilled 5 wells (2.1 net) in Central Alberta and Noel B.C. targeting the Belly River, Horseshoe Canyon Coals and Cadomin gas horizons. For the reminder of the third quarter of 2008, the Trust plans to participate in 5 additional gross (3.1 net) wells highlighted by the drilling of 3 operated wells in Southern Alberta and Southwest Saskatchewan. The remaining development activity in 2008 will be balanced between oil and gas opportunities and remains flexible on the timing of capital programs based on commodity pricing through out the year. The capital programs are currently budgeted to be approximately $16.0 million in 2008 with $9.4 million remaining for the year.

3. Discontinued Operations and Assets Held For Sale

i. ENERVEST LIMITED PARTNERSHIP ("EnerVest") – Discontinued Operations

On May 16, 2008, the Trust completed the sale of its EnerVest assets to Canoe Financial LP ("Canoe"), a private entity based in Calgary, for total consideration of $185.0 million, subject to closing adjustments including operating income and working capital and debt adjustments based on an April 1, 2008 effective date. After adjustments of $21.4 million and transactions costs of $2.4 million, the net sale consideration of $161.2 million was satisfied by the receipt of $136.2 million in cash and the provision of a note receivable of $25.0 million. This resulted in a gain of $34.3 million.

i. REAL ESTATE – Assets Held for Sale

Funds from operations remained relatively consistent for the quarter ended June 30, 2008 at $0.8 million compared to $0.8 million for the quarter ended June 30, 2007.

The portfolio is currently 100% leased. Operationally the real estate division is performing within the expected budget for the 2008 fiscal year with the exception of the occupancy and subsequent rental commencement date for the Cineplex Cinema in Red Deer which was delayed by two months due to construction, compared to the budgeted commencement date. Additionally, there is a timing difference with respect to the property tax expense for the Landmark and KFC Portfolios which will be fully recovered from the tenants by the end of the year.

The sale of the Real Estate Division, which was announced on November 6, 2007, is proceeding, however did not close in mid 2008 as previously anticipated. To maximize value, the portfolio has been divided up into different categories and targeted to the appropriate buyers. There are currently offers in place for the majority of the real estate assets and we are working at selling all of the assets by the end of the year.

During the second quarter of 2008, the construction of the KFC in Spruce Grove continued to proceed as scheduled. The tenant expects to be operational by the end of the third quarter.

The Trust's Management Discussion and Analysis follows.

MANAGEMENT'S DISCUSSION AND ANALYSIS for the quarter ended June 30, 2008 should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 2008 and the audited consolidated financial statements for the year ended December 31, 2007 and the management discussion and analysis thereto. This management discussion and analysis relates to events up to August 11, 2008.

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 continuing operations, funds from continuing operations per unit, funds from operations, funds from operations 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 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. See page 11 for the quantitative reconciliation of funds from operations. Working capital (net debt) is calculated by taking current assets less current liabilities excluding balances relating to assets held for sale and discontinued operations. Operating netbacks per BOE equal total petroleum and natural gas revenue net of transportation expenses and realized gains on commodity contracts per BOE less royalties per BOE and operating expenses per BOE. Operating netbacks as used in the MD&A do not have any standardized meaning under GAAP and therefore may not be comparable with the calculation of similar measures of other entities. Operating netbacks are a useful measure to compare the Trust's operations with those of its peers). 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. Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from operations.

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 as assets held for sale.

The Trust's strategy is comprised of having three distinct business divisions: Financial Services, Energy and Real Estate. These three units provide diversification of cash flows across the financial services and real estate sector together with a higher, variable return cash flow stream from the energy sector.

SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED JUNE 30, 2008

- **Sale of the EnerVest Assets**

On May 16, 2008, the Trust completed the sale of its EnerVest assets to Canoe Financial LP ("Canoe"), a private entity based in Calgary, for total consideration of $185.0 million, subject to closing adjustments including operating income and working capital and debt adjustments based on an April 1, 2008 effective date. After adjustments of $21.4 million and transactions costs of $2.4 million, the net sale consideration of $161.2 million was satisfied by the receipt of $136.2 million in cash and the provision of a note receivable of $25.0 million. This resulted in a gain of $34.3 million.

SELECTED QUARTERLY INFORMATION

(thousand of dollars except per unit amounts)	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	Mar 31 2007	Dec 31 2006	Sept 30 2006
Total Revenue	469,478	437,777	212,730	182,530	219,581	230,210	211,106	206,210
Net Income from continuing operations	7,752	4,896	7,428	403	1,527	3,414	5,630	3,761
Net Income from continuing operations /unit - basic	0.18	0.12	0.18	0.01	0.04	0.08	0.14	0.09
Net Income	43,033	7,780	9,910	4,479	5,671	7,330	9,390	7,594
Net Income per unit - basic	1.03	0.19	0.24	0.11	0.14	0.18	0.23	0.18
Funds from continuing operations	10,256	16,795	5,167	8,556	8,616	12,586	9,303	9,462
Fund from continuing operations /unit - basic	0.24	0.40	0.12	0.21	0.21	0.30	0.23	0.23
Funds from Operations	13,714	21,730	9,557	13,212	13,167	17,677	14,334	14,328
Funds from Operations per unit - basic	0.33	0.52	0.23	0.32	0.32	0.43	0.35	0.35
Cash Distributions paid	10,442	10,432	10,429	10,422	10,413	10,395	10,397	10,401
Cash Distributions per unit - basic	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Special Distribution per unit (Energy Services)	–	–	–	–	–	–	–	–
Total Assets	666,632	656,118	598,265	533,739	526,536	546,829	530,550	489,014

Net Income

Net income for each of the Trust's business units are as follows:

	For the three months ended		For the six months ended	
(in thousands of dollars)	June 30, 2008 $	June 30, 2007 $	June 30, 2008 $	June 30, 2007 $
Net Income (loss)				
Financial Services	5,675	6,154	7,609	11,196
Oil and Gas	2,508	(1,366)	4,519	(1,515)
Corporate	(431)	(3,261)	(2,105)	(4,740)
Net Income from continuing operations	**7,752**	**1,527**	**10,023**	**4,941**
Discontinued Ops. – Real Estate	39,613	3,747	42,738	7,321
Discontinued Ops. – Energy Services	(4,332)	397	(4,573)	740
Net Income	**43,033**	**5,671**	**48,188**	**13,002**

Net income from continuing operations for the quarter ended June 30, 2008 was $7.8 million up 420% from $1.5 million in the quarter ended June 30, 2007 due to higher commodity prices in the Oil & Gas Division and lower non-cash stock based compensation in 2008. Net income from continuing operations for the six months ended June 30, 2008 was $10.0 million up 103% from $4.9 million for the six months ended June 30, 2007. The net income for the quarter ended June 30, 2008 was $43.0 million which is up 659% versus the $5.7 million net income for the quarter ended June 30, 2007. Net income for the six months ended June 30, 2008 was $48.2 million which is up 271% versus the $13.0 million net income for the same period ended June 30, 2007. The quarter and six month net income was higher in 2008 due to the recognition of the gain on the sale of the EnerVest assets.

1. Financial Services – Elbow River

The decreases in net income in the Financial Services Division from $6.2 million in the second quarter of 2007 to $5.7 million in the second quarter of 2008, and the decrease of $3.6 million for the six months ended June 30, 2008 compared to the same period in 2007, are due mainly to lower product sales in Elbow River and the roll forward of bio-diesel contracts to the third quarter of 2008.

2. Oil & Gas Division

The Oil & Gas Division had net income of $2.5 million for the quarter ended June 30, 2008 versus 2007 net loss of $1.4 million. For the six months ended June 30, 2008 the net income was $4.5 million compared to a loss of $1.5 million for the six months ended June 30, 2007. The difference is largely due to the impact of increased commodity pricing and a $3.3 million future income tax recovery for 2008 versus an expense of $0.3 million for 2007.

3. EnerVest – Discontinued Operations

EnerVest had net income of $39.6 million for the quarter ended June 30, 2008 versus $3.7 million for the quarter ended June 30, 2007. For the six months ended June 30, 2008 net income was $42.7 million compared to $7.3 million in the first six months of 2007. Both the quarter and six month increases are a result of the sale of EnerVest on May 16, 2008 and the recognition of the gain on the sale.

4. Real Estate – Assets Held for Sale

The Real Estate Division which has been classified as assets held for sale and therefore no longer records any amortization or depreciation on any of the assets. The net loss for the quarter ended June 30, 2008 totaled $4.3 million compared to net income of $0.4 million in the quarter ended June 30, 2007. The decrease is a result of the recognition of an impairment loss on certain of its real estate properties. Due to timing issues surrounding the sale of its real estate portfolio, the Trust is required to recognize a loss on certain properties in the second quarter while expected gains on other properties will not be recognized until the transactions close as expected in the second half of the year.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

a) EnerVest Limited Partnership ("EnerVest") – Discontinued Operations

On May 16, 2008, the Trust completed the sale of its EnerVest assets to Canoe Financial LP ("Canoe"), a private entity based in Calgary, for total consideration of $185.0 million, subject to customary closing adjustments including working capital and debt adjustments based on an April 1, 2008 effective date. After adjustments of $21.4 million and transactions costs of $2.4 million, the net sale consideration of $161.2 million was satisfied by the receipt of $136.2 million in cash and the provision of a note receivable of $25.0 million. This resulted in a gain of $34.3 million based on the net asset value on May 16, 2008 as outlined below:

(in thousands of dollars)	**$**
Cash	287
Working capital (excluding cash)	496
Property and equipment	16
Intangible assets	144,178
Note payable	(18,004)
	126,973

The $25.0 million promissory note has been recorded as a note receivable with a scheduled payment on December 31, 2008 unless extended under certain conditions. The note bears interest at a rate of 6% payable monthly.

Comparative periods have been restated. The results for discontinued operations are as follows:

(in thousands of dollars)	**December 31, 2007 $**
Assets	
Cash	66
Marketable securities	133
Accounts receivable and prepaid expenses	3,135
Property and equipment	22
Intangible and other assets	140,921
	144,277
Liabilities	
Accounts payable and accrued liabilities	1,211
Current portion of notes payable	3,350
Notes payable	16,329
Future income tax	2,814
	23,704
Future income tax	120,573

(in thousands of dollars)	For the three months ended June 30, 2008 $	June 30, 2007 $	For the six months ended June 30, 2008 $	June 30, 2007 $
REVENUE				
Financial services revenue	3,318	5,758	8,834	11,312
Gain on sale of assets	34,272	--	34,272	--
	37,590	5,758	43,106	11,312
EXPENSES				
Financial services operating	487	932	1,355	1,867
General and administrative	102	166	251	310
Interest on long-term debt	79	110	306	219
Depreciation and amortization	411	803	1,270	1,595
	1,079	2,011	3,182	3,991
Income before income taxes	36,511	3,747	39,924	7,321
Future income tax expense	3,102	--	2,814	--
Net income from discontinued operations, net of tax	39,613	3,747	42,738	7,321

b) Real Estate Division – Assets Held for Sale

During 2007, the Trust made the decision to dispose of the Real Estate Division assets by way of sale or spin-out. A national brokerage firm has been engaged and the Trust expects to have completed a series of transactions during the later half of 2008.

The following table represents the balances relating to the Real Estate Division that have been reclassified on the balance sheet as assets held for sale:

(in thousands of dollars)	June 30, 2008 $	December 31, 2007 $
Cash	93	488
Accounts receivable and prepaid expenses	1,873	1,305
Current assets held for sale	1,966	1,793
Property and equipment	58,186	61,548
Intangible and other assets	2,492	2,644
Long-term assets held for sale	60,678	64,192
Accounts payable and accrued liabilities	937	493
Deferred revenue	295	291
Current portion of mortgages (i)	21,915	15,023
Current liabilities of assets held for sale	23,147	15,807
Mortgages (i)	26,826	29,427
Future income tax	299	(236)
Long-term liabilities of assets held for sale	27,125	29,19191

The results of operations for the assets held for sale are as follows:

	For the three months ended		For the six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
(in thousands of dollars)	$	$	$	$
REVENUE				
Real estate revenue	2,512	2,041	4,412	3,788
	2,512	2,041	4,412	3,788
EXPENSES				
Real estate operating	840	573	1,280	1,031
General and administrative (ii)	139	145	388	255
Interest on long-term debt	725	492	1,263	944
Capital taxes	–	14	10	20
Depreciation and amortization	–	528	–	1,030
Impairment loss on assets (iii)	5,509	–	5,509	–
	7,213	1,752	8,450	3,280
Income before income taxes	(4,701)	289	(4,038)	508
Future income tax recovery (expense)	369	108	(535)	232
Net (loss) income from discontinued operations, net of tax	(4,332)	397	(4,573)	740

(i) In relation to the Real Estate Division, the Trust has various mortgages outstanding with interest rates ranging from 4.57% to 7.25% with a weighted average rate of 5.74%. The maturities range from October 2008 to August 2014 and all mortgages are collateralized by a first charge over the related properties. The Trust also provides guarantees to third party mortgagors for a maximum of the total value of the mortgages outstanding on behalf of its Real Estate Division. The guarantees require the Trust to be responsible for the mortgage principal and interest payments if its Real Estate Division is unable to do so.

During the period, the mortgage which matured in March 2008 was renewed for a total amount of $7.8 million at a rate of 4.57% for a term of 1 year. The funding of this renewal was completed in April 2008.

(ii) During the three and six months ended June 30, 2008, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of $0.2 million and $0.3 million, respectively (three and six months ended June 30, 2007 - $0.2 million and $0.3 million, respectively) payable to a company with a shareholder who is also a director of the Trust.

(iii) Due to the timing issues in the sale of individual real estate properties, the Trust has recognized an impairment of $5,509,268 in the carrying value of certain of its real estate properties. Conversely, under GAAP the Trust is not able to recognize any gains on properties being sold until the transactions have been completed. The Trust expects to finalize a number of real estate transactions prior to year end for amounts above the carrying value of the properties.

FUNDS FROM OPERATIONS

	For the three months ended		For the six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
(in thousands of dollars)	$	$	$	$
Funds from Operations				
Financial Services	537	3,469	9,718	10,718
Oil and Gas	10,168	4,857	17,731	10,623
Corporate	(449)	(526)	(1,856)	(952)
Funds from continuing operations	10,256	7,800	25,593	20,389
Discontinued Ops. – Real Estate	2,650	4,550	6,922	8,916
Discontinued Ops. – Energy Services	808	817	1,471	1,538
Funds from Operations	13,714	13,167	33,986	30,843

Funds from continuing operations were $10.3 million for the second quarter ended June 30, 2008 up 31% from $7.8 million in the comparable quarter in 2007. Funds from operations were $13.7 million for the second quarter ended June 30, 2008 up 4% as funds from operations for the second ended June 30, 2007 were $13.2 million. For the six months ended June 30, 2008 the funds from operations were $34.0 million versus $30.8 million for the comparable period in 2007. The increase in funds from operations was mainly a result of higher commodity prices in the Oil & Gas Division.

CASH DISTRIBUTIONS

i. Cash Distribution Policy

The amount of cash available for distribution is proposed by management and approved by the Board of Directors. Distribution levels are continually assessed with respect to forecasted funds from operations, debt levels and capital spending plans. Variations in economic factors, operational performance, capital market interest and government regulatory changes all impact each of the Trust's operating divisions and their ability to fund distributions. That said the Trust believes that its diversification model across multiple business lines including Financial Services and Energy, provides additional distribution support by balancing risk across a portfolio of business sectors. The level of cash withheld can vary and is dependent upon numerous factors. Although the Trust intends to continue to make cash distributions to unitholders, these distributions are not guaranteed.

ii. Second Quarter 2008 Cash Distributions

The Trust distributed $10.4 million or $0.25 per unit for the three month ended June 30, 2008 which is flat compared to the $10.4 million or $0.25 per unit distributed for the three months ended June 30, 2007. For the six months ended June 30, 2008 the Trust distributed $20.9 million compared to $20.8 million for the six months ended June 30, 2007.

For the quarter ended June 30, 2008, cash used in operating activities (after changes in non cash working capital) of $27.8 million was $38.2 million less than the $10.4 million of cash distributions primarily due to a $41.2 million change in non-cash working capital. This non-cash working capital represents a larger build-up in biodiesel inventory to support a new Elbow River biodiesel export initiative begun in late 2007 and carrying into the second half of 2008. Effectively, credit and bank lines have been increased to support a build-up of inventory for pre-sold shipments of biodiesel to Europe for which Elbow River will not record the sales and profits until the third quarter 2008. As such, when comparing the distributions declared to the cash flow from operating activities it would be possible to be in a shortfall or an excess position largely depending on the changes in non-cash working capital. Changes in non-cash working capital are funded by available bank facilities and all distributions declared are funded by the cash flow of the Trust. Changes in non-cash working capital vary based on seasonality, timing of development activities and form of debt used in our operating activities.

For the six months ended June 30, 2008, cash distributions of $20.9 million exceeded net income from continuing operations of $10.0 million by $10.9 million. Net income for the six months ended June 30, 3008 of $48.2 million exceeded distributions for the same period by $27.3 million. Distributions typically exceed net income as a result of non-cash expenses such as unrealized losses on financial instruments, depletion, depreciation and amortization, accretion, future income tax expense, and stock-based compensation. These non-cash expenses result in a reduction to net income, with no impact to cash flow from operating activities. Accordingly, we expect that distributions will exceed net income in most periods. In assessing the level of distribution to be paid to the unitholders the Trust will review the cash provided by operating activities prior to the adjustment for non-cash working capital and asset retirement costs incurred during the period, which is referred to as Funds from Operations. The Trust's policy is to distribute approximately 75% to 80% of total Funds from operations.

As noted above, the Trust's distribution policy is to target paying our 75% to 80% of funds from operations (see reconciliation table below). For the period ended June 30, 2008 cash distributions of $20.9 million represented 61% of the funds from operations well below the Trust's target that has been in effect since inception. The difference between the funds from operations and the cash distributions paid out is generally reinvested back into the businesses for internally generated growth and to maintain oil and gas production levels. It should be noted that traditionally the Trust's second and fourth quarters are the strongest due to the seasonal nature of Elbow River.

iii. Distributable Cash from Operations

Distributable cash from operations is not a measure under GAAP and there is no standard measure of distributable cash from operations. Distributable cash from operations, as presented, may not be comparable to similar measures presented by other trusts.

Distributable cash from operations for the three and six months ended June 30, 2008 and 2007 are calculated as follows:

	For the three months ended		For the six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
(in thousands of dollars)	$	$	$	$
Cash provided by (used in) operating activities	(27,829)	28,303	(41,660)	42,488
Settlement of asset retirement obligations	341	381	488	466
Changes in non-cash working capital relating to operating activities	41,202	(15,517)	75,158	(12,111)
Funds from operations	13,714	13,167	33,986	30,843
Cash available to fund capital expenditures and growth	(3,272)	(2,754)	(13,112)	(10,035)
Distributable cash from operations	10,442	10,413	20,874	20,808
Cash distributions declared and payable	3,483	3,472	3,483	3,472
Cash distributions paid in period	6,959	6,941	17,391	17,336
Accumulated cash distributions paid and payable for the period	10,442	10,413	20,874	20,808

iv. Cash Distributions Declared

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, 2008 to January 31, 2008	15/02/2008	0.083
February 1, 2008 to February 29, 2008	17/03/2008	0.083
March 1, 2008 to March 31, 2008	16/04/2008	0.083
April 1, 2008 to April 30, 2008	15/05/2008	0.083
May 1, 2008 to May 31, 2008	16/06/2008	0.083
June 1, 2008 to June 30, 2008	15/07/2008	0.083

REVENUE & OPERATING EXPENSES

1. Financial Services – Elbow River

i. Revenue

The Trust recognized revenue in the Financials Services Division of $456.1 million for the second quarter ended June 30, 2008 and $879.8 million for the six months ended June 30, 2008 up 120% and 106%, respectively, over the three and the six months ended June 30, 2007 of $207.7 million and $426.9 million, respectively. The increased Elbow River revenue mainly relating to increased sales in biofuels and the export biodiesel initiative which began in the latter half of 2007. Elbow River is a high revenue low margin (2.0% - 5.0%) brokerage marketing business.

ii. Operating Costs

The Trust's operating costs for Financial Services Division for the second quarter ended June 30, 2008 were $447.1 million compared to $199.1 million for the second quarter ended June 30, 2007. The increase in operating costs is due to the matching of biodiesel and natural gas liquids product costs, corresponding to the increased revenue at Elbow River (see the explanation above in 1(i)).

2. OIL & GAS

OIL & GAS OPERATIONS	For the three months ended June 30, 2008	June 30, 2007	% Change	For the six months ended June 30, 2008	June 30, 2007	% Change
Production						
Oil and NGL's – Bbl/d	1,548	1,564	0%	1,572	1,629	(4)%
Gas – Mcf/d	10,002	10,213	(2)%	10,199	10,012	2%
Total BOE/d[3]	3,215	3,266	(2)%	3,272	3,297	(1)%
Average Pricing						
Oil & NGL ($/Bbl) before hedging	$104.41	$53.57	95%	$92.09	$53.11	73%
Oil & NGL ($/Bbl) after hedging	$85.17	$52.02	64%	$78.16	$52.27	50%
Natural Gas ($/mcf)	$9.18	$6.78	35%	$8.34	$7.15	17%
Average Price Per BOE before hedging	$78.19	$45.91	70%	$69.45	$47.03	48%
Average Price Per BOE after hedging	$68.93	$45.17	53%	$62.75	$46.62	35%

i. Revenue and Production

For the quarter ended June 30, 2008, oil and gas revenue totaled $20.4 million compared to $13.7 million for the same period in 2007. This increase is due to the 53% increase in realized after hedge oil and natural gas pricing during the second quarter of 2008. The oil and gas revenue for the six month period ending June 30, 2008 was up 33% to $37.8 million from $28.4 million in the same period in 2007 due to a 35% increase to the average realized price per barrel equivalent after hedging. Transportation costs for the six months ended June 30, 2008 were $0.5 million matching the transportation costs for the six months ended June 30, 2007.

Revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) for the quarter ended June 30, 2008 was $13.0 million up 10% compared to the quarter ended June 30, 2007 at $11.9 million. The average price received for petroleum and natural gas sales during the quarter ended June 30, 2008 was $68.93 per BOE an increase of 53% versus $45.17 per BOE received in Q2 of 2007. The average price received for crude oil and natural gas liquids during the quarter ended June 30, 2008 was $85.17 per BOE representing an increase of 64% over the $52.02 per BOE received for the quarter ended June 30, 2007. Natural gas pricing for the quarter ended June 30, 2007 was $9.18 per Mcf versus $6.78 per Mcf for 2007.

For the six months ending June 30, 2008, revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) was $27.1 million compared to $23.9 million for the same period in 2007. The average price received for petroleum and natural gas sales during the six months ended June 30, 2008 was $62.75 per BOE an increase of 35% versus $46.62 per BOE received in Q2 of 2007. The average price received for crude oil and natural gas liquids during the six months ended June 30, 2008 was $78.16 per BOE an increase of 50% over the $52.27 per BOE received for the same period of 2007. Natural gas pricing for the six months ended June 30, 2007 was $8.34 per Mcf versus $7.15 per Mcf for 2007.

The Trust's Oil and Gas division hedges a portion of its production to add stability to its distributions, to guard against fluctuations in commodity prices and to support acquisition economics. As a result, the Trust recorded a hedging cost of $2.7 million for the quarter ended June 30, 2008 versus $0.2 million for the second quarter of 2007. In addition, the accounting treatment of oil and gas swap transactions requires the Trust to recognize an unrealized loss of $4.3 million for the change in the mark-to-market position on existing contracts at June 30, 2008 versus an unrealized loss of $0.3 million for the change in mark-to-market position as at March 31, 2008.

Average daily sales volume for the quarter ended June 30, 2008 was 3,215 BOE/d while the average for the six months ended on June 30, 2008 was 3,272 BOE per day. For the same periods in 2007, the averages were 3,266 BOE/d (2% higher) and 3,297 BOE/d (1% higher) respectively. Second quarter 2008 sales consisted of 1,548 Bbls/d of crude oil and natural gas liquids and 10,002 Mcf/d of natural gas compared to 1,564 Bbls/d and 10,213 Mcf/d for the second quarter 2007. The reduction in natural gas production was primarily due to third party processing facility maintenance. Natural gas production in the first half of 2008 was 2% higher than the first six months of 2007 at 10,199 Mcf/d versus 10,012 Mcf/d. Oil and natural gas liquids sales were down 4% in the first six months of 2008 at 1,572 Bbls/d as compared to 1,629 Bbls/d for the same period in 2007.

ii. Royalties

The Trust's royalty costs for the quarter ended June 30, 2008 were $3.2 million or 15% of revenue compared to $2.0 million or 15% of revenue for the second quarter of 2007. On a BOE basis, royalty costs averaged $10.11 per BOE for the first six months of 2008, which is up 58% from $6.39 per BOE over the same period of 2007 due to significantly higher oil and natural gas liquid pricing.

iii. Operating Expenses

The Trust's operating costs for the quarter ended June 30, 2008 were $4.9 million or $16.88 per BOE compared to $4.7 million or $15.94 per BOE for the quarter ended June 30, 2007. On a BOE basis, operating costs averaged $16.44 per BOE for the first six months of 2008, which compares closely with the $16.49 per BOE over the same period of 2007. The increase in the second quarter 2008 operating costs is a result of higher power pool prices in Alberta during the months of April and May 2008.

iv. Netbacks

	2008		2007			
	Q2 $/BOE	Q1 $/BOE	Q4 $/BOE	Q3 $/BOE	Q2 $/BOE	Q1 $/BOE
Gross revenue after hedging and transportation costs	68.93	56.80	45.00	46.23	45.17	48.05
Royalties	10.87	9.37	7.61	5.53	6.62	6.16
Operating costs	16.88	16.01	15.61	16.82	15.94	17.03
Operating netback	41.18	31.42	21.78	23.88	22.61	24.86

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative ("G&A") expenses for the second quarter ended June 30, 2008 were $3.4 million (which included corporate costs of $0.8 million) compared to $4.8 million (which included corporate costs of $1.8 million) for the quarter ended June 30, 2007. For the six months ended June 30, 2008 G&A expenses totaled $11.2 million (which included corporate costs of $2.5 million) compared to $11.1 million (which included corporate costs of $3.1 million) for the first six months of 2007. G&A expenses for the respective divisions for the second quarter of 2008 were: $1.1 million for Financial Services (Q2 2007: $2.1 million), and $1.4 million for Oil and Gas (Q2 2007: $1.1 million). G&A expense has remained relatively flat for the six months ended June 30, 2008.

INTEREST AND BANK FEES

Interest expense and bank fees were $2.4 million for the three months and $4.6 million for the six months ended June 30, 2008 reflecting higher debt levels and the notes payable outstanding in 2008. For the three and six months ended June 30, 2007, interest expense and bank fees were $1.4 million and $2.4 million. Interest expense for the second quarter of 2008 includes bank fees of $0.05 million compared to fees of $0.1 million for the second quarter of 2007. For the six months ended June 30, 2008, the Financial Services Division accounted for $3.0 million of the interest expense, the majority of which relates to the outstanding balance on the banking facility for Elbow River, and the Oil and Gas Division accounted for $0.9 million of interest expense. The remaining interest expense of $0.7 million relates to the note payable outstanding of $10.0 million.

DEPLETION, DEPRECIATION AND AMORTIZATION

Provision for depletion, depreciation and amortization was $6.2 million in the second quarter ended June 30, 2008, compared to $6.2 million for the second quarter of 2007 and $12.6 million for the six months ended June 30, 2008 versus $12.3 million for the six months ended June 30, 2007. The Trust's depletion and depreciation rate in its Oil and Gas Division was $19.55 per BOE during the second quarter of 2008 up from the $18.89 per BOE rate in the second quarter of 2007. The depletion rate continues to reflect the historically high cost per BOE of acquisitions. For the six months ended June 30, 2008, $0.9 million relates to amortization of intangibles in the Financial Services Division, and $11.7 million of the depletion and depreciation cost was on oil and gas assets.

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 in its Oil and Gas Division, 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 obligation to be $13.0 million as at June 30, 2007 based on a total future liability of $27.8 million. These figures compare to $13.1 million at June 30, 2006 with a total future liability of $27.1 million.

The payments are expected to be made over the next 29 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 for the quarter and six months ended June 30, 2008:

(in thousands of dollars)	$
Carrying amount, as at December 30, 2007	12,905
Oil and gas activities during the period	39
Abandonment cost incurred during the period	(488)
Asset retirement obligation accretion for the period	529
Carrying amount, as at June 30, 2008	12,985

INCOME TAXES

The Trust is a taxable entity under the Income Tax Act (Canada) and, until 2011, is taxable only on income that is not distributed or distributable to the unitholders. As the Trust allocates all of its Canadian taxable income to the unitholders in accordance with the Trust Indenture, and meets the requirements of the Income Tax Act (Canada) applicable to the Trust, no current tax provision for Canadian income tax expense has been incurred by the Trust. Provincial capital taxes are provided for under capital tax expense.

While the Trust believes it will be subject to additional tax under the new SIFT legislation in 2011, the estimated effective rate on temporary difference reversals after 2011 may change in future periods. As the legislation is new, future technical interpretations could occur and could materially affect management's estimate of the future income tax liability.

The amount and timing of reversals of temporary differences will also depend on the Trust's future operating results, acquisitions and dispositions of assets and liabilities, and distributions. A significant change in any of the preceding assumptions could materially affect management's estimate of the future income tax liability.

Future income tax recovery totaled $2.6 million and $3.8 million for the three and six months ended June 30, 2008, respectively. The future income tax recovery for the period largely resulted from the change in the recognition of the future tax liabilities mainly relating to the Oil and Gas Division's tax pools and non-capital losses from the previous quarter. The second quarter 2008 capital tax of $0.2 million reflects the Saskatchewan surcharge on its Saskatchewan production.

RISK MANAGEMENT

(in thousands of dollars)	$
Net risk management liability, December 31, 2007	(13,750)
Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas Division (i)	(4,258)
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	(2,259)
Change in mark-to-market of cash flow hedge contracts (iii)	(37,780)
Net risk management liability, June 30, 2008	(58,047)
Reclassified to risk management asset, June 30, 2008	(168)
Risk management liability, June 30, 2008	(58,125)

(i) The Trust has the following forward contracts that do not qualify for hedge accounting outstanding as at June 30, 2008 relating to its Oil and Gas Division:

- A fixed price WTI swap for the period August 1, 2007 to July 30, 2008 on 200 barrels/day of crude oil with a price of $70.50 US/Bbl
- A fixed price WTI swap for the period November 1, 2007 to October 30, 2008 on 200 barrels/day of crude oil with a price of $71.40 US/Bbl
- A fixed price WTI collar for the period January 1, 2008 to December 30, 2008 on 200 barrels/day of crude oil with a floor price of $70.00 US/Bbl and a ceiling price of $82.93 US/Bbl
- A fixed price AECO swap for the period November 1, 2008 to October 30, 2009 on 1,000 gigajoules/day of natural gas with a price of $8.26 CDN/gigajoules
- A fixed price WTI collar for the period August 1, 2008 to July 31, 2009 on 200 barrels/day of crude oil with a floor price of $90.00 US/Bbl and a ceiling price of $113.10 US/Bbl

The mark-to-market value of these contracts as at June 30, 2008 was a risk management liability of $7.5 million (December 30, 2007 – a risk management liability of $3.2 million), resulting in the recognition of an unrealized loss on the income statement for the six months ended June 30, 2008 of $4.3 million when compared to the December 30, 2007 mark-to-market.

(ii) The following tables detail those transactions in Elbow River that do not qualify for hedge accounting, which resulted in a risk management liability of $1.0 million (December 30, 2007 – a risk management asset of $1.3 million), resulting in the recognition of an unrealized loss on the income statement for the three months ended June 30, 2008 of $2.3 million when compared to the December 30, 2007 mark-to-market.

Futures contracts involve biofuels transactions at fixed volumes and fixed prices.

Futures contracts:

Settlement dates	Total Volume (Bbl)	Prices US $/(Bbl)	June 30, 2008 Unrealized gain (loss) $
August 2008	558,000	158.52 – 162.22	(822,710)
September 2008	122,000	112.48 – 165.82	(841,250)
October 2008	22,000	167.37 – 168.00	13,644
November 2008	19,000	155.74 – 168.63	(239,945)
December 2008	74,000	154.24 – 169.87	44,693
	795,000		(1,845,568)
		Exchange rate	1.0186
		Total CDN dollars	(1,879,895)

Futures contracts:

Settlement dates	Total Volume (lbs)	Prices US $/(lbs)	June 30, 2008 Unrealized gain (loss) $
July 2008	960,000	0.6336 – 0.6604	25,621
August 2008	13,620,000	0.6314 – 0.6632	430,178
September 2008	9,120,000	0.6046 – 0.6670	562,021
December 2008	22,740,000	0.6212 – 0.6775	(67,797)
	46,440,000		950,023
		Exchange rate	1.0186
		Total CDN dollars	967,693

Futures contracts:

Settlement dates	Total Volume (MT)	Prices US $/(MT)	June 30, 2008 Unrealized loss $
December 2008	29,000	7.57 – 7.8678	(84,234)
	29,000		(84,234)
		Exchange rate	1.0186
		Total CDN dollars	(85,801)

(iii) Elbow River sells natural gas liquids, ethanol, biodiesel, diesel, and asphalt product in the United States, Canada and overseas, 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 commodity hedge contracts are entered into for the following commodities: butane, propane, biodiesel, and ethanol. The following table details those transactions that qualify for hedge accounting that are outstanding resulting in a risk management liability of $49.6 million (December 30, 2007 – a risk management liability of $11.8 million), resulting in the recognition of other comprehensive loss of $37.8 million when compared to the December 30, 2007 mark-to-market. Also included in other comprehensive loss for the three months ended June 30, 2008 is $4.2 million relating to the settlement of a hedge during the period where the corresponding sale has not yet occurred. As such this amount will remain in other comprehensive loss until such time as the sale is completed. This brings the total amount of other comprehensive loss for the period to $42.0 million.

Commodities hedging contracts: **June 30, 2008**

Settlement dates	Average Monthly Volume (Bbl)	Prices $/(bbl)	Unrealized loss $
July – September 2008	501,929	59.12 – 223.99	(13,178,537)
October – December 2008	456,927	59.12 – 223.99	(13,370,683)
January – December 2009	191,266	59.12 – 141.61	(18,168,122)
January – March 2010	127,425	60.59 – 141.61	(3,710,160)
			(48,427,502)
		Exchange rate	1.0186
		Total CDN dollars	(49,328,254)

Forward exchange contracts: **June 30, 2008**

Term Due	Amount $	Forward Rates CDN $	Unrealized loss $
July – September 2008	38,093,450	0.9333 – 1.0193	64,795
October – December 2008	1,313,450	0.9338 – 1.0186	(61,680)
January – December 2009	3,674,100	0.9344 – 1.0186	(212,301)
January –March 2010	803,550	0.9365 – 1.0186	(49,163)
Total US dollars	43,884,550		(258,349)
Exchange rate	1.0186		
Total CDN dollars	44,700,803		

FINANCIAL RISKS

Fair Values of Financial Assets and Liabilities

The Trust's financial instruments consist of cash, accounts receivable, marketable securities, risk management assets (liabilities), bank indebtedness, accounts payable and accrued liabilities, distributions payable, notes payable, and assets and liabilities of assets held for sale. Unless otherwise noted, as at June 30, 2008, there were no significant differences between the carrying amounts of these financial instruments and their estimated fair values.

Marketable securities are classified as available for sale and, as such, have been recorded at fair value on June 30, 2008 in the amount of $1.3 million. The increase in the market value of the investments of $0.9 million and $0.5 million, respectively, for the three and six months ended June 30, 2008 has been included in other comprehensive income.

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value. The fair values of the other promissory notes referred to in note 5 to the consolidated financial statements are derived from third party indications which consider these notes payable as subordinated mezzanine level debt in determining the fair value. This fair value approximates the carrying values. The mortgages are for varying lengths and carry interest rates in line with the market terms agreed to when the mortgages were entered into. The fair value of the mortgages reflect the discounted present value of the principal and interest payments using the effective yield for instruments having the same term and risk characteristics. The fair value of the Trust's mortgages at June 30, 2008 was $48.80 million, while the carrying value was $48.74 million.

Risk management assets and liabilities are recorded at their estimated fair values based on discounted cash flow analysis using current market rates, forward pricing curves, implied volatility and option pricing models. The results are compared to confirmations from third counterparties for reasonability.

Credit Risk

The Trust's financial instruments that are exposed to credit risk consist primarily of trade accounts receivable and risk management assets (liabilities). The trade receivables are from the Trust's Oil & Gas Division and Elbow River. The majority of these trade receivables are dependent upon the strength of the North American energy complex and specifically the Canadian oil and gas industry. Elbow River is also exposed to additional risk with international overseas counterparts relating to biofuel revenues wherein additional due diligence and documentary letters of credit are undertaken. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses. At June 30, 2008, the Trust set up an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of $534,790 representing 0.24% of the Trust's accounts receivables. The increase in the allowance is the result of a purchaser of a small portion of the Oil & Gas Division's production, SemCanada Crude Company, filing for protection under the Companies Creditor Arrangement Act or CCAA subsequent to the quarter on July 22, 2008. As a result, the Trust estimates it has a total exposure of approximately $450,000 for production proceeds for the period from June 1, 2008 to July 21, 2008. Of this total exposure $275,641 was recorded as an allowance for doubtful accounts as at June 30, 2008, the balance of the exposure will be recognized in the third quarter financial statements. The Trust is registered as a creditor under the CCAA proceedings and may eventually be able to collect some portion of the amounts owing. Furthermore, the Trust believes it has no additional exposure to this counterparty as all production purchases have been reallocated to another counterparty effective July 22, 2008 as allowed by the court orders.

The maximum credit exposures associated with the Trust's customers are the carrying value of the accounts receivable and the presales in Elbow River which are not reflected in the consolidated financial statements. As at June 30, 2008, 11% of the Trusts consolidated accounts receivable are due from one customer. The total amount of receivables past due 90 days amounted to $16,739,936 as at June 30, 2008. However, management is comfortable with this risk which is mitigated through the use of documentary credits in relation to international customers.

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

The Trust also has a credit risk arising from cash and cash equivalents held with banks and financial institutions and derivative financial instruments with positive values. Again, the Trust attempts to mitigate potential losses by monitoring the credit worthiness of the counterparties and restricting the types of investments.

Foreign Currency Risk

The Trust's Elbow River group operates internationally and is therefore exposed to foreign exchange risk. The Trust's primary exposures are from fluctuations in the US dollar relative to the Canadian dollar. The Trust enters into derivative instruments from time to time to mitigate its currency risk. At June 30, 2008 forward exchange contracts were designated as cash flow hedges.

In respect of existing financial instruments, a $0.01 change in the US dollar against the Canadian dollar, with all other variables assumed constant, would have resulted in a change of approximately $0.07 million in net income from continuing operations and a change of approximately $0.05 million in other comprehensive loss for the three months ended June 30, 2008.

Commodity Price Risk

The Trust is exposed to commodity price risk. The Trust enters into derivative instruments from time to time to mitigate commodity price risk volatility. The Trust does not use derivative contracts for speculative purposes.

The following sensitivity analyses show the effects of reasonably possible changes in relevant risk variables on net income from continuing operations and other comprehensive income. The periodic effects are determined by relating the reasonable possible changes in the risk variables to actual volumes.

At June 30, 2008, in respective of the financial derivative instruments in the Oil and Gas Division, a change of $10.00 US/Bbl in the price of oil and $1.00/gigajoules in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately $1.5 million.

In respective of the financial instruments in Elbow River, a 5% change in commodity pricing would have resulted in unrealized gains and losses changing net income from continuing operations by approximately $2.2 million and would have changed other comprehensive income by approximately $5.8 million.

Interest Rate Risk

Drawings under the Trust's bank credit facilities are at floating interest rates and expose the Trust to interest rate risk. The Trust is authorized by the Board of Directors to enter into fixed rate swaps to manage risks associated with rising interest rates if felt appropriate. The Trust is also exposed to interest rate risk on maturity and refinancing of its fixed rate mortgages including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favorable terms or with interest rates as favorable as those of the existing debt. The Trust mitigates these risks by its continued efforts to enhance the value of its real estate properties and maintain high occupancy levels. A 1% change in interest rates would result in net income sensitivity of approximately $0.6 million. The Trust has not entered into any derivative agreements to mitigate this risk.

Liquidity Risk

The Trust is exposed to liquidity risk, which is the risk that the Trust may be unable to generate or obtain sufficient cash to meet its commitments as they come due. The Trust mitigates this risk through its management of cash, debt and its distributions.

The Trust maintains appropriate unused capacity in its revolving credit facilities to meet short term fluctuations from forecasted results or volatility in commodities affecting margining requirements, especially in Elbow River. The Trust manages its liquidity requirements through the use of both short term and long term cash forecasts, by establishing a conservative distribution payout target of 75%-80% of funds from continuing operations, maintaining a 60% mortgage to fair market value ratio on the Real Estate Division mortgage and targeting a 1:1 working capital (net debt), excluding non-cash risk management assets and liabilities, to annualized funds from continuing operations ratio for the non-real estate divisions.

On its real estate portfolio, the Trust maintains a debt maturity profile to avoid excessive concentrations of refinancing requirements. In its Oil and Gas Division, the Trust may hedge a portion of future production to protect cash flows to allow the Trust to meet its strategic objectives and preserve distributions. In the Elbow River, the Trust attempts to hedge as much of its business as possible in order to lock-in profit margins when transactions are entered into.

Except for the mortgages and promissory notes included in assets held for sale, all the Trust financial liabilities are effectively due within one year.

LIQUIDITY AND DEBT

In relation to its Oil and Gas Division, as at June 30, 2008, the Trust had a combined revolving demand facility with a major Canadian bank in the amount of $45.5 million (December 31, 2007 - $45.5 million) bearing interest ranging from prime to prime plus one percent depending on the debt to cash flow ratio of the Oil and Gas Division (as defined by the banking agreement). The revolving demand facility is collateralized by a floating charge debenture over all of the Trust's assets. In addition, the Trust has a development facility in the amount of $5.0 million, bearing interest ranging from prime plus one-quarter of one percent to prime plus one and one-quarter percent. As at June 30, 2008, $nil (December 31, 2007 - $40.1 million) was drawn on the revolving demand facility and $nil was drawn on the development facility (December 31, 2007 - $nil). Subsequent to June 30, 2008, revolving demand facility was increased from $45.5 million to $46.5 million.

In relation to Elbow River Marketing Limited Partnership ("Elbow River"), the Trust has a demand revolving loan facility with a Canadian bank in the amount of $70.0 million (December 31, 2007 - $70.0 million) bearing interest as follows; for advances of $50.0 million or less the interest rate is bank prime rate plus 0.125% or US bank base rate plus 0.125%; for advances greater than $50.0 million a 0.125% premium shall apply to applicable interest rates. In addition the Trust has a $38.5 million import facility (December 31, 2007 - $38.5 million) with the same Canadian Bank. The import facility bears interest at bank US base rate plus 0.25% per annum and is to be repaid by September 30, 2008. These facilities are collateralized by a charge over all of Elbow River's assets. As at June 30 2008, $69.4 million (December 31, 2007 - $67.95 million) was drawn on the demand loan facilities. During the quarter, the revolving loan limit of $70.0 million was increased to $82.0 million until September 30, 2008 at which time the limit will revert back to the original $70.0 million. As at June 30, 2008, Elbow River was in compliance with all its banking covenants.

The Trust also had $nil in bank overdraft as at June 30, 2008 (December 31, 2007 - $2.2 million).

The average effective interest rate on borrowings under the above lines for the six months ended June 30, 2008, including service fees, was 7.27% (six months ended June 30, 2007 – 6.53%).

As at June 30, 2008, the Trust also had twenty letters of credit outstanding in the aggregate amount of $9.5 million (December 31, 2007 - $5.2 million). The letters of credit reduces the amount available to be drawn on the related demand facilities.

To provide Elbow River with additional credit on natural gas liquids and biofuels inventory purchases, the Trust also has guarantees to third parties for a maximum of $119.5 million (December 31, 2007 - $64.7 million). 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.

The Trust entered into an agreement to borrow up to $10.0 million on July 28, 2006. The note payable bears interest at 12.5% per annum on the drawn portion and a standby fee of 2% on any unused portion, for a minimum period of six months. The note payable matured July 24, 2008. The note payable is collateralized by a guarantee provided by the Trust. The note was entered into to provide Elbow River with additional credit on natural gas liquids and biofuels inventory purchases. As at June 30, 2008, the outstanding balance of the note payable was $10.0 million (December 31, 2007 - $10.0 million). Subsequent to June 30, 2008, the full amount of the outstanding note payable of $10.0 million was repaid.

The average effective interest rate on borrowings under the above note payable for the six months ended June 30, 2008, including service fees, was 12.41% (three months ended June 30, 2007 – 12.8%).

				Payments due by period
(in thousands of dollars)	**Total**	**Less than 1 Year**	**1 – 3 Years**	**4+ Years**
Notes Payable	10,000	10,000	–	–
Lease Commitments	14,102	3,689	7,441	2,972
Total Contractual Obligations	24,102	13,689	7,441	2,972

Ongoing operations and capital expenditures will be managed by funds from operations and the availability of the Trust's current revolving demand facility and proposed future financings.

INVESTMENT AND CAPITAL EXPENDITURES

	For the three months ended		For the six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
(in thousands of dollars)	$	$	$	$
Financial Services				
Financial Services development expenditures	5,449	187	5,454	312
Sub-Total	5,449	187	5,454	312
Oil and Gas				
Land	103	131	175	209
Drilling	1,210	2,093	3,956	2,924
Production equipment and facilities	1,281	1,321	2,224	2,159
Other	(15)	(31)	197	176
Oil and gas property acquisitions	–	–	30	7,212
Proceeds received on oil and gas property dispositions	–	4	–	(23)
Sub-Total	2,579	3,518	6,582	12,657
Assets held for sale - Real Estate				
Real estate acquisitions	–	–	–	810
Real estate development expenditures	411	930	1,961	1,501
Sub-Total	411	930	1,961	2,311
Other assets	–	40	–	117
Net capital expenditures	8,439	4,675	14,000	15,397

CONTRACTUAL OBLIGATIONS

The Trust enters into fixed price contracts for the physical delivery of commodities and the purchase of power. These contracts are in the normal course of business and are not intended to be settled for net cash payment. As such, these contracts are not recognized in the financial statement and future revenues and costs are recognized as earned over the term of the contract.

At June 30, 2008, the following contracts were outstanding with respect to the physical deliveries of oil and gas product:

- A physical fixed price sale for the period April 1, 2008 to October 30, 2008 on 1,000 gigajoules/day of gas at a price of $7.12/gigajoule.
- A physical fixed price sale for the period May 1, 2008 to October 30, 2008 on 1,000 gigajoules/day of gas at a price of $7.10/gigajoule.
- A physical fixed price sale for the period January 1, 2008 to December 31, 2008 on 1,000 gigajoules/day of gas at a price of $7.35/gigajoule.
- A physical fixed price sale for the period February 1, 2008 to March 31, 2009 on 1,000 gigajoules/day of gas at a price of $6.94/gigajoule.
- A physical fixed price sale for the period November 1, 2008 to March 31, 2009 on 1,000 gigajoules/day of gas at a price of $7.65/gigajoule.

The mark-to-market value of these contracts as at June 30, 2008 was an unrealized loss of $3.9 million.

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

The payments over the remaining terms of these lease agreements are as follows:

(in thousands of dollars)	**$**
2008	2,006
2009	3,365
2010	3,181
2011	2,578
2012	1,520
2013 and thereafter	1,452
Total	14,102

The Trust indemnifies its directors and officers who are serving at the Trust's request in such capacities. These costs have not been material to the Trust's financial position, operations, or cash flows. The Trust has acquired and maintains liability insurance for its directors and officers.

UNITHOLDERS' CAPITAL

Trust Units	**Number of Units**	**Amount $** *(in thousands of dollars)*
Balance at December 30, 2007	**41,775,179**	**419,533**
Units issued on exercise of stock options	14,613	99
Units released from escrow – Energy Services Division	3,891	36
Balance March 31, 2008	**41,793,683**	**419,668**
Units issued on exercise of stock options	71,331	551
Units released from escrow – Energy Services Division	27,086	253
	76,452	833
Balance June 30, 2008	**41,968,552**	**421,305**

For the three and six months ended June 30, 2008 the Trust had weighted average trust units outstanding of 41,911,460 and 41,850,177, respectively (three and six months ended June 30, 2007 – 41,663,371 and 41,434,002, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 701,337 and 615,463 Trust Units for the three and six months ended June 30, 2008 respectively resulting in weighted average trust units outstanding of 42,612,797 and 42,465,640 for the three and six months ended June 30, 2008. As at June 30, 2008 the total units outstanding for the Trust were 41,968,552. At June 30, 2008 there were 285,500 in anti-dilutive options that were not part of the dilutive per unit calculation.

As at June 30, 2008, the Trust had a total of 2,982,958 options which represents 71% of the options available for issuance. Subsequent to June 30, 2008, the Trust granted 308,500 options. Also, subsequent to the quarter, 93,697 options were exercised.

RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2008, the Trust paid $0.05 million and $0.1 million, respectively (three and six months ended June 30, 2007 - $0.04 million and $0.09 million, respectively) to Avenir Capital Corporation ("Avenir"), a significant unitholder of the Trust for rent, administration and advisory services. Included in accounts payable as at June 30, 2008 is $0.02 million (December 31, 2007 - $0.02 million) owing to Avenir relating to administration and advisory services.

During the three and six months ended June 30, 2008, the Trust incurred marketing fees of $0.02 million and $0.04 million, respectively (three and six months ended June 30, 2007 - $0.02 million and $0.04 million, respectively) payable to a company with a shareholder who is also a director of the Trust. Of this balance, $0.02 million is included in accounts payable and accrued liabilities as at June 30, 2008 (December 31, 2007 - $0.02 million).

In the normal course of joint venture activities, the Trust's Oil and Gas Division from time to time engages in business transactions with companies having directors in common with the Trust. In this regard, during 2007, the Trust purchased royalty and producing property interests from a publicly traded corporation with certain directors in common for $7.2 million.

RECENT ACCOUNTING PRONOUNCEMENTS AND THE IMPACT ON THE TRUST

Effective January 1, 2008, the Trust adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Financial Instruments

The new Sections 3862, Financial Instruments – Disclosures and 3863, Financial Instruments – Presentation replace Section 3861, Financial Instruments – Disclosure and Presentation, by revising and enhancing its disclosure requirements, and carry forward substantially unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Capital Disclosures

Section 1535, Capital Disclosures specifies the disclosure of (i) an entity's objectives, policies and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Trust's capital structure is comprised of unitholders' equity and bank indebtedness. The Trust's objectives when managing its capital structure are to:

i) Maintain balance sheet strength, ensuring the Trust's strategic objectives are met, while retaining an appropriate amount of leverage; and

ii) Provide an appropriate return including distributions to unitholders relative to the risk of the Trust's underlying assets.

The Trust manages its capital structure within guidelines approved by the Board of Directors. Changes to the Trust's capital structure are made based on economic conditions and the Trust's planned requirements. The Trust has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to unitholders and making adjustment to its capital expenditure program.

Consistent with its capital structure guidelines, the Trust monitors capital using non-GAAP financial metrics of working capital (net debt) to annualized funds from continuing operations for the non-real estate divisions targeting a ratio of 1:1, 60% mortgage to fair market value ratio on the Real Estate Division and distribution pay out ratio of 75% - 80% of funds from continuing operations

For the six months ended June 30, 2008, the net debt to funds from continuing operations ratio is not meaningful to the Trust as the Trust is in a net positive working capital position versus a net debt position.

For the Real Estate Division, the ratio is calculated using the total amount of the outstanding mortgages for the period as a percentage of the estimated fair market value of the real estate properties.

The distribution pay out ratio uses the total distributions to unitholders per the statement of cash flows of $20.9 million as a percentage of the funds from continuing operations as calculated above. The distribution pay out ratio for the three months ended June 30, 2008 is approximately 82% excluding funds from the Real Estate Division and EnerVest. Including the Real Estate Division and EnerVest funds from operations, the distribution pay out ratio would be approximately 61% for the three months ended June 30, 2008. The Trust's second and fourth quarters are normally the Trust's strongest quarters as such on an annual basis the Trust's distribution ratio is expected to be more in line with the target of 75% to 80%.

Inventories

Section 3030, Inventories, aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard provides additional guidance concerning measurement, classification and disclosure and allows the reversal of write-downs to net realizable value when there is a change in the circumstances giving rise to the impairment. There was no impact to the Trust upon adoption of this standard.

Future Accounting Pronouncements

Goodwill and intangible assets

Section 3064 Goodwill and Intangible Assets replace Section 3062 Goodwill and Other Intangible Assets. The new Section will be effective on January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Trust is currently evaluating the impact of the adoption of this new Section, however does not expect a material impact on its consolidated financial statements.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board (AcSB) confirmed the use of International Financial Reporting Standards ("IFRS") for publicly accountable profit-oriented enterprises beginning on January 1, 2011 with appropriate comparative data from the prior year. IFRS will replace Canada's current Generally Accepted Accounting Principles (GAAP) for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The impact of these new standards on the Trust's financial statements is currently being assessed.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

For the quarter ended June 30, 2008, no changes were made in the Trust's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

RISKS & UNCERTAINTIES AND CRITICAL ACCOUNTING ESTIMATES

For a discussion of Risks and Uncertainties and Critical Accounting Estimates, please refer to the audited consolidated financial statements for the year ended December 30, 2007 available on SEDAR (www.sedar.com) and our website (www.avenirtrust.com).

OUTLOOK

Based on strong commodity prices in our Oil & Gas Division and record pre-sales in Elbow River, the Trust is set up to have a very strong third quarter. Currently the Trust is cash and working capital positive as the Strategic Review Committee considers options available to the Trust on a long term basis. Distributions are expected to continue at current levels as the Special Review Committee works its way through the review process with a target of providing an update to the unitholders by the end of the third quarter of 2008.

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:

William M. Gallacher
President & CEO

Gary Dundas
Vice President Finance & CFO

CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands of dollars)	June 30, 2008 $	June 30, 2007 $ (restated – note 3)
ASSETS [*note 4*]		
Current		
Cash	22,873	–
Marketable securities	1,325	1,275
Accounts receivable and prepaid expenses	233,681	76,295
Inventory	103,920	83,653
Note receivable [*note 3a*]	25,123	–
Risk management assets [*note 9*]	168	4,828
Assets held for sale - Real Estate [*note 3b*]	1,966	1,793
Assets of discontinued operations - EnerVest [*note 3a*]	–	144,277
	389,056	312,121
Property and equipment	144,941	150,018
Intangibles and other assets	14,249	15,059
Goodwill	57,708	56,875
Assets held for sale – Real Estate [*note 3b*]	60,678	64,192
	666,632	598,265
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness [*note 4*]	69,392	110,331
Accounts payable and accrued liabilities [*note 10*]	178,007	73,813
Distributions payable [*note 13*]	3,483	3,476
Risk management liability [*note 9*]	58,215	18,578
Notes payable [*note 5*]	10,000	10,000
Liabilities of assets held for sale – Real Estate [*note 3b*]	23,147	15,807
Liabilities of discontinued operations - EnerVest [*note 3a*]	–	23,704
	342,244	255,709
Asset retirement obligation [*note 6*]	12,985	12,905
Future income taxes [*note 11*]	1,688	5,500
Liabilities of assets held for sale – Real Estate [*note 3b*]	27,125	29,191
Unitholders' equity		
Unitholder capital [*note 7a*]	421,305	419,533
Contributed surplus [*note 7c*]	6,511	6,033
Accumulated earnings	140,859	92,671
Accumulated other comprehensive loss [*note 7d*]	(52,523)	(10,589)
Accumulated distributions	(233,562)	(212,688)
	282,590	294,960
	666,632	598,265

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED EARNINGS (unaudited)

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
(in thousands of dollars)	$	$	$	$
REVENUE				
Financial services revenue	451,360	206,729	882,049	426,719
Unrealized loss on financial instruments [*note 9*]	4,703	942	(2,259)	135
Total financial services revenue	456,063	207,671	879,790	426,854
Oil and gas revenue	20,350	13,706	37,836	28,371
Oil and gas transportation costs	(187)	(282)	(466)	(549)
Royalties	(3,179)	(1,968)	(6,018)	(3,813)
Unrealized loss on financial instruments [*note 9*]	(3,942)	454	(4,258)	(71)
Total oil and gas revenue	13,042	11,910	27,094	23,938
	373	—	373	—
Total revenue	469,478	219,581	907,257	450,792
EXPENSES				
Financial services operating	447,141	199,139	862,856	406,511
Oil and gas operating	4,936	4,737	9,787	9,841
General and administrative [*notes 8 and 10*]	3,426	4,836	11,166	11,090
Foreign exchange	(186)	(646)	(785)	1,373
Interest and bank fees	2,404	1,351	4,647	2,404
Capital taxes	151	88	286	178
Depletion, depreciation and amortization	6,202	6,182	12,560	12,258
Asset retirement obligation accretion [*note 6*]	257	262	529	532
	464,331	215,949	901,046	444,187
Income from continuing operations before income tax	5,147	3,632	6,211	6,605
Future income tax recovery	2,605	(2,105)	3,812	(1,664)
Net income from continuing operations	7,752	1,527	10,023	4,941
Net income from discontinued operations – EnerVest [*note 3a*]	39,613	3,747	42,738	7,321
Net (loss) income from discontinued operations – Real Estate [*note 3b*]	(4,332)	397	(4,573)	740
Net income for the period	43,033	5,671	48,188	13,002
Accumulated earnings, beginning of period	97,826	72,611	92,671	65,022
Change in accounting policy	—	—	—	258
Accumulated earnings, end of period	140,859	78,282	140,859	78,282
Net income from continuing operations per unit [*note 7b*] Basic and Diluted	0.18	0.04	0.24	0.12
Net income from discontinued operations per unit [*note 7b*]	0.85	0.10	0.91	0.19
Basic and Diluted	0.83	0.10	0.90	0.19
Net income per unit [*note 7b*]	1.03	0.14	1.15	0.31
Basic and Diluted	1.01	0.14	1.14	0.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
(in thousands of dollars)	$	$	$	$
Net income for the period	43,033	5,671	48,188	13,002
Change in fair value of derivative instruments designated as cash flow hedges [*note 9*]	(33,611)	(5,541)	(42,028)	(2,060)
Change in fair value of marketable securities	78	180	50	330
Other comprehensive (loss) income	(33,533)	(5,361)	(41,978)	(1,730)
Comprehensive (loss) income for the period	9,500	310	6,210	11,272

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Three months ended June 30, 2008 $	Three months ended June 30, 2007 $	Six months ended June 30, 2008 $	Six months ended June 30, 2007 $
	(restated–note 3)	(restated–note 3)		
OPERATING ACTIVITIES				
Net income from continuing operations	7,752	1,527	10,023	4,941
Add (deduct) non-cash items:				
Non-cash general and administrative *[note 8]*	369	1,393	1,026	2,448
Depletion, depreciation and amortization	6,202	6,182	12,560	12,258
Asset retirement obligation accretion	257	262	529	532
Unrealized (gain) loss on foreign exchange	(958)	(2,274)	(1,250)	(1,391)
Unrealized loss on financial instruments	(761)	(1,395)	6,517	(63)
Future income tax expense (recovery)	(2,605)	2,105	(3,812)	1,664
Funds from continuing operations	10,256	7,800	25,593	20,389
Funds from discontinued operations – EnerVest	2,650	4,550	6,922	8,916
Funds from discontinued operations – Real Estate	808	817	1,471	1,538
	13,714	13,167	33,986	30,843
Asset retirement costs incurred during period *[note 6]*	(341)	(381)	(488)	(466)
Change in non-cash working capital	(41,202)	15,517	(75,158)	12,111
Cash (used in) provided by operating activities	(27,829)	28,303	(41,660)	42,488
FINANCING ACTIVITIES				
Issue of trust units, net of issue costs	349	271	395	286
Cash settlement of options	(2)	–	(5)	–
Distributions to unitholders *[note 13]*	(10,442)	(10,406)	(20,874)	(20,801)
Decrease in bank indebtedness	(68,133)	(17,469)	(40,873)	(12,930)
Decrease in notes payable	(2,000)	–	–	–
Increase in mortgages	3,612	1,732	4,757	3,639
Repayment of mortgages	(237)	(191)	(466)	(398)
Increase in notes receivable	(123)	–	(123)	–
Repayment of long-term debt	(838)	–	(1,675)	–
Change in non-cash working capital	6	–	7	–
Cash provided by (used in) financing activities	(77,808)	(26,063)	(58,857)	(30,204)
INVESTING ACTIVITIES				
Sale of EnerVest assets *[note 3(a)]*	135,958	–	135,958	–
Financial services development expenditures	(4,565)	(187)	(4,570)	(312)
Redemption of financial services contracts	–	1,766	–	3,265
Oil and gas property acquisitions	–	–	(30)	(7,212)
Oil and gas property disposals	–	(4)	–	23
Oil and gas development expenditures	(2,579)	(3,514)	(6,552)	(5,468)
Purchase of other assets	–	(40)	(3)	(117)
Purchase of real estate properties	–	–	–	(810)
Real estate development expenditures	(411)	(930)	(1,961)	(1,501)
Changes in non-cash working capital	357	1,029	153	440
Cash used in investing activities	128,760	(1,880)	122,995	(11,692)
Increase in cash during the period	23,123	360	22,478	592
Cash, beginning of period	–	–	–	441
Change in cash of assets held for sale *[note 3]*	(250)	416	395	(257)
Cash, end of period	22,873	776	22,873	776
Cash interest paid	3,011	3,727	5,980	1,951
Cash taxes paid	141	427	257	437

See accompanying notes to the consolidated interim financial statements

As at June 30, 2008 and for the three months ended June 30, 2008 and 2007 (unaudited).

1. Nature of Organization

Avenir Diversified Income Trust (the "Trust") is an open-end unincorporated trust governed by the laws of the Province of Alberta. Funds from operations are provided to the Trust from financial services income, oil and gas properties, and real estate income.

The operating results for the three and six months ended June 30, 2008 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. Actual results may differ from those estimates. The Trust's natural gas liquids and biofuels marketing group traditionally has stronger results in the first and fourth quarters of the fiscal year. In the natural gas liquids and biofuels marketing group colder winter weather provides more opportunity for sale of propane and butane. Similarly, although muted somewhat by the industry's use of storage, the Oil and Gas Division often has stronger results in the winter months due to winter demand increasing oil and gas commodity prices.

Comparative periods have been restated to conform with current period presentation (see note 3).

2. Summary of Significant Accounting Policies

The unaudited interim consolidated financial statements of 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, 2007. Certain information has been condensed or omitted although the Trust believes that the disclosures are adequate to ensure the information presented is not misleading. The following notes are incremental to and should be read in conjunction with the December 31, 2007 audited consolidated financial statements.

Effective January 1, 2008, the Trust adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Financial Instruments

The new Sections 3862, Financial Instruments – Disclosures and 3863, Financial Instruments – Presentation replace Section 3861, Financial Instruments – Disclosure and Presentation, by revising and enhancing its disclosure requirements, and carry forward substantially unchanged, its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks (see note 9).

Capital Disclosures

Section 1535, Capital Disclosures specifies the disclosure of (i) an entity's objectives, policies and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Trust's capital structure is comprised of unitholders' equity and bank indebtedness. The Trust's objectives when managing its capital structure are to:

i) maintain balance sheet strength, ensuring the Trust's strategic objectives are met, while retaining an appropriate amount of leverage; and

ii) provide an appropriate return including distributions to unitholders relative to the risk of the Trust's underlying assets

The Trust manages its capital structure within guidelines approved by the Board of Directors. Changes to the Trust's capital structure are made based on economic conditions and the Trust's planned requirements. The Trust has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to unitholders and making adjustments to its capital expenditure program.

Consistent with its capital structure guidelines, the Trust monitors capital using non-GAAP financial metrics of working capital (net debt) to annualized funds from continuing operations for the non-real estate divisions targeting a ratio of 1:1, 60% mortgage to fair market value ratio on the Real Estate Division and distribution pay out ratio of 75% - 80% of funds from continuing operations.

For the six months ended June 30, 2008, the net debt to funds from continuing operations ratio is not meaningful to the Trust as the Trust is in a net positive working capital position versus a net debt position.

For the Real Estate Division, the ratio is calculated using the total amount of the outstanding mortgages for the period as a percentage of the estimated fair market value of the real estate properties.

The distribution pay out ratio uses the total distributions to unitholders per the statement of cash flows of $20,873,556 as a percentage of the funds from continuing operations as calculated above. The distribution pay out ratio for the six months ended June 30, 2008 is approximately 82% excluding funds from the Real Estate Division and EnerVest. Including the Real Estate Division and EnerVest funds from operations, the distribution pay out ratio would be approximately 61% for the six months ended June 30, 2008. The Trust's first and fourth quarters are normally the Trust's strongest quarters as such on an annual basis the Trust's distribution ratio is expected to be more in line with the target of 75% to 80%.

Inventories

Section 3031, Inventories, aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard provides additional guidance concerning measurement, classification and disclosure and allows the reversal of write-downs to net realizable value when there is a change in the circumstances giving rise to the impairment. There was no impact to the Trust upon adoption of this standard.

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

a) EnerVest Limited Partnership ("EnerVest") – Discontinued Operations

On May 16, 2008, the Trust completed the sale of its EnerVest assets to Canoe Financial LP ("Canoe"), a private entity based in Calgary, for total consideration of $185,000,000, subject to closing adjustments including operating income and working capital and debt adjustments based on an April 1, 2008 effective date. After adjustments of $21,367,743 and transactions costs of $2,386,769, the net sale consideration of $161,245,488 was satisfied by the receipt of $136,245,488 in cash and the provision of a note receivable of $25,000,000. This resulted in a gain of $34,272,473 based on the net asset value on May 16, 2008 as outlined below:

(in thousands of dollars)	**$**
Cash	287
Working capital (excluding cash)	496
Property and equipment	16
Intangible assets	144,178
Note payable	(18,004)
	126,973

The $25,000,000 promissory note has been recorded as a note receivable with a scheduled payment on December 31, 2008 unless extended under certain conditions. The note bears interest at a rate of 6% payable monthly.

Comparative periods have been restated. The results for discontinued operations are as follows:

(in thousands of dollars)	**December 31, 2007 $**
Assets	
Cash	66
Marketable securities	133
Accounts receivable and prepaid expenses	3,135
Property and equipment	22
Intangible and other assets	140,921
	144,277
Liabilities	
Accounts payable and accrued liabilities	1,211
Current portion of notes payable	3,350
Notes payable	16,329
Future income tax	2,814
	23,704
Net assets of discontinued operations	120,573

(in thousands of dollars)	For the three months ended June 30, 2008 $	 June 30, 2007 $	For the six months ended June 30, 2008 $	 June 30, 2007 $
REVENUE				
Financial services revenue	3,318	5,758	8,834	11,312
Gain on sale of assets	34,272	--	34,272	--
	37,590	5,758	43,106	11,312
EXPENSES				
Financial services operating	487	932	1,355	1,867
General and administrative	102	166	251	310
Interest on long-term debt	79	110	306	219
Depreciation and amortization	411	803	1,270	1,595
	1,079	2,011	3,182	3,991
Income before income taxes	36,511	3,747	39,924	7,321
Future income tax expense	3,102	--	2,814	--
Net income from discontinued operations, net of tax	39,613	3,747	42,738	7,321

b) Real Estate Division

During 2007, the Trust made the decision to dispose of the Real Estate Division assets by way of sale or spin-out. A national brokerage firm has been engaged and the Trust expects to have completed a series of transactions during the later half of 2008.

The following table represents the balances relating to the Real Estate Division that have been reclassified on the balance sheet as assets held for sale:

(in thousands of dollars)	June 30, 2008 $	December 31, 2007 $
Cash	93	488
Accounts receivable and prepaid expenses	1,873	1,305
Current assets held for sale	**1,966**	**1,793**
Property and equipment	58,186	61,548
Intangible and other assets	2,492	2,644
Long-term assets held for sale	**60,678**	**64,192**
Accounts payable and accrued liabilities	937	493
Deferred revenue	295	291
Current portion of mortgages (i)	21,915	15,023
Current liabilities of assets held for sale	**23,147**	**15,807**
Mortgages (i)	26,826	29,427
Future income tax	299	(236)
Long-term liabilities of assets held for sale	**27,125**	**29,191**

The results of operations for the assets held for sale are as follows:

	For the three months ended		For the six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
(in thousands of dollars)	$	$	$	$
REVENUE				
Real estate revenue	2,512	2,041	4,412	3,788
	2,512	2,041	4,412	3,788
EXPENSES				
Real estate operating	840	573	1,280	1,031
General and administrative (ii)	139	145	388	255
Interest on long-term debt	725	492	1,263	944
Capital taxes	–	14	10	20
Depreciation and amortization	–	528	–	1,030
Impairment loss on assets (iii)	5,509	–	5,509	–
	7,213	1,752	8,450	3,280
Income before income taxes	(4,701)	289	(4,038)	508
Future income tax recovery (expense)	369	108	(535)	232
Net (loss) income from discontinued operations, net of tax	(4,332)	397	(4,573)	740

(i) In relation to the Real Estate Division, the Trust has various mortgages outstanding with interest rates ranging from 4.57% to 7.25% with a weighted average rate of 5.74%. The maturities range from October 2008 to August 2014 and all mortgages are collateralized by a first charge over the related properties. The Trust also provides guarantees to third party mortgagors for a maximum of the total value of the mortgages outstanding on behalf of its Real Estate Division. The guarantees require the Trust to be responsible for the mortgage principal and interest payments if its Real Estate Division is unable to do so.

During the period, the mortgage which matured in March 2008 was renewed for a total amount of $7,800,000 at a rate of 4.57% for a term of 1 year. The funding of this renewal was completed in April 2008.

(ii) During the three and six months ended June 30, 2008, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of $190,688 and $325,788, respectively (three and six months ended June 30, 2007 - $168,810 and $292,940, respectively) payable to a company with a shareholder who is also a director of the Trust.

(iii) Due to the timing issues in the sale of individual real estate properties, the Trust has recognized an impairment of $5,509,268 in the carrying value of certain of its real estate properties. Conversely, under GAAP the Trust is not able to recognize any gains on properties being sold until the transactions have been completed. The Trust expects to finalize a number of real estate transactions prior to year end for amounts above the carrying value of the properties..

4. BANK INDEBTEDNESS

In relation to its Oil and Gas Division, as at June 30, 2008, the Trust had a combined revolving demand facility with a major Canadian bank in the amount of $45,500,000 (December 31, 2007 - $45,500,000) bearing interest ranging from prime to prime plus one percent depending on the debt to cash flow ratio of the Oil and Gas Division (as defined by the banking agreement). The revolving demand facility is collateralized by a floating charge debenture over all of the Trust's assets.
In addition, the Trust has a development facility in the amount of $5,000,000, bearing interest ranging from prime plus one-quarter of one percent to prime plus one and one-quarter percent. As at June 30, 2008, $nil (December 31, 2007 - $40,130,000) was drawn on the revolving demand facility and $nil was drawn on the development facility (December 31, 2007 - $nil). Subsequent to June 30, 2008, revolving demand facility was increased from $45,500,000 to $46,500,000.

In relation to Elbow River Marketing Limited Partnership ("Elbow River"), the Trust has a demand revolving loan facility with a Canadian bank in the amount of $70,000,000 (December 31, 2007 - $70,000,000) bearing interest as follows; for advances of $50,000,000 or less the interest rate is bank prime rate plus 0.125% or US bank base rate plus 0.125%; for advances greater than $50,000,000 a 0.125% premium shall apply to applicable interest rates. In addition the Trust has a $38,500,000 import facility (December 31, 2007 - $38,500,000) with the same Canadian Bank. The import facility bears interest at bank US base rate plus 0.25% per annum and is to be repaid by September 30, 2008. These facilities are collateralized by a charge over all of Elbow River's assets. As at June 30 2008, $69,391,728 (December 31, 2007 -

$67,954,647) was drawn on the demand loan facilities. During the quarter, the revolving loan limit of $70,000,000 was increased to $82,000,000 until September 30, 2008 at which time the limit will revert back to the original $70,000,000. As at June 30, 2008, Elbow River was in compliance with all its banking covenants.

The Trust also had $nil in bank overdraft as at June 30, 2008 (December 31, 2007 - $2,246,829).

The average effective interest rate on borrowings under the above lines for the six months ended June 30, 2008, including service fees, was 7.27% (six months ended June 30, 2007 – 6.53%).

As at June 30, 2008, the Trust also had twenty letters of credit outstanding in the aggregate amount of $9,549,134 (December 31, 2007 - $5,179,536). The letters of credit reduces the amount available to be drawn on the related demand facilities.

To provide Elbow River with additional credit on natural gas liquids and biofuels inventory purchases, the Trust also has guarantees to third parties for a maximum of $119,451,316 (December 31, 2007 - $64,694,076). 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.

5. NOTES PAYABLE

The Trust entered into an agreement to borrow up to $10,000,000 on July 28, 2006. The note payable bears interest at 12.5% per annum on the drawn portion and a standby fee of 2% on any unused portion, for a minimum period of six months. The note payable matured July 24, 2008. The note payable is collateralized by a guarantee provided by the Trust. The note was entered into to provide Elbow River with additional credit on natural gas liquids and biofuels inventory purchases. As at June 30, 2008, the outstanding balance of the note payable was $10,000,000 (December 31, 2007 - $10,000,000). Subsequent to June 30, 2008, the full amount of the outstanding note payable of $10,000,000 was repaid.

The average effective interest rate on borrowings under the above note payable for the six months ended June 30, 2008, including service fees, was 12.41% (three months ended June 30, 2007 – 12.8%).

6. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated by management based on the Trust's net ownership interest in all wells and facilities in its Oil and Gas Division, 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 $12,985,456 as at June 30, 2008 based on a total future liability of $27,830,590 (December 31, 2007 - $27,720,290). These payments are expected to be made over the next 28 years. The Trust's credit adjusted risk free rate of 8.5% (December 31, 2007 – 8.5%) and an inflation rate of 2% (December 31, 2007 – 2%) were used to calculate the present value of the asset retirement obligation.

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

(in thousands of dollars)	$
Carrying amount, as at December 31, 2007	**12,905**
Oil and gas activities during the period	39
Abandonment expenditures incurred during the period	(488)
Asset retirement obligation accretion for the period	529
Carrying amount, as at March 31, 2008	**12,985**

7. UNITHOLDERS' CAPITAL

a) Unitholders' Capital

Authorized

Authorized capital consists of an unlimited number of Trust Units, and an unlimited number of Special Voting Units. No Special Voting Units have been issued to date. Each unit is transferable and represents an equal and undivided beneficial interest in any distributions from the Trust whether of earnings, net working capital gains or other amounts, and in the net assets of the Trust in the event of termination or wind-up. All units are redeemable at the demand of the unitholder.

Issued

Trust Units	Number of Units	Amount $ *(in thousands of dollars)*
Balance December 31, 2007	**41,775,179**	**419,533**
Units issued on exercise of stock options (i)	14,613	99
Unit released from escrow - Energy Services Division (ii)	3,891	36
Balance March 31, 2008	**41,793,683**	**419,668**
Units issued on exercise of stock options (i)	71,331	551
Unit released from escrow - Energy Services Division (ii)	27,086	253
Unit released from escrow - Elbow River (iii)	76,452	833
Balance June 30, 2008	**41,968,552**	**421,305**

(i) The total cash received for Trust Units issued upon exercise of stock options during the period amounted to $395,226 and the difference of $255,101 represents the movement from contributed surplus to unitholders' capital relating to the stock based compensation expense previously recognized.

(ii) In 2006 the Trust issued 123,312 Trust Units from treasury, which were escrowed for energy service employees who had unvested Trust options at the time of the Energy Services Division spin-out on May 31, 2006. These units are to remain in escrow until the vesting date is reached on the respective Trust options based on the original grant date of the options. During the quarter, the Trust decided to release the remaining unvested Trust options to the respective option holders resulting in 30,977 (or $289,095) of these Trust Units being released from escrow. Also, 846 (or $7,868) of these escrowed Trust Units were cancelled as certain terms of the escrow agreement were not met.

(iii) During the period 76,452 Trust Units were released from escrow in relation to the acquisition of Elbow River in 2005 under the terms of the time release provisions based on management remaining with the go forward entity. These Trust Units were released from escrow on the third anniversary date of the close of the acquisition. The Trust Units were valued at the time of the acquisition at $10.90. This represents the final time release under the provisions of the 2005 acquisition agreement.

b) Per Unit Amounts

For the three and six months ended June 30, 2008, the Trust had a weighted average number of trust units outstanding of 41,911,460 and 41,850,177, respectively (three and six months ended June 30, 2007 – 41,663,371 and 41,434,002, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 701,337 and 615,463 Trust Units for the three and six months ended June 30, 2008, respectively, resulting in a diluted weighted average number of trust units outstanding for the three and six months ended June 30, 2008, of 42,612,797 and 42,465,640, respectively (three and six months ended June 30, 2007 – 41,983,358 and 41,554,780, respectively). At June 30, 2008, there were 285,500 in anti-dilutive options that were not part of the dilutive per unit calculation.

c) Contributed Surplus

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

(in thousands of dollars)	$
Contributed surplus, December 31, 2007	**6,033**
Stock-based compensation expense *[note 8]*	1,034
Release of units from escrow relating to Energy Services Division *[note 7(a)(ii)]*	(296)
Options exercised	(255)
Settlement of options	(5)
Contributed surplus, June 30, 2008	**6,511**

d) Accumulated other comprehensive loss

The following table reconciles the components of the accumulated other comprehensive loss balance:

(in thousands of dollars)	$
Derivative instruments designated as cash flow hedges *[note 9(c)(iii)]*	(53,835)
Fair value of marketable securities	1,312
Accumulated other comprehensive loss	**(52,523)**

8. STOCK-BASED COMPENSATION

Under the Trust's unit option plan, options to acquire trust units are granted to employees and directors from time to time at exercise prices equal to the five day volume weighted average trading price of the units prior to the date of the grant. Options granted under the plan vest a third each year over a three-year period starting on the first anniversary from the date of grant. The options have a five-year life. The exercise price of the options is periodically adjusted to reflect the Trust's monthly distributions ("the grind feature"). Any consideration paid on exercise of stock options is credited to unitholders' capital. A total of 4,196,855 units have been reserved under this plan.

The following table summarizes the status and changes during the six months ended June 30, 2008:

	Number of options outstanding	**Weighted average grant date exercise price $**
Outstanding, December 31, 2007	**3,219,574**	**8.41**
Granted	12,000	7.59
Exercised	(85,944)	9.45
Expired	(162,672)	8.51
Outstanding, June 30, 2008	**2,982,958**	**8.24**
Exercisable, June 30, 2008	**1,168,525**	**8.80**

The following table summarizes information about the unit options outstanding at March 31, 2008:

June 30, 2008 Strike Price $	**Grant date exercise price $**	**Number of options outstanding**	**Weighted average remaining life (years)**	**Number of options exercisable**
0.41	9.00	48,112	1.38	48,112
2.58	11.00	30,000	1.52	30,000
2.88	10.90	286,948	1.83	286,948
3.40	11.20	25,000	2.00	16,666
3.38	10.69	45,833	2.37	32,559
6.40	8.30	1,065,998	3.09	350,337
6.61	8.35	40,500	3.26	13,501
5.75	7.16	12,500	3.59	4,167
5.83	7.16	100,000	3.67	33,333
6.03	7.28	1,042,567	3.75	352,902
7.54	8.54	197,000	4.00	–
6.59	7.17	76,500	4.42	–
7.03	7.45	3,500	4.59	–
7.07	7.32	5,000	4.75	–
7.93	8.10	3,500	4.84	–
		2,982,958	3.26	1,168,525

As a result of the grind feature of the options, the price on the date of grant is ground down by the distributions paid to unitholders. Accordingly, the weighted average strike price at June 30, 2008 on all outstanding options was $5.79 and the weighted average strike price at June 30, 2008 on all exercisable options is $4.94.

The total value of stock-based compensation of $9,070,181 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 2008 are as follows:

	2008 Granted Options
Expected volatility	35.87%
Risk – free interest rate	3.01%
Expected life of options	3.4 years
Dividend yield	**nil**

For the three and six months ended June 30, 2008 the Trust recorded compensation expense and contributed surplus of $372,861 and $1,033,985, respectively (three and six months ended June 30, 2007 - $1,397,683 and $2,457,876, respectively) relating to the Trust's current options and ($3,943) and ($7,868), respectively for the three and six months ended June 30, 2008 (three and six months ended June 30, 2007 – ($4,315) and ($10,363), respectively) relating to the spin-out of the Energy Services Division (see note 7(a)(ii)).

Subsequent to June 30, 2008, the Trust granted 308,500 options. Also, subsequent to June 30, 2008, 93,697 options were exercised.

9. FINANCIAL INSTRUMENTS

The Trust is exposed to financial risks arising from its financial assets and liabilities. The financial risks include credit risk, market risk on commodity and foreign exchange hedges, interest rate risk and liquidity risk. These risks are outlined more fully below.

Financial instrument	Category
Financial assets:	
Marketable securities	Available for sale
Accounts receivable	Loans and receivables
Risk management assets	Cash flow hedges
Assets held for sale	Loans and receivables
Financial liabilities:	
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Notes payable	Other financial liabilities
Risk management liabilities	Cash flow hedges (note 9(c)(iii)) and held for trading (note 9(c)(i)&(ii))
Liabilities of assets held for sale	Other financial liabilities

a) Fair Values of Financial Assets and Liabilities

Unless otherwise noted, as at June 30, 2008, there were no significant differences between the carrying amounts of the financial instruments listed above and their estimated fair values.

Marketable securities are classified as available for sale and, as such, have been recorded at fair value on June 30, 2008 in the amount of $1,325,000. The increase in the market value of the investments of $90,000 and $50,000, respectively, for the three and six months ended June 30, 2008 has been included in other comprehensive income.

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value. The fair values of the promissory notes referred to in note 5 are derived from third party indications which consider these notes payable as subordinated mezzanine level debt in determining the fair value. This fair value approximates the carrying values. The mortgages are for varying lengths and carry interest rates in line with the market terms agreed to when the mortgages were entered into. The fair value of the mortgages reflect the discounted present value of the principal and interest payments using the effective yield for instruments having the same term and risk characteristics. The fair value of the Trust's mortgages at June 30, 2008 was $48,797,602, while the carrying value was $48,741,205.

Risk management assets and liabilities are recorded at their estimated fair values based on discounted cash flow analysis using current market rates, forward pricing curves, implied volatility and option pricing models. The results are compared to confirmations from third counterparties for reasonability.

b) Credit Risk

The Trust's financial instruments that are exposed to credit risk consist primarily of trade accounts receivable and risk management assets (liabilities). The trade receivables are from the Trust's Oil & Gas Division and Elbow River. The majority of these trade receivables are dependent upon the strength of the North American energy complex and specifically the Canadian oil and gas industry. Elbow River is also exposed to additional risk with international overseas counterparts relating to biofuel revenues wherein additional due diligence and documentary letters of credit are undertaken. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses. At June 30, 2008, the Trust set up an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of $534,790 representing 0.24% of the Trust's accounts receivables. The increase in the allowance is the result of a purchaser of a small portion of the Oil & Gas Division's production, SemCanada Crude Company, filing for protection under the Companies Creditor Arrangement Act or CCAA subsequent to the quarter on July 22, 2008. As a result, the Trust estimates it has a total exposure of approximately $450,000 for production proceeds for the period from June 1, 2008 to July 21, 2008. Of this total exposure $275,641 was recorded as an allowance for doubtful accounts as at June 30, 2008, the balance of the exposure will be recognized in the third quarter financial statements. The Trust is registered as a creditor under the CCAA proceedings and may eventually be able to collect some portion of the amounts owing. Furthermore, the Trust believes it has no additional exposure to this counterparty as all production purchases have been reallocated to another counterparty effective July 22, 2008 as allowed by the court orders.

The maximum credit exposures associated with the Trust's customers are the carrying value of the accounts receivable and the presales in Elbow River which are not reflected in the consolidated financial statements. As at June 30, 2008, 11% of the Trusts consolidated accounts receivable are due from one customer. The total amount of receivables past due 90 days amounted to $16,739,936 as at June 30, 2008. However, management is comfortable with this risk which is mitigated through the use of documentary credits in relation to international customers.

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

The Trust also has a credit risk arising from cash and cash equivalents held with banks and financial institutions and derivative financial instruments with positive values. Again, the Trust attempts to mitigate potential losses by monitoring the credit worthiness of the counterparties and restricting the types of investments.

c) Risk Management Asset (liability)

(in thousands of dollars)	$
Risk management liability, December 31, 2007	**(13,750)**
Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas Division (i)	(4,258)
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	(2,259)
Change in mark-to-market of cash flow hedge contracts – Elbow River (iii)	(37,780)
Net risk management liability, June 30, 2008	**(58,047)**
Reclassified to risk management asset, June 30, 2008	**(168)**
Risk management liability, June 30, 2008	**(58,215)**

(i) The Trust has the following forward contracts that do not qualify for hedge accounting outstanding as at June 30, 2008 relating to its Oil and Gas Division:

- A fixed price WTI swap for the period August 1, 2007 to July 31, 2008 on 200 barrels/day of crude oil with a price of $70.50 US/Bbl
- A fixed price WTI swap for the period November 1, 2007 to October 31, 2008 on 200 barrels/day of crude oil with a price of $71.40 US/Bbl
- A fixed price WTI collar for the period January 1, 2008 to December 31, 2008 on 200 barrels/day of crude oil with a floor price of $70.00 US/Bbl and a ceiling price of $82.93 US/Bbl

- A fixed price AECO swap for the period November 1, 2008 to October 31, 2009 on 1,000 gigajoules/day of natural gas with a price of $8.26 CDN/gigajoules
- A fixed price WTI collar for the period August 1, 2008 to July 31, 2009 on 200 barrels/day of crude oil with a floor price of $90.00 US/Bbl and a ceiling price of $113.10 US/Bbl

The mark-to-market value of these contracts as at June 30, 2008 was a risk management liability of $7,462,133 (December 31, 2007 – a risk management liability of $3,204,281), resulting in the recognition of an unrealized loss on the income statement for the six months ended June 30, 2008 of $4,257,852 when compared to the December 31, 2007 mark-to-market.

(ii) The following tables detail those transactions in Elbow River that do not qualify for hedge accounting, which resulted in a risk management liability of $998,003 (December 31, 2007 – a risk management asset of $1,261,376), resulting in the recognition of an unrealized loss on the income statement for the six months ended June 30, 2008 of $2,259,379 when compared to the December 31, 2007 mark-to-market.

Futures contracts involve biofuels transactions done at fixed volume and fixed price.

Futures contracts:

Settlement dates	Total Volume (Bbl)	Prices US $/(Bbl)	June 30, 2008 Unrealized gain (loss) $
August 2008	558,000	158.52 – 162.22	(822,710)
September 2008	122,000	112.48 – 165.82	(841,250)
October 2008	22,000	167.37 – 168.00	13,644
November 2008	19,000	155.74 – 168.63	(239,945)
December 2008	74,000	154.24 – 169.87	44,693
	795,000		(1,845,568)
		Exchange rate	1.0186
		Total CDN dollars	(1,879,895)

Futures contracts:

Settlement dates	Total Volume (lbs)	Prices US $/(lbs)	June 30, 2008 Unrealized gain (loss) $
July 2008	960,000	0.6336 – 0.6604	25,621
August 2008	13,620,000	0.6314 – 0.6632	430,178
September 2008	9,120,000	0.6046 – 0.6670	562,021
December 2008	22,740,000	0.6212 – 0.6775	(67,797)
	46,440,000		950,023
		Exchange rate	1.0186
		Total CDN dollars	967,69

Futures contracts:

Settlement dates	Total Volume (MT)	Prices US $/(MT)	June 30, 2008 Unrealized loss $
December 2008	29,000	7.57 – 7.8678	(84,234)
	29,000		(84,234)
		Exchange rate	1.0186
		Total CDN dollars	(85,801)

(iii) Elbow River sells natural gas liquids, ethanol, biodiesel, diesel, and asphalt product in the United States, Canada and overseas, 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 commodity hedge contracts are entered into for the following commodities: butane, propane, natural gasoline, biodiesel, and ethanol. The following table details those transactions that qualify for hedge accounting that are outstanding giving rise to a risk management liability of $49,586,603 (December 31, 2007 – a risk management liability of $11,807,202), resulting in the recognition of an other comprehensive loss of $37,779,401 when compared to the December 31, 2007 mark-to-market. Also included in other comprehensive loss for the six months ended June 30, 2008 is $4,248,338 relating to the settlement of three hedges during the period where the corresponding sale has not yet occurred. As such this amount will remain in other comprehensive loss until such time as the sale is completed. This brings the total amount of other comprehensive loss for the period to $42,027,739.

Commodities hedging contracts: **June 30, 2008**

Settlement dates	Average Monthly Volume (Bbl)	Prices $/(bbl)	Unrealized loss $
July – September 2008	501,929	59.12 – 223.99	(13,178,537)
October – December 2008	456,927	59.12 – 223.99	(13,370,683)
January – December 2009	191,266	59.12 – 141.61	(18,168,122)
January – March 2010	127,425	60.59 – 141.61	(3,710,160)
			(48,427,502)
		Exchange rate	1.0186
		Total CDN dollars	(49,328,254)

Forward exchange contracts: **June 30, 2008**

Term Due	Amount $	Forward Rates CDN $	Unrealized loss $
July – September 2008	38,093,450	0.9333 – 1.0193	64,795
October – December 2008	1,313,450	0.9338 – 1.0186	(61,680)
January – December 2009	3,674,100	0.9344 – 1.0186	(212,301)
January –March 2010	803,550	0.9365 – 1.0186	(49,163)
Total US dollars	43,884,550		(258,349)
Exchange rate	1.0186		
Total CDN dollars	44,700,803		

(iv) Foreign currency risk

The Trust's Elbow River group operates internationally and is therefore exposed to foreign exchange risk. The Trust's primary exposures are from fluctuations in the US dollar relative to the Canadian dollar. The Trust enters into derivative instruments from time to time to mitigate its currency risk. At June 30, 2008 forward exchange contracts were designated as cash flow hedges.

In respect of existing financial instruments, a $0.01change in the US dollar against the Canadian dollar, with all other variables assumed constant, would have resulted in a change of approximately $73,000 in net income from continuing operations and a change of approximately $51,000 in other comprehensive loss for the six months ended June 30, 2008.

(v) Commodity price risk

The Trust is exposed to commodity price risk. The Trust enters into derivative instruments from time to time to mitigate commodity price risk volatility. The Trust does not use derivative contracts for speculative purposes.

The following sensitivity analyses show the effects of reasonably possible changes in relevant risk variables on net income from continuing operations and other comprehensive income. The periodic effects are determined by relating the reasonable possible changes in the risk variables to actual volumes.

At June 30, 2008, in respective of the financial derivative instruments in the Oil and Gas Division, a change of $10.00 US/Bbl in the price of oil and $1.00/gigajoules in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately $1,534,000.

In respect of the financial derivative instruments in Elbow River, a 5% change in commodity pricing would have resulted in unrealized gains and losses changing net income from continuing operations by approximately $2,162,000 and other comprehensive income by approximately $5,810,000.

d) Interest Rate Risk

Drawings under the Trust's bank credit facilities are at floating interest rates and expose the Trust to interest rate risk. The Trust is authorized by the Board of Directors to enter into fixed rate swaps to manage risks associated with rising interest rates if felt appropriate. The Trust is also exposed to interest rate risk on maturity and refinancing of its fixed rate mortgages including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favorable terms or with interest rates as favorable as those of the existing debt. The Trust mitigates these risks by its continued efforts to enhance the value of its real estate properties and maintain high occupancy levels. A 1% change in interest rates would result in net income from continuing operations sensitivity of approximately $597,000. The Trust has not entered into any derivative agreements to mitigate this risk.

e) Liquidity Risk

The Trust is exposed to liquidity risk, which is the risk that the Trust may be unable to generate or obtain sufficient cash to meet its commitments as they come due. The Trust mitigates this risk through its management of cash, debt and its distributions.

The Trust maintains appropriate unused capacity in its revolving credit facilities to meet short term fluctuations from forecasted results or volatility in commodities affecting margining requirements, especially in Elbow River. The Trust manages its liquidity requirements through the use of both short term and long term cash forecasts, by establishing a conservative distribution payout target of 75%-80% of funds from continuing operations, maintaining a 60% mortgage to fair market value ratio on the Real Estate Division mortgages and targeting a 1:1 working capital (net debt), excluding non-cash risk management assets and liabilities, to annualized funds from continuing operations ratio for the non-real estate divisions.

On its real estate portfolio, the Trust maintains a debt maturity profile to avoid excessive concentrations of refinancing requirements. In its Oil and Gas Division, the Trust may hedge a portion of future production to protect cash flows to allow the Trust to meet its strategic objectives and preserve distributions. In Elbow River, the Trust attempts to hedge as much of its business as possible in order to lock in profit margins when transactions are entered into.

Except for the mortgages included in assets held for sale as described in note 3, all the Trust financial liabilities are effectively due within one year.

10. RELATED PARTY TRANSACTIONS

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

- During the three and six months ended June 30, 2008, the Trust incurred marketing fees of $18,000 and $36,000, respectively (three and six months ended June 30, 2007 - $18,000 and $36,000, respectively) 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 June 30, 2008 (December 31, 2007 - $19,036).
- During the three and six months ended June 30, 2008, the Trust incurred marketing fees of $18,000 and $36,000, respectively (three and six months ended June 30, 2007 - $18,000 and $36,000, respectively) 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 June 30, 2008 (December 31, 2007 - $19,036).
- In the normal course of joint venture activities, the Trust's Oil and Gas Division from time to time engages in business transactions with companies having directors in common with the Trust. In this regard, during 2007, the Trust purchased royalty and producing property interests from a publicly traded corporation with certain directors in common for $7,199,494.

11. INCOME TAXES

The Trust is a taxable entity under the Income Tax Act (Canada) and, until 2011, is taxable only on income that is not distributed or distributable to the unitholders. As the Trust allocates all of its Canadian taxable income to the unitholders in accordance with the Trust Indenture, and meets the requirements of the Income Tax Act (Canada) applicable to the Trust, no current tax provision for Canadian income tax expense has been incurred by the Trust. Provincial capital taxes are provided for under capital tax expense.

While the Trust believes it will be subject to additional tax under the new SIFT legislation in 2011, the estimated effective rate on temporary difference reversals after 2011 may change in future periods. As the legislation is new, future technical interpretations could occur and could materially affect management's estimate of the future tax liability.

The amount and timing of reversals of temporary differences will also depend on the Trust's future operating results, acquisitions and dispositions of assets and liabilities, and distributions. A significant change in any of the preceding assumptions could materially affect management's estimate of the future income tax liability.

The difference between the accounting value and the income tax value of assets and liabilities, which comprise the future income tax liability, are as follows

(in thousands of dollars)	**June 30, 2008** **$**
Excess of tax basis over book value (asset)/liability:	
Property and equipment	9,680
Intangibles and goodwill	547
Net risk management liability	(3,371)
Asset retirement obligation	(2,211)
Non-capital losses	(2,957)
Future income tax liability	1,688

12. SEGMENTED INFORMATION

The Trust determines its reportable segments based on the structure of its operations, which are primarily focused on the following principal business segments – financial services, oil and gas, and real estate. 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 June 30, 2008				
(in thousands of dollars)	**Financial – Services Elbow River** **$**	**Oil & Gas** **$**	**Corporate** **$**	**Discontinued Operations** **$**	**Total** **$**
Gross revenue	456,063	13,042	1,122	–	470,227
Inter-segment eliminations	–	–	(749)	–	(749)
Net total revenue	456,063	13,042	373	–	469,478
Operating expenses	447,141	4,936	–	–	452,077
Net operating expenses	447,141	4,936	–	–	452,077
Income (loss) before inter-segment eliminations	4,926	2,508	318	–	7,752
Inter-segment eliminations	749	–	(749)	–	–
Income (loss) from continuing operations	5,675	2,508	(431)	–	7,752
Discontinued operations – EnerVest	–	–	–	39,613	39,613
Discontinued operations – Real Estate	–	–	–	(4,332)	(4,332)
Net income (loss)	5,675	2,508	(431)	35,281	43,033

		For the six months ended June 30, 2008			
(in thousands of dollars)	**Financial – Services Elbow River $**	**Oil & Gas $**	**Corporate $**	**Discontinued Operations $**	**Total $**
Gross revenue	879,790	27,094	1,277	–	908,161
Inter-segment eliminations	–	–	(904)	–	(904)
Net total revenue	879,790	27,094	373	–	907,257
Operating expenses	862,856	9,787	–	–	872,643
Net operating expenses	862,856	9,787	–	–	872,643
Income (loss) before inter-segment eliminations	6,705	4,519	(1,201)	–	10,023
Inter-segment eliminations	904	–	(904)	–	–
Income (loss) from continuing operations	7,609	4,519	(2,105)	–	10,023
Discontinued operations – EnerVest	–	–	–	42,738	42,738
Discontinued operations – Real Estate	–	–	–	(4,573)	(4,573)
Net income (loss)	7,609	4,519	(2,105)	38,165	48,188

		For the three months ended June 30, 2008			
(in thousands of dollars)	**Financial – Services Elbow River $**	**Oil & Gas $**	**Corporate $**	**Discontinued Operations $**	**Total $**
Net total revenue	207,671	11,910	–	–	219,581
Net operating expenses	199,139	4,737	–	–	203,876
Income (loss) from continuing operations	6,154	(1,366)	(3,261)	–	1,527
Discontinued operations - EnerVest	–	–	–	3,747	3,747
Discontinued operations – Real Estate	–	–	–	397	397
Net income (loss)	6,154	(1,366)	(3,261)	4,144	5,671

		For the six months ended June 30, 2008			
(in thousands of dollars)	**Financial – Services Elbow River $**	**Oil & Gas $**	**Corporate $**	**Discontinued Operations $**	**Total $**
Net total revenue	426,854	23,938	–	–	450,792
Net operating expenses	406,511	9,841	–	–	416,352
Income (loss) from continuing operations	11,196	(1,515)	(4,740)	–	4,941
Discontinued operations - EnerVest	–	–	–	7,321	7,321
Discontinued operations – Real Estate	–	–	–	740	740
Net income (loss)	11,196	(1,515)	(4,740)	8,061	13,002

		June 30, 2008			
(in thousands of dollars)	**Financial – Services Elbow River $**	**Oil & Gas $**	**Corporate $**	**Discontinued Operations $**	**Total $**
Selected balance sheet items					
Property and equipment	1,471	143,470	–	–	144,941
Intangibles and other assets	14,249	–	–	–	14,249
Goodwill	36,473	21,235	–	–	57,708
Total assets	375,251	181,257	47,480	62,644	666,632
Working capital (deficiency)	43,666	(8,387)	32,714	(21,181)	46,812
Liabilities of assets held for sale*	–	–	–	(27,125)	(27,125)

* consists of the long-term portion of the Real Estate Division mortgages and future income tax liabilities

13. DISTRIBUTIONS

The amount of cash available for distribution is proposed by management and approved by the Board of Directors. Distribution levels are continually assessed with respect to forecasted funds from operations, debt levels and capital spending plans. Variations in economic factors, operational performance, capital market interest and government regulatory changes all impact each of the Trust's operating divisions and their ability to fund distributions. The Trust believes that its diversification model across multiple business lines, including Financial Services and Energy, provides additional distribution support by balancing risk across a portfolio of business sectors. The level of cash withheld can vary and is dependent upon numerous factors. Although the Trust intends to continue to make cash distributions to unitholders, these distributions are not guaranteed.

Cash Distributions Declared per Trust Unit Issued and Outstanding:

During the three and six months ended June 30, 2008, the Trust declared distributions to the unitholders in the aggregate amount of $10,441,794 and $20,873,556, respectively (three and six months ended June 30, 2007 - $10,412,509 and $20,807,639, respectively) in accordance with the following table:

Period covered	Date of Distribution	Per Unit $
January 1, 2008 to January 31, 2008	02/15/2008	0.0830
February 1, 2008 to February 29, 2008	03/17/2008	0.0830
March 1, 2008 to March 31, 2008	04/16/2008	0.0830
April 1, 2008 to April 30, 2008	05/15/2008	0.0830
May 1, 2008 to May 31, 2008	06/16/2008	0.0830
June 1, 2008 to June 30, 2008	07/15/2008	0.0830

As at June 30, 2008, the Trust had cash distributions owing of $3,483,390 (December 31, 2007 - $3,476,327). These were paid on July 15, 2008.

CORPORATE INFORMATION

CORPORATE INFORMATION

Directors

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

Gary H. Dundas
VP Finance & CFO

David E. Butler (1,3)

Stuart Y. Chow (2,3)

Jeffery Kohn

Alan Moon (1,2)
Lead Director

William E. Patterson (1,2)

1. Audit Committee
2. Governance & Compensation Committee
3. Reserves Committee

Corporate Secretary

J.G. (Jeff) Lawson

Auditors

Ernst & Young, LLP

Bankers

National Bank of Canada

HSBC Bank Canada

Evaluation Engineers

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer, LLP

Transfer Agent

Olympia Trust Company

OFFICERS & KEY PERSONNEL

Corporate Headquarters

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

AVENIR OPERATING CORP.

Grant Leslie, P. Eng., COO

Bob Guy, VP Production

Debbie Carter, Controller

ELBOW RIVER MARKETING LP

Ed Malcolm, President

George Petropoulos, Mgr, LPG Mktg

REAL ESTATE MANAGEMENT

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OIL & GAS ABBREVIATIONS

OIL & GAS ABBREVIATIONS

Oil and Natural Gas Liquids

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

Natural Gas

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

Other

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

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