



Avenir Diversified Income Trust Announces Second Quarter 2010 Results

August 13, 2010 News Release

AVENIR DIVERSIFIED INCOME TRUST (“Avenir Trust”, TSX: AVF.UN) is pleased to announce the financial and operational results for the three and six months ended June 30, 2010 and to announce they have filed the complete Management Discussion and Analysis and Unaudited Consolidated Financial Statements on SEDAR. An electronic copy of these documents may be obtained on Avenir Trust’s SEDAR profile at www.sedar.com.

TOTAL CONSOLIDATED FINANCIAL SUMMARY

<i>(in thousands except for per unit amounts)</i>	For the three months ended June 30			For the six months ended June 30		
	2010	2009	%	2010	2009	%
			Change			Change
Total Revenue	\$116,626	\$132,563	(12)	\$336,759	\$501,478	(33)
Funds (Used In) From Continuing Operations (FFCO) ¹	\$7,414	\$12,760	(42)	\$20,544	\$1,941	969
FFCO ¹ Per Unit - Basic	\$0.17	\$0.30	(43)	\$0.48	0.05	860
Funds From Operations (FFO) ¹	\$7,998	\$13,425	(40)	\$21,732	\$3,370	545
FFO Per Unit ¹ - Basic	\$0.19	\$0.32	(41)	\$0.51	\$0.08	538
Distributions	\$7,711	\$8,509	(9)	\$15,358	\$18,961	(19)
Distributions Per Unit - Basic	\$0.18	\$0.20	(10)	\$0.36	\$0.45	(20)
Distribution Payout Ratio ²	96%	63%	52	71%	563%	(87)
Net (Loss) Income from Continuing Operations (NICO)	\$3,083	\$(2,784)	211	\$(6,636)	\$(10,479)	37
NICO Per Unit - Basic	\$0.07	\$(0.07)	200	\$(0.15)	\$(0.24)	38
Net Income (loss)	\$4,273	\$(184)	2422	\$(5,273)	\$(7,804)	32
Net Income Per Unit - Basic	\$0.10	\$0.00	100	\$(0.12)	\$(0.19)	37
Total Assets	\$313,345	\$358,023	(12)	\$313,345	\$358,023	(12)
Working Cap. (Net Debt) excluding mortgages and assets held for sale	\$14,045	\$28,741	(51)	\$14,045	\$28,741	(51)
Mortgages	\$15,793	\$26,061	(39)	\$15,793	\$26,061	(39)
Wtd. Avg. Units Outstanding - Basic	42,789,014	41,916,031	2	42,616,763	41,971,625	1

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 adding back current portion of mortgages. 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.

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

Second Quarter Results Summary

On June 23, 2010, the Trust announced that it intends to seek Unitholder approval to convert to a corporation on or before the end of 2010. This conversion is in response to the legislative changes that the federal government has brought in that will apply a tax at the trust level beginning in 2011. Based on the current outlook and commodity prices the Trust expects to be able to maintain its 2010 monthly distribution at \$0.06 per unit. It is currently expected that upon conversion approval, a 2011 monthly dividend would be established at \$0.045 per share. As a dividend, certain individuals would qualify for dividend tax treatment rather than regular income tax treatment thereby effectively increasing the after tax yield by about 3%.

The Trust's second quarter 2010 results were behind expectations as the Elbow River Marketing Group's traditionally weak second quarter funds from operations was about \$1 million less than usual. Normally, the Trust has stronger first and fourth quarters due to the seasonal opportunities in Elbow River's LPG marketing business. For the quarter, the Trust had net income of \$4.3 million, funds from operations of \$8.0 million and distributions of 96% of funds from operations. For the six months ended June 30, 2010 the Trust had a net loss of \$5.3 million, funds from operations of \$21.7 million and distributions of 71% of funds from operations under our distribution payout ratio target of 75%-80%. Of the second quarter 2010 funds from operations, the Oil and Gas Division provided 71%, with 19% coming from the Elbow River Marketing Group and about 7% from Real Estate and 3% from the Corporate Division.

In the Oil and Gas Division, capital expenditures were focused on the completion and tie-in of first quarter projects, once access was available after spring break-up. The highlight of the capital program was the completion of a first quarter 100% working interest Cadmin horizontal well in the Noel area of B.C. The well was successfully completed with multi-stage fracturing technology and tested 10 Mmcf/day of natural gas over a 5 day test. The well will be put on production in the latter part of the third quarter at restricted rates given current summer commodity pricing. For the second quarter, production averaged 3,471 BOE/day up slightly from the 3,450 BOE/day in first quarter of 2010 and up about 3% from the corresponding quarter in 2009, volumes were split 41% oil and NGL and 59% natural gas for the quarter. Prices averaged \$66.88 per barrel for oil and NGL and \$5.38 per Mcf for natural gas about 85% higher than the spot natural gas prices in the period. Oil prices were about 10% less than the first quarter of 2010 as differentials between WTI and Alberta pricing widened early in the quarter and then returned to first quarter levels by quarter end. Given the continued weakness in the natural gas markets, the Trust has protected its cashflow with about 50% of its natural gas production hedged at prices greater than \$6.90 per Mcf through to the end of March 2011. The Oil and Gas Division is now expected to increase its capital expenditure budget from \$16 million to \$20 million with the balance of year expenditures primarily directed at oil opportunities in Saskatchewan and the Alberta Peace River arch area. Production over the latter half of 2010 is now expected average about 3,650 BOE/day. Although the Trust has significant potential upside and available credit lines, natural gas development continues to be closely managed in view of current low natural gas prices.

The Elbow River Marketing Group had a weak second quarter in its base LPG business on the back of one of the slowest industry second quarter's in recent memory. While the second quarter is normally Elbow River's weakest quarter, results were down in all commodities due to the continued economic downturn, particularly in the US, leading to excess industry inventories, turnarounds and refinery shutdowns. This has led to fewer spot opportunities and few customers wanting to commit to term contracts until the industry gets back into a more balanced position. The third quarter also looks weaker than usual given the current industry outlook. In terms of the bio-diesel wrap-up, progress continues with \$0.3 million in receivables collected in the quarter and legal proceedings continuing in respect of recovering further receivable amounts owing.

During the second quarter, the Trust purchased the royalty agreement in the Elbow River Marketing Limited Partnership for \$5 million. The royalty agreement had originally been granted by the Trust to certain original owners, members of management and employees of Elbow River when Elbow River was purchased in April, 2005. The impact of the purchase is to remove the obligation to pay a royalty when Elbow River's funds from operations exceed \$10 million per year. Based on budget forecasts this should increase Elbow River's funds from operations by over \$1.0 million annually.

In the second quarter, the Trust made the decision to dispose of the real estate portfolio and focus on the more energy related divisions. With the change in trust tax rules the Trust cannot compete with REIT's, which will not be taxed under a trust structure. The KFC portfolio was sold in early June for a gain of about \$0.8 million and a

reduction in mortgages of \$9.5 million. The Ontario assets have been recently listed with a national agency and discussions are underway on a portion of the Landmark portfolio. Business wise, the Real Estate Division was fully leased and operating according to expectations.

In the second quarter, the Trust sold about 270,000 of the EnerVest Diversified Income Trust units being held for investment purposes. They currently yield around 9%, but will be disposed of as opportunities arise for the redeployment of the capital into one of the Trust core businesses. The Trust continues to maintain a strong balance sheet with positive working capital (exclusive of mortgages), over \$45 million in undrawn bank lines in the Oil and Gas Division and mortgages of about \$16 million in the Real Estate Division.

The second quarter is historically the Trust's weakest quarter due to Elbow River's seasonal sales cycle and the third quarter appears similar in Elbow River. The Oil and Gas Division however, should trend higher as oil commodity prices have strengthened and additional volumes are being added. The Trust currently remains comfortable with its 75%-80% distribution payout ratio target for 2010 given the current operational outlooks and current commodity price forecasts, but expects to reduce the distribution payout in 2011 as it transitions to a corporation providing sustainable dividends together with modest growth in the energy sector.

REVIEW OF FINANCIAL RESULTS

Net income from continuing operations for the quarter ended June 30, 2010 was \$3.1 million up 211% from \$2.8 million net loss from continuing operations in the quarter ended June 30, 2009, including an \$1.1 million unrealized gain on financial instruments versus a \$6.2 million unrealized loss at the end of the second quarter of 2009. Net loss from continuing operations for the six months ended June 30, 2010 was \$6.6 million down 37% from a net loss of \$10.5 million for the six months ended June 30, 2009. For the six month period ended June 30, 2009, the first quarter Elbow River bio-diesel loss accounted for the majority of the year over year increase. The net income for the quarter ended June 30, 2010 was \$4.3 million which is up 2,422% versus the \$0.2 million net loss for the quarter ended June 30, 2009 due to an unrealized gain on financial instruments versus a loss in the second quarter of 2009. Net loss for the six months ended June 30, 2010 was \$5.3 million which is down 32% versus the \$7.8 million net loss for the same period ended June 30, 2009, due to the first quarter 2009 Elbow River bio-diesel losses.

Funds from continuing operations were \$7.4 million for the quarter ended June 30, 2010 down 42% from \$12.8 million in the comparable quarter in 2009. The decrease reflected weaker Elbow River results for the quarter and significant second quarter 2009 bio-diesel recoveries. Funds from operations were \$8.0 million for the quarter ended June 30, 2010, down 40% versus funds from operations for the quarter ended June 30, 2009 of \$13.4 million. Funds from operations for the six months ended June 30, 2010 were \$21.7 million, up 545% from \$3.4 million for the six months ended June 30, 2009. The increase is in large part due to the first quarter 2009 losses and write-off in the Elbow River bio-diesel business.

The Trust declared distributions of \$7.7 million (\$0.18 per unit) for the quarter ended June 30, 2010 which is down from the \$8.5 million (\$0.20 per unit) distributed for the quarter ended June 30, 2009. The 2010 second quarter end payout ratio was 96% of funds from operations compared to 63% at June 30, 2009. For the six months ended June 30, 2010 monthly cash distributions of \$15.3 million were lower than the \$19.0 million monthly cash distributions in 2009 as the monthly distribution was reduced from \$0.083 per unit to \$0.06 per unit effective May 2009. The six months ended June 30, 2010 distribution payout ratio was 71% of funds from operations in-line with long term targets.

1. FINANCIAL SERVICES DIVISION

At June 30, 2010 the Trust's Financial Services business unit consisted only of Elbow River Marketing Limited Partnership.

ELBOW RIVER MARKETING LP ("ELBOW RIVER")

Cash flows during the three months ended June 30, 2010 from the LPG business were slightly below expectations. Funds from operations for the quarter ended June 30, 2010 were \$1.5 million compared to \$7.7 million for the same period in 2009. Funds from operations for the six months ended June 30, 2010 were \$7.2 million compared to negative \$8.1 million for the same period in 2009. The second quarter 2009 had benefited from strong butane and condensate sales and a significant recovery in bio-diesel losses.

The level of activity this summer has been one of the slowest in recent memory. As a result, Elbow River's Q2 results were below forecast as the continued economic downturn reduced demand in the majority of the commodity areas. Seasonal propane demand was slower than normal and buyers held off making more than the bare minimum of purchases which resulted in returns being below expectations. Butane was also below expectations as refinery excesses were reduced due to less gasoline production, refinery shut downs and turnarounds. Natural gasoline was as expected as spot demand materialized in the Alberta diluents market which helped offset the lack of term sales. Ethanol was below expectations as gasoline blending was reduced due to less demand from the motor gasoline market coupled with excess ethanol capacity which resulted in less third party trading activity. Heavy fuel oil was better than anticipated as term sales and new business helped to bolster this area.

For the third quarter 2010, propane presales are anticipated to pick up as buyers' position themselves for winter demand and make up for the lack of pre buying in Q2. Butane is anticipated to remain below internal forecasts for Q3 but should pick up in Q4 as winter gasoline specs begin. Natural gasoline is expected to be below expectations due to the lack of term business as a result of the new Enbridge Southern Lights pipeline starting up and bringing large volumes into the Alberta diluents market which has significantly reduced the rail requirements. Ethanol is anticipated to pick up as the overhang of supply works its way out of the market.

2. OIL & GAS DIVISION

For the second quarter of 2010, the Oil and Gas Division averaged sales of 3,471 BOE/day up slightly from the first quarter 2010 average sales of 3,450 BOE/day and up 3% from the same period in 2009. In comparison to the second quarter of 2009, oil sales for the second quarter of 2010 were up 12% or 158 barrels per day due the corporate acquisition made in the latter half of 2009 and the oil focus of the capital programs in the first half of 2010. Overall, sales production during the first six month of 2010 was up 4% to 3,461 BOE/day compared to 3,333 BOE/day in 2009.

Total gross revenue from petroleum and natural gas sales in the second quarter was \$14.7 million up 11% from \$13.2 million in the second quarter of 2009 due to higher oil and natural gas liquids pricing. The average price received for crude oil and natural gas liquids during the second quarter was \$66.88 per barrel after hedging representing a 10% increase from second quarter 2009 average pricing of \$61.00 per barrel. Natural gas pricing for the second quarter of 2010 was \$5.38 per Mcf matching the \$5.36 per Mcf in the second quarter of 2009. Gas hedging continued to be significant for the Trust in the second quarter with approximately 55% of the gas sales volume hedged at \$6.82 per Mcf representing an 85% premium to the spot market average in the second quarter of 2010.

The total oil and gas operating expense in the second quarter of 2010 was up 3% from the first quarter of 2010 at \$5.5 million or \$17.34 per BOE. The overall operating expense for the Trust during the quarter was up due to higher power costs and non-operated 13 month adjustments resulted in a \$1.10 per BOE increase to the unit operating expense. The Trust continues to forecast the 2010 operating costs to average \$16.50 per BOE for the remainder of the year.

The total second quarter net capital expenditure by the Trust was \$5.7 million. As planned, spending in the second quarter was focused on the completion and tie-in of wells from the first quarter of the year with drilling activity limited to 1.7 net wells in the second quarter. The capital program was highlighted by the completion of a 100% working interest operated horizontal Cadomin well in the Noel area of NE British Columbia. The well was successfully completed through the multi-stage fracturing of 1,600 meters of high quality Cadomin reservoir. The final gas rate for the well following a 5 day flow test was 10,000 Mcf per day at a flowing wellhead pressure of 1600 psig. The results from this well continue to validate the Cadomin potential on the lands controlled by the Trust in the Noel area. In addition to the operated activity, the Trust is currently participating in three additional Cadomin horizontal wells at 17.5% working interest with a joint interest partner in the Noel area. The first well was drilled in the second quarter and is currently awaiting completion. Production from the Cadomin activity is planned to commence in the latter half of the third quarter under restricted rates due to summer commodity pricing.

In addition to the gas development activities, the Trust participated in the drilling of 7 non-operated horizontal Beaverhill Lake oil wells in the Deer Mountain Unit #2. Although the Trust only holds a 4% working interest in the wells, the initial test rates from each of the first 5 wells have averaged 425 bbl per day of light oil with the production impact expected in the third quarter of 2010. For the remainder of the year, the Trust will continue to

pursue conventional oil opportunities in Saskatchewan and Montney oil in the Peace River Arch. To the end of the second quarter, the Trust has spent \$10.9 million (net of dispositions and land sales) and anticipates the total programs for 2010 to be \$20 million resulting in an average daily production of 3,650 BOE per day for the remainder of the year

3. ASSETS HELD FOR SALE - REAL ESTATE DIVISION

During the three month period ended June 30 2010, the Trust made the decision to dispose of the Real Estate Division assets by way of a sale. As such, the Real Estate Division assets and liabilities and results from operations have been reclassified as assets held for sale. Comparative periods have also been reclassified.

Funds from operations decreased for the quarter ended June 30, 2010 to \$0.6 million compared to \$0.7 million for the quarter ended June 30, 2009. The comparative decrease is due to the loss in revenue resulting from the sale of Red Deer Cineplex and Sunbelt Supply building in 2009.

The Real Estate Division had net income for the quarter ended June 30, 2010 of \$1.2 million compared to a net income of \$2.6 million for the quarter ended June 30, 2009. The comparative decrease is due to the sale of the Sunbelt Supply building in Edmonton that was sold in the second quarter of 2009 for a gain of \$2.1 million, which is offset by the sale of the KFC portfolio in the second quarter of 2010 for a gain of \$0.8 million.

In the second quarter of 2010, the Trust commenced entertaining an offer to sell a portion of the Landmark portfolio and entered into a listing agreement to sell the two Ontario real estate assets. After the successful sale of the KFC portfolio in the second quarter of 2010, the Landmark Portfolio and the two Ontario properties represent the balance of the Trust's real estate portfolio. These properties are 100% leased and continue to perform in accordance with internal expectations. All tenants have paid rent on a timely basis in accordance with their leases.

The Financial Statements for the three and six months ended June 30, 2010 are attached below, with detailed Financial Statements and the Management Discussion and Analysis for same period available on the company's profile on SEDAR at www.sedar.com or the Trust's website at www.avenirtrust.com.

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Forward Looking Statements

Certain statements contained herein including, without limitation, financial and business prospects and financial outlook, the effect of government announcements, proposals and legislation, plans in its Oil and Gas Division regarding hedging, wells to be drilled, expected or anticipated production rates, timing of expected production increases, the weighting of production between different commodities, expected commodity prices, exchange rates, production expenses, transportation costs and other costs and expenses, maintenance of productive capacity and capital expenditures; plans in the Elbow River Marketing Limited Partnership ("Elbow River") business regarding plans for its ongoing Liquefied Petroleum Gas ("LPG") business, plans in the Real Estate Division for the timing of selling assets and the nature of capital expenditures; and the timing and method of financing these businesses, may be forward -looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", "targeted" and similar expressions may be used to identify these forward looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including, but not limited to, risks associated with oil and gas exploration: development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and the inability to retain drilling rigs and other services; risks associated with its Elbow River business including, but not limited to, counterparty risk in default, operational risks, hedging, access to credit, competitor risk, seasonality and impact of the global recession on overall economic activity; and risks associated with the Real Estate Division including, but not limited to the impact the overall economy has on

valuations, future delinquencies, access to mortgages and impact on interest rates; as well as the risks associated with the Trust's incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" and elsewhere herein. The recovery and reserve estimates of Avenir's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Avenir believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Avenir can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Avenir operates; the timely receipt of any required regulatory approvals; the ability of Avenir to obtain qualified staff, equipment and services in a timely and cost efficient manner; Divisional results; the ability of operators to operate the field in a safe, efficient and effective manner; the ability of Avenir to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of Avenir to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Avenir operates; and the ability of Avenir to successfully market its products, fluctuations in foreign exchange or interest rates and stock market volatility, credit risk and the ability to realize on collateral in the event of default, failure of counter parties to perform on contracts, fluctuation in the value of real property, failure to produce income or revenue from real estate, failure of tenants to meet lease obligations, increase in property taxes and mortgage, maintenance, insurance, operating costs and decreases in occupancy and rental rates, and fixed costs in relation to variable revenue streams. Readers are cautioned that the foregoing list of factors is not exhausted. These forward looking statements are made as of the date hereof and Avenir assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward looking statements and other information contained herein concerning the Oil and Gas Division, Elbow River's business, the Real Estate Division and Avenir's general expectations concerning these industries are based on estimates prepared by each Division's management and from using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of these industries which Avenir believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While Avenir is not aware of any misstatements regarding any industry data presented herein, these industries involve risks and uncertainties and are subject to change based on various factors.

CONSOLIDATED BALANCE SHEETS

As at June 30,

<i>(in thousands of dollars)</i>	June 30, 2010 \$	December 31, 2009 \$
ASSETS		
Current		
Cash	7,970	2,148
Marketable securities	11,739	19,842
Accounts receivable	35,241	54,831
Prepaid expenses	2,271	8,604
Inventory	9,240	13,687
Risk management assets	6,446	22,825
Assets held for sale – Real Estate	2,062	1,536
	74,969	123,473
Property and equipment	161,198	162,085
Intangibles and other assets	13,604	9,094
Goodwill	23,424	23,424
Future income taxes	17,381	15,483
Assets held for sale – Real Estate	22,769	32,973
	313,345	366,532
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	12,000	12,300
Accounts payable and accrued liabilities	43,593	67,063
Distributions payable	2,572	2,527
Risk management liabilities	697	404
Liabilities of assets held for sale – Real Estate	4,156	4,460
	63,018	86,754
Asset retirement obligation	15,032	16,373
Future income taxes	4,319	4,636
Liabilities of assets held for sale – Real Estate	12,012	21,391
Unitholders' equity		
Unitholder capital	425,480	421,270
Contributed surplus	6,796	8,591
Accumulated earnings	115,411	120,684
Accumulated other comprehensive loss	503	701
Accumulated distributions	(329,226)	(313,868)
	218,964	237,378
	313,345	366,532

**CONSOLIDATED STATEMENTS OF
OPERATIONS AND ACCUMULATED EARNINGS**
(unaudited)

For the three and six months ended June 30,

<i>(in thousands of dollars)</i>	Three months ended		Six months ended	
	June 30, 2010 \$	June 30, 2009 \$	June 30, 2010 \$	June 30, 2009 \$
REVENUE				
Financial services revenue	102,308	129,265	325,624	480,948
Unrealized gain (loss) on financial instruments	1,156	(6,203)	(17,369)	(69)
Total financial services revenue	103,464	123,062	308,255	480,879
Oil and gas revenue	14,718	13,215	30,858	25,927
Oil and gas transportation costs	(388)	(353)	(696)	(644)
Royalties	(1,893)	(1,291)	(4,198)	(2,369)
Unrealized gain (loss) on financial instruments	44	(2,551)	954	(3,309)
Total oil and gas revenue	12,481	9,020	26,918	19,605
Gain on sale of marketable securities	383	(18)	848	(20)
Interest and other revenue	298	499	738	1014
Total revenue	116,626	132,563	336,759	501,478
EXPENSES				
Financial services operating	100,090	120,641	314,963	476,715
Oil and gas operating	5,477	5,375	10,725	10,659
General and administrative	3,499	4,324	8,740	10,207
Bad debt expense (recovery)	(261)	162	(316)	164
Foreign exchange (gain) loss	(515)	173	(562)	3,819
Interest and bank fees	161	254	326	926
Capital taxes	81	74	170	135
Depletion, depreciation and amortization	5,462	6,134	11,012	11,947
Asset retirement obligation accretion	282	273	553	536
	114,276	137,410	345,611	515,108
Income (loss) from continuing operations before income tax	2,350	(4,847)	(8,852)	(13,630)
Future income tax recovery	733	2,063	2,216	3,151
Net income (loss) from continuing operations	3,083	(2,784)	(6,636)	(10,479)
Net income from discontinued operations – Real Estate	1,190	2,600	1,363	2,675
Net income (loss) for the period	4,273	(184)	(5,273)	(7,804)
Accumulated earnings, beginning of period	111,138	87,564	120,684	95,184
Accumulated earnings, end of period	115,411	87,380	115,411	87,380
Net income (loss) from continuing operations per unit				
Basic and diluted	0.07	(0.05)	(0.15)	(0.24)
Net income from discontinued operations per unit				
Basic and diluted	0.03	0.05	0.03	0.05
Net income (loss) per unit				
Basic and diluted	0.10	0.00	(0.12)	(0.19)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

For the three and six months ended June 30,

<i>(in thousands of dollars)</i>	Three months ended		Six months ended	
	June 30, 2010 \$	June 30, 2009 \$	June 30, 2010 \$	June 30, 2009 \$
Net income (loss) for the period	4,273	(184)	(5,273)	(7,804)
Change in fair value of derivative instruments designated as cash flow hedges	(836)	2,828	(258)	2,349
Change in fair value of marketable securities	(1,175)	—	60	—
Other comprehensive income (loss)	(2,262)	2,828	(198)	2,349
Comprehensive income (loss) for the period	2,011	2,644	(5,471)	(5,455)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

For the three and six months ended June 30,

<i>(in thousands of dollars)</i>	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income (loss) from continuing operations	3,083	(2,784)	(6,636)	(10,479)
Add (deduct) non-cash items:				
Non-cash general and administrative	339	252	603	562
Depletion, depreciation and amortization	5,462	6,134	11,012	11,947
Asset retirement obligation accretion	282	273	553	536
Unrealized loss (gain) on financial instruments	(1,200)	8,772	16,416	3,398
Unrealized foreign exchange	181	2,176	812	(872)
Future income tax recovery	(733)	(2,063)	(2,216)	(3,151)
Funds from continuing operations	7,414	12,760	20,544	1,941
Funds from discontinued operations – Real Estate	584	665	1,188	1,429
	7,998	13,425	21,732	3,370
Asset retirement expenditures during year	(378)	(129)	(383)	(250)
Change in non-cash working capital	(2,567)	27,648	4,169	125,756
Cash provided (used in) by operating activities	5,053	40,944	25,518	128,876
FINANCING ACTIVITIES				
Issue of trust units, net of issue costs	685	9	2,130	13
Repurchase of trust units	—	—	—	(886)
Cash settlement of options	(65)	(4)	(245)	(4)
Distributions to unitholders	(7,711)	(8,509)	(15,358)	(18,961)
Increase (decrease) in bank indebtedness	3,500	(26,266)	(300)	(90,127)
Real estate repayment of mortgages	(189)	(265)	(375)	(500)
Change in non-cash working capital	19	(964)	45	(26,240)
Cash provided by (used in) financing activities	(3,761)	(35,999)	(14,103)	(136,705)
INVESTING ACTIVITIES				
Financial services development expenditures	—	(4)	—	(4)
Sale of financial services assets	—	—	—	604
Purchase of financial services royalty	(5,035)	—	(5,035)	—
Oil and gas property acquisitions	(174)	(5,349)	(660)	(8,822)
Oil and gas property disposals	(14)	25	3,413	431
Oil and gas development expenditures	(5,728)	(1,434)	(13,720)	(4,821)
Purchase of other assets	(123)	—	(218)	(3)
Real estate development expenditures	—	(41)	—	(53)
Real estate dispositions	1,100	1,286	1,100	1,286
Change in non-cash working capital	2,648	(44)	9,646	(1,679)
Cash provided by (used in) investing activities	(7,326)	(5,561)	(5,474)	(13,061)
Increase (decrease) in cash during the period	(6,034)	(616)	5,941	(20,890)
Cash, beginning of period	14,166	1,695	2,148	21,826
Change in cash of assets held for sale	(162)	(1,391)	(119)	(1,248)
Cash, end of period	7,970	(312)	7,970	(312)
Cash taxes paid	11	304	59	429
Cash interest paid	125	571	290	1,701