

AVENIR DIVERSIFIED INCOME TRUST

SECOND QUARTER 2009 FINANCIAL HIGHLIGHTS & REVIEW

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		
	2009 ³	2008	Change	2009 ³	2008	Change
Total Revenue	\$134,067	\$471,693	(72%)	\$504,145	\$911,231	(45%)
Funds From Continuing Operations (FFCO) ^{1,2}	\$13,249	\$10,981	21%	\$2,999	\$26,934	(89%)
FFCO ^{1,2} Per Unit - Basic	\$0.32	\$0.26	23%	\$0.07	\$0.64	(89%)
Funds From Operations (FFO) ¹	\$13,425	\$13,714	(2%)	\$3,370	\$33,986	(90%)
FFO Per Unit ¹ - Basic	\$0.32	\$0.33	(3%)	\$0.08	\$0.81	(90%)
Distributions	\$8,509	\$10,442	(19%)	\$18,961	\$20,874	(9%)
Distributions Per Unit - Basic	\$0.20	\$0.25	(20%)	\$0.45	\$0.50	(10%)
Net Income (loss) from continuing operations (NICO) ²	(\$2,330)	\$3,336	(170%)	(\$9,987)	\$5,321	(288%)
NICO Per Unit - Basic	(\$0.05)	\$0.08	(175%)	(\$0.24)	\$0.13	(285%)
Net Income (loss)	(\$184)	\$43,033	(100%)	(\$7,804)	\$48,188	(116%)
Net Income Per Unit - Basic	\$0.00	\$1.03	(100%)	(\$0.19)	\$1.15	(117%)
Total Assets	\$358,023	\$666,632	(46%)	\$358,023	\$666,632	(46%)
Working Cap. (Net Debt) excluding mortgages and assets held for sale	\$31,216	\$69,190	(55%)	\$31,216	\$69,190	(55%)
Mortgages	\$26,061	\$36,423	(28%)	\$26,061	\$36,423	(28%)
Wtd. Avg. Units Outstanding - Basic	41,916,031	41,911,460	0%	41,971,625	41,850,177	0%
Units Outstanding (including escrowed units)	41,919,262	41,968,552	0%	41,919,262	41,968,552	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 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.

² The operations of certain real estate properties sold as a result of being classified as 'Discontinued operations', or 'assets held for sale' have been excluded from the Trust's Continuing Operations.

³ Comparative periods have been restated to conform to current period presentation – specifically relating to the reclassification of the Real Estate Division as assets held and used and specific real estate properties being designated as discontinued operations or assets held for sale as properties were sold.

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 and activities around the exit from marketing its bio-diesel product; 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.

Message to Unitholders

The Trust produced a solid operational second quarter in what typically is the Trust's weakest quarter. Overall distributions were 63% of funds from operations as stronger results from the Elbow River Marketing Group more than made up for lower oil and particularly natural gas pricing in our Oil and Gas Division. For the quarter, Elbow River provided about 57% of funds from operations, with 37% from Oil and Gas and 6% from Real Estate and Corporate.

The Oil and Gas Division exceeded its production target of 3,300 BOE per day with an average of 3,365 BOE per day for the quarter. This was achieved with limited expenditures as capital was minimized in the low natural gas price environment. The Trust continues to protect its cashflow with about 45% of its natural gas production hedged at prices greater than \$7.00 per GJ through to the end of 2010.

Subsequent to the end of the quarter, the Oil and Gas Division closed on the acquisition of a private oil and gas company for a total consideration of approximately \$22.0 million including debt assumption, fees and future abandonment costs. The Trust added 660 BOE per day effective August 1, 2009 which is split approximately 35% oil and 65% natural gas. This brings the Trust's total current production to approximately 3,850 BOE per day with a split of approximately 40% oil and 60% natural gas. The acquisition provides a new core area in the Peace River Arch, a number of drillable prospects, approximately 50,000 net acres of undeveloped land and 1.7 Mmboe of proved plus probable reserves (based on an internally updated year end 2008 McDaniels' reserve report). The Trust will look to drill three to four of these prospects in the latter half of 2009 targeting predominately oil opportunities. The Oil and Gas banking facility has been expanded in conjunction with the acquisition to \$60 million with approximately \$22.0 million drawn as of August 1, 2009.

The Elbow River Marketing Group had a strong second quarter in its base Liquefied Petroleum Gas ("LPG") business as butane presales and spot arbitrage opportunities, especially in propane, led to results ahead of expectations and ahead of the previous year's quarter. Within the bio-diesel marketing segment, Elbow benefited from foreign exchange hedge settlements and some additional recoveries from Elbow River's previously wound up bio-diesel marketing initiative.

In conjunction with the bio-diesel exit, Elbow continues to wrap-up state and federal filings in the US, review prior period bio-diesel records and push forward with litigation and negotiations in an attempt to recover some of the funds written-off in prior quarters. US legal proceedings to recover funds from Elbow's joint venture partner are currently anticipated to continue through the year end and into 2010.

The Real Estate Division sold a warehouse property in Edmonton on June 30, 2009 and the Cineplex building in Red Deer on August 11, 2009 subsequent to the end of quarter. Accordingly in the second and third quarters respectively, gains of approximately \$2.1 million and \$0.3 million are being recognized. In addition, mortgage obligations have now been reduced by \$12.1 million. The balance of the portfolio continues to be 100% leased and operates as expected. Although the portfolio is not currently being marketed, with the improvements we have seen in the real estate market, the Trust will continue to respond to purchase inquiries.

In May 2009, during the second quarter, the Trust made the decision to reduce its monthly per unit distribution for the first time in its six year history from \$0.083 per unit to \$0.06 per unit per month. The decision was made to protect the Trust's balance sheet, especially in view of continued low natural gas prices and previous losses in bio-diesel. Additionally, in the second quarter the Trust entered into discussions to extend the \$25.0 million promissory note, which had been received as part of the EnerVest sale in 2008.

Overall the Trust continues to operate and meet its 75%-80% target distribution payout ratio and has begun to position the Trust with additional upside and opportunities as we look forward to 2011. The Trust's balance sheet is in very good shape with \$31.2 million in positive working capital (exclusive of mortgages and assets held for sale) and undrawn lines in the Oil and Gas division and Elbow River.

Submitted on behalf of the Board of Directors by:



William M. Gallacher, President & CEO

REVIEW OF FINANCIAL RESULTS

Net loss from continuing operations for the quarter ended June 30, 2009 was \$2.3 million down 170% from \$3.3 million net income from continuing operations in the quarter ended June 30, 2008, including an \$8.8 million unrealized loss on financial instruments versus a \$0.8 million unrealized gain at the end of the second quarter of 2008. Net loss from continuing operations for the six months ended June 30, 2009 was \$10.0 million down 288% from net income of \$5.3 million for the six months ended June 30, 2008. For the six month period, the first quarter Elbow River bio-diesel loss and lower oil and gas commodity prices account for the majority of the year over year decrease. The net loss for the quarter ended June 30, 2009 was \$0.1 million which is down 100% versus the \$43.0 million net income for the quarter ended June 30, 2008. Net loss for the six months ended June 30, 2009 was \$7.8 million which is down 116% versus the \$48.2 million net income for the same period ended June 30, 2008. The quarter and six month net income was lower in 2009 due to the recognition of the gain on the sale of the EnerVest assets in May 2008 and the first quarter 2009 Elbow River bio-diesel losses.

Funds from continuing operations were \$13.2 million for the quarter ended June 30, 2009 up 21% from \$11.0 million in the comparable quarter in 2008. The increase reflected strong Elbow River results for the quarter despite lower commodity pricing for the Oil and Gas Division. Funds from operations were \$13.4 million for the quarter ended June 30, 2009, down slightly as funds from operations for the quarter ended June 30, 2008 were \$13.7 million. Funds from operations for the six months ended June 30, 2009 were \$3.4 million, down 90% from \$34.0 million for the six months ended June 30, 2008. The decrease is in large part due to the sale of the EnerVest management contract in May 2008, the first quarter 2009 write-off in the Elbow River bio-diesel business and the lower commodity prices in the first half of 2009 for the Oil and Gas Division as compared to the same period in 2008.

The Trust declared distributions of \$8.5 million (\$0.20 per unit) for the quarter ended June 30, 2009 which is a decrease over the \$10.4 million (\$0.25 per unit) distributed for the quarter ended June 30, 2008. The monthly distribution was reduced from \$0.083 per unit to \$0.06 per unit effective May 2009. The 2009 second quarter end payout ratio was 63% of funds from operations compared to 76% at June 30, 2008, as a result of stronger Elbow River results and the reduced 2009 per unit distribution. For the six months ended June 30, 2009 monthly cash distributions of \$19.0 million exceeding the \$3.4 million funds provided by operations by \$15.6 million. Removing the non-recurring charge of approximately \$22.0 million in Elbow River relating to the bio-diesel losses, the funds from operations for six months ended would have been \$25.4 million representing a 75% payout ratio.

REVIEW OF BUSINESS UNIT OPERATIONS

1. FINANCIAL SERVICES DIVISION

At June 30, 2009 the Trust's Financial Services business unit consisted only of Elbow River Marketing Limited Partnership as the EnerVest Management Assets were sold in May 2008 and for all comparative periods has been classified for accounting purposes as 'Discontinued Operations'.

ELBOW RIVER MARKETING LP ("ELBOW RIVER")

LPG & Ethanol Segment

Elbow River's LPG and ethanol segments had \$4.1 million in funds from operations for the second quarter ended June 30, 2009. The second quarter was ahead of expectations on a combination of strong presales and reasonable spot sales. The overall economic situation and new production from the U.S. Rockies has resulted in unusual pricing and supply/demand situations that allowed Elbow to capture arbitrage opportunities. Propane results were higher than normal for this time period as suppliers had to discount product to move more production into spot markets due to lower demand from their typical customer base. Strong butane term sales allowed this area to exceed expectations. Natural gasoline sales were virtually nonexistent due to unfavorable Alberta oil sands diluent economics however presales and related trading opportunities allowed for this segment to be on target. The ethanol contribution was within expectations due to term sales and the addition of a new marketing agreement.

The third quarter is projected to be at or ahead of the previous year's quarter as Elbow has experienced steady presale opportunities in all segments of its business. Volatile markets and nontraditional pricing relationships are allowing for higher than normal arbitrage opportunities. The propane area is seeing decent winter presale opportunities as retailers try to lock in some of their supply at good market values. Butane is projected to once again show contributions above initial expectations based on term contracts in place combined with typical spot opportunities. Natural gasoline demand is expected to remain low until Alberta diluent demand picks up. Ethanol markets continue to experience uncertainty surrounding the new U.S. Bio-fuels legislation and the viability of several producing facilities however this segment should continue to provide a positive contribution.

Bio-diesel Segment – Wind down Update

As reported at the end of Q1 2009 Elbow River physically exited from marketing bio-diesel product. However, in the second quarter this segment showed positive funds from operations of \$3.6 million due primarily to gains related to the unwinding of currency hedge positions as receivables were collected.

While Elbow has exited from marketing bio-diesel product operationally, there remains clean-up work as US state and federal filings are completed, the final receivables are collected, prior period sales and purchases are reviewed and ongoing litigation and discussions are undertaken to collect funds around receivables written off in the fourth quarter of 2008. At this point, it is expected that additional recoveries should offset any future bio-diesel collection and litigation expenses. After significant collections during the second quarter, bio-diesel receivables have been reduced to approximately \$10.6 million primarily from two vendors. Elbow is comfortable with the receivable collectability and expects to have all amounts substantially recovered over the next several months. Efforts to recover amounts relating to the bad debt allowance recorded in 2008 are expected to continue for some time through the various processes of the US legal system and settlement discussions.

In conjunction with the exit from marketing bio-diesel product and in view of tightened global credit limits, Elbow's credit limit from its lender was reduced from \$70.0 million to \$50.0 million at marginally higher rates. Based on current commodity prices, this adjustment to Elbow's line is not expected to limit Elbow's operations. As at June 30, 2009, Elbow was in a positive \$11.5 million working capital position and has no draws on its credit facility.

2. OIL & GAS DIVISION

For the second quarter of 2009, the Oil and Gas Division averaged sales of 3,365 BOE per day consistent with the first quarter 2009 average sales of 3,300 BOE per day and up 5% from the same period in 2008. In comparison to the first quarter of 2009, oil sales for the second quarter were down 8% or 100 barrels per day due to turnarounds and weather related outages while gas sales were up 13% or 1,400 mcf due to the successful Cadomin development programs in Noel B.C. Overall, sales production during the first six month of 2009 was up 2% to 3,333 BOE per day compared to 3,272 BOE per day in 2008. On a BOE basis (6 to 1 conversion), the production ratio of the Trust in the first half of 2009 was 59% natural gas up from 51% natural gas during the same period of 2008.

Total gross revenue from petroleum and natural gas sales in the second quarter was \$13.2 million up 4% from \$12.7 million in the first quarter of 2009 due to higher oil pricing and gas price commodity hedging. The average price received for crude oil and natural gas liquids during the second quarter was \$61.00 per barrel after hedging representing a 20% increase over first quarter pricing. Natural gas pricing for the second quarter of 2009 was \$5.36 per mcf representing a 54% premium to the average market spot gas price of \$3.49 per mcf during the period. The Trust hedged 44% of gas sales in Q2 of 2009 at an average price of \$7.72 per mcf with similar gas hedging volumes at prices greater than \$7.00 per mcf in place until October of 2010.

The total oil and gas operating expense in the second quarter of 2009 was consistent with the first quarter of 2009 at \$5.4 million or \$17.55 per BOE. The overall operating expense for the Trust during the quarter was down due to lower power and work-over costs but non-operated processing adjustments relating to previous years resulted in a \$1.08 per BOE increase to the unit operating expense.

The total second quarter capital expenditures by the Trust were \$1.4 million on development activities and \$5.3 million on acquisitions. As planned, development activity in the second quarter was restricted to recompletion

and optimization projects for production maintenance purposes. The main emphasis in the second quarter of 2009 was on acquisition activity involving two focus areas. First, the Trust completed the previously disclosed asset acquisitions in Noel, B.C. to strengthen the Cadomin land position. Including first quarter Crown land sales, the Trust purchased 6,510 net hectares of Cadomin rights in the Noel area bringing the total gross hectares to 11,530 (39 gross drilling spacing units) of Cadomin mineral rights in the Noel and Kelly Lake areas. Based on the Trust's experience in the area and development activity by other companies in the area, the technical evaluation of the lands suggests the full development could result in 78 gross drilling locations (48 net locations with 36 at 100% working interest). To date, the Trust has participated in 5 gross wells (1.5 net wells) across the land base with a 100% success rate.

In addition to the land acquisition program, the Trust has successfully closed a corporate acquisition as of July 31, 2009 for a private oil and gas company. The transaction involves the Trust purchasing 660 BOE per day of production in the Peace River Arch comprised of 35% light and medium oil and 65% natural gas. The acquisition provides the Trust with a new core area with an undeveloped land base of 50,000 net acres and 1.7 million BOE proved plus probable reserves based on internal estimates. Based on an acquisition cost of approximately \$22.0 million and adjusted for land and seismic value, the Trust will acquire the production and reserves for \$27,633 per flowing BOE per day and \$10.89 per BOE on a proved plus probable basis. The new assets will be managed within the current staff complement of the Trust's Oil and Gas Division. With the acquisition, the Trust will have total production of approximately 3,850 BOE per day as of August 2009.

For remainder of 2009, the Trust plans to participate in 8 gross (6.5 net) wells in Central Alberta and the Peace River Arch including 3 wells on the newly acquired lands from the corporate acquisition. The Trust will balance the remaining development activity in 2009 between oil and gas opportunities based on commodity pricing and the ability of the Trust to participate in the Alberta royalty drilling credit initiative. The capital development programs for the balance of the year are expected to be approximately \$6.0 million to \$8.0 million.

3. REAL ESTATE DIVISION

Funds from operations decreased for the quarter ended June 30, 2009 to \$0.7 million compared to \$0.8 million for the quarter ended June 30, 2008. The decrease is mainly due to reduced revenues resulting from the third quarter 2008 sale of the Station Crossing property in Fort Saskatchewan and the Harris Building in Calgary.

The portfolio is currently 100% leased. Operationally the Real Estate Division is performing within expectations for the 2009 fiscal year. There currently are higher prepaid costs due to a timing difference with respect to the property tax expense for the KFC Portfolios which will be fully recovered from the tenant by the end of the year.

In the second quarter of 2009, the Trust closed the sale of the Sunbelt Supply building in Edmonton. The property was sold at a cap rate of 8.3% and the Trust realized a gain on sale of approximately \$2.1 million. While the balance of the portfolio is no longer listed for sale, the Trust continues to entertain offers received for properties.

Subsequent to the Second Quarter

The Trust closed the sale of the Cineplex Theatre property in Red Deer County, Alberta on August 11, 2009 for proceeds of \$10.6 million. The details of the sale will be reported on in the third quarter report. Also at the end of July 2009, the Landmark Theatre property in Hinton, Alberta was damaged by a significant fire. While there were no injuries from the fire, although not fully assessed, the extent of the damage to the property appears to be severe, with the final outcome yet to be determined. Full rental payments will continue to be received and is covered by both the tenant's insurance and Trust's insurance on this small property in the Trust's real estate portfolio.

The Trust's Management Discussion and Analysis follows.

MANAGEMENT'S DISCUSSION AND ANALYSIS for the quarter ended June 30, 2009 should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 2009 and the audited consolidated financial statements for the year ended December 31, 2008 and the management discussion and analysis thereto. This management discussion and analysis relates to events up to August 11, 2009.

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 and activities around the exit from marketing its bio-diesel product; 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.

Non-GAAP Financial Measures

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 12 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 adding back current portion of mortgages. 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 Real Estate Division as assets held and used and specific real estate properties being designated as discontinued operations or assets held for sale as properties were sold.

The Trust's strategy is to have both Energy and Non-Energy assets in multiple businesses in order to provide diversification of cashflows.

Significant Events Subsequent to the Quarter

- Oil and Gas Division's acquisition of a private company added approximately 660 BOE per day and 1.7 MBOE of reserves effective August 1, 2009.
- Sale of the Red Deer Cineplex building closed on August 11, 2009 for gross proceeds of approximately \$10.6 million including the adjacent undeveloped land.

Outlook

Each of the Trust's business units, including Oil and Gas, LPG Marketing and Real Estate, continue to perform very well operationally as we head into the latter half of 2009. Strong LPG presales and winter arbitrage opportunities provide support to Elbow River's profit over the coming months. Oil pricing seems to have stabilized in the \$60-\$70 WTI level and differentials although widening slightly from Q2 levels continue to be historically narrow. Natural gas prices, however, remain low and the consensus is that Q3 will experience especially low prices as natural gas storage fills up. Hedges positions above \$7.00 per mcf through to the end of 2010 should serve to help shelter the Trust's natural gas cash flows from these lower prices.

The Trust continues to target a 75%-80% distribution payout ratio from funds from operations and based on current pricing forecasts, hedges and presales we are well positioned to meet that target. Additionally, as noted in our previous quarterly write-up the Trust looks to add upside and growth opportunities as we move forward to 2011. The recent acquisition of a private oil and gas company is a good example of that strategy.

Selected Quarterly Information

	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30
<i>(in thousands of \$ except per unit amounts)</i>	2009	2009	2008	2008	2008	2008	2007	2007
Total Revenue	134,067	370,079	708,733	609,431	471,693	439,536	214,411	184,108
Net (Loss) Income from continuing operations	(2,330)	(7,657)	(94,086)	50,546	3,336	1,985	9,078	638
Net (Loss) Income from continuing operations per unit - basic	(0.05)	(0.18)	(2.24)	1.20	0.08	0.05	0.22	0.02
Net (Loss) Income	(184)	(7,621)	(96,067)	50,393	43,033	5,155	9,910	4,479
Net (Loss) Income per unit - basic	0.00	(0.18)	(2.28)	1.20	1.03	0.12	0.24	0.11
Funds (used in) from continuing operations	13,249	(10,251)	(34,380)	25,028	10,981	15,954	5,135	8,480
Funds (used in) from continuing operations per unit - basic	0.32	(0.24)	(0.82)	0.60	0.26	0.38	0.12	0.20
Funds (used in) from Operations	13,425	(10,056)	(34,160)	25,200	13,714	20,271	9,557	13,212
Funds (used in) from Operations per unit - basic	0.32	(0.24)	(0.81)	0.60	0.33	0.49	0.23	0.32
Monthly Distributions paid	8,509	10,452	10,486	10,466	10,442	10,432	10,429	10,422
Monthly Distributions per unit - basic	0.20	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total Assets	358,023	393,964	522,228	799,009	666,632	654,658	597,777	533,739

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	
	June 30, 2009 \$	June 30, 2008 \$	June 30, 2009 \$	June 30, 2008 \$
<i>(in thousands of dollars)</i>				
Net Income (loss)				
Financial Services – Elbow River	(1,326)	5,675	(8,064)	7,609
Oil and Gas	(1,657)	2,508	(1,965)	4,519
Real Estate	453	(4,416)	492	(4,702)
Corporate	200	(431)	(450)	(2,105)
Net Income (loss) from continuing operations	(2,330)	3,336	(9,987)	5,321
Discontinued Ops. – EnerVest	--	39,613	--	42,738
Discontinued Ops. – Real Estate	2,146	84	2,183	129
Net Income (loss)	(184)	43,033	(7,804)	48,188

Net loss from continuing operations for the quarter ended June 30, 2009 was \$2.3 million down 170% from net income of \$3.3 million in the quarter ended June 30, 2008, due to lower commodity prices in the Oil & Gas Division, the sale of the EnerVest contract in May 2008 and a \$8.8 million unrealized loss on financial instruments in 2009 versus a \$0.8 million gain in 2008. Net loss from continuing operations for the six months ended June 30, 2009 was \$10.0 million down 288% from net income of \$5.3 million for the six months ended June 30, 2008, reflecting the impact of lower oil and gas commodity prices and the first quarter 2009 loss in Elbow River's bio-diesel business.

The net loss for the quarter ended June 30, 2009 was \$0.1 million which is down 100% versus the \$43.0 million net income for the quarter ended June 30, 2008. Net loss for the six months ended June 30, 2009 was \$7.8 million which is down 116% versus the \$48.2 million net income for the same period ended June 30, 2008. The quarter and six month net income was lower in 2009 due to the 2008 recognition of the gain on the sale of the EnerVest assets, the first quarter 2009 bio-diesel loss and the sale of a real estate property in the second quarter.

1. Financial Services – Elbow River

The decrease in net income in the Financial Services Division from \$5.7 million in the second quarter of 2008 to a net loss of \$1.3 million in the second quarter of 2009 reflects increased unrealized 2009 losses in financial instruments. The decrease to \$8.1 million for the six months ended June 30, 2009, compared to the same period in 2008, is due mainly to the first quarter 2009 Elbow River bio-diesel exit and subsequent losses.

2. Oil & Gas Division

The Oil & Gas Division had net loss of \$1.7 million for the quarter ended June 30, 2009 versus 2008 net income of \$2.5 million. For the six months ended June 30, 2009 the net loss was \$1.9 million compared to \$4.5 million net income for the six months ended June 30, 2008. The difference is largely due to the impact of lower commodity pricing.

3. Real Estate

The net income for the quarter ended June 30, 2009 totalled \$2.6 million (including discontinued operations) compared to a net loss of \$4.3 million in the quarter ended June 30, 2008. The increase is a result of sale of the Sunbelt Supply building in Edmonton which contributed a gain on sale of \$2.1 million and the 2008 second quarter write down of \$5.6 million relating to two real estate properties. This is offset by the reduced net income from the Station Crossing and Harris Building that were sold in the third quarter of 2008.

Funds from Operations

	For the three months ended		For the six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Funds from Operations				
Financial Services	7,709	537	(8,096)	9,718
Oil and Gas	4,958	10,168	9,805	17,731
Real Estate	489	725	1,057	1,341
Corporate	93	(449)	233	(1,856)
Funds from continuing operations	13,249	10,981	2,999	26,934
Discontinued Ops. – EnerVest	--	2,650	--	6,922
Discontinued Ops. – Real Estate	176	83	371	130
Funds from Operations	13,425	13,714	3,370	33,986

Funds from continuing operations were \$13.2 million for the quarter ended June 30, 2009 up 21% from \$11.0 million in the comparable quarter in 2008. The increase reflected strong Elbow River results for the quarter offsetting lower commodity pricing for the Oil and Gas Division. Funds from operations were \$13.4 million for the quarter ended June 30, 2009, down slightly as funds from operations for the quarter ended June 30, 2008 were \$13.7 million. Funds from operations for the six months ended June 30, 2009 were \$3.4 million, down 90% from \$34.0 million for the six months ended June 30, 2008. The decrease is in large part due to the sale of the EnerVest management contract in 2008, the first quarter 2009 bio-diesel write-offs in the Elbow River business and the lower commodity prices in the first half of 2009 for the Oil and Gas Division as compared to the same period in 2008.

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, levels of taxation, 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 Oil and Gas, Financial Services – Elbow River, and Real Estate, provide 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. Regular Monthly Cash Distributions

The Trust distributed \$8.5 million or \$0.20 per unit in regular monthly distributions for quarter ended June 30, 2009 versus \$10.4 million or \$0.25 per unit in 2008. Effective with the May 2009 monthly distribution, the Trust reduced its monthly distribution to \$0.06 per unit from \$0.083 per unit. This distribution decrease, the first in the Trust's six year history, was required to preserve the Trust's balance sheet and to return the Trust's payout ratio to a level the Board of Directors was comfortable with in view of the large bio-diesel losses in late 2008 and early 2009 and the continued low natural gas price environment.

iii. Distribution Discussion

For the quarter ended June 30, 2009, cash provided by operating activities was \$40.9 million compared to the \$8.5 million of monthly cash distributions paid, as cash was collected on the exit from bio-diesel. Previously, cash from the EnerVest sale was allocated to bio-diesel funding and additional bank lines were put in place to support the working capital requirements of the bio-diesel program and in the first quarter 2009, the working capital and bank lines were reduced inline with the exit from the marketing of bio-diesel product. As such, when comparing the distributions declared to the cash flow from operating activities it would be possible to be in a shortfall or as in this quarter an excess position largely depending on the changes in non-cash working capital. Changes in non-cash working capital are funded by or from available cash, or bank facilities and all monthly distributions declared are funded by the cash flow of the Trust. Changes in non-cash working capital also vary based on seasonality, timing of development activities and from debt used in our operating activities.

The Trust manages its distributions based on the funds from operation of its core businesses of Oil and Gas, LPG marketing and Real Estate. In determining the monthly distributions, the losses on the exit from the bio-diesel investment were funded from the working capital and gains on the sale of the EnerVest assets. In effect, the EnerVest gain supported the bio-diesel investment. For the quarter ended June 30, 2009, monthly cash distributions of \$8.5 million exceeded the net loss of \$0.1 million reflecting non-cash unrealized losses in financial instruments and foreign exchange and other non-cash charges. For the six months ended June 30, 2009 the impact of the large first quarter bio-diesel exit losses were funded from working capital not funds from operations. Distributions typically exceed net income as a result of non-cash expenses such as unrealized gains or losses on financial instruments, non-cash impairments, 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 monthly distributions 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 target to distribute approximately 75% to 80% of total funds from operations. The decrease in distributions in May 2009 reflected the Trust adjusting distribution to this policy level.

For the six months ended June 30, 2009 monthly cash distributions of \$19.0 million exceeded the \$3.4 million funds provided by operations, due to the loss on the wind-up of the bio-diesel product in the first quarter of 2009. Historically, 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. In this case however, with the distributions exceeding funds from operations, the cash was effectively been provided out of the proceeds on the sale of the EnerVest Management contract. Removing the non-recurring charge of approximately \$22.0 million in Elbow River relating the bio-diesel losses, the funds from operations for six months ended would have been \$25.4 million representing a 75% payout ratio.

iv. 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 months ended June 30, 2009 are calculated as follows:

(in thousands of dollars)	For the three months ended		For the six months ended	
	Jun 30, 2009 \$	Jun 30, 2008 \$	Jun 30, 2009 \$	Jun 30, 2008 \$
Cash provided by (used in) operating activities	40,944	(27,828)	128,876	(41,659)
Settlement of asset retirement obligations	129	341	250	488
Changes in non-cash working capital relating to operating activities	(27,648)	41,201	(125,756)	75,157
Funds provided by (used in) operations	13,425	13,714	3,370	33,986
Cash (available) used to fund distributions, capital expenditures or growth	(4,916)	(3,272)	15,591	(13,112)
Distributable cash from operations	8,509	10,442	18,961	20,874
Cash distributions declared and payable	2,515	3,483	2,515	3,483
Cash distributions paid in period	5,994	6,959	16,446	17,391
Accumulated cash distributions paid and payable for the period	8,509	10,442	18,961	20,874

v. Cash Distributions Declared

Cash distributions declared per Trust unit issued and outstanding for the period were as follows:

Period covered	Date of Distribution	Per Unit \$
January 1, 2009 to January 31, 2009	02/16/2009	0.083
February 1, 2009 to February 29, 2009	03/16/2009	0.083
March 1, 2009 to March 31, 2009	04/15/2009	0.083
April 1, 2009 to April 30, 2009	05/15/2009	0.083
May 1, 2009 to May 31, 2009	06/15/2009	0.06
June 1, 2009 to June 30, 2009	07/15/2009	0.06

Revenue & Operating Expenses

1. Financial Services Division– Elbow River

i. Revenue

The Trust recognized revenue in the Financials Services Division of \$123.1 million for the second quarter ended June 30, 2009 and \$480.9 million for the six months ended June 30, 2009 down 73% for the quarter and down 45% for the six months ended June 30, 2008 (\$456.1 million and \$879.8 million, respectively). The decrease in the quarter and six month period is due to Elbow River exiting from the sale of bio-diesel. 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 and six months ended June 30, 2009 were \$120.6 million and \$476.7 million compared to \$447.1 and \$862.9 million for the second quarter and six months ended June 30, 2008. The decrease in operating costs is due to the matching of biodiesel and natural gas liquids product costs, corresponding to the decreased bio-diesel revenues in Elbow River (see the explanation above in 1(i)).

2. Oil & Gas Division

	For the three months ended			For the six months ended		
	June 30 2009	June 30 2008	% Change	June 30 2009	June 30 2008	% Change
OIL & GAS OPERATIONS						
Production						
Oil and NGL's – bbls per day	1,280	1,548	(17)%	1,367	1,572	(13)%
Gas – mcf per day	12,510	10,002	25%	11,793	10,199	16%
Total BOE ³ per day	3,365	3,215	5%	3,333	3,272	2%
Average Pricing						
Oil & NGL (\$/Bbl) after hedging	\$61.00	\$85.17	(28)%	\$54.49	\$78.16	(30)%
Natural Gas (\$/mcf) after hedging	\$5.36	\$9.18	(42)%	\$5.82	\$8.34	(30)%
Average Price Per BOE after hedging	\$42.00	\$68.93	(39)%	\$41.91	\$62.76	(33)%

i. Revenue and Production

For the quarter ended June 30, 2009, oil and gas revenue totaled \$13.2 million compared to \$20.3 million for the same period in 2008. This decrease is due to the 39% decrease in realized after hedge oil and natural gas pricing during the second quarter of 2009. The oil and gas revenue for the six month period ending June 30, 2009 was down 31% to \$25.9 million from \$37.8 million in the same period in 2008 due to a 33% decrease to the average realized price per barrel equivalent after hedging. Transportation costs for the six months ended June 30, 2009 were \$0.6 million up from \$0.5 million for the six months ended June 30, 2008.

Revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) for the quarter ended June 30, 2009 was \$9.0 million down 30% compared to the quarter ended June 30, 2008 at \$13.0 million. The average price received for petroleum and natural gas sales during the quarter ended June 30, 2009 was \$42.00 per BOE a decrease of 39% versus \$68.93 per BOE received in Q2 of 2008. The average price received for crude oil and natural gas liquids during the quarter ended June 30, 2009 was \$61.00 per BOE representing a decrease of 28% from the \$85.17 per BOE received for the quarter ended June 30, 2008. Natural gas pricing for the quarter ended June 30, 2009 was \$5.36 per mcf versus \$9.18 per mcf for 2008. The natural gas pricing received for unhedged production for the quarter was \$3.49 per mcf.

For the six months ending June 30, 2009, revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) was \$19.6 million compared to \$27.1 million for the same period in 2008. The average price received for petroleum and natural gas sales during the six months ended June 30, 2009 was \$41.91 per BOE a decrease of 33% versus \$62.76 per BOE received in the first half of 2008. The average price received for crude oil and natural gas liquids during the six months ended June 30, 2008 was \$54.49 per BOE a decrease of 30% over the \$78.16 per BOE received for the same period of 2008. Natural gas pricing for the six months ended June 30, 2008 was \$5.82 per mcf versus \$8.34 per mcf for 2008.

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 gain of \$0.8 million for the quarter ended June 30, 2009 versus a cost of \$2.7 million for the second quarter of 2008. In addition, the accounting treatment of oil and gas swap transactions requires the Trust to recognize an unrealized loss of \$2.6 million for the change in the mark-to-market position on existing contracts at June 30, 2009 versus an unrealized loss of \$0.8 million for the change in mark-to-market position as at March 31, 2009.

Average daily sales volume for the quarter ended June 30, 2009 was 3,365 BOE per day up 5% compared with the second quarter 2008 sales volume of 3,215 BOE per day. Product sales during the six months ended on June 30, 2009 averaged 3,333 BOE per day up 2% compared to 3,272 BOE per day in the second quarter of 2008. Second quarter 2009 sales consisted of 1,280 bbls per day of crude oil and natural gas liquids and 12,510 mcf per day of natural gas compared to 1,558 bbls per day and 10,002 mcf per day for the second quarter 2008. The increase in natural gas production was primarily due to the Cadomin development programs in the Noel area while the crude oil and natural gas liquids decrease reflects normal field declines with little new capital in the past year. Natural gas production in the first half of 2009 was 16% higher than the first six months of 2008 at 11,793 mcf per day versus 10,199 mcf per day. Oil and natural gas liquids sales were down 13% in

the first six months of 2009 at 1,367 bbls per day as compared to 1,572 bbls per day for the same period in 2008.

ii. Royalties

The Trust's royalty cost for the quarter ended June 30, 2009 was \$1.3 million or 11% of revenue compared to \$3.2 million or 14% of revenue for the second quarter of 2008 due to lower oil and natural gas pricing as well as positive impacts from the new royalty framework effective year end 2008. Similarly, the royalty cost for the first half of 2009 was \$2.4 million down 60% from \$6.0 million in the first six months of 2008. On a BOE basis, royalty costs averaged \$3.93 per BOE for the first six months of 2009 compared to \$10.11 per BOE over the same period of 2008 due to significantly lower oil and natural gas pricing.

iii. Operating Expenses

The Trust's operating costs for the quarter ended June 30, 2009 were \$5.4 million or \$17.55 per BOE compared to \$4.9 million or \$16.88 per BOE for the quarter ended June 30, 2008. On a BOE basis, operating costs averaged \$17.67 per BOE for the first six months of 2009 up 7% from \$16.44 per BOE over the same period of 2008. The increase in the 2009 operating costs is caused by non-operated processing adjustments relating to previous years more than offsetting lower power prices.

iv. Netbacks

	2009		2008			
	Q2 \$/BOE	Q1 \$/BOE	Q4 \$/BOE	Q3 \$/BOE	Q2 \$/BOE	Q1 \$/BOE
Gross revenue after hedging	42.00	41.82	48.61	69.66	68.93	58.60
Royalties	4.22	3.63	6.49	11.84	10.87	9.37
Operating costs	17.55	17.79	18.18	18.09	16.88	16.01
Operating netback	20.23	20.40	23.94	39.73	41.18	31.42

3. Real Estate Division

i Revenue

The revenue from the Real Estate business unit for the quarter ended June 30, 2009 was \$1.5 million compared to \$2.2 million for the quarter ended 2008 down 32%. For the six months ended June 30, 2009 revenue was \$2.7 million compared to \$4.0 million for the same period in 2008. The decrease is primarily due to the 2008 sale of two properties offsetting increased revenues from the Cineplex building and two additional KFC locations built in 2008. Currently the Real Estate portfolio is 100% leased.

ii. Operating Costs

The Trust's operating costs for the Real Estate Division for the quarter ended June 30, 2009 were \$0.6 million compared to \$0.8 million for the quarter ended June 30, 2008. For the six months ended June 30, 2009 operating costs were \$0.8 million compared to \$1.2 million for the same period in 2008. The decrease in operating costs for the six month period of 2009 compared to the same period in the previous year is a result of the sale of two properties the Harris building located in Calgary and Station Crossing located in Fort Saskatchewan in the latter half of 2008.

iii. Interest on long-term debt and Mortgages

Total mortgage interest for the quarter ended June 30, 2009 was \$0.3 million compared to \$0.5 million in 2008. For the six months ended June 30, 2009 total mortgaged interest was \$0.7 million compared to \$1.0 million in 2008. There was minimal change in the interest expense as the interest saved on the sale of the Harris and Station properties in 2008 was offset by the interest payments for a full quarter in 2009 for the Cineplex property.

June 30, 2009			
<i>(in thousands of dollars)</i>	Interest Rate	Maturity	\$
Magee	5.73%	Oct 31/09	3,509
Snidercroft	5.70%	Aug 1/14	3,044
KFC	5.96%	Aug 1/11	7,663
KFC	5.90%	Mar 1/12	1,834
Landmark	3.81%	Nov 1/11	10,011
			26,061
Current portion of mortgages			(4,104)
Long-term portion of mortgages			21,957

Mortgages were renewed on the Sunbelt and Cineplex buildings during the year both of which have subsequently been sold.

General and Administrative Expenses

General and administrative (“G&A”) expenses for the second quarter ended June 30, 2009 were \$4.4 million (which included corporate costs of \$0.7 million) compared to \$3.3 million (which included corporate costs of \$0.8 million) for the quarter ended June 30, 2008, reflecting higher quarterly employee incentive costs and increased legal and accounting fees associated with the bio-diesel exit in Elbow River. For the six months ended June 30, 2009 G&A expenses totaled \$10.6 million (which included corporate costs of \$1.3 million) compared to \$11.1 million (which included corporate costs of \$2.5 million) for the first six months of 2008 reflecting lower first quarter 2009 employee incentive costs in Elbow River. G&A expenses for the respective divisions for the second quarter of 2009 were: \$2.6 million for Financial Services (Q2 2008: \$1.1 million), \$1.0 million for Oil and Gas (Q2 2008: \$1.4 million) and \$0.1 million for Real Estate (Q2 2008: \$0.1 million). G&A expense has remained relatively flat for the six months ended June 30, 2009.

Bad Debt Expense

There was no additional bad debt expense recognized in the second quarter of 2009 in regard to the Trust's exit from marketing bio-diesel products in the first quarter. The Trust continues to pursue all legal avenues available to recover the large bad debt from a joint venture bio-diesel partner as reported in the Trust's 2008 year end report. On May 4, 2009, Elbow River initiated the process to have the joint venture partner placed into involuntary bankruptcy to obtain a proper and orderly distribution of monies and other assets held by the former partner. The matter continues in the US legal system.

Foreign Exchange Expense

The large increase in the foreign exchange expense from a loss of \$3.8 million for the six months ended June 30, 2009 to a gain of \$0.8 million for the six months ended June 30, 2008, relates mainly to first quarter foreign exchange losses on the exit from marketing bio-diesel product in Elbow River.

Interest and Bank Fees

Interest expense and bank fees were \$0.3 million for the three months and \$0.9 million for the six months ended June 30, 2009 reflecting lower 2009 debt levels and the repayment notes payable in 2008. For the three and six months ended June 30, 2008, interest expense and bank fees were \$2.4 million and \$4.6 million. Interest expense for the second quarter of 2009 includes bank fees of \$0.04 million compared to fees of \$0.05 million for the second quarter of 2008. For the six months ended June 30, 2009, the Financial Services Division accounted for \$0.8 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 \$0.1 million of interest expense.

Depletion, Depreciation and Amortization

Provision for depletion, depreciation and amortization was \$6.4 million in the second quarter ended June 30, 2009, compared to \$11.7 million for the second quarter of 2008 and \$12.5 million for the six months ended June 30, 2009 versus \$18.1 million for the six months ended June 30, 2008. The large decrease is a result of the impairment of \$5.6 million on the real estate properties that was recorded in June 30, 2008. The Trust's depletion and depreciation rate in its Oil and Gas Division was \$18.68 per BOE during the second quarter of 2009 down from the \$19.55 per BOE rate in the second quarter of 2008. The lower depletion rate reflects increased lower-cost reserve additions over the past year. For the six months ended June 30, 2009, \$0.6 million relates to amortization of intangibles in the Financial Services Division, and \$11.3 million of the depletion and depreciation cost was on oil and gas assets and \$0.6 million of amortization relating to the real estate properties.

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, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Given increasing costs, environmental and regulatory requirements in the oil and gas industry, at year end 2008, the Trust undertook a detailed property review to better determine future abandonment and reclamation obligations. The Trust has estimated the net present value of its total asset retirement obligations to be \$15.2 million as at June 30, 2009 based on a total future liability of \$68.3 million. These figures compare to \$15.0 million at December 31, 2008 with a total future liability of \$68.8 million.

The majority of these payments are expected to be made by 2030. The Trust's credit adjusted risk free rate ranging from 8.5% to 10.0% and an inflation rate of 2% were used to calculate the present value of the asset retirement obligation.

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 legislation, 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 future income tax recovery totaled \$2.3 million for the second quarter ended June 30, 2009, compared to a recovery of \$2.9 million for the three months ended June 30, 2008. Capital tax expense was \$0.1 million for the second quarter of 2009, reflecting the resource surcharge on Saskatchewan properties and Ontario capital taxes relating to the real estate properties owned in Ontario.

Risk Management and Financial Instruments

	2009 \$
<i>(in thousands of dollars)</i>	
Risk management asset (liability), January 1,	(294)
Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas (i)	(3,309)
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	(69)
Change in mark-to-market of cash flow hedge contracts – Elbow River (iii)	2,349
Net risk management liability, June 30,	(1,323)
Reclassified to risk management asset, June 30,	(4,743)
Risk management liability, June 30,	(6,066)

Fair values of commodity and foreign exchange derivatives are based on pricing models using forward curves as at June 30, 2009.

(i) The Trust has the following forward contracts outstanding as at June 30, 2009 relating to its Oil and Gas Division:

- 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.
- A fixed price AECO swap for the period April 1, 2010 to March 31, 2011 on 1,000 gigajoules/day of natural gas with a price of \$8.25 CDN/gigajoules.
- A fixed price WTI swap for the period March 1, 2009 to December 31, 2009 on 200 barrels/day of crude oil with a price of \$60.35 CDN/Bbl.
- A fixed price WTI swap for the period June 1, 2009 to December 31, 2009 on 200 barrels/day of crude oil with a price of \$71.30 CDN/Bbl.
- A fixed price WTI collar for the period August 1, 2009 to July 31, 2010 on 200 barrels/day of crude oil with a floor price of \$65.00 CDN/Bbl and a ceiling price of \$83.50 CDN/Bbl.

The mark-to-market value of these contracts as at June 30, 2009 was a risk management liability of \$0.5 million (December 31, 2008 – a risk management asset of \$2.9 million), resulting in the recognition of an unrealized loss on the income statement for the six months ended June 30, 2009 of \$3.3 million (six months ended June 30, 2008 - \$4.3 million).

Subsequent to June 30, 2009, the Trust entered into the following forward contract:

- A fixed price WTI collar for the period September 1, 2009 to August 31, 2010 on 100 barrels/day of crude oil with a floor price of \$70.00 CDN/Bbl and a ceiling price of \$91.25 CDN/Bbl.

(ii) Elbow River sells natural gas liquids, ethanol, 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, and ethanol.

At December 31, 2008, Management determined that the documentation and effectiveness measures for hedge accounting had not been met from April 1, 2008 onward. As a result an unrealized loss of \$2.5 million relating to contracts existing as at March 31, 2008 remains in accumulated other comprehensive loss until the hedged items relating to these commodity and foreign exchange derivative contracts are settled. During the six months ending June 30, 2009, losses previously recorded in accumulated other comprehensive loss of \$2.5 million were transferred to net income due to the settlement of the underlying hedged items and \$2.5 million remains in accumulated other comprehensive loss. Any change in the fair value of these contracts from January 1, 2009 to June 30, 2009 has been recognized in net income.

The following tables detail those transactions in Elbow River that are not designated for hedge accounting, which resulted in a risk management asset of \$1.6 million (December 31, 2008 – a risk management asset of \$1.7 million), resulting in the recognition of an unrealized loss on the statement of operations for the six months ended June 30, 2009 of \$0.07 million (six months ended June 30, 2008 - \$2.3 million).

Commodities hedging contracts:			June 30, 2009
Settlement dates	Average Monthly Volume (bbl)	Prices \$(/bbl)	Unrealized gain (loss) \$
July – September 2009	647,273	34.30 – 82.30	(180,259)
October – December 2009	715,718	28.77 – 82.30	(271,099)
January – March 2010	704,751	29.40 – 83.20	(173,656)
April 2010	725	29.40 – 83.20	2,483
			(622,531)
		Exchange rate	1.1625
		Risk management liability in CDN dollars	(723,692)
		Amount recorded as other comprehensive loss in 2008	2,513,103
		Amount recorded in unrealized gain on financial instruments	1,789,411

Forward exchange contracts:			June 30, 2009
Term Due	Amount \$	Forward Rates CDN \$	Unrealized loss \$
August 2009	7,900,000	1.12080	(329,707)
Total US dollars	7,900,000		(329,707)
Exchange Rate	1.1625		
Total CDN dollars	9,183,750		

Futures contracts:			June 30, 2009
Settlement dates	Total Volume (bbl)	Prices US \$(/bbl)	Unrealized gain \$
August 2009	24,857	69.09 – 71.40	112,645
	24,857		112,950
		Exchange rate	1.1625
		Total CDN dollars	130,950

- (iii) The following table details those transactions that are designated for hedge accounting giving rise to a risk management asset of \$0.06 million (December 31, 2008 – a risk management asset of \$0.2 million), resulting in the recognition of a comprehensive loss of \$0.1 million when compared to the December 31, 2008 mark-to-market. In addition, \$2.5 million relating to reclassification of the change in fair value from January 1, 2009 to June 30, 2009 of commodity hedge contracts in place as at April 1, 2008 as described in note 10(c)(ii) above is included in other comprehensive income. This brings the total amount of other comprehensive income for the six months ended June 30, 2009 to \$2.3 million (other comprehensive loss for the six months ended June 30, 2008 - \$42.0 million).

Forward exchange contracts:			June 30, 2009
Term Due	Amount \$	Forward Rates CDN \$	Unrealized loss \$
July – September 2009	2,008,350	1.12654 – 1.2764	141,420
October – December 2009	6,171,550	1.07840 – 1.2735	(67,362)
January – April 2010	5,992,550	1.08280 – 1.2675	(18,487)
Total US dollars	14,172,450		55,571
Exchange Rate	1.1625		
Total CDN dollars	16,475,473		

Liquidity and Debt

In relation to its Oil and Gas Division, as at June 30, 2009, the Trust had available a combined revolving demand facility with a major Canadian bank in the amount of \$46.5 million (December 31, 2008 - \$46.5 million) bearing interest ranging from prime plus one-quarter of one percent to prime plus two and half 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 had a development facility in the amount of \$5.0 million, bearing interest ranging from prime plus three-quarter of one percent to prime plus three percent.

As at June 30, 2009, \$3.0 million (December 31, 2008 - \$4.0 million) was drawn on the revolving demand facility and \$nil (December 31, 2008 - \$nil) was drawn on the development facility. The Oil & Gas Division was in compliance with all its banking covenants as at June 30, 2009. Subsequent to June 30, 2008 the revolving demand facility was amended increasing the limit from \$46.5 million to \$60.0 million at the same interest rates and the development facility was removed from the credit agreement.

In relation to Elbow River Marketing Limited Partnership ("Elbow River"), the Trust had a demand revolving loan facility with a Canadian bank in the amount of \$70.0 million (December 31, 2008 - \$70.0 million) bearing interest at bank prime rate plus 0.4% or US bank base rate plus 0.4%. This facility is collateralized by a charge over all of Elbow River's assets. As at June 30, 2009 \$nil (December 31, 2008 - \$89.1 million) was drawn on the demand revolving loan facility. Elbow River was in compliance with all its banking covenants as at June 30, 2009. In view of Elbow River's exit from bio-diesel marketing and tighter global financial markets, subsequent to June 30, 2009, Elbow River's demand revolving loan facility was amended reducing the limit from \$70.0 million to \$50.0 million bearing interest at the bank's prime rate plus 1.0% or the bank's US base rate plus 1.0%.

The average effective interest rate on borrowings under the above lines for the six months ended June 30, 2009, including service fees, was 5.05% (six months ended June 30, 2008 - 7.27%).

As at June 30, 2009, the Trust had 10 letters of credit outstanding in the aggregate amount of \$4.8 million (December 31, 2008 - \$7.4 million). The letters of credit reduce the amount available to be drawn on the related demand facilities. In addition Elbow River had 15 bonds outstanding in the aggregate amount of \$1.8 million (December 31, 2008 - \$2.2 million) which do not reduce the availability of Elbow's demand facility.

To provide the Elbow River with additional credit on natural gas liquids inventory purchases, the Trust has guarantees to third parties for a maximum of \$154.9 million (December 31, 2008 - \$190.4 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.

<i>(in thousands of dollars)</i>	Payments due by period			
	Total	Less than 1 year	1 - 3 year	4+ year
Mortgages	26,061	3,796	19,587	2,678
Lease Commitments	10,718	2,818	5,131	2,769
Total Contractual Obligations	36,779	6,614	24,718	5,447

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

	Three months ended		Six months ended	
	June 30, 2009 \$	June 30, 2008 \$	June 30, 2009 \$	June 30, 2008 \$
<i>(in thousands of dollars)</i>				
Financial Services				
Financial Services development expenditures	4	5,449	4	5,454
Proceeds received on sale of financial service assets	--	--	(604)	--
Sub-Total	4	5,449	(600)	5,454
Oil and Gas				
Land	67	103	139	175
Drilling	586	1,210	2,465	3,956
Production equipment and facilities	644	1,281	2,075	2,224
Other	137	(15)	142	197
Oil and gas property acquisitions	5,349	--	8,822	30
Proceeds received on oil and gas property dispositions	(25)	--	(431)	--
Sub-Total	6,758	2,579	13,212	6,582
Assets held for sale - Real Estate				
Real estate acquisitions	--	--	--	--
Real estate development expenditures	41	411	53	1,961
Proceeds on sale of real estate properties (i)	(1,286)	--	(1,286)	--
Sub-Total	(1,245)	411	1,233	1,961
Other assets	--	--	3	3
Net capital expenditures	5,517	8,439	13,848	14,000

- (i) During the quarter ended June 30, 2009, the Trust disposed of a real estate property for net proceeds of \$5.9 million comprised of cash of \$1.3 million and mortgage assumptions of \$4.6 million. A gain of \$2.1 million was recorded relating to this divestiture. Comparative periods have been reclassified for this transaction as discontinued operations.

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, 2009, 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, 2009 to March 31, 2010 on 2,000 gigajoules/day of gas at a price of \$7.92 CDN/gigajoule.
- A physical fixed price sale for the period January 1, 2009 to December 31, 2010 on 1,000 gigajoules/day of gas at a price of \$7.95 CDN/gigajoule.
- A physical fixed price sale for the period November 1, 2009 to October 31, 2010 on 1,000 gigajoules/day of gas at a price of \$5.95 CDN/gigajoule.
- A physical fixed price sale for the period April 1, 2010 to March 31, 2011 on 1,000 gigajoules/day of gas at a price of \$6.43 CDN/gigajoule.
- A physical fixed price sale for the period February 1, 2009 to March 31, 2011 on 1,000 gigajoules/day of gas at a price of \$6.79 CDN/gigajoule.

The mark-to-market value of these contracts as at June 30, 2009 was an unrealized gain of \$4.6 million.

Subsequent to June 30, 2009, the Trust entered into the following physical delivery contract:

- A physical fixed price sale for the period September 1, 2009 to March 31, 2011 on 1,000 gigajoules/day of gas at a price of \$5.20 CDN/gigajoule.

At June 30, 2009, the following contracts were outstanding with respect to the physical purchase of power:

- A physical fixed price purchase of electrical power for the period January 1, 2009 to December 31, 2009 of 1.0 megawatts per month at a price of \$79.84/megawatt hour.
- A physical fixed purchase of electrical power for the period July 1, 2009 to December 31, 2010 of 2.0 megawatts per month at a price of \$67.72/megawatt hour.
- A physical fixed purchase of electrical power for the period January 1, 2010 to December 31, 2011 of 1.0 megawatts per month at a price of \$67.86/megawatt hour.

The mark-to-market value of these contracts as at June 30, 2009 was an unrealized loss of \$0.3 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 nine quarters.

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

	\$ (in thousands of dollars)
2009	1,468
2010	2,698
2011	2,220
2012	1,561
2013	1,123
2014 and thereafter	1,648
Total	10,718

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.

Notes Receivable

The \$25.0 million note receivable bearing interest at 8% which was scheduled to mature on June 30, 2009 was extended under the same terms until July 15, 2009. The note was not repaid at that time as the Trust is currently in negotiations with the other party to the note to further extend the repayment under revised terms and security.

Unitholders' Capital

Trust Units	Number of Units	Amount \$ (in thousands of dollars)
Balance December 31, 2008	42,100,796	422,017
Units issued on exercise of stock options	2,666	15
Units repurchased & cancelled – Normal Course Issuer Bid	(190,200)	(1,907)
Balance March 31, 2009	41,913,262	420,125
Units issued on exercise of stock options	6,000	32
Balance June 30, 2009	41,919,262	420,157

For the three and six months ended June 30, 2009 the Trust had weighted average trust units outstanding of 41,916,031 and 41,971,625, respectively (three and six months ended June 30, 2008 – 41,911,460 and 41,850,177, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 166,999 and 196,932 Trust Units for the three and six months ended June 30, 2009 respectively resulting in weighted average trust units outstanding of 42,083,030 and 42,168,557 for the three and six months ended June 30, 2009. As at June 30, 2009 the total units outstanding for the Trust

were 41,919,262. At June 30, 2009 there were 2,482,002 in anti-dilutive options that were not part of the dilutive per unit calculation. Net income per unit from continuing operations for 2009 did not include the dilution adjustment as there was a loss for the period.

As at June 30, 2009, the Trust had issued a total of 2,942,503 options which represents 70% of the options available for issuance. As a result of significant changes in market conditions over the past several months, subsequent to June 30, 2009, the Trust approved the re-pricing of 1,565,668 out of the money options granted to employees and consultants not including officers and directors. Of the options re-priced, 25% or 391,414 options were cancelled. In addition, subsequent to June 30, 2009, the Trust issued 691,200 options.

Related Party Transactions

During the three and six months ended June 30, 2009, the Trust paid \$0.06 million and \$0.1 million, respectively (three and six months ended June 30, 2008 - \$0.05 million and \$0.1 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, 2009 is \$0.05 million (December 31, 2008 - \$0.02 million) owing to Avenir relating to these services.

During the three and six months ended June 30, 2009, the Trust incurred marketing fees of \$0.02 million and \$0.04 million, respectively (three and six months ended June 30, 2008 - \$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, 2009 (December 31, 2008 - \$0.02 million).

During the three and six months ended June 30, 2009, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of \$0.1 million and \$0.2 million respectively (three and six months ended June 30, 2008 - \$0.2 million and \$0.3 million, respectively) payable to a company with a shareholder who is also a director of the Trust. Of this balance, \$nil is included in accounts payable and accrued liabilities as at June 30, 2009 (December 31, 2008 - \$nil).

In the normal course of joint business 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.

Financial Risks

Cash Distributions to Unitholders are Dependent on the Performance of the Trust

Distributable cash generally refers to the net cash received by the Trust that is available for payment to Unitholders on a monthly basis. The Trust is entirely dependent upon the operations and assets of its Divisions to make cash distributions to Unitholders.

There is no assurance regarding the amounts of cash to be distributed by the Trust or generated by the Trust and therefore, the funds available for distribution to Unitholders. The actual amount distributed will depend on a variety of factors, including without limitation, oil and gas commodity prices, the performance of each operating business, the effect of acquisitions or dispositions on the Trust, and other factors that may be beyond the control of the Trust. In the event significant sustaining capital expenditures are required or the profitability of the Trust declines, there would be a decrease in the amount of cash available for distribution to Unitholders and such decrease could be material.

The Trust's distribution policy is subject to change at the discretion of the board of directors of the Administrator of the Trust.

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, 2009, 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 at June 30, 2009 have been recorded as permanently re-valued to the current fair value of \$nil. The decrease in the market value of the investments of \$0.02 million for the six months ended June 30, 2009 has been included in net income.

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value. 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 as at June 30, 2009 was \$25.9 million (December 31, 2008 - \$38.6 million), while the carrying value was \$26.1 million (December 31, 2008 - \$38.7 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 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 oil and gas trade receivables are dependent upon the strength of the North American energy complex and specifically the petroleum industry. Elbow River has also been exposed to additional risk with international and overseas counterparties relating to bio-diesel 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, 2009, the Trust had an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of \$0.8 million and Elbow River has an allowance for doubtful accounts of \$34.2 million, the two amounts representing 35% of the Trust's accounts receivables of \$99.9 million before deducting the allowance for doubtful accounts. The Trust is no longer in the business of bio-diesel product sales.

The majority of the allowance in the Oil and Gas Division was the result of a purchaser of a small portion of the Oil and Gas Division's production, filing for protection under the Companies Creditor Arrangement Act or CCAA on July 22, 2008. As a result, the Trust's total exposure of approximately \$0.5 million for production proceeds for the period from June 1, 2008 to July 21, 2008, was recorded as an allowance for doubtful accounts as at December 31, 2008. The Trust is registered as a creditor under the CCAA proceedings and may eventually be able to collect some portion of the amounts owing.

The allowance in Elbow River is the result of a bio-diesel counterparty receivable. In March 2009, Elbow River was advised by this bio-diesel counterparty that they would be unable to pay to Elbow River its proportionate share owing under the "memorandum of understanding". Elbow River has taken legal actions against this bio-diesel counterparty, its equity investor and its secured bank, claiming return of funds owing to Elbow River under the memorandum of understanding. There can be no certainty under the legal proceedings that Elbow River will recover these monies. A provision for this receivable was booked in 2008. There has been no change to the provision during 2009.

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, 2009, 13% of the Trusts consolidated accounts receivable are due from one customer; the entire outstanding balance has been collected subsequent to June 30, 2009. The total amount of receivables past due 90 days amounted to \$16.5 million as at June 30, 2009. Elbow River has now exited from marketing bio-diesel products and its additional inherent counterparty and partner risks. Management continues to scrutinize and monitor its remaining bio-diesel receivables and expects to have completely collected all outstanding amounts in the latter half 2009. The Elbow River LPG base accounts receivables have been reviewed and are continually monitored. No allowance was deemed necessary for these accounts.

With respect to financial instruments, the Trust could be exposed to losses either directly, if the counterparty is unable or fails to perform in accordance with the terms of the contract or through the parental guarantees the Trust provides from time to time to its operating divisions. This risk is managed by diversifying the derivative portfolio among counterparties meeting certain financial criteria. The Trust also evaluates its credit risk by monitoring on a regular basis the Standard and Poor's ratings for its counterparties and as a guideline the Trust

starts with a minimum rating of BBB or above. For the period all Elbow River LPG counterparties met this requirement.

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 help mitigate its currency risk. At June 30, 2009 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 \$0.1 million in net income from continuing operations and a change of approximately \$0.1 million in other comprehensive income for the quarter ended June 30, 2009.

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, 2009, in respect of the financial derivative instruments in the Oil and Gas Division, a change of \$10.00 US/Bbl in the price of oil would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately \$0.7 million while a change of \$1.00/gigajoule in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately \$0.4 million.

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 \$2.1 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 favourable terms or with interest rates as favourable as those of the existing debt. The Trust mitigates these risks by its continued efforts to maintain the value of its real estate properties and high occupancy levels. A 1% change in interest rates would result in net income from continuing operations sensitivity of approximately \$0.2 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. With the sale of the EnerVest assets in May 2008, the Trust continues to have a working capital surplus together with undrawn credit facilities in its Oil & Gas Division providing significant flexibility in meeting current and future liquidity requirements.

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, targeting 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 hedges 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 and product purchases at the time the transactions are entered into.

Except for the mortgages and some hedges covering term deals of up to two quarters in Elbow River, all the Trust financial liabilities are effectively due within one quarter.

Business Risks and Critical Accounting Estimates

For a discussion of Business Risks and Critical Accounting Estimates, please refer to the audited consolidated financial statements for the year ended December 31, 2008 available on SEDAR (www.sedar.com) and our website (www.avenirtrust.com).

Disclosure Controls

Disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Trust required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is communicated to the Trust's management as appropriate to allow timely decisions regarding required disclosure. The Trust's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of these disclosure controls and have concluded, based on their evaluation, the Trust's disclosure controls and procedures were operating effectively to provide reasonable assurance that material information related to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities.

Internal Controls over Financial Reporting

As at December 31, 2008, Management had evaluated the design and operation of the Trust's internal controls over financial reporting as is required under National Instrument 52-109. Management had used the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of the Trust's internal controls over financial reporting. At June 30, 2009, the Chief Executive Officer and Chief Financial Officer continue to work with the management at Elbow River regarding the implementation of internal controls over financial reporting. Management expects that remediation of the deficiencies at Elbow River will be completed during the latter half of 2009 as Elbow River reviews the previous practices and processes used in the marketing of its bio-diesel product, a business which they have now exited. With this exit, transaction complexities diminish, any new additionally required control procedures will have been implemented and staff workloads and training will return to more normal levels. The new Chief Financial Officer of Elbow River will ensure the required changes are made and oversee the effective implementation of any additional internal controls required in this business unit.

Recent Accounting Pronouncements and the Impact on the Trust

Effective January 1, 2009, the Trust adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

- Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets". This section 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 adoption of this new Section did not have a material impact on the consolidated financial statements.

Future Accounting Pronouncements

In February 2008, the CICA's Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. The Trust will be required to report its results in accordance with IFRS beginning in 2011. During the first quarter of 2009, the Trust continued the design and planning phase of the project, which involves documenting the high impact areas identified and evaluating the different accounting policy options available under IFRS. During this phase, the Trust will also assess the impact that a conversion to IFRS will have on the policies and procedures, information technology and accounting systems, as well as internal controls. The Trust anticipates completing this phase and moving to the solution development phase later this year. The impact of IFRS on the Trust's consolidated financial statements is not reasonably determinable at this time.

As of January 1, 2011, the Trust will be required to adopt the following CICA Handbook sections:

"Business Combinations", Section 1582, which will replace CICA Handbook Section 1581 of the same name. Under this guidance, the purchase prices used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. Currently, the purchase price used is based on the market price of the shares for a reasonable period before and after the date of the acquisition is agreed upon and announced. This new standard generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings each period until settled. Currently, only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from non-current assets in the purchase price allocation.

"Consolidated Financial Statements", Section 1601, which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard should not have a material impact on the Trust's consolidated financial statements.

"Non-controlling Interests", Section 1602. The standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on the Trust's consolidated financial statements.

For additional information on the Trust, 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

Avenir Diversified Income Trust
CONSOLIDATED BALANCE SHEETS
(unaudited)

<i>(in thousands of dollars)</i>	June 30, 2009 \$	December 31, 2008 \$ (restated – note 3)
ASSETS [note 5]		
Current		
Cash	1,066	21,956
Marketable securities [note 10]	—	20
Accounts receivable and prepaid expenses [note 10]	79,574	88,660
Inventory [note 4]	7,897	127,883
Note receivable [note 16]	25,000	25,000
Risk management assets [note 10]	4,743	14,522
Assets held for sale – Real Estate [note 3]	10,883	14,761
	129,163	292,802
Property and equipment [notes 5 and 6]	180,994	180,696
Intangibles and other assets	10,966	11,428
Goodwill	23,424	23,424
Future income taxes [note 12]	13,476	13,878
	358,023	522,228
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness [note 5]	3,000	93,127
Accounts payable and accrued liabilities [note 11]	75,270	80,966
Distributions payable [note 14]	2,515	28,755
Deferred revenue	213	201
Risk management liabilities [note 10]	6,066	14,816
Current portion of mortgages [note 6]	4,104	4,147
Liabilities of assets held for sale – Real Estate [note 3]	8,081	12,826
	99,249	234,838
Mortgages [note 6]	21,957	22,265
Asset retirement obligation [note 7]	15,166	15,009
Future income taxes [note 12]	6,947	10,721
Unitholders' equity		
Unitholder capital [note 8]	420,157	422,017
Contributed surplus [note 8]	8,360	6,777
Accumulated earnings	87,380	95,184
Accumulated other comprehensive loss [note 8]	(2,457)	(4,807)
Accumulated distributions	(298,736)	(279,776)
	214,704	239,395
	358,023	522,228

See accompanying notes to the consolidated interim financial statements

Avenir Diversified Income Trust
CONSOLIDATED STATEMENTS OF OPERATIONS AND
ACCUMULATED EARNINGS
(unaudited)

For the	Three months ended		Six months ended	
<i>(in thousands of dollars)</i>	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	\$	\$	\$	\$
		<i>(restated – note 3)</i>		<i>(restated – note 3)</i>
REVENUE				
Financial services revenue	129,265	451,360	480,948	882,049
Unrealized gain (loss) on financial instruments <i>[note 10]</i>	(6,203)	4,703	(69)	(2,259)
Total financial services revenue	123,062	456,063	480,879	879,790
Oil and gas revenue	13,215	20,350	25,927	37,836
Oil and gas transportation costs	(353)	(187)	(644)	(466)
Royalties	(1,291)	(3,179)	(2,369)	(6,018)
Unrealized loss on financial instruments <i>[note 10]</i>	(2,551)	(3,942)	(3,309)	(4,258)
Total oil and gas revenue	9,020	13,042	19,605	27,094
Real estate revenue	1,504	2,215	2,667	3,974
Interest and other revenue	481	373	994	373
Total revenue	134,067	471,693	504,145	911,231
EXPENSES				
Financial services operating	120,641	447,141	476,715	862,856
Oil and gas operating	5,375	4,936	10,659	9,787
Real estate operating	605	824	756	1,247
General and administrative <i>[notes 9 and 11]</i>	4,406	3,286	10,620	11,074
Bad debt expense	162	276	164	470
Foreign exchange	173	(186)	3,819	(785)
Interest and bank fees	254	2,404	926	4,647
Interest on long-term debt	328	530	657	998
Capital taxes	74	151	139	296
Depletion, depreciation and amortization	6,417	11,711	12,512	18,069
Asset retirement obligation accretion <i>[note 7]</i>	273	257	536	529
	138,708	471,330	517,503	909,188
Income (loss) from continuing operations before income tax	(4,641)	363	(13,358)	2,043
Future income tax recovery	2,311	2,973	3,371	3,278
Net income (loss) from continuing operations	(2,330)	3,336	(9,987)	5,321
Net income from discontinued operations – EnerVest	—	39,613	—	42,738
Net income from discontinued operations – Real Estate <i>[note 3]</i>	2,146	84	2,183	129
Net income (loss) for the period	(184)	43,033	(7,804)	48,188
Accumulated earnings, beginning of period	87,564	97,826	95,184	92,671
Accumulated earnings, end of period	87,380	140,859	87,380	140,859
Net income (loss) from continuing operations per unit <i>[note 8]</i>				
Basic and diluted	(0.05)	0.08	(0.24)	0.13
Net income (loss) from discontinued operations per unit <i>[note 8]</i>				
Basic	0.05	0.95	0.05	1.02
Diluted	0.05	0.93	0.05	1.01
Net income (loss) per unit <i>[note 8]</i>				
Basic	0.00	1.03	(0.19)	1.15
Diluted	0.00	1.01	(0.19)	1.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

For the	Three months ended		Six months ended	
<i>(in thousands of dollars)</i>	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	\$	\$	\$	\$
Net income (loss) for the period	(184)	43,033	(7,804)	48,188
Change in fair value of derivative instruments designated as cash flow hedges <i>[note 10]</i>	2,828	(33,611)	2,349	(42,028)
Change in fair value of marketable securities	—	78	—	50
Other comprehensive income (loss)	2,828	(33,533)	2,349	(41,978)
Comprehensive income (loss) for the period	2,644	9,500	(5,455)	6,210

See accompanying notes to the consolidated interim financial statements

Avenir Diversified Income Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

<i>(in thousands of dollars)</i>	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	\$	\$	\$	\$
		(restated – note 3)		(restated – note 3)
OPERATING ACTIVITIES				
Net income (loss) from continuing operations	(2,330)	3,336	(9,987)	5,321
Add (deduct) non-cash items:				
Non-cash general and administrative <i>[note 9]</i>	270	369	803	1,026
Depletion, depreciation and amortization	6,417	11,711	12,512	18,069
Asset retirement obligation accretion	273	257	536	529
Unrealized loss (gain) on financial instruments	8,754	(958)	3,378	(1,250)
Unrealized foreign exchange	2,176	(761)	(872)	6,517
Future income tax expense (recovery)	(2,311)	(2,973)	(3,371)	(3,278)
Funds from continuing operations	13,249	10,981	2,999	26,934
Funds from discontinued operations - EnerVest	—	2,650	—	6,922
Funds from discontinued operations – Real Estate	176	83	371	130
	13,425	13,714	3,370	33,986
Asset retirement expenditures during year <i>[note 7]</i>	(129)	(341)	(250)	(488)
Change in non-cash working capital	27,648	(41,201)	125,756	(75,157)
Cash provided (used in) by operating activities	40,944	(27,828)	128,876	(41,659)
FINANCING ACTIVITIES				
Issue of trust units, net of issue costs	9	349	13	395
Repurchase of trust units <i>[note 8a(ii)]</i>	—	—	(886)	—
Cash settlement of options	(4)	(2)	(4)	(5)
Distributions to unitholders <i>[note 14]</i>	(8,509)	(10,442)	(18,961)	(20,874)
Decrease in bank indebtedness	(26,266)	(68,675)	(90,127)	(40,479)
Repayment of notes payable	—	(2,000)	—	—
Increase in mortgages	—	3,612	—	4,757
Repayment of mortgages	(265)	(237)	(500)	(466)
Increase in notes receivable	—	(123)	—	(123)
Repayments of long-term debt	—	(838)	—	(1,675)
Change in non-cash working capital	(964)	6	(26,240)	7
Cash provided by (used in) financing activities	(35,999)	(78,350)	(136,705)	(58,463)
INVESTING ACTIVITIES				
Sale of EnerVest assets	—	135,958	—	135,958
Financial services development expenditures	(4)	(4,565)	(4)	(4,570)
Sale of financial services assets	—	—	604	—
Oil and gas property acquisitions	(5,349)	—	(8,822)	(30)
Oil and gas property disposals	25	—	431	—
Oil and gas development expenditures	(1,434)	(2,579)	(4,821)	(6,552)
Purchase of other assets	—	—	(3)	(3)
Real estate development expenditures	(41)	(411)	(53)	(1,961)
Real estate dispositions <i>[note 3]</i>	1,286	—	1,286	—
Change in non-cash working capital	(44)	357	(1,679)	153
Cash provided by (used in) investing activities	(5,561)	128,760	(13,061)	122,995
Increase (decrease) in cash during the period	(616)	22,582	(20,890)	22,873
Cash, beginning of period	1,682	—	21,956	—
Change in cash of assets held for sale	—	291	—	—
Cash, end of period	1,066	22,873	1,066	22,873
Cash taxes paid	304	141	429	257
Cash interest paid	571	3,011	1,701	5,980

See accompanying notes to the consolidated interim financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

1. NATURE OF THE 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, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year revenues and expenses, due to seasonal factors. Actual results may differ from those estimates. The Trust's natural gas liquids marketing group traditionally has stronger results in the first and fourth quarters of the fiscal year. In the natural gas liquids marketing group colder winter weather provides more opportunity for sale of propane and butane.

Comparative periods have been reclassified 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, 2008 except as noted below. 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, 2008 audited consolidated financial statements.

Effective January 1, 2009, the Trust adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets". This section 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 adoption of this new Section did not have a material impact on the consolidated financial statements.

Future Accounting Pronouncements

In February 2008, the CICA's Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. The Trust will be required to report its results in accordance with IFRS beginning in 2011. During the first half of 2009, the Trust continued the design and planning phase of the project, which involves documenting the high impact areas identified and evaluating the different accounting policy options available under IFRS. During this phase, the Trust will also assess the impact that a conversion to IFRS will have on the policies and procedures, information technology and accounting systems, as well as internal controls. The Trust anticipates completing this phase and moving to the solution development phase later this year. The impact of IFRS on the Trust's consolidated financial statements is not reasonably determinable at this time.

As of January 1, 2011, the Trust will be required to adopt the following CICA Handbook sections:

"Business Combinations", Section 1582, which will replace CICA Handbook Section 1581 of the same name. Under this guidance, the purchase prices used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. Currently, the purchase price used is based on the market price of the shares for a reasonable period before and after the date of the acquisition is agreed upon and announced. This new standard generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings each period until settled. Currently, only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from non-current assets in the purchase price allocation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

"Consolidated Financial Statements", Section 1601, which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard should not have a material impact on the Trust's consolidated financial statements.

"Non-controlling Interests", Section 1602. The standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on the Trust's consolidated financial statements.

3. REAL ESTATE - DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

i) Real Estate – Reclassified as Assets Held and Used

During 2007, the Trust had made the decision to dispose of the Real Estate Division assets by way of sale or spin-out. A national brokerage firm had been engaged and the Trust expected to have completed a transaction on all of its real estate properties during 2008. In 2008, due to the deteriorating real estate and credit market conditions, the Trust decided that the Real Estate Division assets would no longer be brokered. Two properties were sold in 2008 for proceeds of \$20,020,250 and a gain of \$10,096,296. In 2008, the remainder of the Real Estate Division was therefore reclassified as Assets Held and Used at the lower of carrying value, adjusted for depreciation or market.

ii) Real Estate – Discontinued Operations

During the quarter ended June 30, 2009, the Trust disposed of a real estate property for net proceeds of \$5,856,900 comprised of cash of \$1,285,603 and mortgage assumptions of \$4,571,297. A gain of \$2,058,719 was recorded relating to this divestiture. Comparative periods have been reclassified for this transaction as discontinued operations.

iii) Real Estate – Assets Held for Sale

Subsequent to the June 30, 2009, the Trust disposed of a real estate property for gross proceeds of approximately \$10,600,000. The assets and liabilities associated with this real estate property have been reclassified as Current Assets Held for Sale. Comparative periods have also been reclassified.

The following table represents the balances relating to the Real Estate Division that have been reclassified as Assets Held for Sale on the balance sheet based on ii) & iii) above:

<i>(in thousands of dollars)</i>	June 30, 2009 \$	December 31, 2008 \$
Accounts receivable and prepaid expenses	187	77
Property and equipment	10,696	14,541
Intangibles and other assets	—	143
Current assets held for sale	10,883	14,761
Accounts payable and accrued liabilities	525	550
Current portion of mortgages	3,873	7,709
Mortgages	3,683	4,567
Current liabilities of assets held for sale	8,081	12,826

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

The following table represents the balances relating to the Real Estate Division that have been reclassified on the statement of operations based on i), ii) & iii) above:

<i>(in thousands of dollars)</i>	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	\$	\$	\$	\$
REVENUE				
Real estate revenue	517	298	909	438
Gain on sale of properties	2,128	—	2,128	—
	2,645	298	3,037	438
EXPENSES				
Real estate operating	159	17	179	33
General and administrative	2	—2	7	11
Interest on long-term debt	181	195	353	265
Depreciation and amortization	157	—	315	—
	499	214	854	309
Income before taxes	2,146	84	2,183	129
Future income tax expense	—	—	—	—
Net income	2,146	84	2,183	129

4. INVENTORY

<i>(in thousands of dollars)</i>	June 30, 2009	December 31, 2008
	\$	\$
Biodiesel	—	105,650
Butane	3,300	8,764
Propane	1,278	2,961
Fuel ethanol	2,488	4,722
Natural gasoline	831	3,355
Canola oil	—	2,406
Other	—	25
	7,897	127,883

All inventory balances relate to Elbow River Marketing Limited Partnership.

Inventory is valued at the lower of cost and estimated net realizable value. For the year ended December 31, 2008, a \$65,413,879 write down of bio-diesel inventory to estimated net realizable value was recorded in operating expenses.

5. BANK INDEBTEDNESS

In relation to its Oil and Gas Division, as at June 30, 2009, the Trust had available a combined revolving demand facility with a major Canadian bank in the amount of \$46,500,000 (December 31, 2008 - \$46,500,000) bearing interest ranging from prime plus one-quarter of one percent to prime plus two and half 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 had a development facility in the amount of \$5,000,000, bearing interest ranging from prime plus three-quarter of one percent to prime plus three percent.

As at June 30, 2009, \$3,000,000 (December 31, 2008 - \$4,000,000) was drawn on the revolving demand facility and \$nil (December 31, 2008 - \$nil) was drawn on the development facility. The Oil & Gas Division was in compliance with all its banking covenants as at June 30, 2009. Subsequent to June 30, 2009 the revolving demand facility was amended increasing the limit from \$46,500,000 to \$60,000,000 at the same interest rates and the development facility was removed from the credit agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

In relation to Elbow River Marketing Limited Partnership (“Elbow River”), the Trust had a demand revolving loan facility with a Canadian bank in the amount of \$70,000,000 (December 31, 2008 - \$70,000,000) bearing interest at bank prime rate plus 0.4% or US bank base rate plus 0.4%. This facility is collateralized by a charge over all of Elbow River’s assets. As at June 30, 2009 \$nil (December 31, 2008 - \$89,126,989) was drawn on the demand revolving loan facility. Elbow River was in compliance with all its banking covenants as at June 30, 2009. In view of Elbow River’s exit from bio-diesel marketing and tighter global financial markets, subsequent to June 30, 2009, Elbow River’s demand revolving loan facility was amended reducing the limit from \$70,000,000 to \$50,000,000 bearing interest at the bank’s prime rate plus 1.0% or the bank’s US base rate plus 1.0%.

The average effective interest rate on borrowings under the above lines for the six months ended June 30, 2009, including service fees, was 5.05% (six months ended June 30, 2008 – 7.27%).

As at June 30, 2009, the Trust had 10 letters of credit outstanding in the aggregate amount of \$4,796,006 (December 31, 2008 - \$7,366,098). The letters of credit reduce the amount available to be drawn on the related demand facilities. In addition Elbow River had 15 bonds outstanding in the aggregate amount of \$1,791,994 (December 31, 2008 - \$2,160,807) which do not reduce the availability of Elbow’s demand facility.

To provide the Elbow River with additional credit on natural gas liquids inventory purchases, the Trust has guarantees to third parties for a maximum of \$154,853,500 (December 31, 2008 - \$190,428,176). 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.

6. MORTGAGES

<i>(in thousands of dollars)</i>	June 30, 2009			December 31, 2008		
	Interest Rate	Maturity	\$	Interest Rate	Maturity	\$
Magee	5.73%	Oct 31/09	3,509	5.73%	Oct 31/09	3,569
Snidercroft	5.70%	Aug 1/14	3,044	5.70%	Aug 1/14	3,091
KFC	5.96%	Aug 1/11	7,663	5.96%	Aug 1/11	7,746
KFC	5.90%	Mar 1/12	1,834	5.90%	Mar 1/12	1,853
Landmark	3.81%	Nov 1/11	10,011	3.81%	Nov 1/11	10,153
			26,061			26,412
Current portion of mortgages			(4,104)			(4,147)
Long-term portion of mortgages			21,957			22,265

The weighted average interest rate on all mortgages is 5.47% (December 31, 2008 – 5.49%). All mortgages are collateralized by a first charge over the related properties.

Approximate principal repayments required to maturity are as follows:

<i>(in thousands of dollars)</i>	\$
2009	3,796
2010	616
2011	17,126
2012	1,845
2013	121
2014	2,557
	26,061

Upon maturity, the Trust intends to re-mortgage each of the properties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

The Trust 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.

7. 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. As at June 30, 2009, the Trust has estimated the net present value of its total asset retirement obligations to be \$15,166,102 (December 31, 2008 - \$14,894,362) based on an undiscounted total future liability of \$68,262,409 (December 31, 2008 - \$68,846,648). The majority of these payments are expected to be made by 2030. The Trust's credit adjusted risk free rate ranging from 8.5% to 10.0% (December 31, 2008 - 8.5% to 10.0%) and an inflation rate of 2% (December 31, 2008 - 2%) were used to calculate the present value of the asset retirement obligation.

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

<i>(in thousands of dollars)</i>	2009
	\$
Carrying amount, as at January 1	15,009
Oil and gas activities during the year	83
Oil and gas divestitures during the year	(212)
Adjustment for estimated changes in costs and timing	—
Asset retirement obligation accretion for the year	536
Abandonment expenditures incurred during the year	(250)
Carrying amount, as at June 30	15,166

8. 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

	Number of	Amount
Trust Units	Units	\$
		<i>(in thousands of dollars)</i>
Balance December 31, 2008	42,100,796	422,017
Units issued on exercise of stock options (i)	2,666	15
Units repurchased and cancelled - (ii)	(190,200)	(1,907)
Balance March 31, 2009	41,913,262	420,125
Units issued on exercise of stock options (i)	6,000	32
Balance June 30, 2009	41,919,262	420,157

- (i) The total cash received for Trust Units issued upon exercise of stock options during the year amounted to \$13,329 and the difference of \$33,517 represents the movement from contributed surplus to unitholders capital relating to the stock based compensation expense previously recognized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

- (ii) On October 20, 2008, the Trust instituted a Normal Course Issuer Bid (“NCIB”) under which it may purchase up to 3,463,769 Trust Units for cancellation in a 12 month period. During the period from January 1, 2009 to June 30, 2009, the Trust purchased 190,200 Trust Units under this NCIB for \$886,307. Since the inception of the NCIB total repurchases amounted to 248,544 Trust Units. All Trust Units repurchased have been cancelled. There were no purchases under the NCIB during the second quarter.

b) Per unit amounts

For the three and six months ended June 30, 2009, the Trust had a weighted average number of trust units outstanding of 41,916,031 and 41,971,625, respectively (three and six months ended June 30, 2008 – 41,911,460 and 41,850,177, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 166,999 and 196,932 Trust Units for the three and six months ended June 30, 2009, respectively, resulting in a weighted average number of trust units outstanding for the three and six months ended June 30, 2009, of 42,083,030 and 42,168,557, respectively (three and six months ended June 30, 2008 – 42,612,797 and 42,465,640, respectively). At June 30, 2009, there were 2,482,002 (June 30, 2008 – 285,500) in anti-dilutive options that were not part of the dilutive per unit calculation. Net income per unit from continuing operations for 2009 did not include the dilution adjustment as there was a loss for the period.

c) Contributed surplus

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

<i>(in thousands of dollars)</i>	2009
	\$
Contributed surplus, January 1	6,777
Stock-based compensation expense [note 9]	562
Stock-based compensation capitalized [note 9]	38
NCIB unit buy back [note 8(a)(ii)]	1,020
Options exercised [note 8(a)(i)]	(33)
Settlement of options	(4)
Contributed surplus, June 30	8,360

d) Accumulated other comprehensive loss

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

<i>(in thousands of dollars)</i>	2009
	\$
Accumulated other comprehensive loss, January 1	(4,807)
Gain (loss) on derivative instruments designated as cash flow hedges	
Unrealized loss arising on cash flow hedges	725
Transfer of losses on cash flow hedges to net income	1,625
Accumulated other comprehensive loss, June 30	(2,457)

The accumulated other comprehensive loss is made up of an unrealized loss on commodity hedges in the amount of \$2,513,103 (see note 10(c)(ii)) and an unrealized gain on foreign exchange contract of \$55,571 (see note 10(c)(iii)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

9. 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 market value of the units at 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. Any consideration paid on exercise of stock options is credited to unitholders' capital. A total of 4,191,926 units have been reserved under this plan.

The following table summarizes the status and changes during the three months ended June 30, 2009:

	Number of options outstanding	Weighted average grant date exercise price \$
Outstanding, January 1	2,979,833	8.17
Granted	29,500	5.15
Exercised	(8,666)	(10.85)
Expired	(58,164)	(8.05)
Outstanding, June 30	2,942,503	8.13
Exercisable, June 30	1,775,522	8.33

The following table summarizes information about the unit options outstanding at June 30, 2009:

June 30, 2009 Strike Price \$	Grant date exercise price \$	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
1.03	11.00	30,000	0.52	30,000
1.33	10.90	229,668	0.83	229,668
1.85	11.20	25,000	1.00	25,000
1.83	10.69	27,167	1.37	27,167
4.85	8.30	949,334	2.09	643,987
5.06	8.35	29,500	2.26	19,665
4.20	7.16	12,500	2.66	8,332
4.28	7.16	100,000	2.66	66,666
4.49	7.28	987,834	2.76	656,874
5.99	8.54	166,500	3.01	55,500
5.04	7.17	27,500	3.42	9,165
5.49	7.45	2,000	3.59	666
5.52	7.32	5,000	3.76	1,666
6.38	8.10	3,500	3.84	1,166
6.55	8.08	301,000	4.02	—
6.03	7.41	1,500	4.18	—
3.62	4.84	15,000	4.34	—
4.70	5.15	29,500	4.51	—
		<u>2,942,503</u>	<u>2.51</u>	<u>1,775,522</u>

As a result of the grind feature of the options, the price on the date of grant is reduced by the distributions paid to unitholders. Accordingly, the weighted average strike price at June 30, 2009 on all outstanding options was \$4.58 per option and the weighted average strike price at June 30, 2009 on all exercisable options is \$4.12 per option.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

The total fair value of stock-based compensation of \$9,532,897 for these options issued at the date of grant was calculated using a Black-Scholes option-pricing model. The assumptions made for the options granted in 2009 are as follows:

	2009 Granted Options
Expected volatility	42.47%
Risk – free interest rate	1.61%
Expected life of options	3.75 years
Dividend yield	nil

The Trust recorded stock based compensation and contributed surplus of \$270,683 and \$600,273, respectively for the three and six months ended June 30, 2009 (three and six months ended June 30, 2008 - \$372,861 and \$1,033,985, respectively) of which \$18,440 and \$37,844 respectively for the three and six months ended June 30, 2009, was capitalized (three and six months ended June 30, 2008 - \$nil and \$nil, respectively).

Subsequent to June 30, 2009, the Trust approved the re-pricing of 1,565,668 out of the money options granted to employees and consultants not including officers and directors as a result of significant changes in market conditions over the past several months. Of the options re-priced, 25% or 391,414 options were cancelled. In addition, subsequent to June 30, 2009, the Trust issued 691,200 options.

10. FINANCIAL INSTRUMENTS

a) Fair values of financial assets and liabilities

Unless otherwise noted below, as at June 30, 2009, there were no significant differences between the carrying amounts of the financial instruments listed above and their estimated fair values due to their short-term nature.

Marketable securities are classified as available for sale and at June 30, 2009 have been recorded as permanently re-valued to the current fair value of \$nil. The decrease in the market value of the investments of \$20,000 for the six months ended June 30, 2009 has been included in net income.

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value. 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 as at June 30, 2009 was \$25,947,422 (December 31, 2008 - \$38,631,215), while the carrying value was \$26,061,469 (December 31, 2008 - \$38,688,417).

b) Credit risk

At June 30, 2009, the Trust had an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of \$774,515 and Elbow River has an allowance for doubtful accounts of \$34,242,619, the two amounts representing 35% of the Trust's accounts receivables of \$99,921,729 before deducting the allowance for doubtful accounts.

The majority of the allowance in the Oil and Gas Division was the result of a purchaser of a small portion of the Oil and Gas Division's production, filing for protection under the Companies Creditor Arrangement Act or CCAA on July 22, 2008. As a result, the Trust's total exposure of approximately \$482,645 for production proceeds for the period from June 1, 2008 to July 21, 2008, was recorded as an allowance for doubtful accounts as at December 31, 2008. The Trust is registered as a creditor under the CCAA proceedings and may eventually be able to collect some portion of the amounts owing.

The allowance in Elbow River is the result of a bio-diesel counterparty receivable. In March 2009, Elbow River was advised by this bio-diesel counterparty that they would be unable to pay to Elbow River its proportionate share owing under their "memorandum of understanding". Elbow River has taken legal actions against this bio-diesel counterparty, its equity investor and its secured bank, claiming return of funds owing to Elbow River under the memorandum of understanding. There can be no certainty under the legal proceedings

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

that Elbow River will recover these monies. A provision for this receivable was booked in 2008. There has been no change to the provision during 2009.

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, 2009, 13% of the Trusts consolidated accounts receivable are due from one customer; the entire outstanding balance has been collected subsequent to June 30, 2009. The total amount of receivables past due 90 days amounted to \$16,457,679 as at June 30, 2009. Elbow River has now exited from marketing bio-diesel products and its additional inherent counterparty and partner risks. Management continues to scrutinize and monitor its remaining bio-diesel receivables and expects to have completely collected all outstanding amounts in the latter half 2009. The Elbow River LPG base accounts receivables have been reviewed and are continually monitored. No allowance was deemed necessary for these accounts.

c) Risk management asset (liability)

<i>(in thousands of dollars)</i>	2009
	\$
Net risk management liability, January 1,	(294)
Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas Division (i)	(3,309)
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	(69)
Change in mark-to-market of cash flow hedge contracts – Elbow River (iii)	2,349
Net risk management liability, June 30,	(1,323)
Reclassified to risk management asset, June 30,	(4,743)
Risk management liability, June 30,	(6,066)

(i) The Trust has the following forward contracts that do not qualify for hedge accounting outstanding as at June 30, 2009 relating to its Oil and Gas Division:

- 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.
- A fixed price AECO swap for the period April 1, 2010 to March 31, 2011 on 1,000 gigajoules/day of natural gas with a price of \$8.25 CDN/gigajoules.
- A fixed price WTI swap for the period March 1, 2009 to December 31, 2009 on 200 barrels/day of crude oil with a price of \$60.35 CDN/Bbl.
- A fixed price WTI swap for the period June 1, 2009 to December 31, 2009 on 200 barrels/day of crude oil with a price of \$71.30 CDN/Bbl.
- A fixed price WTI collar for the period August 1, 2009 to July 31, 2010 on 200 barrels/day of crude oil with a floor price of \$65.00 CDN/Bbl and a ceiling price of \$83.50 CDN/Bbl.

The mark-to-market value of these contracts as at June 30, 2009 was a risk management liability of \$456,034 (December 31, 2008 – a risk management asset of \$2,852,926), resulting in the recognition of an unrealized loss on the income statement for the six months ended June 30, 2009 of \$3,308,960 (six months ended June 30, 2008 - \$4,257,852).

Subsequent to June 30, 2009, the Trust entered into the following forward contract:

- A fixed price WTI collar for the period September 1, 2009 to August 31, 2010 on 100 barrels/day of crude oil with a floor price of \$70.00 CDN/Bbl and a ceiling price of \$91.25 CDN/Bbl.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

- (ii) Elbow River sells natural gas liquids, ethanol, 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, and ethanol.

At December 31, 2008, Management determined that the documentation and effectiveness measures for hedge accounting had not been met from April 1, 2008 onward. As a result an unrealized loss of \$2,513,103 relating to contracts existing as at March 31, 2008 remains in accumulated other comprehensive loss until the hedged items relating to these commodity and foreign exchange derivative contracts are settled. During the six months ending June 30, 2009, losses previously recorded in accumulated other comprehensive loss of \$2,457,003 were transferred to net income due to the settlement of the underlying hedged items and \$2,513,103 remains in accumulated other comprehensive loss. Any change in the fair value of these contracts from January 1, 2009 to June 30, 2009 has been recognized in net income.

The following tables detail those transactions in Elbow River that are not designated for hedge accounting, which resulted in a risk management asset of \$1,590,657 (December 31, 2008 – a risk management asset of \$1,659,607), resulting in the recognition of an unrealized loss on the statement of operations for the six months ended June 30, 2009 of \$68,953 (six months ended June 30, 2008 - \$2,259,379).

Commodities hedging contracts:

			June 30, 2009
Settlement dates	Average Monthly Volume (bbl)	Prices \$/(bbl)	Unrealized gain (loss) \$
July – September 2009	647,273	34.30 – 82.30	(180,259)
October – December 2009	715,718	28.77 – 82.30	(271,099)
January – March 2010	704,751	29.40 – 83.20	(173,656)
April 2010	725	29.40 – 83.20	2,483
			(622,531)
Exchange rate			1.1625
Risk management liability in CDN dollars			(723,692)
Amount recorded as other comprehensive loss in 2008			2,513,103
Amount recorded in unrealized gain on financial instruments			1,789,411

Forward exchange contracts:

			June 30, 2009
Term Due	Amount \$	Forward Rates CDN \$	Unrealized loss \$
August 2009	7,900,000	1.12080	(329,707)
Total US dollars	7,900,000		(329,707)
Exchange rate	1.1625		
Total CDN dollars	9,183,750		

Futures contracts:

			June 30, 2009
Settlement dates	Total Volume (bbl)	Prices US \$/(bbl)	Unrealized gain \$
August 2009	24,857	69.09 – 71.40	112,645
	24,857		112,950
Exchange rate			1.1625
Total CDN dollars			130,950

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

- (iii) The following table details those transactions that are designated for hedge accounting giving rise to a risk management asset of \$55,571 (December 31, 2008 – a risk management asset of \$163,744), resulting in the recognition of a comprehensive loss of \$108,173 when compared to the December 31, 2008 mark-to-market. In addition, \$2,457,003 relating to reclassification of the change in fair value from January 1, 2009 to June 30, 2009 of commodity hedge contracts in place as at April 1, 2008 as described in note 10(c)(ii) above is included in other comprehensive income. This brings the total amount of other comprehensive income for the six months ended June 30, 2009 to \$2,348,830 (other comprehensive loss for the six months ended June 30, 2008 - \$42,027,739).

Forward exchange contracts:	June 30, 2009		
Term Due	Amount	Forward Rates	Unrealized gain
	\$	CDN \$	(loss)
			\$
July – September 2009	2,008,350	1.12654 – 1.2764	141,420
October – December 2009	6,171,550	1.07840 – 1.2735	(67,362)
January –April 2010	5,992,550	1.08280 – 1.2675	(18,487)
Total US dollars	14,172,450		55,571
Exchange rate	1.1625		
Total CDN dollars	16,475,473		

- (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, 2009 all of the forward exchange contracts listed above 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 \$86,000 in net income from continuing operations and a change of approximately \$138,000 in other comprehensive income for the six months ended June 30, 2009.

- (v) Commodity price risk

At June 30, 2009, in respect of the financial derivative instruments in the Oil and Gas Division, a change of \$10.00 US/Bbl in the price of oil would have resulted in unrealized gains and losses impacting net income from continuing operations and other comprehensive income by approximately \$736,000 while a change of \$1.00/gigajoule in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately \$448,000.

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 and other comprehensive income by approximately \$2,063,000.

- d) Interest rate risk**

A 1% change in interest rates would result in net income from continuing operations and other comprehensive income sensitivity of approximately \$183,000. 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. With the sale of the EnerVest assets in May 2008, the Trust continues to have a working capital surplus together with undrawn credit facilities in its Oil & Gas Division providing significant flexibility in meeting current and future liquidity requirements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

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, targeting 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 and product purchases at the time the transactions are entered into.

Except for the mortgages as described in note 6 and some hedges covering term deals of up to two years in Elbow River, all the Trust financial liabilities are effectively due within one year.

11. 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 which are recorded at exchange amounts:

- During the three and six months ended June 30, 2009, the Trust paid \$54,802 and \$108,440, respectively (three and six months ended June 30, 2008 - \$52,800 and \$105,636, respectively) to Avenir Capital Corporation ("Avenir"), a significant unitholder of the Trust, for rent, administration and advisory services. Included in accounts payable and accrued liabilities as at June 30, 2009 is \$53,883 (December 31, 2008 - \$17,012) owing to Avenir relating to these services.
- During the three and six months ended June 30, 2009, the Trust incurred marketing fees of \$18,000 and \$36,000, respectively (three and six months ended June 30, 2008 - \$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, 2009 (December 31, 2008 - \$18,000).
- During the three and six months ended June 30, 2009, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of \$99,308 and \$214,739 respectively (three and six months ended June 30, 2008 - \$190,688 and \$325,788, respectively) payable to a company with a shareholder who is also a director of the Trust. Of this balance, \$nil is included in accounts payable and accrued liabilities as at June 30, 2009 (December 31, 2008 - \$nil).
- In the normal course of joint business 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.

12. FUTURE INCOME TAXES

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

<i>(in thousands of dollars)</i>	2009
Property and equipment	\$ (3,752)
Intangibles and goodwill	2,844
Net risk management liability	146
Asset retirement obligation	3,887
Partnership income	(1,830)
Non-capital losses	5,234
Net future income tax asset	6,529
Future income tax liability	6,947
Future income tax asset	13,476

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

13. 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 – oil and gas, financial services, 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:

(in thousands of dollars)

	Three months ended June 30, 2009					
	Financial Services – Elbow River	Oil & Gas	Real Estate	Corporate	Discontinued Operations	Total
	\$	\$	\$	\$	\$	\$
Net total revenue	123,062	9,020	1,504	481	—	134,067
Net operating expenses	120,641	5,375	605	—	—	126,621
Income (loss) from continuing operations	(1,326)	(1,657)	453	200	—	(2,330)
Discontinued Operations – Real Estate	—	—	—	—	2,146	2,146
Net income (loss)	(1,326)	(1,657)	453	200	2,146	(184)

(in thousands of dollars)

	Six months ended June 30, 2009					
	Financial Services – Elbow River	Oil & Gas	Real Estate	Corporate	Discontinued Operations	Total
	\$	\$	\$	\$	\$	\$
Net total revenue	480,879	19,605	2,667	994	—	504,145
Net operating expenses	476,715	10,659	756	—	—	488,130
Income (loss) from continuing operations	(8,064)	(1,965)	492	(450)	—	(9,987)
Discontinued Operations – Real Estate	—	—	—	—	2,183	2,183
Net income (loss)	(8,064)	(1,965)	492	(450)	2,183	(7,804)

(in thousands of dollars)

	Three months ended June 30, 2008					
	(restated – note 3)					
	Financial Services – Elbow River	Oil & Gas	Real Estate	Corporate	Discontinued Operations	Total
	\$	\$	\$	\$	\$	\$
Net total revenue	456,063	13,042	2,215	373	—	471,693
Net operating expenses	447,141	4,936	822	—	—	452,899
Income (loss) from continuing operations	5,675	2,508	(4,416)	(431)	—	3,336
Discontinued operations – Real Estate	—	—	—	—	84	84
Discontinued operations – EnerVest	—	—	—	—	39,613	39,613
Net income (loss)	5,675	2,508	(4,416)	(431)	39,697	43,033

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

(in thousands of dollars)

Six months ended June 30, 2008
(restated - note 3)

	Financial Services – Elbow River	Oil & Gas	Real Estate	Corporate	Discontinued Operations	Total
	\$	\$	\$	\$	\$	\$
Net total revenue	879,790	27,094	3,974	373	—	911,231
Net operating expenses	862,856	9,787	1,237	—	—	873,880
Income (loss) from continuing operations	7,609	4,519	(4,702)	(2,105)	—	5,321
Discontinued operations – Real Estate	—	—	—	—	129	129
Discontinued operations – EnerVest	—	—	—	—	42,738	42,738
Net income (loss)	7,609	4,519	(4,702)	(2,105)	42,867	48,188

(in thousands of dollars)

2009

	Financial Services	Oil & Gas	Real Estate	Corporate	Assets held for sale – Real Estate	Total
	\$	\$	\$	\$	\$	\$
Selected balance sheet items						
Property and equipment	570	149,528	30,896	—	—	180,994
Intangibles and other assets	10,026	—	940	—	—	10,966
Goodwill	23,424	—	—	—	—	23,434
Total assets	115,790	161,181	37,699	32,470	10,883	358,023
Working capital (deficiency)	11,498	(5,082)	(1,629)	22,325	2,802	29,914
Mortgages excluding current portion	—	—	(21,957)	—	—	(21,957)

14. 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 impact each of the operating segments and their ability to fund distributions. The Trust believes that its strong balance sheet diversification model across multiple business lines including Energy, Financial Services and Real Estate, 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.

a) Cash distributions declared per Trust unit issued and outstanding:

During the quarter, the Trust announced a reduction in its monthly distribution from \$0.083 to \$0.06 per Trust Unit effective for the May 2009 distribution in order to protect the Trust's balance sheet and reduce the distribution payout ratio down to its target range in view of lower oil and gas commodity prices.

During the three and six months ended June 30, 2009, the Trust declared distributions to the unitholders in the aggregate amount of \$8,509,112 and \$18,961,080, respectively (three and six months ended June 30, 2008 - \$10,441,794 and \$20,873,556, respectively) in accordance with the following table:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

Period covered	Date of Distribution	Per Unit \$
January 1, 2009 to January 31, 2009	02/16/2009	0.0830
February 1, 2009 to February 28, 2009	03/16/2009	0.0830
March 1, 2009 to March 31, 2009	04/15/2009	0.0830
April 1, 2009 to April 30, 2009	05/15/2009	0.0830
May 1, 2009 to May 31, 2009	06/15/2009	0.0600
June 1, 2009 to June 30, 2009	07/15/2009	0.0600

As at June 30, 2009, the Trust had cash distributions payable of \$2,515,156 (December 31, 2008 - \$28,754,844) representing the Trust's regular monthly distribution paid on July 15, 2009.

15. CAPITAL DISCLOSURES

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. In 2008, the sale of the EnerVest assets for proceeds net of costs and adjustments of \$160,957,081 provided the Trust with a great deal of flexibility in its go forward capital structure. While some of the flexibility has been impacted by Elbow River's operating losses and bad debt provisions on its exit from marketing bio-diesel product, the Trust's balance sheet continues to be strong.

The Trust does have externally imposed capital requirements, which consist of positive, non-financial covenants on its demand revolving facilities that the Trust is in compliance with for the three and six months ended June 30, 2009. As collateral for the demand revolving facilities, the Trust has provided a general security agreement with a floating charge debenture over all of the Trust's assets. Other than these restrictions the Trust is not subject to any externally imposed capital requirements.

Consistent with its capital structure guidelines, the Trust monitors capital using non-GAAP financial metrics of net debt (calculated as current assets less current liabilities adjusting for the current portion of mortgages and the risk management assets and liabilities) 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 payout ratio of 75% - 80% of funds from continuing operations.

For the three and six months ended June 30, 2009, 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 payout ratio uses the total distributions to unitholders per the Statement of Cash Flows of \$18,961,080 as a percentage of the funds from operations. For the six months ended June 30, 2009 regular monthly cash distributions of \$18,961,080 exceeded funds provided by operations of by \$15,591,734. For the six months ended June 30, 2009 the payout ratio was 563%. Excluding the large first quarter loss on the Elbow River bio-diesel exit the payout ratio would have been positive 75% in line with the targeted distribution payout ratios.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2009 and 2008 (unaudited)

16. SUBSEQUENT EVENTS

On July 31, 2009, the Trust acquired all of the issued and outstanding shares of a private oil and gas company for cash consideration of \$14,573,640 and debt of \$5,853,360. The purchase represented an additional 660 boe/day of production and 1.7 million boe of proven and probable reserves in the Peace River Arch comprised of 35% light and medium oil and 65% gas.

The \$25,000,000 note receivable bearing interest at 8% which was scheduled to mature on June 30, 2009 was extended under the same terms until July 15, 2009. The note was not repaid at that time as the Trust is currently in negotiations with the other party to the note to further extend the repayment under revised terms and securities.

C O R P O R A T E I N F O R M A T I O N

Directors

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

Gary H. Dundas
VP Finance & CFO

David E. Butler ^(1,3,4)

Stuart Y. Chow ^(2,3,4)

Jeffery Kohn ⁽⁴⁾

Alan Moon ^(1,2,4)
Lead Director

William E. Patterson ^(1,2,4)

1. Audit Committee
2. Governance & Compensation Committee
3. Reserves Committee
4. Strategic Review 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.

Legal Counsel

Burnet, Duckworth & Palmer, LLP
Vogel & Company, LLP

Transfer Agent

Olympia Trust Company of Canada

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
Arie Prins, Chief Financial Officer
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OIL & GAS ABBREVIATIONS

Oil and Natural Gas Liquids		Natural Gas	
Bbl	Barrel	Mcf	thousand cubic feet
Bbls	Barrels	Mmcf	million cubic feet
Mbbls	thousand barrels	Bcf	billion cubic feet
Bbls/d	barrels per day	Mcf/d	thousand cubic feet per day
Mmbbls	million barrels	Mmcf/d	million cubic feet per day
NGLs	natural gas liquids	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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