AVENIR DIVERSIFIED INCOME TRUST

Third Quarter Interim Report

for the period ending September 30, 2008

Q3

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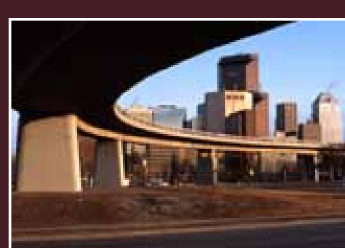

AVENIR DIVERSIFIED INCOME TRUST

THIRD QUARTER 2008 FINANCIAL HIGHLIGHTS & REVIEW

TOTAL CONSOLIDATED FINANCIAL SUMMARY

	For the three months ended Sep 30			For the nine months ended Sep 30		
(in thousands except for per unit amounts)	2008[4]	2007	% Change	2008[4]	2007	% Change
Total Revenue	$598,286	$182,530	228%	$1,505,541	$633,322	138%
Funds From Continuing Operations (FFCO)[1,2]	$24,144	$7,734	212%	$49,736	$28,122	77%
FFCO[1,2] Per Unit - Basic	$0.57	$0.19	200%	$1.19	$0.68	75%
Funds From Operations (FFO)[1]	$25,200	$13,212	91%	$59,185	$44,055	34%
FFO Per Unit[1] - Basic	$0.60	$0.32	88%	$1.41	$1.06	33%
Distributions	$10,466	$10,422	0%	$31,340	$31,230	0%
Distributions Per Unit - Basic	$0.25	$0.25	0%	$0.75	$0.75	0%
Distribution Payout Ratio[3]	42%	79%	47%	53%	71%	25%
Net Income from continuing operations (NICO)	$40,862	$404	10027%	$50,884	$5,344	852%
NICO Per Unit - Basic	$0.97	$0.01	9600%	$1.21	$0.13	831%
Net Income	$50,393	$4,479	1025%	$98,581	$17,481	464%
Net Income Per Unit - Basic	$1.20	$0.11	991%	$2.35	$0.42	460%
Total Assets	$799,009	$533,739	50%	$799,009	$533,739	50%
Working Cap. (Net Debt) including notes payable[1] (not incld. Assets held for sale)	$146,606	$(30,770)	576%	$146,606	$(30,770)	576%
Wtd. Avg. Units Outstanding - Basic	42,026,438	41,721,239	1%	41,909,360	41,530,800	1%
Units Outstanding (including escrowed units)	42,066,414	41,885,916	0%	42,066,414	41,885,916	0%

1 Funds from continuing operations, funds from continuing operations per unit, funds from operations, funds from operations per unit and working capital (net debt) are not recognized measures under Canadian generally accepted accounting principles (GAAP). Funds from operations is calculated by taking cash provided by operating activities on the statement of cash flows adjusted for the effect of changes in non-cash working capital and asset retirement costs incurred. Working capital (net debt) is calculated by taking current assets less current liabilities excluding the balances relating to assets held for sale and discontinued operations. Management believes that these measures are useful supplemental measures to analyze operating performance as they demonstrate the Trust's ability to generate the Funds from operations necessary to fund future distributions and capital investments. The Trust's method of calculating these measures may differ from other issuers, and accordingly, they may not be comparable to measures used by other issuers. Investors should be cautioned that these measures should not be construed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

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

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

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

FORWARD LOOKING STATEMENTS

Except for historical financial and operating information contained herein, the matters discussed in this document may be considered forward-looking statements. Such statements include declarations regarding management's intent, belief or current expectations. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties; actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is of a preliminary nature and may be subject to further adjustment, (ii) the possible unavailability of financing, (iii) risks related to the exploration and development of oil and gas properties, (iv) the impact of price fluctuations and the demand and pricing for oil and natural gas, (v) the seasonal nature of the business, (vi) start-up risks, (vii) general operating risks, (viii) dependence on third parties, (ix) changes in government regulation, (x) the effects of competition, (xi) dependence on senior management, (xii) financial condition of real estate tenants and financial services counterparts, (xiii) impact of the Canadian economic conditions or the demand for real estate leasing opportunities, (xiv) fluctuations in currency exchange rates and interest rates.

PRESIDENT'S MESSAGE

Overview

The third quarter of 2008 was a record quarter for the Trust. Our Elbow River Marketing business benefited from both strong bio-diesel and LPG sales and our Oil and Gas Division enjoyed very robust commodity prices. In our Real Estate Division, we closed on the sale of one building during the quarter and anticipate having about two thirds of our portfolio sold by the fourth quarter or early in the first quarter of 2009. In the meantime the portfolio remains 100% leased.

As we move forward, given the global financial crisis, the elimination of government incentives and the competitive landscape that exists in the bio-diesel marketing industry, the Trust has decided to exit from the marketing of bio-diesel product offered within its Elbow River Marketing business. This will result in the Trust taking a charge of up to $11 million in the fourth quarter of 2008; however the Trust will work to mitigate this estimate lower. Going forward, Elbow River will be able to better focus on its core LPG business which continues to provide steady returns for the Trust.

Although commodity prices have weakened, our Oil and Gas Division remains strong. We continue to see growth and will continue to evaluate the growth opportunities and their suitability for the Trust.

At the close of the second quarter, the Trust sold its EnerVest management contract for proceeds of approximately $160 million after costs, debt and adjustments. This put the Trust in a unique and enviable financial position with over $146 million in cash and positive working capital, and additional undrawn debt capacity. As we reported earlier this year, we have struck a Strategic Review Committee ("SRC") comprised of non-management board members. The mandate of the SRC is to consider the direction of the Trust and specifically the deployment of the EnerVest proceeds.

Taking into account a rapidly deteriorating global financial environment and the looming Trust tax deadline of 2011, some of the main ideas that are being considered by the SRC include the:

- Sale or merger of the Trust;
- Special Distribution of all or a portion of the EnerVest proceeds;
- Buy back of units through a Normal Course or Substantial Issuer bid;
- Sale of individual divisions and suitability of current businesses within the Trust;
- Expansion of the Trust to take advantage of its strong cash and working capital position; and
- Continuation as a Trust versus converting to a Corporation.

Divisional Update

Real Estate

- Approximately 2/3 of the real estate portfolio is or is expected to be sold by year end or early 2009
- Continuing to market real estate portfolio into first quarter of 2009
- Current portfolio is 100% leased

Elbow River

- Exit bio-diesel product offering as risk/reward does not meet the Trust's business model, especially taking into account the current global financial crisis
- Concentrate business on growth opportunities in its core LPG sales

Oil and Gas

- Move to position Oil and Gas Division so as to add additional growth opportunities ahead of 2011
- Look to junior E&P sector for acquisition opportunities

Corporate

- Current valuation in the market does not reflect the value of the Trust as it currently has in excess of $3.00 per unit in cash and positive working capital, in addition to the value of its operating Divisions

Overall View

The Trust, alongside the SRC, will continue to explore combinations of the above alternatives in order to better position itself ahead of 2011, with the SRC meeting regularly to review the direction of the Trust and reporting back to unitholders on a quarterly basis. Moving forward, the Trust continues to look at opportunities that take advantage of its strong positive working capital position and expects to maintain the current monthly distribution level of $0.083 per unit for the foreseeable future, with an expected payout ratio of approximately 85% before the redeployment of the excess cash, working capital and debt capacity. (This assumes commodity prices remain at recent levels).

Special Distribution

The Trust is pleased to announce that in conjunction with the release of the Trust's Third Quarter Report 2008, that it has declared a Special Distribution to unitholders of $0.60 per unit, payable on February 16, 2009 to those unitholders of record December 31, 2008.

As always we wish to thank our Unitholders for their continued support in these trying financial times.

William M. Gallacher,
President & CEO

REVIEW OF FINANCIAL RESULTS

The Trust has net income from continuing operations for the quarter ended September 30, 2008 of $40.9 million up 10027% from $0.4 million in the quarter ended September 30, 2007. Net income from continuing operations for the nine months ended September 30, 2008 was $50.9 million up 852% from $5.3 million for the nine months ended September 30, 2007. The net income for the quarter ended September 30, 2008 was $50.4 million which is up 1025% versus the $4.5 million net income for the quarter ended September 30, 2007. Net income for the nine months ended September 30, 2008 was $98.6 million which is up 464% versus the $17.5 million net income for the same period ended September 30, 2007. The nine month net income was higher in 2008 largely due to the recognition of the gain on the sale of the EnerVest assets, the recognition of a gain on the real estate property sale, higher oil and gas commodity prices and stronger results in Elbow River.

Funds from continuing operations were $24.1 million for the quarter ended September 30, 2008, up 212% from $7.7 million in the comparable quarter in 2007. Funds from operations were $25.2 million for the quarter ended September 30, 2008, up 91% as funds from operations for the quarter ended September 30, 2007 were $13.2 million. The increases for the three and nine months, reflected higher commodity pricing for the Oil and Gas Division along with higher bio-diesel sales in Elbow River.

The Trust distributed $10.47 million or $0.25 per unit for the quarter ended September 30, 2008 versus $10.42 or $0.25 per unit distributed for the quarter ended September 30, 2007. Distributions were flat reflecting the continued steady distributions of the Trust. For the quarter ended September 30, 2008 the payout ratio of 42% of funds from operations. For the nine months ended September 30, 2008 the payout ratio was 53% versus 71% for the first nine months of 2007 and a target payout ratio of 75% to 80%.

REVIEW OF BUSINESS UNIT OPERATIONS

1. Financial Services

At September 30, 2008 the Trust's Financial Services business unit consisted only of Elbow River Marketing LP as the EnerVest Management Group was sold in May 2008 and for all comparative periods has been classified for accounting purposes as 'Discontinued Operations'.

ELBOW RIVER MARKETING LIMITED PARTNERSHIP ("ELBOW RIVER")

At almost $14.0 million of cash flow, Elbow River's 2008 third quarter was significantly ahead of second quarter 2008 due to the combination of the execution on strong bio-diesel presales and strong LPG sales. Bio-diesel benefitted from additional working capital availability as a result of the EnerVest sale and Elbow River being properly positioned to take advantage of arbitrage opportunities in the international marketplace due to its tankage positions and international presence. Ethanol continues to operate in a highly competitive environment, however it is ahead of last year in terms of profitability as a focus on certain niche markets has bolstered returns. Propane has experienced a typical slow summer market which was further exacerbated by the high priced environment resulting in lower than normal winter pre fill buying activity. Butane continues to show very strong profitability due to presales activity and shifting demand patterns that Elbow River has been able to react favorably to. Natural gasoline has become an integral part of Elbow River given the continuously increasing diluent demands in the Alberta Oil Sands and the formation of new alternate supply sources to meet this demand.

In late 2007, Elbow River moved to take advantage of its position as a "first mover" in what was identified as a short term opportunity in international bio-diesel sales. For much of 2008, Elbow River was one of the largest exporters of bio-diesel from North America, primarily to Europe. This 2008 bio-diesel expansion was driven by the opportunity to take advantage of Elbow River's position in a fledgling North American market and the short-term incentives available in both the United States and Europe. To that end Elbow River positioned itself to take advantage of this niche with an understanding that the opportunity may well not last beyond the end of 2008. That said, the global financial crisis, the precipitous decline in competing energy products and some changes in government policy has had a significant impact on inventory valuations, credit worthiness of counterparties, international presales and current sales for the fourth quarter of 2008. The collapse in the overall bio-diesel price environment has resulted in some contract defaults in addition to a tougher forward market that will result in significant erosion of anticipated margins. Buyers and sellers are also very hesitant to enter into forward deals due to price uncertainty and in some cases credit restrictions. The fourth quarter bio-diesel sales have been concentrated on capital preservation, the unwinding of presales and inventory positions and juggling shipments in an uncertain international market. In this regard, Elbow River has made the decision to cease marketing biodiesel product and is estimating that a charge will be incurred in the fourth quarter of approximately $11.0 million, representing the estimated costs to unwind positions and contracts. This decision while negating the almost windfall opportunity provided by bio-diesel will allow Elbow River management to focus on its LPG sales that remains strong and protect its working capital.

Looking ahead, the fourth quarter of 2008 is anticipated to be more in line with previous winter quarters before the results included bio-diesel but well below the third quarter 2008 numbers. The LPG sales will benefit from solid butane and natural gasoline presales and propane is well positioned to take advantage of winter demand should cold weather materialize. Butane and natural gasoline demand in the traditional markets is expected to be reduced from previous levels however Elbow's ability to arbitrage different markets should still result in a strong quarter. Ethanol should be above recent prior quarters due to some presales activity and some trading opportunities related to the financial crisis.

2. ENERGY - Oil & Gas Operations

For the third quarter of 2008, the oil and gas division averaged sales of 3,228 BOE/d compared to 3,215 BOE/d in the second quarter of 2008. The Trust continued to be impacted by third party restrictions due to outages and maintenance activities resulting in 93 BOE/d of average downtime for the third quarter. In comparison to the second quarter of 2008, oil and natural gas liquid sales for the third quarter averaged 1,495 bbl/d, down 3% while natural gas sales were up 4% to 10,393 Mcf/d. Current October estimates exceed 3,500 BOE/d due to increases from the late Q3 drilling program described below.

Total gross revenue from petroleum and natural gas sales in the third quarter was $20.9 million up 3% from $20.4 million in the second quarter of 2008 due to higher oil and natural gas liquids pricing offsetting lower natural gas prices. The average price received for crude oil and natural gas liquids during the third quarter was $94.16 per barrel after hedging representing an 11% increase over second quarter pricing. Natural gas pricing for the third quarter of 2008 was $8.35 per Mcf versus $9.18 per Mcf in the second quarter of 2008 representing a decrease of 9%.

Oil and gas operating expenses increased over second quarter 2008 levels in the third quarter of 2008 by 9% to a total of $5.4 million due to seasonal turnaround and maintenance activities. The unit operating expense for the Trust was $18.09 per BOE for the third quarter of 2008 due to the increased turnaround costs combined with the impact of production restrictions during third party facility shutdowns and maintenance work. The year to date operating costs for the Trust is $16.99 per BOE with the fourth quarter unit operating costs projected to be consistent with the 2008 expectations of $16.35 per BOE.

The third quarter net capital expenditures for the Oil and Gas Division were $6.0 million. As expected, drilling activity in the third quarter was up significantly from prior quarters with 14 wells (5.3 net) drilled in Central and Southern Alberta, Southwest Saskatchewan and Noel B.C. The capital program in the third quarter was highlighted by the drilling of the first operated horizontal Cadomin well for the Trust in the Noel area of B.C. The well came on production early October and has averaged 4,500 Mcf/d (2,250 Mcf/d net) in the first month of production. Although the production rates are expected to level out at 1,000 Mcf/d to 1,500 Mcf/d in the first 8 months, the Trust is very encouraged by the results and the follow-up opportunities. For the remainder of 2008, the Trust will balance the remaining capital activity between oil and gas opportunities with the drilling of a followup Cadomin well in Noel and participation in a Bakken oil development in Saskatchewan. The total capital programs are currently expected to total approximately $16.5 million in 2008.

In addition to the development programs, the Trust continues to evaluate accretive acquisition opportunities to strengthen the core areas in 2008. In September 2008, the Trust successfully completed the acquisition of additional CBM working interest in the areas of Huxley and Foster in Central Alberta. The acquisition includes 95 BOE per day of coal bed methane production from assets in which the Trust already holds a working interest. Based on a July 1, 2008 effective date and excluding the undeveloped land value of $300,000 and normal industry closing adjustments, the total consideration paid for the working interest proved plus probable reserves was $3.6 million for 217 mBOE yielding an acquisition cost of $16.59 per BOE. The acquisition also comes with 7,200 net undeveloped hectares of land on which the Trust has identified several Horseshoe Canyon coal bed methane opportunities for 2009.

3. Discontinued Operations and Assets Held For Sale

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

On May 16, 2008, the Trust completed the sale of its EnerVest assets to Canoe Financial LP ("Canoe"), a private entity based in Calgary, for total consideration of $185.0 million, subject to closing adjustments including operating income and working capital and debt adjustments based on an April 1, 2008 effective date. After adjustments and transactions costs of $24.1 million, the net sale consideration of $160.9 million was satisfied by the receipt of $135.9 million in cash and the provision of a note receivable of $25.0 million. This sale resulted in a gain of $33.9 million.

ii. REAL ESTATE – Assets Held for Sale

Funds from operations increased for the quarter ended September 30, 2008 to $1.1 million compared to $0.8 million for the quarter ended September 30, 2007.

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

With respect to the sale of the portfolio, the Trust was successful in completing agreements for the disposition of two of its real estate assets in the third quarter. The Harris building in Calgary was sold and closed in August, 2008 and the Station Crossing strip centre was unconditionally sold in September, 2008 and subsequently closed in October, 2008. The properties were sold at an average cap rate of 7%. The trust realized a gain on sale on the Harris Building of approximately $9.5 million in the third quarter and an estimated $0.6 million on the Station Crossing building for the fourth quarter results. With respect to the balance of the portfolio, the Trust is continuing with the sale process, however with the downturn of the economy, the Trust will closely monitor the sale process. The Trust will not sell any asset unless it is in the best interest of the Unitholders as the properties are all performing well financially.

During the third quarter of 2008, the construction of the KFC in Spruce Grove, Alberta continued to proceed and the tenant is now operational. The tenant also paid rent during the construction period.

The Trust's Management Discussion and Analysis follows.

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

Except for historical financial information contained herein, the matters discussed in this document may be considered forward-looking statements. Such statements include declarations regarding management's intent, belief or current expectations. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties; actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is of a preliminary nature and may be subject to further adjustment, (ii) the possible unavailability of financing, (iii) risks related to the exploration and development of oil and gas properties, (iv) the impact of price fluctuations and the demand and pricing for oil and natural gas, (v) the seasonal nature of the business, (vi) start-up risks, (vii) general operating risks, (viii) dependence on third parties, (ix) changes in government regulation, (x) the effects of competition, (xi) dependence on senior management, (xii) financial condition of real estate tenants and financial services counterparts, (xiii) impact of the Canadian economic conditions or the demand for real estate leasing opportunities, and (xiv) fluctuations in currency exchange rates and interest rates.

Funds from continuing operations, funds from continuing operations per unit, funds from operations, funds from operations per unit, net back and working capital (net debt) are not recognized measures under Canadian generally accepted accounting principles (GAAP). Funds from operations is calculated by taking cash provided by operating activities on the statement of cash flows adjusted for the effect of changes in non-cash working capital and asset retirement costs incurred. See page 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 discontinued operations. Operating netbacks per BOE equal total petroleum and natural gas revenue net of transportation expenses and realized gains on commodity contracts per BOE less royalties per BOE and operating expenses per BOE. Operating netbacks as used in the MD&A do not have any standardized meaning under GAAP and therefore may not be comparable with the calculation of similar measures of other entities. Operating netbacks are a useful measure to compare the Trust's operations with those of its peers). Management believes that these measures are useful supplemental measures to analyze operating performance as they demonstrate the Trust's ability to generate the funds from operations necessary to fund future distributions and capital investments. The Trust's method of calculating these measures may differ from other issuers, and accordingly, they may not be comparable to measures used by other issuers. Investors should be cautioned that these measures should not be construed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from operations.

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

The Trust's strategy is to have two distinct Divisions: Energy and Non-Energy in order to provide diversification of cash flows.

SIGNIFICANT EVENTS DURING THE QUARTER ENDED SEPTEMBER 30, 2008

- **SALE OF REAL ESTATE PROPERTIES**

During the quarter the Trust agreed to sell two real estate properties one of which, the Calgary Harris building, closed in August 2008 for total proceeds of $9.3 million net of mortgages of $7.7 million. A gain of $9.5 million was recognized in the third quarter of 2008 for this sale. While an estimated gain of $0.6 million will be recognized in the fourth quarter of 2008 for the sale of the second property, the Fort Saskatchewan building which closed in October 2008.

SUBSEQUENT EVENTS TO THE THIRD QUARTER ENDED SEPTEMBER 30, 2008

- **NORMAL COURSE ISSUER BID ANNOUNCED**

On October 16, 2008 the Trust announced that it had received approval from the TSX to acquire for cancellation, by way of Normal Course Issuer Bid ("NCIB"), up to 3,463,769 trust units representing approximately 10% of the public float. The NCIB was approved to commence on October 20, 2008 and terminates on the earlier of October 19, 2009 or the date upon which the Trust acquires the maximum number of Trust Units to be purchased pursuant to the NCIB. Daily purchases made by the Trust may not exceed 19,534 Trust Units, representing 25% of the six month average daily trading volume of 78,138 Trust Units. The application was put forward by the Trust as Management and the Board of Directors believed the underlying value of the Trust's Units was not being reflected in the market price of the Trust Units. To date the Trust has purchased 58,744 Trust Units under the NCIB.

- **ELBOW RIVER MARKETING LIMITED PARTNERSHIP ("Elbow River") CEASES MARKETING OF BIODIESEL PRODUCT**

Due to the global financial crisis, changing international government policies and a changing competitive landscape, the Trust determined Elbow River will cease to market its Bio-Diesel product. As a result of this, an estimated charge of approximately $11.0 million is expected to be incurred in the fourth quarter of 2008 as the Trust exits this product offering.

- **NORMAL COURSE ISSUER BID ANNOUNCED**

As a result of the Special Review Committee process, the Trust has declared a Special Distribution to unitholders of $0.60 per unit, payable on February 16, 2009 to those unitholders of record December 31, 2008.

SELECTED QUARTERLY INFORMATION

(thousand of dollars except per unit amounts)	Sep 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	Mar 31 2007	Dec 31 2006
Total Revenue	598,286	469,478	437,777	212,730	182,530	219,581	230,210	211,106
Net Income from continuing operations	40,862	7,752	4,896	7,428	403	1,527	3,414	5,630
Net Income from continuing operations /unit - basic	0.97	0.18	0.12	0.18	0.01	0.04	0.08	0.14
Net Income	50,393	43,033	7,780	9,910	4,479	5,671	7,330	9,390
Net Income per unit - basic	1.20	1.03	0.19	0.24	0.11	0.14	0.18	0.23
Funds from continuing operations	24,144	10,256	16,795	5,167	8,556	8,616	12,586	9,303
Fund from continuing operations /unit - basic	0.57	0.24	0.40	0.12	0.21	0.21	0.30	0.23
Funds from Operations	25,200	13,714	21,730	9,557	13,212	13,167	17,677	14,334
Funds from Operations per unit - basic	0.60	0.33	0.52	0.23	0.32	0.32	0.43	0.35
Cash Distributions paid	10,466	10,442	10,432	10,429	10,422	10,413	10,395	10,397
Cash Distributions per unit - basic	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total Assets	799,009	666,632	656,118	598,265	533,739	526,536	546,829	530,550

Net Income

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

(in thousands of dollars)	For the three months ended Sep 30, 2008 $	For the three months ended Sep 30, 2007 $	For the nine months ended Sep 30, 2008 $	For the nine months ended Sep 30, 2007 $
Net Income (loss)				
Financial Services	**33,047**	1,147	**40,500**	12,342
Oil and Gas	**9,680**	(352)	**14,199**	(1,866)
Corporate	**(1,865)**	(391)	**(3,815)**	(5,132)
Net Income from continuing operations	**40,862**	404	**50,884**	5,344
Discontinued Ops. – Real Estate	**9,859**	231	**5,287**	971
Discontinued Ops. – Energy Services	**(328)**	3,844	**42,410**	11,166
Net Income	**50,393**	4,479	**98,581**	17,481

Net income from continuing operations for the quarter ended September 30, 2008 was $40.9 million up 10027% from $0.4 million in the quarter ended September 30, 2007. Net income from continuing operations for the nine months ended September 30, 2008 was $50.9 million up 852% from $5.3 million for the nine months ended September 30, 2007. The net income for the quarter ended September 30, 2008 was $50.4 million which is up 1025% versus the $4.5 million net income for the quarter ended September 30, 2007. Net income for the nine months ended September 30, 2008 was $98.6 million which is up 464% versus the $17.5 million net income for the same period ended September 30, 2007. The nine month net income was higher in 2008 due to the recognition of the gain on the sale of the EnerVest assets, the recognition of the real estate property sale, higher oil and gas commodity prices and stronger result in Elbow River.

1. Financial Services – Elbow River

Net income in the Financial Services Division increased from $1.1 million in the third quarter of 2007 to $33.0 million in the third quarter of 2008. For the nine months ended September 30, 2008 the net income was $40.5 million up 228% compared to $12.3 million for the first nine months of 2007. The increase for the three and nine months is due to stronger results in Elbow River largely relating to its bio-diesel sales in the first and third quarters.

2. Oil & Gas Division

The Oil and Gas Division had net income of $9.7 million for the quarter ended September 30, 2008 versus net loss of $0.4 million for the quarter ended September 30, 2007. For the nine months ended September 30, 2008 Oil and Gas had net income of $14.2 million compared to net loss of $1.9 million for the first nine months of 2007. The difference is largely due to the impact of increased commodity pricing and a $1.1 million future income tax recovery for 2008 versus an expense of $0.4 million for 2007.

3. EnerVest – Discontinued Operations

EnerVest had a net loss of $0.3 million for the quarter ended September 30, 2008 versus net earnings of $3.8 million for the quarter ended September 30, 2007. For the nine months ended September 30, 2008 net income was $42.4 million compared to $11.2 million in the first nine months of 2007. The nine month increase is a result of the sale of EnerVest on May 16, 2008 and the recognition of the gain on the sale of $33.9 million.

4. Real Estate – Assets Held for Sale

The Real Estate Division had net income for the third quarter ended September 30, 2008 of $9.9 million compared to net income of $0.2 million in the third quarter of 2007. For the nine months ended September 30, 2008 net income was $5.3 million compared to $1.0 million in the first nine months of 2007. The increase in the three and nine months ended September 30, 2007 is a result of the recognition of the gain of $9.5 million on the sale of the Harris Building, an industrial property in Calgary Alberta.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

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

On May 16, 2008, the Trust completed the sale of its EnerVest assets to Canoe Financial LP ("Canoe"), a private entity based in Calgary, for total consideration of $185.0 million, subject to customary closing adjustments including working capital and debt adjustments based on an April 1, 2008 effective date. After adjustments of $21.4 million and transactions costs of $2.7 million, the net sale consideration of $160.9 million was satisfied by the receipt of $135.9 million in cash and the provision of a note receivable of $25.0 million. This resulted in a gain of $33.9 million based on the net asset value on May 16, 2008 as outlined below:

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

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

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

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

(in thousands of dollars)	For the three months ended Sep 30, 2008 $	Sep 30, 2007 $	For the nine months ended Sep 30, 2008 $	Sep 30, 2007 $
REVENUE				
Financial services revenue	**–**	5,950	**8,834**	17,263
Gain on sale of assets	**(325)**	–	**33,947**	–
	(325)	5,950	**42,781**	17,263
EXPENSES				
Financial services operating	**–**	932	**1,355**	2,799
General and administrative	**3**	232	**254**	541
Interest on long-term debt	**–**	131	**306**	351
Depreciation and amortization	**–**	811	**1,270**	2,406
	3	2,106	**3,185**	6,097
Income before income taxes	**(328)**	3,844	**39,596**	1,166
Future income tax expense	**–**	–	**2,814**	–
Net income from discontinued operations, net of tax	**(328)**	3,844	**42,410**	11,166

Assets Held for Sale – Real Estate Division

During 2007, the Trust made the decision to dispose of the Real Estate Division assets by way of sale or spinout. A national brokerage firm was engaged and the Trust expects to have completed additional transactions during the fourth quarter of 2008 and into the first half of 2009.

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

(in thousands of dollars)	Sep 30, 2008 $	December 31, 2007 $
Cash	(31)	488
Accounts receivable and prepaid expenses	1,389	1,305
Current assets held for sale	**1,358**	**1,793**
Property and equipment	52,822	61,548
Intangible and other assets	1,740	2,644
Long-term assets held for sale	**54,562**	**64,192**
Accounts payable and accrued liabilities	656	493
Deferred revenue	208	291
Current portion of mortgages (i)	15,283	15,023
Current liabilities of assets held for sale	**16,147**	**15,807**
Mortgages (i)	25,516	29,427
Future income tax	994	(236)
Long-term liabilities of assets held for sale	**26,510**	**29,191**

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

	For the three months ended		For the nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
(in thousands of dollars)	$	$	$	$
REVENUE				
Real estate revenue	**2,130**	1,716	**6,542**	5,504
Gain on sale of property (ii)	**9,495**	–	**9,495**	–
	11,625	1,716	**16,037**	5,504
EXPENSES				
Real estate operating	**385**	252	**1,665**	1,283
General and administrative (iii)	**77**	143	**464**	398
Interest on long-term debt	**609**	491	**1,873**	1,435
Capital taxes	**(1)**	7	**9**	27
Depreciation and amortization	**–**	514	**–**	1,544
Impairment loss on assets (iv)	**–**	–	**5,509**	–
	1,070	1,407	**9,520**	4,687
Income before income taxes	**10,555**	309	**6,517**	817
Future income tax recovery (expense)	**(696)**	(78)	**(1,230)**	154
Net (loss) income from discontinued operations, net of tax	**9,859**	231	**5,287**	971

(i) In relation to the Real Estate Division, the Trust has various mortgages outstanding with interest rates ranging from 5.40% to 7.25% with a weighted average rate of 5.87%. The maturities range from October 2008 to August 2014 and all mortgages are collateralized by a first charge over the related properties. The Trust also provides guarantees to third party mortgagors for a maximum of the total value of the mortgages outstanding on behalf of its Real Estate Division. The guarantees require the Trust to be responsible for the mortgage principal and interest payments if its Real Estate Division is unable to do so.

(ii) During the quarter the Trust sold one of its industrial properties in Calgary, Alberta for net proceeds of $8.9 million after repayment of the mortgage of $7.7 million on the building and costs associated with the sale of $0.4 million. A gain of $9.5 million was recorded.

(iii) During the three and nine months ended September 30, 2008, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of $0.3 million and $0.6 million, respectively (three and nine months ended September 30, 2007 - $0.2 million and $0.5 million, respectively) payable to a company with a shareholder who is also a director of the Trust.

(iv) Based on feedback while marketing its real estate properties the Trust has recognized an impairment of $5.5 million in the carrying value of certain of its real estate properties. Although the Trust expects to finalize a number of real estate transactions prior to year end and in early 2009 for amounts above the carrying value of the properties, the Trust cannot recognize those gains until the transactions have been completed.

FUNDS FROM OPERATIONS

	For the three months ended		For the nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
(in thousands of dollars)	$	$	$	$
Funds from Operations				
Financial Services	13,704	2,398	23,423	13,116
Oil and Gas	10,638	5,846	28,369	16,468
Corporate	(198)	(510)	(2,056)	(1,462)
Funds from continuing operations	**24,144**	**7,734**	**49,736**	**28,122**
Discontinued Ops. – Real Estate	1,059	823	2,530	2,361
Discontinued Ops. – Energy Services	(3)	4,655	6,919	13,572
Funds from Operations	**25,200**	**13,212**	**59,185**	**44,055**

Funds from continuing operations were $24.1 million for the quarter ended September 30, 2008 up 212% from $7.7 million in the comparable quarter in 2007. The increase reflected higher commodity pricing for the Oil and Gas Division along with higher sales in Elbow River. Funds from operations were $25.2 million for the quarter ended September 30, 2008, up 91% as funds from operations for the quarter ended September 30, 2007 were $13.2 million.

CASH DISTRIBUTIONS

i. Cash Distribution Policy

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

ii. Third Quarter 2008 Cash Distributions

The Trust distributed $10.47 million or $0.25 per unit for the three month ended September 30, 2008 which is flat compared to the $10.42 million or $0.25 per unit distributed for the three months ended September 30, 2007. For the nine months ended September 30, 2008 the Trust distributed $31.3 million compared to $31.2 million for the nine months ended September 30, 2007.

For the quarter ended September 30, 2008, cash provided by operating activities (after changes in non cash working capital) of $26.5 million was $16.0 million more than the $10.47 million of cash distributions. Cash provided by operations exceeded distributions and non-cash working capital in Elbow River as it remains at high levels pending the wind down of the bio-diesel sales of this business. As such, when comparing the distributions declared to the cash flow from operating activities it is possible to be in a shortfall or an excess position largely depending on the changes in non-cash working capital. Changes in non-cash working capital are funded by available bank facilities and all distributions declared are funded by the cash flow of the Trust. Changes in noncash working capital vary based on seasonality, timing of development activities and form of debt used in our operating activities.

For the nine months ended September 30, 2008, cash distributions of $31.3 million was lower than net income from continuing operations of $50.9 million by $19.6 million. Net income for the nine months ended September 30, 2008 of $98.6 million exceeded distributions for the same period by $67.3 million. Distributions typically exceed net income as a result of non-cash expenses such as unrealized losses on financial instruments, depletion, depreciation and amortization, accretion, future income tax expense, and stock-based compensation. These non-cash expenses result in a reduction to net income, with no impact to cash flow from operating activities. In the current period net income exceeds distributions due to the large unrealized gains on financial instruments and the gain recorded on the sale of the EnerVest assets and the real estate properties. In assessing the level of distribution to be paid to the unitholders the Trust will review the cash provided by operating activities prior to the adjustment for non-cash working capital and asset retirement costs incurred during the period, which is referred to as funds from operations. The Trust's policy is to distribute approximately 75% to 80% of total funds from operations.

As noted above, the Trust's distribution policy is to target paying our 75% to 80% of funds from operations (see reconciliation table below). For the nine months ended September 30, 2008 cash distributions of $31.3 million represented 53% of the funds from operations well below the Trust's target that has been in effect since inception. The difference between the funds from operations and the cash distributions paid out is generally reinvested back into the businesses for internally generated growth and to maintain oil and gas production levels. It should be noted that traditionally the Trust's first and fourth quarters are the strongest due to the seasonal nature of Elbow River.

iii. Distributable Cash from Operations

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

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

	For the three months ended		For the nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
(in thousands of dollars)	$	$	$	$
Cash provided by (used in) operating activities	26,487	4,533	(15,169)	47,025
Settlement of asset retirement obligations	666	295	1,154	761
Changes in non-cash working capital relating to operating activities	(1,953)	8,384	73,200	(3,731)
Funds from operations	25,200	13,212	59,185	44,055
Cash available to fund capital expenditures and growth	(14,734)	(2,790)	(27,845)	(12,825)
Distributable cash from operations	10,466	10,422	31,340	31,230
Cash distributions declared and payable	3,492	3,477	3,492	3,477
Cash distributions paid in period	6,974	6,945	27,848	27,753
Accumulated cash distributions paid and payable for the period	10,466	10,422	31,340	31,230

iv. Cash Distributions Declared

Monthly cash distributions declared per Trust Unit issued and outstanding for the period were as follows:

Period covered	Date of Distribution	Per Unit $
January 1, 2008 to January 31, 2008	15/02/2008	0.083
February 1, 2008 to February 29, 2008	17/03/2008	0.083
March 1, 2008 to March 31, 2008	16/04/2008	0.083
April 1, 2008 to April 30, 2008	15/05/2008	0.083
May 1, 2008 to May 31, 2008	16/06/2008	0.083
June 1, 2008 to June 30, 2008	15/07/2008	0.083
July 1, 2008 to July 31, 2008	15/08/2008	0.083
August 1, 2008 to August 31, 2008	15/09/2008	0.083
September 1, 2008 to September 30, 2008	15/10/2008	0.083

REVENUE

1. Financial Services – Elbow River

i. Revenue

The Trust recognized revenue in the financial services business unit of $573.5 million for the quarter ended September 30, 2008 and $1,453.3 million for the nine months ended September 30, 2008, up 236% and up 143% respectively over the comparative third quarter and nine months of 2007 of $170.5 million and $597.4 million. The increased Elbow River revenue mainly relating to increased sales in bio-fuels and the export biodiesel initiative which began in the latter half of 2007. Elbow River is a high revenue low margin brokerage marketing business.

ii. Operating Costs

The Trust's operating costs for Financial Services Division for the third quarter ended September 30, 2008 were $536.3 million compared to $165.6 million for the third quarter ended September 30, 2007. The increase in operating costs is due to the matching of biodiesel and natural gas liquids product costs, corresponding to the increased revenue at Elbow River (see the explanation above in 1(i)).

2. OIL & GAS

OIL & GAS OPERATIONS	For the three months ended Sep 30, 2008	Sep 30, 2007	% Change	For the nine months ended Sep 30, 2008	Sep 30, 2007	% Change
Production						
Oil and NGL's – Bbl/d	1,495	1,671	(11)%	1,546	1,643	(6)%
Gas – Mcf/d	10,393	10,321	1%	10,264	10,116	1%
Total BOE/d[3]	3,228	3,392	(5)%	3,257	3,329	(2)%
Average Pricing						
Oil & NGL ($/Bbl) before hedging	$108.87	$59.31	84%	$97.54	$55.23	77%
Oil & NGL ($/Bbl) after hedging	$94.16	$57.35	64%	$83.36	$54.01	54%
Natural Gas ($/mcf)	$8.35	$6.21	34%	$8.34	$6.83	22%
Average Price Per BOE before hedging	$76.41	$47.19	62%	$71.76	$47.08	52%
Average Price Per BOE after hedging	$69.66	$46.23	51%	$65.05	$46.48	40%

i. Revenue and Production

For the quarter ended September 30, 2008, oil and gas revenue totaled $20.9 million compared to $14.7 million for the same period in 2007. This increase is due to the 51% increase in realized price after hedge oil and natural gas pricing during the third quarter of 2008. The oil and gas revenue for the nine month period ending September 30, 2008 was up 36% to $58.7 million from $43.1 million in the same period in 2007 due to a 40% increase to the average realized price per barrel equivalent after hedging. Transportation costs for the nine months ended September 30, 2008 were $0.7 million versus $0.8 million for the nine months ended September 30, 2007.

Revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) for the quarter ended September 30, 2008 was $24.5 million up 104% compared to the quarter ended September 30, 2007 at $12.0 million. The average price received for petroleum and natural gas sales during the third quarter of 2008 was $69.66 per BOE an increase of 51% versus $46.23 per BOE received in Q3 of 2007. The average price received for crude oil and natural gas liquids during the quarter ended September 30, 2008 was $94.16 per BOE representing an increase of 64% over the $57.35 per BOE received for the same period of 2007. Natural gas pricing for the quarter ended September 30, 2008 was $8.35 per Mcf versus $6.21 per Mcf for 2007.

For the nine months ending September 30, 2008, revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) was $51.6 million compared to $35.9 million for the same period in 2007. The average price received for petroleum and natural gas sales during the first nine months of 2008 was $65.05 per BOE an increase of 40% versus $46.48 per BOE received in Q3 of 2007. The average price received for crude oil and natural gas liquids during the nine months ended September 30, 2008 was $83.36 per BOE an increase of 54% over the $54.01 per BOE received for the same period of 2007. Natural gas pricing for the nine months ended September 30, 2008 was $8.34 per Mcf versus $6.83 per Mcf for 2007.

The Trust's Oil and Gas Division hedges a portion of its production to add stability to its distributions, to guard against fluctuations in commodity prices and to support acquisition economics. As a result, the Trust recorded a hedging cost of $2.0 million for the quarter ended September 30, 2008 versus $0.3 million for the third quarter of 2007. In addition, the accounting treatment of oil and gas swap transactions requires the Trust to recognize an unrealized gain of $3.1 million for the change in the mark-to-market position on existing contracts at September 30, 2008 versus an unrealized loss of $4.3 million for the change in mark-to-market position as at June 30, 2008.

Average daily sales volume for the quarter ended September 30, 2008 was 3,228 BOE per day down 5% over the third quarter 2007 production of 3,392 BOE per day while the sales volume for the first nine months of 2008 was down 2% to 3,257 BOE per day compared to 3,329 BOE per day in the same period of 2007. Third quarter 2008 production consisted of 1,495 Bbls per day of crude oil and natural gas liquids and 10,393 Mcf per day of natural gas compared to 1,671 Bbls per day and 10,321 Mcf per day for the quarter ended September 30, 2007. Natural gas production in the first nine months of 2008 was 1% higher than the first nine months of 2007 at 10,264 Mcf per day versus 10,116 Mcf per day. Oil and natural gas liquids sales were down 6% in the first nine months of 2008 at 1,546 Bbls per day as compared to 1,643 Bbls per day for the same period in 2007. Both oil and gas volumes were restricted in the third quarter of 2008 due to turnaround and maintenance work for a total impact of 93 BOE per day. Also, the impact of our third quarter drilling program will not be felt until the fourth quarter.

ii. Royalties

The Trust's royalty costs for the quarter ended September 30, 2008 were $3.5 million or 15.5% of revenue compared to $1.7 or 12% of revenue for the third quarter of 2007. The overall increase to royalties is due to higher commodity pricing during the third quarter of 2008 while the percentage increase is due to royalty rates associated with new gas production in Alberta and British Columbia. On a BOE basis, royalty costs averaged $10.68 per BOE for the first nine months of 2008, which is up 75% from $6.09 per BOE over the same period of 2007.

iii. Operating Expenses

The Trust's operating costs for the quarter ended September 30, 2008 were $5.4 million or $18.09 per BOE compared to $5.2 million or $16.82 per BOE for the quarter ended September 30, 2007. On a BOE basis, operating costs averaged $16.99 per BOE for the first nine months of 2008 which is up 2% from the $16.60 per BOE over the same period of 2007. The increase in the third quarter 2008 operating costs per barrel is a result of increased turnaround and maintenance costs combined with a reduction in sales production rates due to third party restrictions and turnaround activity.

iv. Netbacks

	2008			2007			
	Q3 $/BOE	Q2 $/BOE	Q1 $/BOE	Q4 $/BOE	Q3 $/BOE	Q2 $/BOE	Q1 $/BOE
Gross revenue after hedging and transportation costs	69.66	68.93	56.80	45.00	46.23	45.17	48.05
Royalties	11.84	10.87	9.37	7.61	5.53	6.62	6.16
Operating costs	18.09	16.88	16.01	15.62	16.82	15.94	17.03
Operating netback	39.73	41.18	31.42	21.77	23.88	22.61	24.86

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative ("G&A") expenses for the quarter ended September 30, 2008 were $9.2 million (which included corporate costs of $0.8 million) compared to $3.6 million (which included corporate costs of $0.9) for the quarter ended September 30, 2007. For the nine months ended September 30, 2008 G&A expenses totaled $20.4 million (which included corporate costs of $3.3 million) compared to $14.7 million (which included corporate costs of $4.0) for the first nine months of 2007. G&A expenses for the respective division for the third quarter 2008 were: $7.5 million for Financial Services (Q3 2007 - $2.1 million), and $0.9 million for Oil and Gas (Q3 2007 - $0.8 million). The increase in G&A expense is the result of higher Elbow River compensation costs in the third quarter of 2008 matching the large increases in revenues from the Elbow River business.

INTEREST AND BANK FEES

Interest expense and bank fees were $1.1 million for the three months and $5.7 million for the nine months ended September 30, 2008 reflecting higher debt levels and the notes payable outstanding earlier in 2008. For the three and nine months ended September 30, 2007, interest expense and bank fees were $1.5 million and $3.9 million. Interest expense for the third quarter of 2008 includes bank fees of $0.1 million compared to fees of $0.02 million for the third quarter of 2007. For the nine months ended September 30, 2008, the Financial Services Division accounted for $4.0 million of the interest expense, the majority of which relates to the outstanding balance on the banking facility for Elbow River, and the Oil and Gas Division accounted for $0.9 million of interest expense. The remaining interest expense of $0.8 million relates to the note payable which was repaid in July 2008.

DEPLETION, DEPRECIATION AND AMORTIZATION

The provision for depletion, depreciation and amortization was $6.4 million in the quarter ended September 30, 2008, remained flat when compared to $6.5 million for the third quarter of 2007 and $19.0 million for the nine months ended September 30, 2008 versus $18.8 million for the nine months ended September 30, 2007. The Trust's depletion and depreciation rate in its Oil and Gas Division was $19.89 per BOE during the third quarter 2008 up from the $19.05 per BOE rate in the third quarter of 2007. The depletion rate continues to reflect the historically high cost per BOE of acquisitions and capital expenditures in the current market. For the nine months ended September 30, 2008, $1.4 million for amortization of intangibles related to the Financial Services Division, and $17.6 million of the depletion and depreciation cost was on oil and gas assets.

ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligation was estimated by management based on the Trust's net ownership interest in all wells and facilities, 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 September 30, 2008 the Trust has estimated the net present value of its total asset retirement obligations to be $13.1 million based on a total future liability of $29.3 million. These figures compare to $13.1 million at September 30, 2007 with a total future liability of $27.2 million.

These payments are expected to be made over the next 28 years. The Trust's credit adjusted risk free rate of 8.5% and an inflation rate of 2% were used to calculate the present value of the asset retirement obligation.

INCOME TAXES

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

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

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

Future income taxes for the three months ended resulted in an expense of $3.4 million and for the nine months ended a recovery of $0.5 million September 30, 2008. The future income tax recovery for the period largely resulted from the change in the recognition of the future tax liabilities mainly relating to the Oil and Gas Division's tax pools and non-capital losses from the previous quarter. The third quarter 2008 capital tax of $0.2 million reflects the Saskatchewan surcharge on its Saskatchewan production.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(in thousands of dollars)	$
Net risk management liability, December 31, 2007	**(13,750)**
Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas Division (i)	3,073
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	13,045
Change in mark-to-market of cash flow hedge contracts (iii)	(1,859)
Net risk management liability, September 30, 2008	**509**
Reclassified to risk management asset, September 30, 2008	**(21,574)**
Risk management liability, September 30, 2008	**(21,065)**

Fair values of commodity and foreign exchange derivatives are based on pricing models using forward curves as at September 30, 2008. The fair values of other financial instruments approximate their carrying values.

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

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

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

The mark-to-market value of these contracts as at September 30, 2008 was a risk management liability of $0.1 million (December 31, 2007 – a risk management liability of $3.2 million), resulting in the recognition of an unrealized gain on the income statement for the nine months ended September 30, 2008 of $3.1 million when compared to the December 31, 2007 mark-to-market.

Subsequent to September 30, 2008, the Trust entered into the following forward contract:

- 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

(ii) The following tables detail those transactions in Elbow River that do not qualify for hedge accounting, which resulted in a risk management asset of $14.3 million (December 30, 2007 – a risk management asset of $1.3 million), resulting in the recognition of an unrealized gain on the income statement for the nine months ended September 30, 2008 of $13.0 million when compared to the December 30, 2007 mark-to-market.

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

Futures contracts:

Settlement dates	Total Volume (Bbl)	Prices US $/(Bbl)	September 30, 2008 Unrealized gain (loss) $
October 2008	8,571	128.03 – 133.78	49,046
November 2008	550,143	121.58 – 157.41	7,097,754
December 2008	484,000	122.69 – 172.89	7,550,125
January 2009	10,000	116.07 – 123.85	76,501
	1,052,714		14,773,426
		Exchange rate	1.0599
		Total CDN dollars	15,658,354

Futures contracts:

Settlement dates	Total Volume (lbs)	Prices US $/(lbs)	September 30, 2008 Unrealized gain (loss) $
December 2008	21,720,000	0.4448 – 0.6753	(631,838)
January 2009	12,600,000	0.4500 – 0.4507	(8,934)
	34,320,000		(640,772)
		Exchange rate	1.0599
		Total CDN dollars	(679,154)

Futures contracts:

Settlement dates	Total Volume (MT)	Prices US $/(MT)	September 30, 2008 Unrealized loss $
December 2008	215,000	4.88 – 7.8653	(634,943)
	215,000		(634,943)
		Exchange rate	1.0599
		Total CDN dollars	(672,976)

(iii) Elbow River sells natural gas liquids, ethanol, biodiesel, diesel, and asphalt product in the United States, Canada and overseas, giving rise to significant exposure to market risks from foreign exchange rates and commodity price changes. The Trust uses derivative financial instruments to reduce risks including foreign exchange and commodities hedging contracts. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures. The commodity hedge contracts are entered into for the following commodities: butane, propane, biodiesel, and ethanol. The following table details those transactions that qualify for hedge accounting that are outstanding resulting in a risk management liability of $13.7 million (December 30, 2007 – a risk management liability of $11.8 million), resulting in the recognition of other comprehensive loss of $1.9 million when compared to the December 30, 2007 mark-to-market.

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

Settlement dates	Average Monthly Volume (Bbl)	Prices $/(bbl)	Unrealized loss $
October – December 2008	561,545	59.12 – 206.36	947,337
January – December 2009	206,783	59.12 – 124.32	(10,343,445)
January – March 2010	127,425	60.59 – 104.44	(2,663,468)
			(12,059,576)
		Exchange rate	1.0599
		Total CDN dollars	(12,781,945)

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

Term Due	Amount $	Forward Rates CDN $	Unrealized loss $
October – December 2008	63,013,450	0.9338 – 1.0599	(424,216)
January – December 2009	3,674,100	0.9344 – 1.0599	(377,736)
January –March 2010	803,550	0.9365 – 1.0599	(81,803)
Total US dollars	67,491,100		(883,755)
Exchange rate	1.0599		
Total CDN dollars	71,533,817		

FINANCIAL RISKS

Fair Values of Financial Assets and Liabilities

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

Marketable securities are classified as available for sale and, as such, have been recorded at fair value on September 30, 2008 in the amount of $0.6 million. The decrease in the market value of the investments of $0.7 million and $0.7 million, respectively, for the three and nine months ended September 30, 2008 has been included in other comprehensive income.

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value. The fair values of the promissory notes referred to in note 5 are derived from third party indications which consider these notes payable as subordinated mezzanine level debt in determining the fair value. This fair value approximates the carrying values. The mortgages are for varying lengths and carry interest rates in line with the market terms agreed to when the mortgages were entered into. The fair value of the mortgages reflect the discounted present value of the principal and interest payments using the effective yield for instruments having the same term and risk characteristics. The fair value of the Trust's mortgages at September 30, 2008 was $40.8 million, while the carrying value was $40.8 million.

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

Credit Risk

The Trust's financial instruments that are exposed to credit risk consist primarily of trade accounts receivable and risk management assets (liabilities). The trade receivables are from the Trust's Oil & Gas Division and Elbow River. The majority of these trade receivables are dependent upon the strength of the North American energy complex and specifically the Canadian oil and gas industry. Elbow River is also exposed to additional risk with international overseas counterparts relating to biofuel revenues wherein additional due diligence and documentary letters of credit are undertaken. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses. At September 30, 2008, the Trust had an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of $0.7 million representing 0.32% of.the Trust's accounts receivables. The increase in the allowance is the result of a purchaser of a small portion of the Oil and Gas Division's production, SemCanada Crude Company, 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 September 30, 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. Furthermore, the Trust believes it has no additional exposure to this counterparty as all production purchases have been reallocated to another counterparty effective July 22, 2008 as allowed by the court orders.

The maximum credit exposures associated with the Trust's customers are the carrying value of the accounts receivable and the presales in Elbow River (which are not reflected in the consolidated financial statements). As at September 30, 2008, 37% of the Trusts consolidated accounts receivable are due from two customers. The total amount of receivables past due 90 days amounted to $59.3 million as at September 30, 2008 offsetting this amount is $40.5 million owing to various customers of the Trust as at September 30, 2008. Management is comfortable with the risk in these areas, which is mitigated through the use of documentary credits in relation to international customers.

With respect to financial instruments, the Trust could be exposed to losses 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 uses a minimum rating of BBB or above. For the period all 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 mitigate its currency risk. At September 30, 2008 forward exchange contracts were designated as cash flow hedges.

In respect of existing financial instruments, a $0.01 change in the US dollar against the Canadian dollar, with all other variables assumed constant, would have resulted in a change of approximately $0.1 million in net income from continuing operations and a change of approximately $0.7 million in other comprehensive income for the nine months ended September 30, 2008.

Commodity Price Risk

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

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

At September 30, 2008, in respective of the financial derivative instruments in the Oil and Gas Division, a change of $10.00 US/Bbl in the price of oil and $1.00/gigajoule in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately $0.2 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 $6.4 million and other comprehensive income by approximately $3.3 million.

Interest Rate Risk

Drawings under the Trust's bank credit facilities are at floating interest rates and expose the Trust to interest rate risk. The Trust is authorized by the Board of Directors to enter into fixed rate swaps to manage risks associated with rising interest rates if felt appropriate. The Trust is also exposed to interest rate risk on maturity and refinancing of its fixed rate mortgages including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favorable terms or with interest rates as favorable as those of the existing debt. The Trust mitigates these risks by its continued efforts to enhance the value of its real estate properties and maintain high occupancy levels. A 1% change in interest rates would result in net income from continuing operations sensitivity of approximately $0.8 million. The Trust has not entered into any derivative agreements to mitigate this risk.

Liquidity Risk

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

The Trust maintains appropriate unused capacity in its revolving credit facilities to meet short term fluctuations from forecasted results or volatility in commodities affecting margining requirements, especially in Elbow River. The Trust manages its liquidity requirements through the use of both short term and long term cash forecasts, by establishing a conservative distribution payout target of 75%-80% of funds from continuing operations, maintaining a 60% mortgage to fair market value ratio on the Real Estate Division 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 the Elbow River Division, the Trust attempts to hedge as much of its business as possible in order to lock in profit margins at the time the transactions are entered into.

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

LIQUIDITY AND DEBT

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

In relation to Elbow River, the Trust has a demand revolving loan facility with a Canadian bank in the amount of $70.0 million (December 31, 2007 - $70.0 million) bearing interest as follows; for advances of $50.0 million or less the interest rate is bank prime rate plus 0.125% or US bank base rate plus 0.125%; for advances greater than $50.0 million a 0.125% premium shall apply to applicable interest rates. In addition the Trust has a $38.5 million import facility (December 31, 2007 - $38.5 million) with the same Canadian Bank. The import facility bears interest at bank US base rate plus 0.25% per annum and is to be repaid by December 31, 2008. These facilities are collateralized by a charge over all of Elbow River's assets. As at September 30 2008, $64.1 million (December 31, 2007 - $68.0 million) was drawn on the demand loan facilities. During the quarter, the revolving loan limit of $70.0 million was increased to $82.0 million until December 31, 2008 at which time the limit will revert back to the original $70.0 million. As at September 30, 2008, Elbow River was in compliance with all its banking covenants.

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

The average effective interest rate on borrowings under the above lines for the nine months ended September 30, 2008, including service fees, was 6.67% (nine months ended September 30, 2007 – 6.99%).

As at September 30, 2008, the Trust also had thirty-three letters of credit outstanding in the aggregate amount of $11.6 million (December 31, 2007 - $5.1 million). The letters of credit reduces the amount available to be drawn on the related demand facilities.

To provide Elbow River with additional credit on natural gas liquids and biofuels inventory purchases, the Trust also has guarantees to third parties for a maximum of $123.9 million (December 31, 2007 - $64.7 million). These guarantees, provided by the Trust to third party counterparties of Elbow River, require the Trust to be responsible for inventory settlements if Elbow River was unable to do so. The Trust has no specific assets pledged and the amounts exposed against the total outstanding guarantees will vary depending on the transactions in place at a specific point in time.

The Trust entered into an agreement to borrow up to $10.0 million on July 28, 2006. The note was entered into to provide Elbow River with additional credit on natural gas liquids and biofuels inventory purchases. On July 24, 2008, the full amount of the outstanding note payable of $10.0 million was repaid.

The average effective interest rate on borrowings under the above note payable for the nine months ended September 30, 2008, including service fees, was 12.38% (nine months ended September 30, 2007 – 9.74%).

				Payments due by period
(in thousands of dollars)	**Total**	**Less than 1 Year**	**1 – 3 Years**	**4+ Years**
Lease Commitments	13,077	3,505	6,600	2,972
Total Contractual Obligations	13,077	3,505	6,600	2,972

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

INVESTMENT AND CAPITAL EXPENDITURES

	For the three months ended		For the nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
(in thousands of dollars)	$	$	$	$
Financial Services				
Financial Services development expenditures	474	456	5,044	768
Sub-Total	474	456	5,044	768
Oil and Gas				
Land	189	143	364	351
Drilling	4,157	440	8,113	3,364
Production equipment and facilities	1,417	2,892	3,641	5,052
Other	264	150	461	326
Oil and gas property acquisitions	3,952	151	3,982	7,363
Proceeds received on oil and gas property dispositions	(422)	(31)	(422)	(54)
Sub-Total	9,557	3,745	16,139	16,402
Assets held for sale - Real Estate				
Real estate acquisitions	–	–	–	810
Real estate development expenditures	651	4,720	2,612	6,221
Proceeds received on real estate property dispositions	8,899	–	8,899	–
Sub-Total	9,550	4,720	11,511	7,031
Other assets	2	12	5	130
Net capital expenditures	**19,583**	**8,933**	**32,699**	**24,331**

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.

The contracts outstanding with respect to the physical deliveries of oil and gas as at September 30, 2008 are as follows:

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

The mark-to-market value of these contracts as at September 30, 2008 was an unrealized gain of $0.3 million.

Subsequent to September 30, 2008, the Trust entered into the following contract with respect to physical deliveries of oil and gas:

- 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/gigajoule..

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

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

(in thousands of dollars)	$
2008	981
2009	3,365
2010	3,181
2011	2,578
2012	1,520
2013 and thereafter	1,452
Total	13,077

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

UNITHOLDERS' CAPITAL

Trust Units	Number of Units	Amount $ *(in thousands of dollars)*
Balance at December 30, 2007	**41,775,179**	**419,533**
Units issued on exercise of stock options	14,613	99
Units released from escrow – Energy Services Division	3,891	36
Balance March 31, 2008	**41,793,683**	**419,668**
Units issued on exercise of stock options	71,331	551
Units released from escrow – Energy Services Division	27,086	253
Units released from escrow – Elbow River	76,452	833
Balance June 30, 2008	**41,968,552**	**421,305**
Units issued on exercise of stock options	97,862	797
Balance September 30, 2008	**42,066,414**	**422,102**

For the three and nine months ended September 30, 2008, the Trust had a weighted average number of trust units outstanding of 42,026,438 and 41,909,360, respectively (three and nine months ended September 30, 2007 – 41,721,239 and 41,530,800, respectively). The diluted per unit amounts were calculated assuming the exercise of outstanding in-the-money options of an additional 607,545 and 670,000 Trust Units for the three and nine months ended September 30, 2008, respectively, resulting in a diluted weighted average number of Trust Units outstanding for the three and nine months ended September 30, 2008 of 42,633,983 and 42,579,360 respectively (thee and nine months ended September 30, 2007 – 42,146,543 and 42,189,714, respectively). At September 30, 2008 there were 523,500 in anti-dilutive options that were not part of the dilutive per unit calculation.

As at September 30, 2008, the Trust had a total of 3,134,060 options which represents 75% of the options available for issuance.

Subsequent to September 30, 2008, the Trust instituted a Normal Course Issuer Bid under which it may purchase up to 3,463,769 Trust Units for cancellation in a 12 month period. To date the Trust had purchased 58,344 Trust Units under this Normal Course Issuer Bid.

RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2008, the Trust paid $0.05 million and $0.2 million, respectively (three and nine months ended September 30, 2007 - $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 September 30, 2008 is $0.03 million (December 31, 2007 - $0.02 million) owing to Avenir relating to administration and advisory services.

During the three and nine months ended September 30, 2008, the Trust incurred marketing fees of $0.02 million and $0.05 million, respectively (three and nine months ended September 30, 2007 - $0.02 million and $0.05 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 September 30, 2008 (December 31, 2007 - $0.02 million).

In the normal course of joint venture activities, the Trust's Oil and Gas Division from time to time engages in business transactions with companies having directors in common with the Trust. In this regard, during the third quarter of 2008, the Trust purchased royalty and producing property interests from a publicly traded corporation with certain directors in common for $4.0 million. During 2007, the Trust purchased royalty and producing property interests from a publicly traded corporation with certain directors in common for $7.2 million.

RECENT ACCOUNTING PRONOUNCEMENTS AND THE IMPACT ON THE TRUST

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

Financial Instruments

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

Capital Disclosures

Section 1535, Capital Disclosures specifies the disclosure of (i) an entity's objectives, policies and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The effect of this pronouncement has been disclosed in note 2 of the financial statements.

Inventories

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

Future Accounting Pronouncements

International Financial Reporting Standards

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

RISKS & UNCERTAINTIES AND CRITICAL ACCOUNTING ESTIMATES

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

OUTLOOK

The current global financial crisis has caused liquidity issues and significant negative corrections to most equity values, and the Trust was not immune to this. However, the Trust is in an enviable position as it currently has cash and positive working capital of over $146 million and in addition has undrawn debt capacity. The Trust is well positioned to weather this current market turmoil while we sort through various alternatives ahead of the 2011 Trust legislation changes.

Looking ahead to the fourth quarter, lower commodity prices and the decision to close down the marketing of biodiesel products will reduce the fourth quarter funds from operations, compared to record third quarter 2008 levels. The risk/reward of bio-diesel marketing does not fit the long-term direction of the Trust and therefore estimated costs have been identified with ceasing to market this product. Oil and gas operations remain strong, as does the core LPG marketing base of Elbow River. We are comfortable with our current monthly distribution levels and are pleased to announce that a Special Distribution of $0.60 per unit will be payable on February 16, 2009 to unitholders of record on December 31, 2008.

For additional information on the Trust, including the Annual Information Form (AIF), please go to the company's profile on SEDAR at www.sedar.com or the Trust's website at www.avenirtrust.com

Submitted on behalf of:

William M. Gallacher President & CEO	Gary Dundas Vice President Finance & CFO

CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands of dollars)	**September 30, 2008** **$**	**December 31, 2007** **$**
		(restated – note 3)
ASSETS [*note 4*]		
Current		
Cash	**22,618**	–
Marketable securities	**600**	1,275
Accounts receivable and prepaid expenses	**252,314**	76,295
Inventory	**199,744**	83,653
Note receivable [*note 3a*]	**25,123**	–
Risk management assets [*note 9*]	**21,574**	4,828
Assets held for sale - Real Estate [*note 3b*]	**1,358**	1,793
Assets of discontinued operations - EnerVest [*note 3a*]	**–**	144,277
	523,331	312,121
Property and equipment	**149,565**	150,018
Intangibles and other assets	**13,843**	15,059
Goodwill	**57,708**	56,875
Assets held for sale – Real Estate [*note 3b*]	**54,562**	64,192
	799,009	598,265
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness [*note 4*]	**64,072**	110,331
Accounts payable and accrued liabilities [*note 10*]	**286,738**	73,813
Distributions payable [*note 13*]	**3,492**	3,476
Risk management liability [*note 9*]	**21,065**	18,578
Notes payable [*note 5*]	**–**	10,000
Liabilities of assets held for sale – Real Estate [*note 3b*]	**16,147**	15,807
Liabilities of discontinued operations - EnerVest [*note 3a*]	**–**	23,704
	391,514	255,709
Asset retirement obligation [*note 6*]	**13,108**	12,905
Future income taxes [*note 11*]	**5,047**	5,500
Liabilities of assets held for sale – Real Estate [*note 3b*]	**26,510**	29,191
Unitholders' equity		
Unitholder capital [*note 7a*]	**422,102**	419,533
Contributed surplus [*note 7c*]	**6,583**	6,033
Accumulated earnings	**191,252**	92,671
Accumulated other comprehensive loss [*note 7d*]	**(13,078)**	(10,589)
Accumulated distributions	**(244,029)**	(212,688)
	362,830	294,960
	799,009	598,265

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED EARNINGS (unaudited)

(in thousands of dollars)	Three months ended Sep 30, 2008 $	Three months ended Sep 30, 2007 $	Nine months ended Sep 30, 2008 $	Nine months ended Sep 30, 2007 $
REVENUE				
Financial services revenue	**558,165**	170,652	**1,440,214**	597,371
Unrealized loss on financial instruments [*note 9*]	**15,304**	(111)	**13,045**	24
Total financial services revenue	**573,469**	170,541	**1,453,259**	597,395
Oil and gas revenue	**20,956**	14,712	**58,791**	43,083
Oil and gas transportation costs	**(271)**	(286)	**(738)**	(835)
Royalties	**(3,516)**	(1,725)	**(9,534)**	(5,538)
Unrealized loss on financial instruments [*note 9*]	**7,331**	(713)	**3,073**	(784)
Total oil and gas revenue	**24,500**	11,988	**51,592**	35,926
	317	1	**690**	1
Total revenue	**598,286**	182,530	**1,505,541**	633,322
EXPENSES				
Financial services operating	**536,279**	165,581	**1,399,135**	572,091
Oil and gas operating	**5,372**	5,247	**15,159**	15,088
General and administrative [*notes 8 and 10*]	**9,194**	3,635	**20,359**	14,727
Foreign exchange	**(4,645)**	839	**(5,430)**	2,211
Interest and bank fees	**1,100**	1,494	**5,747**	3,898
Capital taxes	**163**	102	**449**	281
Depletion, depreciation and amortization	**6,391**	6,510	**18,951**	18,768
Asset retirement obligation accretion [*note 6*]	**212**	262	**741**	794
	554,066	183,670	**1,455,111**	627,858
Income from continuing operations before income tax	**44,220**	(1,140)	**50,430**	5,464
Future income tax recovery	**(3,358)**	1,544	**454**	(120)
Net income from continuing operations	**40,862**	404	**50,884**	5,344
Net income from discontinued operations – EnerVest [*note 3a*]	**(328)**	3,844	**42,410**	11,166
Net (loss) income from discontinued operations – Real Estate [*note 3b*]	**9,859**	231	**5,287**	971
Net income for the period	**50,393**	4,479	**98,581**	17,481
Accumulated earnings, beginning of period	**140,859**	78,282	**92,671**	65,022
Change in accounting policy	**—**	–	**—**	258
Accumulated earnings, end of period	**191,252**	82,761	**191,252**	82,761
Net income from continuing operations per unit [*note 7b*]				
Basic	**0.97**	0.01	**1.21**	0.13
Diluted	**0.96**	0.01	**1.20**	0.12
Net income from discontinued operations per unit [*note 7b*]				
Basic	**0.23**	0.10	**1.14**	0.29
Diluted	**0.22**	0.10	**1.12**	0.29
Net income per unit [*note 7b*]				
Basic	**1.20**	0.11	**2.35**	0.42
Diluted	**1.18**	0.11	**2.32**	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

(in thousands of dollars)	Three months ended June 30, 2008 $	Three months ended June 30, 2007 $	Six months ended June 30, 2008 $	Six months ended June 30, 2007 $
Net income for the period	**50,393**	4,479	**98,581**	17,481
Change in fair value of derivative instruments designated as cash flow hedges [*note 9*]	**40,169**	(651)	**(1,858)**	(2,711)
Change in fair value of marketable securities	**(725)**	(580)	**(675)**	(250)
Other comprehensive (loss) income	**39,444**	(1,231)	**(2,533)**	(2,961)
Comprehensive (loss) income for the period	**89,837**	3,248	**96,048**	14,520

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Three months ended Sep 30, 2008 $	Three months ended Sep 30, 2007 $	Nine months ended Sep 30, 2008 $	Nine months ended Sep 30, 2007 $
		(restated–note 3)		(restated–note 3)
OPERATING ACTIVITIES				
Net income from continuing operations	**40,862**	404	**50,884**	5,344
Add (deduct) non-cash items:				
Non-cash general and administrative *[note 8]*	**316**	665	**1,342**	3,113
Depletion, depreciation and amortization	**6,391**	6,510	**18,951**	18,768
Asset retirement obligation accretion	**212**	262	**741**	794
Unrealized (gain) loss on foreign exchange	**(4,360)**	613	**(5,610)**	(778)
Unrealized loss on financial instruments	**(22,635)**	824	**(16,118)**	761
Future income tax expense (recovery)	**3,358**	(1,544)	**(454)**	120
Funds from continuing operations	**24,144**	7,734	**49,736**	28,122
Funds from discontinued operations – EnerVest	**(3)**	4,655	**6,919**	13,572
Funds from discontinued operations – Real Estate	**1,059**	823	**2,530**	2,361
	25,200	13,212	**59,185**	44,055
Asset retirement costs incurred during period *[note 6]*	**(666)**	(295)	**(1,154)**	(761)
Change in non-cash working capital	**1,953**	(8,384)	**(73,200)**	3,731
Cash (used in) provided by operating activities	**26,487**	4,533	**(15,169)**	47,025
FINANCING ACTIVITIES				
Issue of trust units, net of issue costs	**567**	300	**962**	586
Cash settlement of options	**(13)**	(5)	**(18)**	(11)
Distributions to unitholders *[note 13]*	**(10,466)**	(10,417)	**(31,340)**	(31,218)
Decrease in bank indebtedness	**17,554**	11,553	**(46,193)**	(1,377)
Decrease in notes payable	**(10,000)**	–	**(10,000)**	–
Increase in mortgages	**–**	2,844	**4,757**	6,484
Repayment of mortgages	**(233)**	(210)	**(689)**	(608)
Increase in notes receivable	**–**	–	**(123)**	–
Repayment of long-term debt	**–**	–	**(1,675)**	–
Change in non-cash working capital	**8**	–	**15**	–
Cash provided by (used in) financing activities	**(2,573)**	4,065	**(84,304)**	(26,144)
INVESTING ACTIVITIES				
Sale of EnerVest assets *[note 3(a)]*	**(325)**	–	**135,633**	–
Financial services development expenditures	**(474)**	(456)	**(5,044)**	(768)
Redemption of financial services contracts	**–**	–	**–**	3,265
Oil and gas property acquisitions	**(3,952)**	(151)	**(3,982)**	(7,363)
Oil and gas property disposals	**422**	31	**422**	54
Oil and gas development expenditures	**(6,027)**	(3,625)	**(12,579)**	(9,093)
Purchase of other assets	**(2)**	(12)	**(5)**	(130)
Purchase of real estate properties	**–**	–	**–**	(810)
Real estate development expenditures	**(651)**	(4,720)	**(2,612)**	(6,221)
Real estate disposals *[note 3b]*	**8,899**	–	**8,899**	–
Changes in non-cash working capital	**688**	408	**840**	850
Cash used in investing activities	**(1,422)**	(8,525)	**121,572**	(20,216)
Increase in cash during the period	**22,492**	73	**22,099**	665
Cash, beginning of period	**–**	776	**–**	441
Change in cash of assets held for sale *[note 3]*	**126**	65	**519**	(192)
Cash, end of period	**22,618**	914	**22,618**	914
Cash interest paid	**1,487**	1,953	**7,613**	5,407
Cash taxes paid	**127**	213	**384**	649

See accompanying notes to the consolidated interim financial statements

As at and for the nine months ended September 30, 2008 (unaudited).

1. Nature of Organization

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

The operating results for the three and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the full fiscal year revenues and expenses during the reporting period, due to seasonal factors. Actual results may differ from those estimates. The Trust's natural gas liquids and biofuels marketing group traditionally has stronger results in the first and fourth quarters of the fiscal year. In the natural gas liquids and biofuels marketing group colder winter weather provides more opportunity for sale of propane and butane.

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

2. Summary of Significant Accounting Policies

The unaudited interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles and in a manner consistent with the accounting policies in the audited consolidated financial statements of the Trust for the year ended December 31, 2007 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, 2007 audited consolidated financial statements.

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

Financial Instruments

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

Capital Disclosures

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

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

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

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

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

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 nine months ended September 30, 2008. 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 working capital (net debt) to annualized funds from continuing operations for the non-real estate divisions targeting a ratio of 1:1, 60% mortgage to fair market value ratio on the Real Estate Division and distribution pay out ratio of 75% - 80% of funds from continuing operations.

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

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

The distribution pay out ratio uses the total distributions to unitholders per the Statement of Cash Flows of $31,339,971 as a percentage of the funds from continuing operations. The distribution pay out ratio for the nine months ended September 30, 2008 is approximately 63% excluding funds from the Real Estate Division and EnerVest. Including the Real Estate Division and EnerVest funds from operations, the distribution pay out ratio would be approximately 53% for the nine months ended September 30, 2008. The Trust's first and fourth quarters are normally the Trust's strongest quarters as such on an annual basis the Trust's distribution ratio is expected to be more in line with the target of 75% to 80%.

Inventories

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

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

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

On May 16, 2008, the Trust completed the sale of its EnerVest assets to Canoe Financial LP ("Canoe"), a private entity based in Calgary, for total consideration of $185,000,000, subject to closing adjustments including operating income and working capital and debt adjustments based on an April 1, 2008 effective date. After adjustments of $21,367,743 and transactions costs of $2,711,296, the net sale consideration of $160,920,961 was satisfied by the receipt of $135,920,961 in cash and the provision of a note receivable of $25,000,000. This resulted in a gain of $33,947,946 based on the net asset value on May 16, 2008 as outlined below:

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

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

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

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

(in thousands of dollars)	For the three months ended Sep 30, 2008 $	Sep 30, 2007 $	For the nine months ended Sep 30, 2008 $	Sep 30, 2007 $
REVENUE				
Financial services revenue	**–**	932	**8,834**	17,263
Gain on sale of assets	**(325)**	--	**33,947**	--
	(325)	5,950	**42,781**	17,263
EXPENSES				
Financial services operating	**–**	932	**1,355**	2,799
General and administrative	**3**	232	**254**	541
Interest on long-term debt	**–**	131	**306**	351
Depreciation and amortization	**–**	811	**1,270**	2,406
	3	2,106	**3,185**	6,097
Income before income taxes	**(328)**	3,844	**39,596**	11,166
Future income tax expense	**–**	--	**2,814**	--
Net income from discontinued operations, net of tax	**(328)**	3,844	**42,410**	11,166

b) Real Estate Division - Assets Held for Sale

During 2007, the Trust made the decision to dispose of the Real Estate Division assets by way of sale or spin-out. A national brokerage firm has been engaged and the Trust expects to have completed a series of transactions during 2008 and into the first half of 2009.

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

(in thousands of dollars)	Sep 30, 2008 $	December 31, 2007 $
Cash	(31)	488
Accounts receivable and prepaid expenses	1,389	1,305
Current assets held for sale	**1,358**	**1,793**
Property and equipment	52,822	61,548
Intangible and other assets	1,740	2,644
Long-term assets held for sale	**54,562**	**64,192**
Accounts payable and accrued liabilities	656	493
Deferred revenue	208	291
Current portion of mortgages (i)	15,283	15,023
Current liabilities of assets held for sale	**16,147**	**15,807**
Mortgages (i)	25,516	29,427
Future income tax	994	(236)
Long-term liabilities of assets held for sale	**26,510**	**29,191**

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

(in thousands of dollars)	For the three months ended Sep 30, 2008 $	Sep 30, 2007 $	For the nine months ended Sep 30, 2008 $	Sep 30, 2007 $
REVENUE				
Real estate revenue	**2,130**	1,716	**6,542**	5,504
Gain on sale of property (ii)	**9,495**	–	**9,495**	–
	11,625	1,716	***16,037***	5,504
EXPENSES				
Real estate operating	**385**	252	**1,665**	1,283
General and administrative (iii)	**77**	143	**464**	398
Interest on long-term debt	**609**	491	**1,873**	1,435
Capital taxes	**(1)**	7	**9**	27
Depreciation and amortization	**–**	514	**–**	1,544
Impairment loss on assets (iv)	**–**	–	**5,509**	–
	1,070	1,407	**9,520**	4,687
Income before income taxes	**10,555**	309	**6,517**	817
Future income tax recovery (expense)	**(696)**	(78)	**(1,230)**	154
Net (loss) income from discontinued operations, net of tax	**9,859**	231	**5,287**	971

(i) In relation to the Real Estate Division, the Trust has various mortgages outstanding with interest rates ranging from 5.40% to 7.25% with a weighted average rate of 5.87%. The maturities range from October 2008 to August 2014 and all mortgages are collateralized by a first charge over the related properties. The Trust also provides guarantees to third party mortgagors for a maximum of the total value of the mortgages outstanding on behalf of its Real Estate Division. The guarantees require the Trust to be responsible for the mortgage principal and interest payments if its Real Estate Division is unable to do so.

(ii) During the quarter the Trust sold one of its industrial properties in Calgary, Alberta for net proceeds of $8,898,927 after repayment of the mortgage of $7,719,400 on the building and costs associated with the sale of $372,203. A gain of $9,495,463 was recorded.

(iii) During the three and nine months ended September 30, 2008, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of $277,820 and $574,866, respectively (three and nine months ended September 30, 2007 - $163,862 and $456,802, respectively) payable to a company with a shareholder who is also a director of the Trust.

(iv) Due to the timing issues in the sale of individual real estate properties, the Trust has recognized an impairment of $5,509,268 in the carrying value of certain of its real estate properties. Conversely, under GAAP the Trust is not able to recognize any gains on properties being sold until the transactions have been completed. The Trust expects to finalize a number of real estate transactions prior to year end and early into 2009 for amounts above the carrying value of the properties.

4. BANK INDEBTEDNESS

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

In relation to Elbow River Marketing Limited Partnership ("Elbow River"), the Trust has a demand revolving loan facility with a Canadian bank in the amount of $70,000,000 (December 31, 2007 - $70,000,000) bearing interest as follows; for advances of $50,000,000 or less the interest rate is bank prime rate plus 0.125% or US bank base rate plus 0.125%; for advances greater than $50,000,000 a 0.125% premium shall apply to applicable interest rates. In addition the Trust has a $38,500,000 import facility (December 31, 2007 - $38,500,000) with the same Canadian Bank. The import facility bears interest at bank US base rate plus 0.25% per annum and is to be repaid by December 31, 2008. These facilities are collateralized by a charge over all of Elbow River's assets. As at September 30 2008, $64,072,489 (December 31, 2007 - $67,954,647) was drawn on the demand loan facilities. During the quarter, the revolving loan limit of $70,000,000 was increased to $82,000,000 until December 31, 2008 at which time the limit will revert back to the original $70,000,000. As at September 30, 2008, Elbow River was in compliance with all its banking covenants.

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

The average effective interest rate on borrowings under the above lines for the nine months ended September 30, 2008, including service fees, was 6.67% (nine months ended September 30, 2007 – 6.99%).

As at September 30, 2008, the Trust also had thirty three letters of credit outstanding in the aggregate amount of $11,567,803 (December 31, 2007 - $5,179,536). The letters of credit reduces the amount available to be drawn on the related demand facilities.

To provide Elbow River with additional credit on natural gas liquids and biofuels inventory purchases, the Trust also has guarantees to third parties for a maximum of $123,872,894 (December 31, 2007 - $64,694,076). These guarantees, provided by the Trust to third party counterparties of Elbow River, require the Trust to be responsible for inventory settlements if Elbow River was unable to do so. The Trust has no specific assets pledged and the amounts exposed against the total outstanding guarantees will vary depending on the transactions in place at a specific point in time.

5. NOTES PAYABLE

The Trust entered into an agreement to borrow up to $10,000,000 on July 28, 2006. The note was entered into to provide Elbow River with additional credit on natural gas liquids and biofuels inventory purchases. On July 24, 2008, the full amount of the outstanding note payable of $10,000,000 was repaid.

The average effective interest rate on borrowings under the above note payable for the nine months ended September 30, 2008, including service fees, was 12.38% (nine months ended September 30, 2007 – 9.74%).

6. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated by management based on the Trust's net ownership interest in all wells and facilities in its Oil and Gas Division, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. As at September 30, 2008, the Trust has estimated the net present value of its total asset retirement obligations to be $13,107,673 based on a total future liability of $29,254,743 (December 31, 2007 - $27,720,290). These payments are expected to be made over the next 28 years. The Trust's credit adjusted risk free rate of 8.5% (December 31, 2007 – 8.5%) and an inflation rate of 2% (December 31, 2007 – 2%) were used to calculate the present value of the asset retirement obligation.

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

(in thousands of dollars)	$
Carrying amount, as at December 31, 2007	**12,905**
Oil and gas activities during the period	616
Abandonment expenditures incurred during the period	(1,154)
Asset retirement obligation accretion for the period	741
Carrying amount, as at September 30, 2008	**13,108**

7. UNITHOLDERS' CAPITAL

a) Unitholders' Capital

Authorized

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

Issued

Trust Units	Number of Units	Amount $
		(in thousands of dollars)
Balance December 31, 2007	**41,775,179**	**419,533**
Units issued on exercise of stock options (i)	14,613	99
Unit released from escrow - Energy Services Division (ii)	3,891	36
Balance March 31, 2008	**41,793,683**	**419,668**
Units issued on exercise of stock options (i)	71,331	551
Unit released from escrow - Energy Services Division (ii)	27,086	253
Unit released from escrow - Elbow River (iii)	76,452	833
Balance June 30, 2008	**41,968,552**	**421,305**
Units issued on exercise of stock options (i)	97,862	797
Balance September 30, 2008	**42,066,414**	**422,102**

(i) The total cash received for Trust Units issued upon exercise of stock options during the period amounted to $962,330 and the difference of $485,151 represents the movement from contributed surplus to unitholders' capital relating to the stock based compensation expense previously recognized.

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

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

(iv) Subsequent to September 30, 2008, on October 20, 2008, the Trust instituted a Normal Course Issuer Bid under which it may purchase up to 3,463,769 Trust Units for cancellation in a 12 month period. To date the Trust has purchased 58,344 Trust Units under this Normal Course Issuer Bid.

b) Per Unit Amounts

For the three and nine months ended September 30, 2008, the Trust had a weighted average number of trust units outstanding of 42,026,438 and 41,909,360, respectively (three and nine months ended September 30, 2007 – 41,721,239 and 41,530,800, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 607,545 and 670,000 Trust Units for the three and nine months ended September 30, 2008, respectively, resulting in a diluted weighted average number of trust units outstanding for the three and nine months ended September 30, 2008, of 42,633,983 and 42,579,360, respectively (three and nine months ended September 30, 2007 – 42,146,543 and 42,189,714, respectively). At September 30, 2008, there were 523,500 in anti-dilutive options that were not part of the diluted per unit calculation.

c) Contributed Surplus

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

(in thousands of dollars)	$
Contributed surplus, December 31, 2007	**6,033**
Stock-based compensation expense *[note 8]*	1,350
Release of units from escrow relating to Energy Services Division *[note 7(a)(ii)]*	(297)
Options exercised	(485)
Settlement of options	(18)
Contributed surplus, September 30, 2008	**6,583**

d) Accumulated other comprehensive loss

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

(in thousands of dollars)	$
Derivative instruments designated as cash flow hedges *[note 9(c)(iii)]*	(13,666)
Fair value of marketable securities	588
Accumulated other comprehensive loss	**(13,078)**

8. STOCK-BASED COMPENSATION

Under the Trust's unit option plan, options to acquire trust units are granted to employees and directors from time to time at exercise prices equal to the five day volume weighted average trading price of the units prior to the date of the grant. Options granted under the plan vest a third each year over a three-year period starting on the first anniversary from the date of grant. The options have a five-year life. The exercise price of the options is periodically adjusted to reflect the Trust's monthly distributions ("the grind feature"). Any consideration paid on exercise of stock options is credited to unitholders' capital. A total of 4,206,641 units have been reserved under this plan.

As at and for the three and nine months ended September 30, 2008 (unaudited)

The following table summarizes the status and changes during the nine months ended September 30, 2008:

	Number of options outstanding	Weighted average grant date exercise price $
Outstanding, December 31, 2007	**3,219,574**	**8.41**
Granted	326,500	8.05
Exercised	(183,806)	9.02
Expired	(228,208)	8.28
Outstanding, September 30, 2008	**3,134,060**	**8.22**
Exercisable, September 30, 2008	**1,530,809**	**8.70**

The following table summarizes information about the unit options outstanding at September 30, 2008:

September 30 2008 Strike Price $	Grant date exercise price $	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
0.16	9.00	48,112	1.13	48,112
2.33	11.00	30,000	1.26	30,000
2.64	10.90	286,948	1.58	286,948
3.15	11.20	25,000	1.75	25,000
3.13	10.69	28,667	2.12	17,333
6.15	8.30	987,333	2.84	655,969
6.36	8.35	40,500	3.01	26,996
5.50	7.16	12,500	3.41	4,166
5.58	7.16	100,000	3.41	33,332
5.79	7.28	1,015,000	3.50	337,293
7.30	8.54	197,000	3.75	65,660
6.34	7.17	36,500	4.17	–
6.79	7.45	3,500	4.34	–
6.82	7.32	5,000	4.50	–
7.69	8.10	3,500	4.59	–
7.85	8.08	308,500	4.77	–
7.33	7.41	6,000	4.92	–
		3,134,060	3.18	1,530,809

As a result of the grind feature of the options, the price on the date of grant is ground down by the distributions paid to unitholders. Accordingly, the weighted average strike price at September 30, 2008 on all outstanding options was $5.76 and the weighted average strike price at September 30, 2008 on all exercisable options is $5.11.

The total value of stock-based compensation of $9,691,705 for those options issued to employees and directors was calculated using a Black-Scholes option-pricing model to estimate the fair value of stock options at the date of grant.

The assumptions made for the options granted in 2008 are as follows:

	2008 Granted Options
Expected volatility	34.18%
Risk – free interest rate	3.38%
Expected life of options	3.7 years
Dividend yield	nil

For the three and nine months ended September 30, 2008 the Trust recorded compensation expense and contributed surplus of $316,021 and $1,350,006, respectively (three and nine months ended September 30, 2007 - $665,189 and $3,123,065, respectively) relating to the Trust's current options and $nil and ($7,868), respectively for the three and nine months ended September 30, 2008 (three and nine months ended September 30, 2007 – $nil and ($10,363), respectively) relating to the spin-out of the Energy Services Division (see note 7(a)(ii)).

Subsequent to September 30, 2008, the Trust granted 15,000 options. Also, subsequent to September 30, 2008, 82,726 options were exercised.

9. FINANCIAL INSTRUMENTS

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

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

a) Fair Values of Financial Assets and Liabilities

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

Marketable securities are classified as available for sale and, as such, have been recorded at fair value on September 30, 2008 in the amount of $600,000. The decrease in the market value of the investments of $725,000 and $675,000, respectively, for the three and nine months ended September 30, 2008 has been included in other comprehensive income.

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value. The fair values of the promissory notes referred to in note 5 are derived from third party indications which consider these notes payable as subordinated mezzanine level debt in determining the fair value. This fair value approximates the carrying values. The mortgages are for varying lengths and carry interest rates in line with the market terms agreed to when the mortgages were entered into. The fair value of the mortgages reflect the discounted present value of the principal and interest payments using the effective yield for instruments having the same term and risk characteristics. The fair value of the Trust's mortgages at September 30, 2008 was $40,829,975, while the carrying value was $40,798,640.

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

b) Credit Risk

The Trust's financial instruments that are exposed to credit risk consist primarily of trade accounts receivable and risk management assets (liabilities). The trade receivables are from the Trust's Oil & Gas Division and Elbow River. The majority of these trade receivables are dependent upon the strength of the North Americanenergy complex and specifically the Canadian oil and gas industry. Elbow River is also exposed to additional risk with international overseas counterparts relating to biofuel revenues wherein additional due diligence and documentary letters of credit are undertaken. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses. At September 30, 2008, the Trust had an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of $724,519 representing 0.32% of the Trust's accounts receivables. The increase in the allowance is the result of a purchaser of a small portion of the Oil and Gas Division's production, SemCanada Crude Company, 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 September 30, 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. Furthermore, the Trust believes it has no additional exposure to this counterparty as all production purchases have been reallocated to another counterparty effective July 22, 2008 as allowed by the court orders.

The maximum credit exposures associated with the Trust's customers are the carrying value of the accounts receivable and the presales in Elbow River (which are not reflected in the consolidated financial statements). As at September 30, 2008, 37% of the Trusts consolidated accounts receivable are due from two customers. The total amount of receivables past due 90 days amounted to $59,333,914 as at September 30, 2008 offsetting this amount is $40,538,517 owing to various customers of the Trust as at September 30, 2008. Management is comfortable with the risk in these areas, which is mitigated through the use of documentary credits in relation to international customers.

With respect to financial instruments, the Trust could be exposed to losses 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 uses a minimum rating of BBB or above. For the period all 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.

c) Risk Management Asset (liability)

(in thousands of dollars)	$
Risk management liability, December 31, 2007	**(13,750)**
Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas Division (i)	3,073
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	13,045
Change in mark-to-market of cash flow hedge contracts – Elbow River (iii)	(1,859)
Net risk management liability, September 30, 2008	**509**
Reclassified to risk management asset, September 30, 2008	**(21,574)**
Risk management liability, September 30, 2008	**(21,065)**

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

- A fixed price WTI swap for the period November 1, 2007 to October 31, 2008 on 200 barrels/day of crude oil with a price of $71.40 US/Bbl

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

The mark-to-market value of these contracts as at September 30, 2008 was a risk management liability of $131,201 (December 31, 2007 – a risk management liability of $3,204,281), resulting in the recognition of an unrealized gain on the income statement for the nine months ended September 30, 2008 of $3,073,050 when compared to the December 31, 2007 mark-to-market.

Subsequent to September 30, 2008, the Trust entered into the following forward contract:

- 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

(ii) The following tables detail those transactions in Elbow River that do not qualify for hedge accounting, which resulted in a risk management asset of $14,306,224 (December 31, 2007 – a risk management asset of $1,261,376), resulting in the recognition of an unrealized gain on the income statement for the nine months ended September 30, 2008 of $13,044,848 when compared to the December 31, 2007 mark-to-market.

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

Futures contracts:

Settlement dates	Total Volume (Bbl)	Prices US $/(Bbl)	September 30, 2008 Unrealized gain (loss) $
October 2008	8,571	128.03 – 133.78	49,046
November 2008	550,143	121.58 – 157.41	7,097,754
December 2008	484,000	122.69 – 172.89	7,550,125
January 2009	10,000	116.07 – 123.85	76,501
	1,052,714		14,773,426
		Exchange rate	1.0599
		Total CDN dollars	15,658,354

Futures contracts:

Settlement dates	Total Volume (lbs)	Prices US $/(lbs)	September 30, 2008 Unrealized gain (loss) $
December 2008	21,720,000	0.4448 – 0.6753	(631,838)
January 2009	12,600,000	0.4500 – 0.4507	(8,934)
	34,320,000		(640,772)
		Exchange rate	1.0599
		Total CDN dollars	(679,154)

Futures contracts:

Settlement dates	Total Volume (MT)	Prices US $/(MT)	September 30, 2008 Unrealized loss $
December 2008	215,000	4.88 – 7.8653	(634,943)
	215,000		(634,943)
		Exchange rate	1.0599
		Total CDN dollars	(672,976)

(iii) Elbow River sells natural gas liquids, ethanol, biodiesel, diesel, and asphalt product in the United States, Canada and overseas, giving rise to significant exposure to market risks from foreign exchange rates and commodity price changes. The Trust uses derivative financial instruments to reduce risks including foreign exchange and commodities hedging contracts. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures. The commodity hedge contracts are entered into for the following commodities: butane, propane, natural gasoline, biodiesel, and ethanol. The following table details those transactions that qualify for hedge accounting that are outstanding giving rise to a risk management liability of $13,665,700 (December 31, 2007 – a risk management liability of $11,807,202), resulting in the recognition of an other comprehensive loss of $1,858,498 when compared to the December 31, 2007 mark-to-market.

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

Settlement dates	Average Monthly Volume (Bbl)	Prices $/(bbl)	Unrealized loss $
October – December 2008	561,545	59.12 – 206.36	947,337
January – December 2009	206,783	59.12 – 124.32	(10,343,445)
January – March 2010	127,425	60.59 – 104.44	(2,663,468)
			(12,059,576)
		Exchange rate	1.0599
		Total CDN dollars	(12,781,945)

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

Term Due	Amount $	Forward Rates CDN $	Unrealized loss $
October – December 2008	63,013,450	0.9338 – 1.0599	(424,216)
January – December 2009	3,674,100	0.9344 – 1.0599	(377,736)
January –March 2010	803,550	0.9365 – 1.0599	(81,803)
Total US dollars	67,491,100		(883,755)
Exchange rate	1.0599		
Total CDN dollars	71,533,817		

(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 September 30, 2008 forward exchange contracts were designated as cash flow hedges.

In respect of existing financial instruments, a $0.01 change in the US dollar against the Canadian dollar, with all other variables assumed constant, would have resulted in a change of approximately $130,000 in net income from continuing operations and a change of approximately $681,000 in other comprehensive income for the nine months ended September 30, 2008.

(v) Commodity price risk

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

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

At September 30, 2008, in respective of the financial derivative instruments in the Oil and Gas Division, a change of $10.00 US/Bbl in the price of oil and $1.00/gigajoule in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately $236,000.

In respect of the financial derivative instruments in Elbow River, a 5% change in commodity pricing would have resulted in unrealized gains and losses changing net income from continuing operations by approximately $6,401,000 and other comprehensive income by approximately $3,311,000.

d) Interest Rate Risk

Drawings under the Trust's bank credit facilities are at floating interest rates and expose the Trust to interest rate risk. The Trust is authorized by the Board of Directors to enter into fixed rate swaps to manage risks associated with rising interest rates if felt appropriate. The Trust is also exposed to interest rate risk on maturity and refinancing of its fixed rate mortgages including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favorable terms or with interest rates as favorable as those of the existing debt. The Trust mitigates these risks by its continued efforts to enhance the value of its real estate properties and maintain high occupancy levels. A 1% change in interest rates would result in net income from continuing operations sensitivity of approximately $806,000. The Trust has not entered into any derivative agreements to mitigate this risk..

e) Liquidity Risk

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

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

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

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

10. RELATED PARTY TRANSACTIONS

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

- During the three and nine months ended September 30, 2008, the Trust paid $50,928 and $156,565, respectively (three and nine months ended September 30, 2007 - $49,618 and $136,420, respectively) to Avenir Capital Corporation ("Avenir"), a significant unitholder of the Trust for rent, administration and advisory services. Included in accounts payable as at September 30, 2008 is $33,436 (December 31, 2007 - $17,639) owing to Avenir relating to administration and advisory services.
- During the three and nine months ended September 30, 2008, the Trust incurred marketing fees of $18,000 and $54,000, respectively (three and nine months ended September 30, 2007 - $18,000 and $54,000, 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 September 30, 2008 (December 31, 2007 - $19,036).
- In the normal course of joint venture activities, the Trust's Oil and Gas Division from time to time engages in business transactions with companies having directors in common with the Trust. In this regard, during the third quarter of 2008, the Trust purchased royalty and producing property interests from a publicly traded corporation with certain directors in common for $3,951,980. During 2007, the Trust purchased royalty and producing property interests from a publicly traded corporation with certain directors in common for $7,199,494.

11. INCOME TAXES

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

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

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

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

(in thousands of dollars)	September 30, 2008 $
Excess of tax basis over book value (asset)/liability:	
Property and equipment	**10,806**
Intangibles and goodwill	**580**
Net risk management liability	**(580)**
Asset retirement obligation	**(3,390)**
Non-capital losses	**(2,907)**
Future income tax liability	**5,047**

12. SEGMENTED INFORMATION

The Trust determines its reportable segments based on the structure of its operations, which are primarily focused on the following principal business segments – financial services, oil and gas, and real estate. The accounting policies followed by these business segments are the same as those described in the summary of significant accounting policies.

The following is selected financial information for each business segment:

	For the three months ended September 30, 2008				
(in thousands of dollars)	Financial – Services Elbow River $	Oil & Gas $	Corporate $	Discontinued Operations $	Total $
Gross revenue	573,469	24,500	1,992	–	599,961
Inter-segment eliminations	–	–	(1,675)	–	(1,675)
Net total revenue	573,469	24,500	317	–	598,286
Net operating expenses	536,279	5,372	–	–	541,651
Income (loss) before inter-segment eliminations	31,372	9,680	(190)	–	40,862
Inter-segment eliminations	1,675	–	(1,675)	–	–
Income (loss) from continuing operations	33,047	9,680	(1,865)	–	40,862
Discontinued operations – EnerVest	–	–	–	(328)	(328)
Discontinued operations – Real Estate	–	–	–	9,859	9,859
Net income (loss)	33,047	9,680	(1,865)	9,531	50,393

(in thousands of dollars)	Financial – Services Elbow River $	Oil & Gas $	Corporate $	Discontinued Operations $	Total $
	For the nine months ended September 30, 2008				
Gross revenue	1,453,259	51,592	3,269	–	1,508,120
Inter-segment eliminations	–	–	(2,579)	–	(2,579)
Net total revenue	1,453,259	51,592	690	–	1,505,541
Net operating expenses	1,399,135	15,159	–	–	1,414,294
Income (loss) before inter-segment eliminations	37,921	14,199	(1,236)	–	50,884
Inter-segment eliminations	2,579	–	(2,579)	–	–
Income (loss) from continuing operations	40,500	14,199	(3,815)	–	50,884
Discontinued operations – EnerVest	–	–	–	42,410	42,410
Discontinued operations – Real Estate	–	–	–	5,287	5,287
Net income (loss)	40,500	14,199	(3,815)	47,697	98,581

(in thousands of dollars)	Financial – Services Elbow River $	Oil & Gas $	Corporate $	Discontinued Operations $	Total $
	For the three months ended September 30, 2008				
Net total revenue	170,541	11,988	1	–	182,530
Net operating expenses	165,581	5,247	–	–	170,828
Income (loss) from continuing operations	1,147	(352)	(391)	–	404
Discontinued operations - EnerVest	–	–	–	3,844	3,844
Discontinued operations – Real Estate	–	–	–	231	231
Net income (loss)	1,147	(352)	(391)	4,075	4,479

(in thousands of dollars)	Financial – Services Elbow River $	Oil & Gas $	Corporate $	Discontinued Operations $	Total $
	For the nine months ended September 30, 2008				
Net total revenue	597,395	35,926	1	–	633,322
Net operating expenses	572,091	15,088	–	–	587,179
Income (loss) from continuing operations	12,342	(1,866)	(5,132)	–	5,344
Discontinued operations - EnerVest	–	–	–	11,166	11,166
Discontinued operations – Real Estate	–	–	–	971	971
Net income (loss)	12,342	(1,866)	(5,132)	12,137	17,481

(in thousands of dollars)	Financial – Services Elbow River $	Oil & Gas $	Corporate $	Discontinued Operations $	Total $
	September 30, 2008				
Selected balance sheet items					
Property and equipment	1,909	147,656	–	–	149,565
Intangibles and other assets	13,843	–	–	–	13,843
Goodwill	36,473	21,235	–	–	57,708
Total assets	511,127	185,104	46,858	55,920	799,009
Working capital (deficiency)	108,395	(4,318)	42,529	(14,789)	131,817
Liabilities of assets held for sale*	–	–	–	(26,510)	(26,510)

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

13. DISTRIBUTIONS

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

Cash Distributions Declared per Trust Unit Issued and Outstanding:

During the three and nine months ended September 30, 2008, the Trust declared distributions to the unitholders in the aggregate amount of $10,466,415 and $31,339,971, respectively (three and nine months ended September 30, 2007 - $10,421,893 and $31,229,531, respectively) in accordance with the following table::

Period covered	Date of Distribution	Per Unit $
January 1, 2008 to January 31, 2008	02/15/2008	0.0830
February 1, 2008 to February 29, 2008	03/17/2008	0.0830
March 1, 2008 to March 31, 2008	04/16/2008	0.0830
April 1, 2008 to April 30, 2008	05/15/2008	0.0830
May 1, 2008 to May 31, 2008	06/16/2008	0.0830
June 1, 2008 to June 30, 2008	07/15/2008	0.0830
July 1, 2008 to July 31, 2008	08/15/2008	0.0830
August 1, 2008 to August 31, 2008	09/15/2008	0.0830
September 1, 2008 to September 30, 2008	10/15/2008	0.0830

As at September 30, 2008, the Trust had cash distributions owing of $3,491,512 (December 31, 2007 - $3,476,327). These were paid on October 15, 2008.

14. SUBSEQUENT EVENTS

Elbow River ceases marketing of bio-diesel product

Due to changes in the competitive environment and the global financial crisis, the Trust has determined that Elbow River will cease to market bio-diesel product. As a result of this, an estimated charge of approximately $11,000,000 is expected to be incurred in the fourth quarter of 2008 as the Trust exits this product offering.

Special Distribution

As a result of its Strategic Review Committee process, the Trust has declared a Special Distribution to unitholders of $.60 per unit, payable on February 16, 2009 to those unitholders of record December 31, 2008.

CORPORATE INFORMATION

CORPORATE INFORMATION

Directors

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

Gary H. Dundas
VP Finance & CFO

David E. Butler (1,3,4)

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.
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer, LLP

Transfer Agent

Olympia Trust Company

OFFICERS & KEY PERSONNEL

Corporate Headquarters

William Gallacher, P.Eng
President & CEO

Gary Dundas, CMA, MBA
Vice President, Finance & CFO

Jill Koskimaki, BBA
Manager Bus. Development

Michelle O'Grady, CA
Controller

AVENIR OPERATING CORP.

Grant Leslie, P. Eng., COO

Bob Guy, VP Production

Debbie Carter, Controller

ELBOW RIVER MARKETING LP

Ed Malcolm, President

George Petropoulos, Mgr, LPG Mktg

REAL ESTATE MANAGEMENT

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OIL & GAS ABBREVIATIONS

Oil and Natural Gas Liquids

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

Natural Gas

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

Other

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

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