



AVENIR DIVERSIFIED INCOME TRUST

**Avenir Diversified Income Trust Announces Record Third Quarter 2008 Results, a Special Cash Distribution Payable to Unitholders and the Exiting from Marketing its Bio-Diesel Products**

November 14, 2008 News Release

AVENIR DIVERSIFIED INCOME TRUST ("Avenir Trust", TSX: AVF.UN) is pleased to announce:

- **Record financial and operational results** for the three and nine months ended September 30, 2008, and that it has filed the complete Management Discussion and Analysis and Unaudited Interim Consolidated Financial Statements on SEDAR. An electronic copy of these documents may be obtained on its SEDAR profile at [www.sedar.com](http://www.sedar.com) or on Avenir Trust's website [www.avenirtrust.com](http://www.avenirtrust.com). A summary of the results are provided in the table below.

<b>TOTAL CONSOLIDATED FINANCIAL SUMMARY</b>						
<i>(in thousands except for per unit amounts)</i>	<b>For the three months ended Sep 30</b>			<b>For the nine months ended Sep 30</b>		
	<b>2008<sup>4</sup></b>	<b>2007</b>	<b>% Change</b>	<b>2008<sup>4</sup></b>	<b>2007<sup>3</sup></b>	<b>% Change</b>
Total Revenue	\$598,286	\$182,530	228%	\$1,505,541	\$633,322	138%
Funds From Continuing Operations (FFCO) <sup>1,2</sup>	\$24,144	\$7,734	212%	\$49,736	\$28,122	77%
FFCO <sup>1,2</sup> Per Unit - Basic	\$0.57	\$0.19	200%	\$1.19	\$0.68	75%
Funds From Operations (FFO) <sup>1</sup>	\$25,200	\$13,212	91%	\$59,185	\$44,055	34%
FFO Per Unit <sup>1</sup> - 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 <sup>3</sup>	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 <sup>1</sup> (not incl. 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%

<sup>1</sup> Funds from continuing operations, funds from continuing operations per unit, funds from operations, funds from operations per unit and working capital (net debt) 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.

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

<sup>3</sup> Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from Operations.

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

- **A Special Distribution for Unitholders.** A cash distribution of \$0.60 per Trust Unit will be paid to Unitholders of record December 31, 2008, payable on February 16, 2009.
- **Exiting from marketing bio-diesel products.** Given a number of external factors affecting sales in the bio-diesel product segment of its Elbow River Marketing business, the Trust will be exiting from marketing this product. The global financial crisis, changing international government regulations and the competitive landscape that exists in the bio-diesel marketing industry, all play a factor in this decision.

## 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 marketing bio-diesel products 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 Avenir Trust.

Although commodity prices have weakened, our oil and gas operations remain 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, Avenir 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 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).

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

#### **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.

#### **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%.The

Financial Statements for the three and nine months ended September 30, 2008 are attached below, with detailed Financial Statements and the Management Discussion and Analysis available on the company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or the Trust's website at [www.avenirtrust.com](http://www.avenirtrust.com).

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***Forward Looking Statements***

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

## CONSOLIDATED BALANCE SHEETS

(unaudited)

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

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

For the	Three months ended		Nine months ended	
<i>(in thousands of dollars)</i>	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	\$	\$	\$	\$
		(restated)		(restated)
<b>REVENUE</b>				
Financial services revenue	558,165	170,652	1,440,214	597,371
Unrealized gain (loss) on financial instruments	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 gain (loss) on financial instruments	7,331	(713)	3,073	(784)
Total oil and gas revenue	24,500	11,988	51,592	35,926
Interest and other income	317	1	690	1
Total revenue	598,286	182,530	1,505,541	633,322
<b>EXPENSES</b>				
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	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	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 (expense)	(3,358)	1,544	454	(120)
Net income from continuing operations	40,862	404	50,884	5,344
Net income (loss) from discontinued operations – EnerVest	(328)	3,844	42,410	11,166
Net income from discontinued operations – Real Estate	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				
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				
Basic	0.23	0.10	1.14	0.29
Diluted	0.22	0.10	1.12	0.29
Net income per unit				
Basic	1.20	0.11	2.35	0.42
Diluted	1.18	0.11	2.32	0.41

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited)

For the	Three months ended		Nine months ended	
<i>(in thousands of dollars)</i>	September 30, 2008	September 30, 2007	September 30, 2008	September 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	40,169	(651)	(1,858)	(2,711)
Change in fair value of marketable securities	(725)	(580)	(675)	(250)
Other comprehensive income (loss)	39,444	(1,231)	(2,533)	(2,961)
Comprehensive income for the period	89,837	3,248	96,048	14,520

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

For the	Three months ended		Nine months ended	
<i>(in thousands of dollars)</i>	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	\$	\$	\$	\$
		(restated)		(restated)
<b>OPERATING ACTIVITIES</b>				
Net income from continuing operations	40,862	404	50,884	5,344
Add (deduct) non-cash items:				
Non-cash general and administrative	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 (gain) 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	(666)	(295)	(1,154)	(761)
Change in non-cash working capital	1,953	(8,384)	(73,200)	3,731
Cash provided by (used in) operating activities	26,487	4,533	(15,169)	47,025
<b>FINANCING ACTIVITIES</b>				
Issue of trust units, net of issue costs	567	300	962	586
Cash settlement of options	(13)	(5)	(18)	(11)
Distributions to unitholders	(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	(223)	(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)
<b>INVESTING ACTIVITIES</b>				
Sale of EnerVest assets	(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	8,899	—	8,899	—
Changes in non-cash working capital	688	408	840	850
Cash provided by (used in) investing activities	(1,422)	(8,525)	121,572	(20,216)
<b>Increase in cash during the period</b>	<b>22,492</b>	<b>73</b>	<b>22,099</b>	<b>665</b>
Cash, beginning of period	—	776	—	441
Change in cash of assets held for sale	126	65	519	(192)
<b>Cash, end of period</b>	<b>22,618</b>	<b>914</b>	<b>22,618</b>	<b>914</b>
<b>Cash interest paid</b>	<b>1,487</b>	<b>1,953</b>	<b>7,613</b>	<b>5,407</b>
<b>Cash taxes paid</b>	<b>127</b>	<b>213</b>	<b>384</b>	<b>649</b>