

AVENIR DIVERSIFIED INCOME TRUST

THIRD QUARTER 2009 FINANCIAL HIGHLIGHTS & REVIEW

TOTAL CONSOLIDATED FINANCIAL SUMMARY

| <i>(in thousands except for per unit amounts)</i> | For the three months ended Sept 30 | | | For the nine months ended Sept 30 | | |
|--|------------------------------------|-------------------|--------|-----------------------------------|-------------------|--------|
| | 2009 | 2008 ² | Change | 2009 | 2008 ² | Change |
| Total Revenue | \$165,243 | \$609,910 | (73%) | \$672,425 | \$1,521,578 | (56%) |
| Funds From Continuing Operations (FFCO) ¹ | \$9,981 | \$25,203 | (60%) | \$13,351 | \$52,267 | (74%) |
| FFCO Per Unit ¹ - Basic | \$0.24 | \$0.60 | (60%) | \$0.32 | \$1.25 | (74%) |
| Funds From Operations (FFO) ¹ | \$9,981 | \$25,200 | (60%) | \$13,351 | \$59,185 | (77%) |
| FFO Per Unit ¹ - Basic | \$0.24 | \$0.60 | (60%) | \$0.32 | \$1.41 | (77%) |
| Distributions | \$7,556 | \$10,466 | (28%) | \$26,517 | \$31,340 | (15%) |
| Distributions Per Unit - Basic | \$0.18 | \$0.25 | (28%) | \$0.63 | \$0.75 | (16%) |
| Net Income (loss) from continuing operations (NICO) | \$11,482 | \$50,721 | (77%) | \$3,678 | \$56,171 | (93%) |
| NICO Per Unit - Basic | \$0.27 | \$1.21 | (78%) | \$0.09 | \$1.34 | (93%) |
| Net Income (loss) | \$11,482 | \$50,393 | (77%) | \$3,678 | \$98,581 | (96%) |
| Net Income Per Unit - Basic | \$0.27 | \$1.20 | (78%) | \$0.09 | \$2.35 | (96%) |
| Total Assets | \$356,954 | \$799,009 | (55%) | \$356,954 | \$799,009 | (55%) |
| Working Cap. (Net Debt) excluding mortgages and assets held for sale | \$21,875 | \$147,100 | (85%) | \$21,875 | \$147,100 | (85%) |
| Mortgages | \$25,637 | \$40,798 | (37%) | \$25,637 | \$40,798 | (37%) |
| Wtd. Avg. Units Outstanding - Basic | 41,953,583 | 42,026,438 | 0% | 41,965,545 | 41,909,360 | 0% |
| Units Outstanding (including escrowed units) | 42,033,012 | 42,066,414 | 0% | 42,033,012 | 42,066,414 | 0% |

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

² Comparative periods have been restated to conform to current period presentation – specifically relating to the reclassification of the Real Estate Division as assets held and used.

Forward Looking Statements

Certain statements contained herein including, without limitation, financial and business prospects and financial outlook, the effect of government announcements, proposals and legislation, plans in its Oil and Gas Division regarding hedging, wells to be drilled, expected or anticipated production rates, timing of expected production increases, the weighting of production between different commodities, expected commodity prices, exchange rates, production expenses, transportation costs and other costs and expenses, maintenance of productive capacity and capital expenditures; plans in the Elbow River Marketing Limited Partnership ("Elbow River") business regarding plans for its ongoing Liquefied Petroleum Gas ("LPG") business and activities around the exit from marketing its bio-diesel product; plans in the Real Estate Division for the timing of selling assets and the nature of capital expenditures; and the timing and method of financing these businesses, may be forward looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential",

"continue", "targeted" and similar expressions may be used to identify these forward looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including, but not limited to, risks associated with oil and gas exploration: development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and the inability to retain drilling rigs and other services; risks associated with its Elbow River business including, but not limited to, counterparty risk in default, operational risks, hedging, access to credit, competitor risk, seasonality and impact of the global recession on overall economic activity; and risks associated with the Real Estate Division including, but not limited to the impact the overall economy has on valuations, future delinquencies, access to mortgages and impact on interest rates; as well as the risks associated with the Trust's incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" and elsewhere herein. The recovery and reserve estimates of Avenir's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

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

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

Message to Unitholders

The Trust's third quarter 2009 results were inline with expectations in what is typically one of the Trust's weaker quarters. For the quarter, net income was \$11.5 million, funds from operations were \$10.0 million and distributions were 76% of funds from operations within distribution payout ratio targets of 75%-80%. Of the funds from operations, the Oil and Gas Division provided approximately 55%, with approximately 35% coming from the Elbow River Marketing Group and about 10% from the Real Estate and Corporate Divisions. On a year over year basis, funds from operations are down 60% and net income is down 77% as the 2008 third quarter benefited from record oil and gas commodity prices, exceptional pre-collapse bio-diesel sales and an unusually large non-cash unrealized gain on financial instruments.

For the Oil and Gas Division, the main focus for the quarter was integrating the previously announced July 31, 2009 Ridgeback private company acquisition. The Trust added approximately 1.7 Mmboe of proved plus probable reserves based on an internally updated year-end 2008 McDaniel's reserve report and about 660 BOE per day of production. Production averaged 3,502 BOE per day for the quarter, up 4% from the 3,365 BOE per day averaged in the second quarter of 2009 as Ridgeback production was included for the final two months of the third quarter. Approximately 105 BOE/d of uneconomic natural gas production was shut-in during the quarter. Prices averaged \$61.41 per barrel for oil production and \$5.04 per Mcf of natural gas. It should be noted that the average unhedged price for natural gas in the quarter was about \$2.90 per Mcf. Given the weakness in the natural gas markets, the Trust continues to protect its cash flow with in excess of 50% of its natural gas production hedged at average prices of approximately \$6.90 per Mcf through to the end of 2010. Capital expenditures in the quarter were minimized due to the low natural gas price environment, however the Trust is moving ahead with an active fourth quarter which includes two oil prospects on the Ridgeback lands.

The Elbow River Marketing Group had a solid third quarter in its base LPG business as butane presales and spot arbitrage opportunities, especially in propane, led to results that were inline with expectations. In conjunction with the exit from the sale of bio-diesel product, Elbow continued to wrap-up any required filings and push forward with collecting the outstanding receivables. To that end, on October 27, 2009 subsequent the quarter end, Elbow River signed a settlement agreement with the joint venture partner whom Elbow River had undertaken legal proceedings against to collect outstanding bio-diesel proceeds and credits owing. The settlement, subject to certain final approvals, effectively allows Elbow River to recover approximately US \$4.7 million of outstanding receivables and receive assignment of US \$5.5 million of a promissory note scheduled to be collected over a fourteen month period. The recovery of the cash payment and note proceeds are still subject to some uncertainty, but Elbow River feels this is the best settlement available to them and is prepared to move forward. The other bio-diesel receivable still being collected is down to approximately US \$5.9 million and while Elbow River collects weekly payments, discussions continue to try to accelerate full payment prior to year-end.

During the third quarter 2009, the Real Estate Division sold the Cineplex theatre building in Red Deer for a small gain on gross proceeds of \$10.6 million at a cap rate of approximately 8.6%. The balance of the portfolio continues to be 100% leased and operates as expected. Although, the portfolio is not currently being marketed, with the improved real estate market, the Trust continues to respond to purchase inquiries.

Corporately the Trust continues to receive interest at 10% per annum on the outstanding \$25 million note receivable from the EnerVest sale in 2008. The note is expected to be paid prior to year-end. The Trust's balance sheet remains in good shape with approximately \$21.9 million in positive working capital (exclusive of mortgages), almost \$40 million in undrawn bank lines in the Oil and Gas Division and mortgages of approximately \$25.6 million in the Real Estate Division. Looking forward, the Trust is entering its strongest two quarters with forward markets indicating increased commodity prices for oil and gas and strong winter LPG presales in Elbow River. The Trust remains comfortable with its 75%-80% distribution payout ratio target and has begun to position the Trust with additional upside and opportunities as we look forward to 2011.

Submitted on behalf of the Board of Directors by:



William M. Gallacher, President & CEO

REVIEW OF FINANCIAL RESULTS

The Trust had net income from continuing operations for the quarter ended September 30, 2009 of \$11.5 million down 77% from \$50.7 million in the quarter ended September 30, 2008. Net income from continuing operations for the nine months ended September 30, 2009 was \$3.7 million down 93% from \$56.2 million for the nine months ended September 30, 2008. The net income for the quarter ended September 30, 2009 was \$11.5 million which is down 77% versus the \$50.4 million net income for the quarter ended September 30, 2008. Net income for the nine months ended September 30, 2009 was \$3.7 million which is down 96% versus the \$98.6 million net income for the same period ended September 30, 2008. The three and nine month net income was lower in 2009 due to the 2008 recognition of the gain on the sale of the EnerVest assets, the first quarter 2009 bio-diesel loss and the sale of a real estate property in the third quarter of 2008.

Funds from continuing operations were \$10.0 million for the three months ended September 30, 2009 down 60% from \$25.2 million in the comparable quarter in 2008. The decrease reflected very strong third quarter 2008 Elbow River results especially in bio-diesel and butane together with lower third quarter 2009 commodity prices for the Oil & Gas Division. Funds from continuing operations were \$13.4 million for the nine months ended September 30, 2009, down from \$52.3 million for the nine months ended September 30, 2008. The decrease in the nine month period is due to the 2009 first quarter bio-diesel loss in Elbow River and the lower commodity prices throughout 2009 for the Oil and Gas Division.

The Trust declared distributions of \$7.6 million (\$0.18 per unit) for the three months ended September 30, 2009 which is a decrease over the \$10.5 million (\$0.25 per unit) distributed for the three months ended September 30, 2008. The monthly distribution was reduced from \$0.083 per unit to \$0.06 per unit effective May 2009. The 2009 third quarter end payout ratio was 76% of funds from operations compared to 42% at September 30, 2008. For the nine months ended September 30, 2009 cash distributions were \$26.5 million. Removing the non-recurring charge of approximately \$22.0 million in Elbow River related to the bio-diesel losses in the first quarter of 2009, the funds from operations for nine months ended September 30, 2009 would have been \$35.4 million representing a 75% payout ratio.

REVIEW OF BUSINESS UNIT OPERATIONS

1. FINANCIAL SERVICES DIVISION

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

ELBOW RIVER MARKETING LP ("ELBOW RIVER")

LPG & Ethanol Segment

For the third quarter ended September 30, 2009, butane benefited from strong presales as well as some earlier than anticipated demand for refinery gasoline blending. Condensate markets continued to suffer from weak diluent demand from the Alberta Oil Sands however presales and trading opportunities provided support for this area. Propane activity exceeded expectations as excess supply allowed for better than typical buying opportunities. Ethanol was on budget based on steady returns from marketing agreements combined with some spot activity as discretionary blending economics were favorable throughout the quarter.

The fourth quarter is normally one of Elbow River's stronger quarters and is projected to meet expectations under normal business conditions. Propane demand is anticipated to be strong from crop drying demand however results will largely be determined by weather conditions. Butane will once again be supported by strong presales supplemented by seasonal refinery gasoline blending requirements. Incremental condensate demand for diluent usage in Alberta is not expected to pick up in the short term so new opportunities will be limited. Ethanol markets appear to be fairly steady and new Canadian mandates should bolster this area.

Funds from operations by quarter by line of business is noted below:

| | For the three months ended | | For the nine months ended | |
|----------------------------------|----------------------------|---------------|---------------------------|---------------|
| | Sept 30, 2009 | Sept 30, 2008 | Sept 30, 2009 | Sept 30, 2008 |
| <i>(in thousands of dollars)</i> | \$ | \$ | \$ | \$ |
| Funds from Operations | | | | |
| LPG | 3,339 | 5,923 | 17,138 | 10,710 |
| Bio-diesel * | 118 | 7,788 | (21,776) | 12,720 |
| Funds from Operations | 3,457 | 13,711 | (4,638) | 23,430 |

*Bio-diesel operations were wrapped up in early 2009

Bio-diesel Segment

For the current quarter, bio-diesel positively contributed \$0.1 million in cash flows. Expense claw backs and foreign exchange gains on hedging unwinds of \$0.3 million respectively, were offset by legal, accounting and administration costs of \$0.2 million. The legal and accounting costs were primarily driven by ongoing litigation against one bio-diesel counterparty in addition to audit and tax review charges

There remain two significant receivables at September 30 related to the biodiesel business as follows:

A settlement has been reached with one of the counterparties. Under this settlement, Elbow River expects to receive after fees, approximately US \$4.7 million in cash and an assignment of a promissory note, with Elbow River's portion of the note having a face value of approximately US \$5.5 million. The cash portion of the settlement is expected to be paid to Elbow River over the next 3 months, while the portion relating to the promissory note is scheduled to be paid in two installments, one on December 31, 2009 and the other on December 31, 2010. All of the funds Elbow River is scheduled to receive under the settlement remain subject to uncertainty. With respect to the cash funds, some of the funds are still in the process of being liquidated and paid over to Elbow River, and the funds also may be subject to subsequent challenge for 90 days after receipt by Elbow River. In addition, there may be collection risk with respect to the funds from the promissory note, and as such, Elbow River will continue to provide for an allowance against the US \$5.5 million promissory note receivable balance. Elbow River expects to provide a further update in its year-end disclosures.

In terms of the other remaining larger receivable, weekly payments are being received and discussions continue with the counterparty and their bank to collect the final \$5.9 million currently outstanding. The Trust believes this amount will be collected in full, albeit possibly over time.

2. OIL & GAS DIVISION

For the third quarter of 2009, the Oil and Gas Division averaged sales of 3,502 BOE per day was up 4% from the second quarter of 2009 average sales of 3,365 BOE per day and up 8% from the same period in 2008. In comparison to the second quarter of 2009, oil sales for the third quarter were up 15% or 195 barrels per day while gas sales were down 3% or 348 Mcfd. The overall increase to the Trust's production was due to the corporate acquisition of Ridgeback Exploration Ltd. ("Ridgeback") which positively impacted August and September sales volumes. The gas production for the quarter was slightly lower due to natural declines in the new Cadomin development at Noel as well as from the shut-in of uneconomic gas wells. Exit production for the third quarter of 2009 was approximately 3,600 BOE per day with 105 BOE per day of uneconomic gas production shut-in. The Trust continues to evaluate the shut-in gas wells and will resume production depending on winter gas pricing.

Total gross revenue from petroleum and natural gas sales in the third quarter was \$14.0 million up 8% from \$13.2 million in the second quarter of 2009 due primarily to higher volumes. The average price received for crude oil and natural gas liquids during the third quarter was \$61.41 per barrel after hedging. Natural gas pricing for the third quarter of 2009 was \$5.04 per Mcf representing an 83% premium to the average market spot gas price of \$2.90 per Mcf during the period. The Trust hedged 56% of gas sales in Q3 of 2009 at an average price of \$6.90 per Mcf.

Oil and gas operating expenses decreased in the third quarter of 2009 by 10% from the second quarter of 2009 to a total of \$4.8 million as a result of cost reduction initiatives at the field level, lower power costs and the addition of lower cost production from the Ridgeback acquisition. The unit operating expense for the Trust was \$15.00 per BOE for the third quarter of 2009 compared to \$16.74 per BOE for nine months ended September 30, 2009. The unit operating costs for the Trust are projected to be consistent with the year to date costs at \$16.75 per BOE for the remainder of 2009.

The total third quarter net capital expenditures by the Trust were \$1.7 million on development activities, \$0.7 million on seismic and \$21.5 million on corporate acquisitions. As expected, activity in the third quarter was restricted to 3 gross (1.3 net) new drills combined with recompletion and optimization projects. Within the Cadomin development focus area of Noel, the Trust acquired 112 square kilometers of 3D seismic covering the majority of the newly acquired lands to expedite the selection of drilling locations for the spring 2010 Cadomin development program.

The primary focus of Trust in the third quarter of 2009 was the closing and integration of the Ridgeback Exploration corporate acquisition on July 31, 2009. The transaction involved the Trust purchasing 660 BOED of production in the Peace River Arch comprised of 35% light and medium oil. The acquisition provides the Trust with a new core area with an undeveloped land base of 50,000 net acres and 1.7 million BOE proved plus probable reserves based on internal estimates. Based on an the final acquisition cost of \$22.0 million including the repayment of bank loans adjusted for land and seismic value and including future development capital, the Trust acquired the production and reserves for \$29,700 per BOED and \$11.50 per BOE on a proved plus probable basis. The new assets will be managed within the current staff complement of the Trust's Oil and Gas Division.

For remainder of 2009, the Trust plans to participate in 5 gross (3.5 net) wells in Central Alberta and the Peace River Arch including 2 wells on the newly acquired lands from the corporate acquisition. The Trust will balance the remaining development activity in 2009 between oil and gas opportunities based on commodity pricing and the ability of the Trust to participate in the Alberta royalty drilling credit initiative. The capital development programs for the balance of the year are expected to be approximately \$4.0 to \$5.0 million.

3. REAL ESTATE DIVISION

Funds from operations decreased for the quarter ended September 30, 2009 to \$0.8 million compared to \$1.1 million for the quarter ended September 30, 2008. The decrease in revenue is attributable to the lost revenue from properties that have been sold over the past year.

The portfolio is currently 100% leased. Operationally the real estate division is performing within the expected budget for the 2009 fiscal year with the exception of any lost revenue from properties that have sold during the year.

As reported in the second quarter as a subsequent event, the Trust closed on the sale of the Cineplex Theatre property in Red Deer in the third quarter of 2009. The property was sold at a cap rate of approximately 8.6% and the Trust realized a gain on sale of \$0.2 million. The Trust also reported in the second quarter 2009 that the Landmark Theatre property in Hinton, Alberta was damaged by a significant fire. In the third quarter of 2009, Landmark Cinemas purchased the property back from the Trust. The Trust realized a small gain on the sale of this property.

While the balance of the portfolio is no longer listed for sale, the Trust continues to entertain unsolicited offers received for individual properties.

The Trust's Management Discussion and Analysis follows.

MANAGEMENT'S DISCUSSION AND ANALYSIS for the three and nine months ended Sept 30, 2009 should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2009 and the audited consolidated financial statements for the year ended December 31, 2008 and the management discussion and analysis thereto. This management discussion and analysis relates to events up to November 10, 2009.

Forward Looking Statements

Certain statements contained herein including, without limitation, financial and business prospects and financial outlook, the effect of government announcements, proposals and legislation, plans in its Oil and Gas Division regarding hedging, wells to be drilled, expected or anticipated production rates, timing of expected production increases, the weighting of production between different commodities, expected commodity prices, exchange rates, production expenses, transportation costs and other costs and expenses, maintenance of productive capacity and capital expenditures; plans in the Elbow River Marketing Limited Partnership ("Elbow River") business regarding plans for its ongoing Liquefied Petroleum Gas ("LPG") business and activities around the exit from marketing its bio-diesel product; plans in the Real Estate Division for the timing of selling assets and the nature of capital expenditures; and the timing and method of financing these businesses, may be forward looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", "targeted" and similar expressions may be used to identify these forward looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including, but not limited to, risks associated with oil and gas exploration: development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and the inability to retain drilling rigs and other services; risks associated with its Elbow River business including, but not limited to, counterparty risk in default, operational risks, hedging, access to credit, competitor risk, seasonality and impact of the global recession on overall economic activity; and risks associated with the Real Estate Division including, but not limited to the impact the overall economy has on valuations, future delinquencies, access to mortgages and impact on interest rates; as well as the risks associated with the Trust's incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" and elsewhere herein. The recovery and reserve estimates of Avenir's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

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

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

Non-GAAP Financial Measures

Funds from continuing operations, funds from continuing operations per unit, funds from operations, funds from operations per unit, net back and working capital (net debt) are not recognized measures under Canadian generally accepted accounting principles (GAAP). Funds from operations is calculated by taking cash provided by operating activities on the statement of cash flows adjusted for the effect of changes in non-cash working capital and asset retirement costs incurred. See page 12 for the quantitative reconciliation of funds from operations. Working capital (net debt) is calculated by taking current assets less current liabilities excluding balances relating to assets held for sale and adding back current portion of mortgages. Operating netbacks per BOE equal total petroleum and natural gas revenue net of transportation expenses and realized gains on commodity contracts per BOE less royalties per BOE and operating expenses per BOE. Operating netbacks as used in the MD&A do not have any standardized meaning under GAAP and therefore may not be comparable with the calculation of similar measures of other entities. Operating netbacks are a useful measure to compare the Trust's operations with those of its peers). Management believes that these measures are useful supplemental measures to analyze operating performance as they demonstrate the Trust's ability to generate the funds from operations necessary to fund future distributions and capital investments. The Trust's method of calculating these measures may differ from other issuers, and accordingly, they may not be comparable to measures used by other issuers. Investors should be cautioned that these measures should not be construed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from operations.

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

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

Significant Events for the Quarter

- Oil and Gas Division's acquisition of Ridgeback Exploration Ltd. ("Ridgeback") a private company which added approximately 660 BOE per day and 1.7 MBOE of reserves effective August 1, 2009.
- Sale of the Red Deer Cineplex building closed on August 12, 2009 for gross proceeds of approximately \$10.6 million including the adjacent undeveloped land.

Outlook

The Trust's Oil and Gas Division, LPG Marketing business and Real Estate Division continue to perform very well operationally as we head into the Trust's traditionally stronger winter months. The Oil and Gas Division will benefit from a full quarter of cash flow from the Ridgeback properties and oil and gas prices have improved from third quarter levels. Natural gas pricing, although improved from the third quarter lows, continue to benefit from strong hedge positions that provide cash flow support on greater than 50% of the Trust's natural gas production through to the end of 2010. Drilling expenditures for the upcoming quarter will include two oil prospects on the newly acquired Ridgeback lands, while the North East British Columbia Cadomin natural gas program has been deferred into 2010 as funds are allocated to higher netback oil projects. The onset of colder weather has begun to provide Elbow River with winter arbitrage opportunities to supplement strong LPG presales for the next two quarters and real estate continues to be 100% leased.

The Trust looks to continue paying distributions within its target 75%-80% payout ratio from funds from operations while at the same time trying to add upside growth opportunities as we move forward toward 2011. Based on current pricing forecasts, hedges and presales, the Trust is well positioned to meet its current distribution target.

Selected Quarterly Information

| | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sept 30 | Jun 30 | Mar 31 | Dec 31 |
|---|---------|---------|----------|----------|---------|---------|---------|---------|
| <i>(in thousands of \$ except per unit amounts)</i> | 2009 | 2009 | 2009 | 2008 | 2008 | 2008 | 2008 | 2007 |
| Total Revenue | 165,243 | 136,713 | 370,470 | 709,145 | 609,910 | 471,990 | 439,677 | 214,549 |
| Net (Loss) Income from continuing operations | 11,482 | (184) | (7,621) | (96,103) | 50,721 | 3,420 | 2,030 | 9,191 |
| Net (Loss) Income from continuing operations per unit - basic | 0.27 | 0.00 | (0.18) | (2.28) | 1.21 | 0.08 | 0.05 | 0.22 |
| Net (Loss) Income | 11,482 | (184) | (7,621) | (96,067) | 50,393 | 43,033 | 5,155 | 9,910 |
| Net (Loss) Income per unit - basic | 0.27 | 0.00 | (0.18) | (2.28) | 1.20 | 1.03 | 0.12 | 0.24 |
| Funds (used in) from continuing operations | 9,981 | 13,245 | (10,056) | (34,160) | 25,203 | 11,064 | 15,999 | 5,168 |
| Funds (used in) from continuing operations per unit - basic | 0.24 | 0.32 | (0.24) | (0.81) | 0.60 | 0.26 | 0.38 | 0.12 |
| Funds (used in) from Operations | 9,981 | 13,425 | (10,056) | (34,160) | 25,200 | 13,714 | 20,271 | 9,557 |
| Funds (used in) from Operations per unit - basic | 0.24 | 0.32 | (0.24) | (0.81) | 0.60 | 0.33 | 0.49 | 0.23 |
| Monthly Distributions paid | 7,556 | 8,509 | 10,452 | 10,486 | 10,466 | 10,442 | 10,432 | 10,429 |
| Monthly Distributions per unit - basic | 0.18 | 0.20 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Total Assets | 356,954 | 358,023 | 393,964 | 522,228 | 799,009 | 666,632 | 654,658 | 597,777 |

Net Income

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

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|---------------|---------------------------|---------------|
| | Sept 30, 2009 | Sept 30, 2008 | Sept 30, 2009 | Sept 30, 2008 |
| <i>(in thousands of dollars)</i> | \$ | \$ | \$ | \$ |
| Net Income (loss) | | | | |
| Financial Services – Elbow River | 9,488 | 33,047 | 1,424 | 40,500 |
| Oil and Gas | 1,140 | 9,680 | (825) | 14,199 |
| Real Estate | 1,082 | 9,859 | 3,758 | 5,287 |
| Corporate | (229) | (1,865) | (679) | (3,815) |
| Net Income (loss) from continuing operations | 11,482 | 50,721 | 3,678 | 56,171 |
| Discontinued Ops. – EnerVest | -- | (328) | -- | 42,410 |
| Net Income (loss) | 11,482 | 50,393 | 3,678 | 98,581 |

Net income from continuing operations for the three months ended September 30, 2009 was \$11.5 million down 77% from net income of \$50.7 million in the three months ended September 30, 2008, due to lower commodity prices in the Oil & Gas Division and lower unrealized gains on financial instruments in the third quarter of 2009 and high initial bio-diesel income in Elbow River in the third quarter of 2008. Net income from continuing operations for the nine months ended September 30, 2009 was \$3.7 million down 93% from net income of \$56.2 million for the nine months ended September 30, 2008, reflecting the impact of lower 2009 oil and gas commodity prices and the first quarter 2009 loss in Elbow River's bio-diesel business versus bio-diesel income in the first three quarters of 2008.

The net income for the three months ended September 30, 2009 was \$11.5 million which is down 77% versus the \$50.4 million net income for the three months ended September 30, 2008. Net income for the nine months ended September 30, 2009 was \$3.7 million which is down 96% versus the \$98.6 million net income for the same period ended September 30, 2008. The three and nine month net income was lower in 2009 due to the 2008 recognition of the gain on the sale of the EnerVest assets, the first quarter 2009 bio-diesel loss and the sale of real estate properties since the third quarter of 2008.

1. Financial Services – Elbow River

The decrease in net income in the Financial Services Division from \$33.0 million in the third quarter of 2008 to net income of \$9.5 million in the third quarter of 2009 reflects a large unrealized 2008 gain in financial instruments and strong 2008 bio-diesel income. The decrease to \$1.4 million for the nine months ended September 30, 2009, compared to \$40.5 million in the same period in 2008, is due mainly to the first quarter 2009 Elbow River bio-diesel exit and subsequent losses versus strong initial bio-diesel income over the first three quarters of 2008 and larger 2008 unrealized gains on financial instruments.

2. Oil & Gas Division

The Oil & Gas Division had net income of \$1.1 million for the three months ended September 30, 2009 versus 2008 net income of \$9.7 million. For the nine months ended September 30, 2009 the net loss was \$0.8 million compared to \$14.2 million net income for the nine months ended September 30, 2008. The year over year difference is largely due to lower 2009 commodity prices and unrealized gains and losses on hedges. For the three months ended September 30, 2009 the Trust had an unrealized gain of \$0.8 million versus an unrealized gain of \$7.3 million for the third quarter 2008. For the nine months ended September 30, 2009 the Trust had an unrealized loss of \$2.5 million versus an unrealized gain of \$3.1 million in 2008. As well, the 2009 numbers were impacted by lower commodity pricing versus the 2008 periods.

3. Real Estate

The net income for the quarter ended September 30, 2009 totalled \$1.1 million compared to net income of \$9.9 million in the quarter ended September 30, 2008. The 2008 net income number included a significant gain from the sale of the Harris Building, which occurred in third quarter of 2009. The balance of the difference from 2008 is due to the gain on sale realized by the Trust on the sale of the Cineplex Theatre in Red Deer and the sale of the Landmark Theatre in Hinton in the third quarter of 2009, offset by the loss in revenue from properties that have sold over the past year.

Funds from Operations

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|---------------|---------------------------|---------------|
| | Sept 30, 2009 | Sept 30, 2008 | Sept 30, 2009 | Sept 30, 2008 |
| <i>(in thousands of dollars)</i> | \$ | \$ | \$ | \$ |
| Funds from Operations | | | | |
| Financial Services – Elbow River | 3,457 | 13,704 | (4,638) | 23,423 |
| Oil and Gas | 5,493 | 10,638 | 15,299 | 28,369 |
| Real Estate | 760 | 1,059 | 2,188 | 2,531 |
| Corporate | 271 | (198) | 502 | (2,056) |
| Funds from continuing operations | 9,981 | 25,203 | 13,351 | 52,267 |
| Discontinued Ops. – EnerVest | -- | (3) | -- | 6,918 |
| Funds from Operations | 9,981 | 25,200 | 13,351 | 59,185 |

Funds from continuing operations were \$10.0 million for the three months ended September 30, 2009 down 60% from \$25.2 million in the comparable quarter in 2008. The decrease reflected very strong third quarter 2008 Elbow River results especially in bio-diesel and butane along with lower third quarter 2009 commodity pricing for the Oil & Gas Division. Funds from continuing operations were \$13.4 million for the nine months ended September 30, 2009, down 74% as funds from operations for the nine months ended September 30, 2008 were \$52.3 million. The decrease is due to the first quarter 2009 bio-diesel write-offs in the Elbow River business and the lower commodity prices in the first nine months of 2009 for the Oil and Gas Division as compared to the same period in 2008.

Cash Distributions

i. Cash Distribution Policy

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

ii. Regular Monthly Cash Distributions

The Trust distributed \$7.6 million or \$0.18 per unit in regular monthly distributions for three months ended September 30, 2009 versus \$10.5 million or \$0.25 per unit in 2008. Effective with the May 2009 monthly distribution, the Trust reduced its monthly distribution to \$0.06 per unit from \$0.083 per unit. This distribution decrease, the first in the Trust's six year history, was required to preserve the Trust's balance sheet and to return the Trust's payout ratio to a level the Board of Directors was comfortable with in view of the large bio-diesel losses in late 2008 and early 2009 and the continued low natural gas price environment.

iii. Distribution Discussion

For the three months ended September 30, 2009, cash provided by operating activities was \$9.6 million compared to the \$7.6 million of monthly cash distributions paid. Previously, cash from the EnerVest sale was allocated to bio-diesel funding and additional bank lines were put in place to support the working capital requirements of the bio-diesel program and in the first quarter 2009, the working capital and bank lines were reduced inline with the exit from the marketing of bio-diesel product. As such, when comparing the distributions declared to the cash flow from operating activities it would be possible to be in a shortfall or an excess position largely depending on the changes in non-cash working capital. Changes in non-cash working capital are funded by or from available cash, or bank facilities and all monthly distributions declared are funded by the cash flow of the Trust. Changes in non-cash working capital also vary based on seasonality, timing of development activities and from debt used in our operating activities.

The Trust manages its distributions based on the funds from operation of its core businesses of Oil and Gas, LPG marketing and Real Estate. In determining the monthly distributions, the losses on the exit from the bio-diesel investment were funded from the working capital and gains on the sale of the EnerVest assets. In effect, the EnerVest gain supported the bio-diesel investment. For the three months ended September 30, 2009, cash distributions of \$7.6 million were 66% of the net income of \$11.4 million, reflecting non-cash unrealized gains in financial instruments and foreign exchange and other non-cash charges. For the nine months ended September 30, 2009 the impact of the large first quarter bio-diesel exit losses were funded from working capital not funds from operations. Distributions typically exceed net income as a result of non-cash expenses such as unrealized gains or losses on financial instruments, non-cash impairments, depletion, depreciation and amortization, accretion, future income tax expense, and stock-based compensation. These non-cash expenses result in a reduction to net income, with no impact to cash flow from operating activities. Accordingly, we expect that distributions will exceed net income in most periods. In assessing the level of monthly distributions to be paid to the Unitholders the Trust will review the cash provided by operating activities prior to the adjustment for non-cash working capital and asset retirement costs incurred during the period, which is referred to as funds from operations. The Trust's policy is to target to distribute approximately 75% to 80% of total funds from operations. The decrease in distributions in May 2009 reflected the Trust adjusting distributions to this policy level. For the third quarter, distributions represented 76% of total funds from operations in what is traditionally a weaker quarter for the Trust

For the nine months ended September 30, 2009 cash distributions of \$26.5 million exceeded the \$13.4 million funds provided by operations, due to the loss on the wind-up of the bio-diesel product in the first quarter of 2009. Historically, the difference between the funds from operations and the cash distributions paid out is generally reinvested back into the businesses for internally generated growth and to maintain oil and gas

production levels. In this case however, with the distributions exceeding funds from operations, the cash was effectively provided out of the proceeds on the sale of the EnerVest Management contract. Removing the non-recurring charge of approximately \$22.0 million in Elbow River related to the bio-diesel losses, the funds from operations for nine months ended would have been \$35.4 million representing a 75% payout ratio.

iv. Distributable Cash from Operations

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

Distributable cash from operations for the three and nine months ended September 30, 2009 are calculated as follows:

| (in thousands of dollars) | For the three months ended | | For the nine months ended | |
|---|----------------------------|--------------------|---------------------------|--------------------|
| | Sep 30, 2009 \$ | Sep 30, 2008 \$ | Sep 30, 2009 \$ | Sep 30, 2008 \$ |
| Cash provided by (used in) operating activities | 9,572 | 26,488 | 136,817 | (15,170) |
| Settlement of asset retirement obligations | 78 | 666 | 329 | 1,154 |
| Changes in non-cash working capital relating to operating activities | 331 | (1,954) | (123,795) | 73,201 |
| Funds provided by operations | 9,981 | 25,200 | 13,351 | 59,185 |
| Cash (available) used to fund distributions, capital expenditures or growth | (2,425) | (14,734) | 26,581 | (27,845) |
| Distributable cash from operations | 7,556 | 10,466 | 26,517 | 31,340 |
| Cash distributions declared and payable | 2,522 | 3,492 | 2,522 | 3,492 |
| Cash distributions paid in period | 5,034 | 6,974 | 23,995 | 27,848 |
| Accumulated cash distributions paid and payable for the period | 7,556 | 10,466 | 26,517 | 31,340 |

v. Cash Distributions Declared

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

| Period covered | Date of Distribution | Per Unit \$ |
|---|----------------------|-------------|
| January 1, 2009 to January 31, 2009 | 02/16/2009 | 0.083 |
| February 1, 2009 to February 29, 2009 | 03/16/2009 | 0.083 |
| March 1, 2009 to March 31, 2009 | 04/15/2009 | 0.083 |
| April 1, 2009 to April 30, 2009 | 05/15/2009 | 0.083 |
| May 1, 2009 to May 31, 2009 | 06/15/2009 | 0.06 |
| June 1, 2009 to June 30, 2009 | 07/15/2009 | 0.06 |
| July 1, 2009 to July 31, 2009 | 08/17/2009 | 0.06 |
| August 1, 2009 to August 31, 2009 | 09/15/2009 | 0.06 |
| September 1, 2009 to September 30, 2009 | 10/15/2009 | 0.06 |

Revenue & Operating Expenses

1. Financial Services Division– Elbow River

i. Revenue

The Trust recognized revenue in the Financial Services Division of \$150.7 million for the three months ended September 30, 2009 and \$631.6 million for the nine months ended September 30, 2009 down 74% for the quarter and down 57% for the nine months ended (three and nine months ended September 30, 2008 \$573.5 million and \$1,453.3 million, respectively). The majority of the decrease in the quarter and nine month period is due to Elbow River exiting from the sale of bio-diesel. Elbow River is a high revenue low margin (2.0% - 5.0%) brokerage marketing business.

ii. Operating Costs

The Trust's operating costs for Financial Services Division for the three and nine months ended September 30, 2009 were \$138.0 million and \$614.7 million compared to \$536.3 and \$1,399.1 million for the three and nine months ended September 30, 2008. The decrease in operating costs is due to the matching of bio-diesel and natural gas liquids product costs, corresponding to the decreased bio-diesel revenues in Elbow River (see the explanation above in 1(i)).

2. Oil & Gas Division

| | For the three months ended | | | For the nine months ended | | |
|-------------------------------------|----------------------------|---------------|----------|---------------------------|---------------|----------|
| | Sept 30, 2009 | Sept 30, 2008 | % Change | Sept 30, 2009 | Sept 30, 2008 | % Change |
| OIL & GAS OPERATIONS | | | | | | |
| Production | | | | | | |
| Oil and NGL's – bbls per day | 1,475 | 1,495 | (1)% | 1,403 | 1,546 | (9)% |
| Gas – Mcf per day | 12,162 | 10,393 | 17% | 11,918 | 10,264 | 16% |
| Total BOE ³ per day | 3,502 | 3,228 | 8% | 3,390 | 3,257 | 4% |
| Average Pricing | | | | | | |
| Oil & NGL (\$/Bbl) after hedging | \$61.41 | \$94.16 | (35)% | \$56.94 | \$83.36 | (32)% |
| Natural Gas (\$/Mcf) after hedging | \$5.04 | \$8.35 | (40)% | \$5.55 | \$8.34 | (33)% |
| Average Price Per BOE after hedging | \$42.01 | \$69.66 | (40)% | \$41.95 | \$65.05 | (36)% |

i. Revenue and Production

For the quarter ended September 30, 2009, oil and gas revenue totaled \$14.0 million compared to \$20.9 million for the same period in 2008. This decrease is due to the 40% decrease in realized after hedge oil and natural gas pricing during the third quarter of 2009. The oil and gas revenue for the nine month period ending September 30, 2009 was down 32% to \$39.9 million from \$58.8 million in the same period in 2008 due to a 36% decrease to the average realized price per barrel equivalent after hedging. Transportation costs for the nine months ended September 30, 2009 were \$1.1 million versus \$0.7 million for the nine months ended September 30, 2008 due to higher gas production volumes.

Revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) for the quarter ended September 30, 2009 was \$12.4 million down 50% compared to the quarter ended September 30, 2008 at \$24.5 million. The average price received for petroleum and natural gas sales during the third quarter of 2009 was \$42.01 per BOE a decrease of 40% versus \$69.66 per BOE received in Q3 of 2008. The average price received for crude oil and natural gas liquids during the quarter ended September 30, 2009 was \$61.41 per BOE representing a decrease of 35% over the \$94.16 per BOE received for the same period of 2008. Natural gas pricing for the quarter ended September 30, 2009 was \$5.04 per Mcf versus \$8.35 per Mcf for 2008. The natural gas pricing received for unhedged production for the quarter was \$2.90 per Mcf.

For the nine months ending September 30, 2009, revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) was \$32.0 million compared to \$51.6 million for the same period in 2008. The average price received for petroleum and natural gas sales during the first nine

months of 2009 was \$41.95 per BOE a decrease of 36% versus \$65.05 per BOE received in Q3 of 2008. The average price received for crude oil and natural gas liquids during the nine months ended September 30, 2008 was \$56.94 per BOE a decrease of 32% over the \$83.36 per BOE received for the same period of 2008. Natural gas pricing for the nine months ended September 30, 2009 was \$5.55 per Mcf versus \$8.34 per Mcf for 2007.

The Trust's Oil and Gas Division hedges a portion of its production to add stability to its distributions, guard against fluctuations in commodity prices and support acquisition economics. As a result, the Trust recorded a realized financial hedging gain of \$0.3 million for the quarter ended September 30, 2009 versus \$0.8 million for the third quarter of 2008. In addition, the accounting treatment of oil and gas swap transactions requires the Trust to recognize an unrealized loss of \$2.5 million for the change in the mark-to-market position on existing contracts at September 30, 2009 versus an unrealized loss of \$2.6 million for the change in mark-to-market position as at June 30, 2009.

Average daily sales volume for the quarter ended September 30, 2008 was 3,502 BOE per day up 8% over the third quarter 2008 production of 3,228 BOE per day while the sales volume for the first nine months of 2009 was up 4% to 3,390 BOE per day compared to 3,257 BOE per day in the same period of 2008. Third quarter 2009 production consisted of 1,475 Bbls per day of crude oil and natural gas liquids and 12,162 Mcf per day of natural gas compared to 1,495 Bbls per day and 10,393 Mcf per day for the quarter ended September 30, 2008. Natural gas production in the first nine months of 2009 was 16% higher than the first nine months of 2008 at 11,918 Mcf per day versus 10,264 Mcf per day. Oil and natural gas liquids sales were down 9% in the first nine months of 2009 at 1,403 Bbls per day as compared to 1,546 Bbls per day for the same period in 2008. The increase in natural gas production was due to the Cadomin development programs in the Noel area and the Ridgeback acquisition. The slight crude and natural gas liquids decrease reflects normal field declines from limited capital spending on oil projects in the past year offset by increased volumes from the Ridgeback acquisition.

ii. Royalties

The Trust's royalty cost for the quarter ended September 30, 2009 was \$2.0 million or 15% of revenue compared to \$3.5 or 15% of revenue for the third quarter of 2008. Similarly, the royalty cost for the first nine months of 2009 was \$4.4 million down 54% from \$9.5 million in the first nine months of 2008 reflecting lower 2009 commodity prices. On a BOE basis, royalty costs averaged \$4.74 per BOE for the first nine months of 2008, which is down 57% from \$10.98 per BOE over the same period of 2008.

iii. Operating Expenses

The Trust's operating costs for the quarter ended September 30, 2009 were \$4.8 million or \$15.00 per BOE compared to \$5.4 million or \$18.09 per BOE for the quarter ended September 30, 2008. On a BOE basis, operating costs averaged \$16.74 per BOE for the first nine months of 2009 which is down 1% from the \$16.99 per BOE over the same period of 2008. The decrease in operating expenses for the third quarter is due to an overall focus on cost reduction at the field level combined with lower power prices and the addition of the lower cost production from the Ridgeback acquisition for the final two months of the quarter.

iv. Netbacks

| | 2009 | | | 2008 | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q3 \$/BOE | Q2 \$/BOE | Q1 \$/BOE | Q4 \$/BOE | Q3 \$/BOE | Q2 \$/BOE | Q1 \$/BOE |
| Gross revenue after hedging | 42.01 | 42.00 | 41.82 | 48.61 | 69.66 | 68.93 | 58.60 |
| Royalties | 6.26 | 4.22 | 3.63 | 6.49 | 11.84 | 10.87 | 9.37 |
| Operating costs | 15.00 | 17.55 | 17.79 | 18.18 | 18.09 | 16.88 | 16.01 |
| Operating netback | 20.75 | 20.23 | 20.40 | 23.94 | 39.73 | 41.18 | 31.42 |

3. Real Estate Division

i Revenue

The revenue from the Real Estate business unit for the three months ended September 30, 2009 was \$1.5 million compared to \$11.6 million for the quarter ended 2008 down 87%. For the nine months ended September 30, 2009 revenue was \$7.2 million compared to \$16.0 million for the same period in 2008. 2008 revenues included a significant gain from the sale of the Harris Building, which occurred in third quarter of 2008. The balance of the difference from 2008 is due to the gain on sale realized by the Trust on the sale of the Cineplex Theatre in Red Deer and the sale of the Landmark Theatre in Hinton in the third quarter of 2009, offset by the loss in revenue from properties that have sold over the past year. Currently the Real Estate portfolio is 100% leased.

ii. Operating Costs

The Trust's operating costs for the Real Estate Division for the three months ended September 30, 2009 were \$0.1 million compared to \$0.4 million for the three months ended September 30, 2008. For the nine months ended September 30, 2009 operating costs were \$1.0 million compared to \$1.7 million for the same period in 2008. The decrease in operating costs for the nine month period of 2009 compared to the same period in the previous year is a result of the sale of properties since the third quarter of 2008.

iii. Interest on long-term debt and Mortgages

Total mortgage interest for the three months ended September 30, 2009 was \$0.4 million compared to \$0.6 million in 2008. For the nine months ended September 30, 2009 total mortgaged interest was \$1.4 million compared to \$1.9 million in 2008. The change in the interest expense was due to interest saved on sold properties.

| September 30, 2009 | | | |
|----------------------------------|---------------|--------------------------------|---------|
| <i>(in thousands of dollars)</i> | Interest Rate | Maturity | \$ |
| Magee | 5.73% | Oct 31/09 | 3,479 |
| Snidercroft | 5.70% | Aug 1/14 | 3,019 |
| KFC | 5.96% | Aug 1/11 | 7,622 |
| KFC | 5.90% | Mar 1/12 | 1,824 |
| Landmark | 3.81% | Nov 1/11 | 9,693 |
| | | | 25,637 |
| | | Current portion of mortgages | (4,081) |
| | | Long-term portion of mortgages | 21,556 |

Mortgages were renewed on the Sunbelt and Cineplex buildings during the year both of which have subsequently been sold. Subsequent to September 30, 2009 the Magee mortgage was renewed for a one year period with an interest rate of 4.25%

General and Administrative Expenses

General and administrative ("G&A") expenses for the three months ended September 30, 2009 were \$5.1 million (which included corporate costs of \$0.8 million) compared to \$9.1 million (which included corporate costs of \$0.8 million) for the three months ended September 30, 2008, reflecting higher 2008 Elbow River quarterly employee incentive costs and continued increased legal and accounting fees associated with the bio-diesel exit in Elbow River. For the nine months ended September 30, 2009 G&A expenses totaled \$15.7 million (which included corporate costs of \$2.1 million) compared to \$20.2 million (which included corporate costs of \$3.3 million) for the first nine months of 2008 reflecting lower 2009 employee incentive costs in Elbow River. G&A expenses for the respective divisions for the third quarter of 2009 were: \$3.1 million for Financial Services (Q3 2008: \$7.5 million), \$1.1 million for Oil and Gas (Q3 2008: \$0.9 million) and \$0.1 million for Real Estate (Q3 2008: \$0.1 million). G&A expense has remained relatively flat for the nine months ended September 30, 2009.

Bad Debt Expense

There was no additional bad debt expense recognized in the third quarter of 2009 in regard to the Trust's exit from marketing bio-diesel products in the first quarter. The Trust pursued all legal avenues available to recover the large bad debt from a bio-diesel counterparty as reported in the Trust's 2008 year end report. Subsequent to the end of the third quarter, on October 27, 2009 a settlement was reached with this bio-diesel counterparty. Under this settlement, Elbow River expects to receive after fees, approximately US \$4.7 million in cash and an assignment of a promissory note, with Elbow River's portion of the note having a face value of approximately US \$5.5 million. The cash portion of the settlement is expected to be paid to Elbow River over the next 3 months, while the portion relating to the promissory note is scheduled to be paid in two installments, one on December 31, 2009 and the other on December 31, 2010. All of the funds Elbow River is scheduled to receive under the settlement remain subject to uncertainty. With respect to the cash funds, some of the funds are still in the process of being liquidated and paid over to Elbow River, and the funds also may be subject to subsequent challenge for 90 days after receipt by Elbow River. In addition, there may be collection risk with respect to the funds from the promissory note, and as such, Elbow River will continue to provide for an allowance against the US \$5.5 million promissory note receivable balance. Elbow River expects to provide a further update in its year-end disclosures.

Foreign Exchange Expense

The large increase in the foreign exchange expense related to a loss of \$3.6 million for the nine months ended September 30, 2009 versus a gain of \$5.4 million for the nine months ended September 30, 2008, relates mainly to first quarter foreign exchange losses on the exit from marketing bio-diesel product in Elbow River.

Interest and Bank Fees

Interest expense and bank fees were \$0.2 million for the three months and \$1.1 million for the nine months ended September 30, 2009 reflecting lower 2009 debt levels and the repayment of notes payable in 2008. For the three and nine months ended September 30, 2008, interest expense and bank fees were \$1.1 million and \$5.7 million. Interest expense for the third quarter of 2009 includes bank fees of \$0.9 million compared to fees of \$0.1 million for the third quarter of 2008. For the nine months ended September 30, 2009, the Financial Services Division accounted for \$0.9 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 \$0.2 million of interest expense.

Depletion, Depreciation and Amortization

Provision for depletion, depreciation and amortization was \$6.4 million in the three months ended September 30, 2009, compared to \$6.4 million for the third quarter of 2008 and \$19.2 million for the nine months ended September 30, 2009 versus \$24.5 million for the nine months ended September 30, 2008. The large decrease is a result of the impairment of \$5.5 million on the real estate properties that was recorded in September 30, 2008. The Trust's depletion and depreciation rate in its Oil and Gas Division was \$16.99 per BOE during the third quarter of 2009 down from the \$19.89 per BOE rate in the third quarter of 2008. The lower depletion rate reflects lower-cost reserve additions over the past year including the Ridgeback acquisition. For the nine months ended September 30, 2009, \$1.2 million relates to amortization of intangibles in the Financial Services Division, and \$16.8 million of the depletion and depreciation cost was on oil and gas assets and \$1.2 million of amortization relating to the real estate properties.

Asset Retirement Obligations

The total future asset retirement obligation was estimated by management based on the Trust's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Given increasing costs, environmental and regulatory requirements in the oil and gas industry, at year end 2008, the Trust undertook a detailed property

review to better determine future abandonment and reclamation obligations. The Trust has estimated the net present value of its total asset retirement obligations to be \$16.7 million as at September 30, 2009 based on a total future liability of \$71.5 million. These figures compare to \$15.0 million at December 31, 2008 with a total future liability of \$68.8 million.

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

Income Taxes

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

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

The future income tax recovery totaled \$1.2 million for the three months ended September 30, 2009, compared to an expense of \$4.1 million for the three months ended September 30, 2009. Capital tax expense was \$0.05 million for the third quarter of 2009, reflecting the resource surcharge on Saskatchewan properties and Ontario capital taxes relating to the real estate properties owned in Ontario.

Risk Management and Financial Instruments

| <i>(in thousands of dollars)</i> | 2009 \$ |
|--|--------------------------|
| Risk management liability, January 1, | (294) |
| Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas (i) | (2,469) |
| Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii) | 6,893 |
| Change in mark-to-market of cash flow hedge contracts – Elbow River (iii) | 4,439 |
| Net risk management asset, September 30, | 8,569 |
| Reclassified to risk management liability, September , | 714 |
| Risk management asset, September 30, | 9,283 |

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

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

- A fixed price AECO swap for the period November 1, 2008 to October 31, 2009 on 1,000 gigajoules/day of natural gas with a price of \$8.26 CDN/gigajoules.
- A fixed price AECO swap for the period April 1, 2010 to March 31, 2011 on 1,000 gigajoules/day of natural gas with a price of \$8.25 CDN/gigajoules.
- A fixed price WTI swap for the period March 1, 2009 to December 31, 2009 on 200 barrels/day of crude oil with a price of \$60.35 CDN/Bbl.
- A fixed price WTI swap for the period June 1, 2009 to December 31, 2009 on 200 barrels/day of crude oil with a price of \$71.30 CDN/Bbl.
- A fixed price WTI collar for the period August 1, 2009 to July 31, 2010 on 200 barrels/day of crude oil with a floor price of \$65.00 CDN/Bbl and a ceiling price of \$83.50 CDN/Bbl.

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

The mark-to-market value of these contracts as at September 30, 2009 was a risk management asset of \$0.4 million (December 31, 2008 – a risk management asset of \$2.9 million), resulting in the recognition of an unrealized loss on the income statement for the nine months ended September 30, 2009 of \$2.5 million (nine months ended September 30, 2008 - \$3.1 million).

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

- A fixed price WTI collar for the period January 1, 2010 to December 31, 2010 on 200 barrels/day of crude oil with a floor price of \$80.00 CDN/Bbl and a ceiling price of \$96.15 CDN/Bbl.
- (ii) Elbow River sells natural gas liquids, ethanol, diesel, and asphalt product in the United States, Canada and overseas, giving rise to significant exposure to market risks from foreign exchange rates and commodity price changes. The Trust uses derivative financial instruments to reduce risks including foreign exchange and commodities hedging contracts. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures. The commodity hedge contracts are entered into for the following commodities: butane, propane, natural gasoline, and ethanol.

At December 31, 2008, Management determined that the documentation and effectiveness measures for hedge accounting had not been met from April 1, 2008 onward. As a result an unrealized loss of \$1.5 million relating to contracts existing as at March 31, 2008 remains in accumulated other comprehensive loss until the hedged items relating to these commodity and foreign exchange derivative contracts are settled. During the nine months ending September 30, 2009, losses previously recorded in accumulated other comprehensive loss of \$3.5 million were transferred to net income due to the settlement of the underlying hedged items and \$1.5 million remains in accumulated other comprehensive loss. Any change in the fair value of these contracts from January 1, 2009 to September 30, 2009 has been recognized in net income.

The following tables detail those transactions in Elbow River that are not designated for hedge accounting, which resulted in a risk management asset of \$8.6 million (December 31, 2008 – a risk management asset of \$1.7 million), resulting in the recognition of an unrealized gain on the statement of operations for the nine months ended September 30, 2009 of \$6.9 million (nine months ended September 30, 2008 - \$13.0 million).

| Commodities hedging contracts: | | | September 30, 2009 |
|--------------------------------|------------------------------|---|--------------------|
| Settlement dates | Average Monthly Volume (bbl) | Prices \$/(bbl) | Unrealized gain \$ |
| October – December 2009 | 819,851 | 3.54 – 82.30 | 3,150,453 |
| January – December 2010 | 246,024 | 29.40 – 83.45 | 3,124,067 |
| January – March 2010 | 75,804 | 51.49 – 80.39 | 225,106 |
| | | | 6,499,626 |
| | | Exchange rate | 1.0722 |
| | | Risk management asset in CDN dollars | 6,968,899 |
| | | Amount recorded as other comprehensive loss in 2008 | 1,461,418 |
| | | Amount recorded in unrealized gain on financial instruments | 8,430,317 |

| Forward exchange contracts: | | | September 30, 2009 |
|-----------------------------|-----------|----------------------|--------------------|
| Term Due | Amount \$ | Forward Rates CDN \$ | Unrealized gain \$ |
| October – December 2009 | 7,000,000 | 1.075 – 1.0966 | 122,398 |
| Total US dollars | 7,000,000 | | 122,398 |
| Exchange Rate | 1.0722 | | |
| Total CDN dollars | 7,505,400 | | |

(iii) The following table details those transactions that are designated for hedge accounting giving rise to a risk management asset of \$1.1 million (December 31, 2008 – a risk management asset of \$0.2 million), resulting in the recognition of a comprehensive loss of \$0.9 million when compared to the December 31, 2008 mark-to-market. In addition, \$3.5 million relating to reclassification of the change in fair value from January 1, 2009 to September 30, 2009 of commodity hedge contracts in place as at April 1, 2008 as described in note 10(c)(ii) above is included in other comprehensive income. This brings the total amount of other comprehensive income for the nine months ended September 30, 2009 to \$4.4 million (other comprehensive loss for the nine months ended September 30, 2008 - \$1.9 million).

| Forward exchange contracts: | | | September 30, 2009 |
|------------------------------------|----------------------|---------------------------------|-------------------------------|
| Term Due | Amount \$ | Forward Rates CDN \$ | Unrealized loss \$ |
| October – December 2009 | 10,450,450 | 1.0663 – 1.2735 | 472,424 |
| January –April 2010 | 11,773,050 | 1.0692 – 1.2705 | 621,547 |
| Total US dollars | 22,223,500 | | 1,093,971 |
| Exchange Rate | 1.0722 | | |
| Total CDN dollars | 23,828,037 | | |

Liquidity and Debt

In relation to its Oil and Gas Division, as at September 30, 2009, the Trust had available a combined revolving demand facility with a major Canadian bank in the amount of \$60.0 million (December 31, 2008 - \$46.5 million). The demand facility bears interest ranging from prime plus one-quarter of one percent to prime plus two and half percent depending on the debt to cash flow ratio of the Oil and Gas Division (as defined by the banking agreement). The revolving demand facility is collateralized by a floating charge debenture over all of the Trust's assets.

As at September 30, 2009, \$17.0 million (December 31, 2008 - \$4.0 million) was drawn on the revolving demand facility. The Oil & Gas Division was in compliance with all its banking covenants as at September 30, 2009.

In relation to Elbow River Marketing Limited Partnership ("Elbow River"), the Trust had a demand revolving loan facility with a Canadian bank in the amount of \$50.0 million (December 31, 2008 - \$70.0 million) bearing interest at bank prime rate plus 1.0% or US bank base rate plus 1.0%. This facility is collateralized by a charge over all of Elbow River's assets. As at September 30, 2009 \$2.3 million (December 31, 2008 - \$89.1 million) was drawn on the demand revolving loan facility. Elbow River was in compliance with all its banking covenants as at September 30, 2009.

The Trust also had \$1.0 million in bank overdraft as at September 30, 2009 (December 31, 2008 - \$nil).

The average effective interest rate on borrowings under the above lines for the nine months ended September 30, 2009, including service fees, was 4.80% (nine months ended September 30, 2008 –6.67%).

As at September 30, 2009, the Trust had 9 letters of credit outstanding in the aggregate amount of \$4.5 million (December 31, 2008 - \$7.4 million). The letters of credit reduce the amount available to be drawn on the related demand facilities. In addition Elbow River had 16 bonds outstanding in the aggregate amount of \$1.8 million (December 31, 2008 - \$2.2 million) which do not reduce the availability of Elbow's demand facility.

To provide the Elbow River with additional credit on natural gas liquids inventory purchases, the Trust has guarantees to third parties for a maximum of \$151.2 million (December 31, 2008 - \$190.4 million). These guarantees, provided by the Trust to third party counterparties of Elbow River, require the Trust to be responsible for inventory settlements if Elbow River was unable to do so. The Trust has no specific assets pledged and the amounts exposed against the total outstanding guarantees will vary depending on the transactions in place at a specific point in time.

| <i>(in thousands of dollars)</i> | Payments due by period | | | |
|----------------------------------|------------------------|------------------|------------|---------|
| | Total | Less than 1 year | 1 – 3 year | 4+ year |
| Mortgages | 25,637 | 4,081 | 18,878 | 2,678 |
| Lease Commitments | 10,498 | 3,081 | 4,776 | 2,641 |
| Total Contractual Obligations | 36,135 | 7,162 | 23,654 | 5,319 |

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

Investment and Capital Expenditures

| <i>(in thousands of dollars)</i> | Three months ended | | Nine months ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Sept 30, 2009 \$ | Sept 30, 2008 \$ | Sept 30, 2009 \$ | Sept 30, 2008 \$ |
| Financial Services | | | | |
| Financial Services development expenditures | -- | 474 | -- | 5,044 |
| Proceeds received on sale of financial service assets | -- | -- | (604) | -- |
| Sub-Total | -- | 474 | (604) | 5,044 |
| Oil and Gas | | | | |
| Land | 729 | 189 | 868 | 364 |
| Drilling | 995 | 4,157 | 3,461 | 8,113 |
| Production equipment and facilities | 473 | 1,417 | 2,547 | 3,641 |
| Other | 179 | 264 | 321 | 461 |
| Oil and gas property acquisitions | 107 | 3,952 | 8,928 | 3,982 |
| Acquisition of Ridgeback Exploration Ltd. (i) | 21,999 | -- | 21,999 | -- |
| Proceeds received on oil and gas property dispositions | (50) | (422) | (481) | (422) |
| Sub-Total | 24,432 | 9,557 | 37,643 | 16,139 |
| Assets held for sale - Real Estate | | | | |
| Real estate development expenditures | 10 | 651 | 64 | 2,612 |
| Proceeds on sale of real estate properties (ii) | (2,949) | (8,899) | (4,235) | (8,899) |
| Sub-Total | (2,939) | (8,248) | (4,171) | (6,287) |
| Other assets | 20 | 2 | 27 | 5 |
| Net capital expenditures | 21,513 | 1,785 | 32,895 | 14,901 |

- (i) On July 31, 2009 the Trust's Oil and Gas Division acquired all the outstanding shares of Ridgeback Exploration for total cash consideration of \$14.6 million. Transaction costs of the acquisition were approximately \$1.1 million. The bank indebtedness assumed of \$6.4 million was repaid in conjunction with the closing of the acquisition. The fair value of the net assets exceeded the purchase price. For accounting purposes, the excess was eliminated by reducing the amounts assigned to the acquired property and equipment.

Results from operations for Ridgeback are included in the Trust's consolidated financial statements from the closing date of acquisition. The transaction has been accounted for using the purchase method of accounting as follows:

| <i>(in thousands of dollars)</i> | \$ |
|----------------------------------|---------------|
| Calculation of purchase price: | |
| Fair value of cash consideration | 14,574 |
| Transaction costs | 1,071 |
| Bank indebtedness assumed | 6,354 |
| | <u>21,999</u> |
| Allocation of purchase price: | |
| Non-cash working capital | (234) |
| Property and equipment | 19,772 |
| Asset retirement obligations | (1,459) |
| Future income tax asset | 3,452 |
| | <u>21,999</u> |

- (ii) During the three and nine months ended September 30, 2009, the Trust disposed of a real estate property for net proceeds of \$16.5 million comprised of cash of \$4.2 million and mortgage assumptions of \$12.3 million. A gain of \$2.3 million was recorded relating to this divestiture. Comparative periods have been reclassified for this transaction as discontinued operations.

Contractual Obligations

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

At September 30, 2009, the following contracts were outstanding with respect to the physical deliveries of oil and gas product:

- A physical fixed price sale for the period April 1, 2009 to March 31, 2010 on 2,000 gigajoules/day of gas at a price of \$7.92 CDN/gigajoule.
- A physical fixed price sale for the period January 1, 2009 to December 31, 2010 on 1,000 gigajoules/day of gas at a price of \$7.95 CDN/gigajoule.
- A physical fixed price sale for the period November 1, 2009 to October 31, 2010 on 1,000 gigajoules/day of gas at a price of \$5.95 CDN/gigajoule.
- A physical fixed price sale for the period April 1, 2010 to March 31, 2011 on 1,000 gigajoules/day of gas at a price of \$6.43 CDN/gigajoule.
- A physical fixed price sale for the period February 1, 2009 to March 31, 2011 on 1,000 gigajoules/day of gas at a price of \$6.79 CDN/gigajoule.
- A physical fixed price sale for the period September 1, 2009 to March 31, 2011 on 1,000 gigajoules/day of gas at a price of \$5.20 CDN/gigajoule.
- A physical fixed price sale for the period December 1, 2009 to June 30, 2010 on 1,000 gigajoules/day of gas at a price of \$4.79 CDN/gigajoule.
- A physical fixed price sale for the period November 1, 2009 to November 30, 2009 on 1,000 gigajoules/day of gas at a price of \$3.48 CDN/gigajoule.
- A physical fixed price sale for the period November 1, 2009 to November 30, 2009 on 1,000 gigajoules/day of gas at a price of \$3.92 CDN/gigajoule.

The mark-to-market value of these contracts as at September 30, 2009 was an unrealized gain of \$2.6 million.

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

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

The mark-to-market value of these contracts as at September 30, 2009 was an unrealized loss of \$0.7 million.

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

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

| | \$ (in thousands of dollars) |
|---------------------|---------------------------------|
| 2009 | 891 |
| 2010 | 2,919 |
| 2011 | 2,428 |
| 2012 | 1,618 |
| 2013 | 1,051 |
| 2014 and thereafter | 1,591 |
| Total | 10,498 |

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

Notes Receivable

The \$25.0 million note receivable bearing interest at 8% which was scheduled to mature on June 30, 2009 was extended under the same terms until July 15, 2009. The note was not repaid at that time but interest is being received monthly at 10% per annum with repayment expected by the end of 2009.

Unitholders' Capital

| Trust Units | Number of Units | Amount \$ (in thousands of dollars) |
|--|--------------------|--|
| Balance December 31, 2008 | 42,100,796 | 422,017 |
| Units issued on exercise of stock options | 2,666 | 15 |
| Units repurchased & cancelled – Normal Course Issuer Bid | (190,200) | (1,907) |
| Balance March 31, 2009 | 41,913,262 | 420,125 |
| Units issued on exercise of stock options | 6,000 | 32 |
| Balance June 30, 2009 | 41,919,262 | 420,157 |
| Units issued on exercise of stock options | 113,750 | 671 |
| Balance September 30, 2009 | 42,033,012 | 420,828 |

For the three and nine months ended September 30, 2009 the Trust had weighted average trust units outstanding of 41,953,583 and 41,965,545, respectively (three and nine months ended September 30, 2008 (42,026,438 and 41,909,360, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 366,336 and 286,237 Trust Units for the three and nine months ended September 30, 2009 respectively resulting in weighted average trust units outstanding of 42,319,919 and 42,251,782 for the three and nine months ended September 30, 2009. As at September 30, 2009 the total units outstanding for the Trust were 42,033,012. At September 30, 2009 there were 2,072,365 in anti-dilutive options that were not part of the dilutive per unit calculation.

As at September 30, 2009, the Trust had issued a total of 3,122,366 options which represents 74% of the options available for issuance. On July 2, 2009, the Trust approved the re-pricing of 1,491,334 out of the money options granted to employees and consultants not including officers and directors. The new price of \$3.71 was based on the weighted average five day trading price immediately prior to July 2, 2009. The re-pricing was undertaken in order to continue to link performance compensation to the enhancement of unitholder value during a period of significant changes in market conditions over the first half of 2009. Of the options re-priced, 25% or 372,835 options were surrendered. Additional stock based compensation expense of \$0.1 million was recorded in general and administrative expenses on the consolidated statement of operations and accumulated earnings relating to this modification.

Related Party Transactions

During the three and nine months ended September 30, 2009, the Trust paid \$0.05 million and \$0.2 million, respectively (three and nine months ended September 30, 2008 - \$0.05 million and \$0.2 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, 2009 is \$0.04 million (December 31, 2008 - \$0.02 million) owing to Avenir relating to these services.

During the three and nine months ended September 30, 2009, the Trust incurred marketing fees of \$0.02 million and \$0.05 million, respectively (three and nine months ended September 30, 2008 - \$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, 2009 (December 31, 2008 - \$0.02 million).

During the three and nine months ended September 30, 2009, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of \$0.1 million and \$0.4 million respectively (three and nine months ended September 30, 2008 - \$0.3 million and \$0.6 million, respectively) payable to a company with a shareholder who is also a director of the Trust. Of this balance, \$nil is included in accounts payable and accrued liabilities as at September 30, 2009 (December 31, 2008 - \$nil).

In the normal course of joint business activities, the Trust's Oil and Gas Division from time to time engages in business transactions with companies having directors in common with the Trust.

Financial Risks

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

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

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

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

Fair values of financial assets and liabilities

The Trust's financial instruments consist of cash, accounts receivable, marketable securities, risk management assets (liabilities), bank indebtedness, accounts payable and accrued liabilities, distributions payable, notes payable, and assets and liabilities of assets held for sale. Unless otherwise noted, as at September 30, 2009, there were no significant differences between the carrying amounts of the financial instruments and their estimated fair values.

Marketable securities are classified as available for sale and at September 30, 2009 have been recorded as permanently re-valued to the current fair value of \$nil. The decrease in the market value of the investments of \$0.02 million for the nine months ended September 30, 2009 has been included against net income.

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value. The mortgages are for varying lengths and carry interest rates in line with the market terms agreed to when the mortgages were entered into. The fair value of the mortgages reflect the discounted present value of the principal and interest payments using the effective yield for instruments having the same term and risk characteristics. The fair value of the Trust's mortgages as at September 30, 2009 was \$25.6 million (December 31, 2008 - \$38.6 million), while the carrying value was \$25.6 million (December 31, 2008 - \$38.7 million).

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

Credit risk

The Trust's financial instruments exposed to credit risk consist primarily of trade accounts receivable and risk management assets (liabilities). The trade receivables are from the Trust's Oil & Gas Division and Elbow River. The oil and gas trade receivables are dependent upon the strength of the North American energy complex and specifically the petroleum industry. Elbow River has also been exposed to additional risk with international and overseas counterparts relating to bio-diesel revenues wherein additional due diligence and documentary letters of credit are undertaken. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses. At September 30, 2009, the Trust had an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of \$0.7 million and Elbow River has an allowance for doubtful accounts of \$31.5 million, the two amounts representing 36% of the Trust's accounts receivables of \$89.0 million before deducting the allowance for doubtful accounts. The Trust is no longer in the business of bio-diesel product sales.

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

The allowance in Elbow River is primarily the result of a bio-diesel counterparty receivable; the receivable balance booked at September 30, 2009 net of the allowances is US \$4.0 million. In March 2009, Elbow River was advised by this bio-diesel counterparty that they would be unable to pay to Elbow River its proportionate share owing under the "memorandum of understanding". Elbow River took legal actions against this bio-diesel counterparty, its equity investor and its secured bank, claiming return of funds owing to Elbow River under the memorandum of understanding. A provision for this receivable was booked in 2008. There has been no change to the provision during 2009. Subsequent to the end of the third quarter, on October 27, 2009 a settlement was reached with this bio-diesel counterparty. Under this settlement, Elbow River expects to receive after fees, approximately US \$4.7 million in cash and an assignment of a promissory note, with Elbow River's portion of the note having a face value of approximately US \$5.5 million. The cash portion of the settlement is expected to be paid to Elbow River over the next 3 months, while the portion relating to the promissory note is scheduled to be paid in two installments, one on December 31, 2009 and the other on December 31, 2010. All of the funds Elbow River is scheduled to receive under the settlement remain subject to uncertainty. With respect to the cash funds, some of the funds are still in the process of being liquidated and paid over to Elbow River, and the funds also may be subject to subsequent challenge for 90 days after receipt by Elbow River. In addition, there may be collection risk with respect to the funds from the promissory note, and as such, Elbow River will continue to provide for an allowance against the US \$5.5 million promissory note receivable balance. Elbow River expects to provide a further update in its year-end disclosures.

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, 2009, 34% of the Trusts consolidated accounts receivable are due from three customers; the entire outstanding balance has been collected subsequent to September 30, 2009. The total amount of receivables past due 90 days amounted to \$13.6 million as at September 30, 2009. Elbow River has now exited from marketing bio-diesel products and its additional inherent counterparty and partner risks. Management continues to scrutinize and monitor its remaining bio-diesel receivables and expects to collect all outstanding amounts after the allowance described above. The Elbow River LPG base accounts receivables have been reviewed and are continually monitored. No allowance was deemed necessary for these accounts.

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

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

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

Foreign currency risk

The Trust's Elbow River group operates internationally with transaction largely denominated in US dollars and is therefore exposed to foreign exchange risk. The Trust's primary exposures are from fluctuations in the US dollar relative to the Canadian dollar. The Trust enters into derivative instruments from time to time to help mitigate its currency risk. At September 30, 2009 forward exchange contracts were designated as cash flow hedges.

In respect of existing financial instruments, a \$0.01 change in the US dollar against the Canadian dollar, with all other variables assumed constant, would have resulted in a change of approximately \$0.1 million in net income from continuing operations and a change of approximately \$0.2 million in other comprehensive income for the three and nine months ended September 30, 2009.

Commodity price risk

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

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

At September 30, 2009, in respect of the financial derivative instruments in the Oil and Gas Division, a change of \$10.00 US/Bbl in the price of oil would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately \$0.4 million while a change of \$1.00/gigajoule in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately \$0.4 million.

In respect of the financial derivative instruments in Elbow River, a 5% change in commodity pricing would have resulted in unrealized gains and losses changing net income from continuing operations by approximately \$1.6 million.

Interest rate risk

Drawings under the Trust's bank credit facilities are at floating interest rates and expose the Trust to interest rate risk. The Trust is authorized by the Board of Directors to enter into fixed rate swaps to manage risks associated with rising interest rates if felt appropriate. The Trust is also exposed to interest rate risk on maturity and refinancing of its fixed rate mortgages including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The Trust mitigates these risks by its continued efforts to maintain the value of its real estate properties and high occupancy levels. A 1% change in interest rates would result in net income from continuing operations sensitivity of approximately \$0.2 million. The Trust has not entered into any derivative agreements to mitigate this risk.

Liquidity risk

The Trust is exposed to liquidity risk, which is the risk that the Trust may be unable to generate or obtain sufficient cash to meet its commitments as they come due. The Trust mitigates this risk through its management of cash, debt and its distributions. With the sale of the EnerVest assets in May 2008, the Trust continues to have a working capital surplus together with undrawn credit facilities in its Oil & Gas Division providing significant flexibility in meeting current and future liquidity requirements.

The Trust maintains appropriate unused capacity in its revolving credit facilities to meet short term fluctuations from forecasted results or volatility in commodities affecting margining requirements, especially in Elbow River. The Trust manages its liquidity requirements through the use of both short term and long term cash forecasts, by establishing a conservative distribution payout target of 75%-80% of funds from continuing operations,

targeting a 60% mortgage to fair market value ratio on the Real Estate Division mortgages and targeting a 1:1 working capital (net debt), excluding non-cash risk management assets and liabilities, to annualized funds from continuing operations ratio for the non-real estate divisions.

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

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

Business Risks and Critical Accounting Estimates

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

Disclosure Controls

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

Internal Controls over Financial Reporting

As at December 31, 2008, Management had evaluated the design and operation of the Trust's internal controls over financial reporting as is required under National Instrument 52-109. Management had used the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of the Trust's internal controls over financial reporting. In reference to the deficiencies reported in our December 2008 annual report filing, the Chief Executive Officer and Chief Financial Officer continue to work with the management at Elbow River regarding the implementation of internal controls over financial reporting. Management expects that remediation of the deficiencies at Elbow River will be completed during the fourth quarter of 2009 as Elbow River reviews the previous practices and processes used in the marketing of its bio-diesel product, a business which they have now exited. With this exit, transaction complexities have diminished; the control procedures are being implemented and tested and staff workloads and training have returned to more normal levels. The new Chief Financial Officer of Elbow River is ensuring the required changes are made and is overseeing the effective implementation of any additional internal controls required in this business unit.

Recent Accounting Pronouncements and the Impact on the Trust

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

- Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning

goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this new Section did not have a material impact on the consolidated financial statements.

Future Accounting Pronouncements

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

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

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

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

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

For additional information on the Trust, please go to the company's profile on SEDAR at www.sedar.com or the Trust's website at www.avenirtrust.com.

Submitted on behalf of:



William M. Gallacher
President & CEO



Gary Dundas
Vice President Finance & CFO

Avenir Diversified Income Trust

CONSOLIDATED BALANCE SHEETS

(unaudited)

| <i>(in thousands of dollars)</i> | September 30, 2009 | December 31, 2008 |
|--|--------------------|-------------------|
| | \$ | \$ |
| ASSETS [note 6] | | |
| Current | | |
| Cash | — | 21,956 |
| Marketable securities [note 11] | — | 20 |
| Accounts receivable and prepaid expenses [note 11] | 61,949 | 88,737 |
| Inventory [note 5] | 12,494 | 127,883 |
| Note receivable [note 16] | 25,000 | 25,000 |
| Risk management assets [note 11] | 9,283 | 14,522 |
| | 108,726 | 278,118 |
| Property and equipment [notes 4, 6 and 7] | 197,021 | 195,237 |
| Intangibles and other assets | 10,438 | 11,571 |
| Goodwill | 23,424 | 23,424 |
| Future income taxes | 17,345 | 13,878 |
| | 356,954 | 522,228 |
| LIABILITIES AND UNITHOLDERS' EQUITY | | |
| Current | | |
| Bank indebtedness [note 6] | 20,295 | 93,127 |
| Accounts payable and accrued liabilities [note 12] | 63,107 | 81,516 |
| Distributions payable [note 14] | 2,522 | 28,755 |
| Deferred revenue | 213 | 201 |
| Risk management liabilities [note 11] | 714 | 14,816 |
| Current portion of mortgages [note 7] | 4,081 | 11,856 |
| | 90,932 | 230,271 |
| Mortgages [note 7] | 21,556 | 26,832 |
| Asset retirement obligation [note 8] | 16,719 | 15,009 |
| Future income taxes | 6,214 | 10,721 |
| Unitholders' equity | | |
| Unitholder capital [note 9] | 420,828 | 422,017 |
| Contributed surplus [note 9] | 8,503 | 6,777 |
| Accumulated earnings | 98,862 | 95,184 |
| Accumulated other comprehensive loss [note 9] | (367) | (4,807) |
| Accumulated distributions | (306,293) | (279,776) |
| | 221,533 | 239,395 |
| | 356,954 | 522,228 |

See accompanying notes to the consolidated interim financial statements

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

| <i>(in thousands of dollars)</i> | Three months ended | | Nine months ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2009 | September 30, 2008 | September 30, 2009 | September 30, 2008 |
| | \$ | \$ | \$ | \$ |
| | | (restated – note 3) | | (restated – note 3) |
| REVENUE | | | | |
| Financial services revenue | 143,772 | 558,165 | 624,720 | 1,440,214 |
| Unrealized gain (loss) on financial instruments <i>[note 11]</i> | 6,962 | 15,304 | 6,893 | 13,045 |
| Total financial services revenue | 150,734 | 573,469 | 631,613 | 1,453,259 |
| Oil and gas revenue | 13,969 | 20,956 | 39,896 | 58,791 |
| Oil and gas transportation costs | (434) | (271) | (1,078) | (738) |
| Royalties | (2,016) | (3,516) | (4,385) | (9,534) |
| Unrealized gain (loss) on financial instruments <i>[note 11]</i> | 840 | 7,331 | (2,469) | 3,073 |
| Total oil and gas revenue | 12,359 | 24,500 | 31,964 | 51,592 |
| Real estate revenue | 1,309 | 2,124 | 4,885 | 6,542 |
| Interest and other revenue | 630 | 322 | 1,625 | 690 |
| Gain on sale of real estate properties | 211 | 9,495 | 2,338 | 9,495 |
| Total revenue | 165,243 | 609,910 | 672,425 | 1,521,578 |
| EXPENSES | | | | |
| Financial services operating | 137,972 | 536,279 | 614,687 | 1,399,135 |
| Oil and gas operating | 4,831 | 5,372 | 15,491 | 15,159 |
| Real estate operating | 91 | 385 | 1,025 | 1,665 |
| General and administrative <i>[notes 10 and 12]</i> | 5,116 | 9,080 | 15,744 | 20,162 |
| Bad debt expense (recovery) | (153) | 190 | 10 | 660 |
| Foreign exchange expense (gain) | (231) | (4,645) | 3,588 | (5,430) |
| Interest and bank fees | 217 | 1,100 | 1,143 | 5,747 |
| Interest on long-term debt | 375 | 609 | 1,385 | 1,873 |
| Capital taxes | 48 | 162 | 187 | 459 |
| Depletion, depreciation and amortization | 6,379 | 6,391 | 19,206 | 24,460 |
| Asset retirement obligation accretion <i>[note 8]</i> | 267 | 212 | 803 | 741 |
| | 154,912 | 555,135 | 673,269 | 1,464,631 |
| Income (loss) from continuing operations before income tax | 10,331 | 54,775 | (844) | 56,947 |
| Future income tax recovery (expense) | 1,151 | (4,054) | 4,522 | (776) |
| Net income from continuing operations | 11,482 | 50,721 | 3,678 | 56,171 |
| Net income from discontinued operations – EnerVest | — | (328) | — | 42,410 |
| Net income for the period | 11,482 | 50,393 | 3,678 | 98,581 |
| Accumulated earnings, beginning of period | 87,380 | 140,859 | 95,184 | 92,671 |
| Accumulated earnings, end of period | 98,862 | 191,252 | 98,862 | 191,252 |
| Net income (loss) from continuing operations per unit <i>[note 9]</i> | | | | |
| Basic | 0.27 | 1.21 | 0.09 | 1.34 |
| Diluted | 0.27 | 1.19 | 0.09 | 1.32 |
| Net income (loss) from discontinued operations per unit <i>[note 9]</i> | | | | |
| Basic | 0.00 | (0.01) | 0.00 | 1.01 |
| Diluted | 0.00 | (0.01) | 0.00 | 1.00 |
| Net income (loss) per unit <i>[note 9]</i> | | | | |
| Basic | 0.27 | 1.20 | 0.09 | 2.35 |
| Diluted | 0.27 | 1.18 | 0.09 | 2.32 |

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

| <i>(in thousands of dollars)</i> | Three months ended | | Nine months ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2009 | September 30, 2008 | September 30, 2009 | September 30, 2008 |
| | \$ | \$ | \$ | \$ |
| Net income for the period | 11,482 | 50,393 | 3,678 | 98,581 |
| Change in fair value of derivative instruments designated as cash flow hedges <i>[note 11]</i> | 2,090 | 40,169 | 4,439 | (1,858) |
| Change in fair value of marketable securities | — | (725) | — | (675) |
| Other comprehensive income (loss) | 2,090 | 39,444 | 4,439 | (2,533) |
| Comprehensive income for the period | 13,572 | 89,837 | 8,117 | 96,048 |

See accompanying notes to the consolidated interim financial statements

Avenir Diversified Income Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

| <i>(in thousands of dollars)</i> | Three months ended | | Nine months ended | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | September 30, 2009 \$ | September 30, 2008 \$ | September 30, 2009 \$ | September 30, 2008 \$ |
| | | (restated – note 3) | | (restated – note 3) |
| OPERATING ACTIVITIES | | | | |
| Net income (loss) from continuing operations | 11,482 | 50,721 | 3,678 | 56,171 |
| Add (deduct) non-cash items: | | | | |
| Non-cash general and administrative <i>[note 10]</i> | 425 | 315 | 1,228 | 1,342 |
| Depletion, depreciation and amortization | 6,379 | 6,391 | 19,206 | 24,460 |
| Asset retirement obligation accretion | 267 | 212 | 803 | 741 |
| Unrealized loss (gain) on financial instruments | (7,802) | (22,635) | (4,424) | (16,118) |
| Unrealized foreign exchange | 592 | (4,360) | (280) | (5,610) |
| Gain on sale of property and equipment | (211) | (9,495) | (2,338) | (9,495) |
| Future income tax expense (recovery) | (1,151) | 4,054 | (4,522) | 776 |
| Funds from continuing operations | 9,981 | 25,203 | 13,351 | 52,267 |
| Funds from discontinued operations - EnerVest | — | (3) | — | 6,918 |
| | 9,981 | 25,200 | 13,351 | 59,185 |
| Asset retirement expenditures during year <i>[note 8]</i> | (78) | (666) | (329) | (1,154) |
| Change in non-cash working capital | (553) | 1,954 | 125,220 | (73,201) |
| Cash provided (used in) by operating activities | 9,350 | 26,488 | 138,242 | (15,170) |
| FINANCING ACTIVITIES | | | | |
| Issue of trust units, net of issue costs | 400 | 567 | 414 | 962 |
| Repurchase of trust units <i>[note 9a(ii)]</i> | — | — | (886) | — |
| Cash settlement of options | (38) | (13) | (42) | (18) |
| Distributions to unitholders <i>[note 14]</i> | (7,556) | (10,466) | (26,517) | (31,340) |
| Increase (decrease) in bank indebtedness | 17,295 | 17,679 | (72,832) | (45,673) |
| Repayment of notes payable | — | (10,000) | — | (10,000) |
| Increase in mortgages | — | — | — | 4,757 |
| Repayment of mortgages | (259) | (223) | (759) | (689) |
| Increase in notes receivable | — | — | — | (123) |
| Repayments of long-term debt | — | — | — | (1,675) |
| Change in non-cash working capital | 7 | 8 | (26,233) | 15 |
| Cash provided by (used in) financing activities | 9,849 | (2,448) | (126,855) | (83,784) |
| INVESTING ACTIVITIES | | | | |
| Acquisition of Ridgeback Exploration <i>[note 4]</i> | (21,999) | — | (21,999) | — |
| Sale of EnerVest assets | — | (325) | — | 135,633 |
| Financial services development expenditures | — | (474) | — | (5,044) |
| Sale of financial services assets | — | — | 604 | — |
| Oil and gas property acquisitions | (107) | (3,952) | (8,928) | (3,982) |
| Oil and gas property disposals | 50 | 422 | 481 | 422 |
| Oil and gas development expenditures | (2,376) | (6,027) | (7,197) | (12,579) |
| Purchase of other assets | (20) | (2) | (27) | (5) |
| Real estate development expenditures | (10) | (651) | (64) | (2,612) |
| Real estate dispositions <i>[note 3]</i> | 2,949 | 8,899 | 4,235 | 8,899 |
| Change in non-cash working capital | 1,248 | 688 | (448) | 840 |
| Cash provided by (used in) investing activities | (20,265) | (1,422) | (33,343) | 121,572 |
| Increase (decrease) in cash during the period | (1,066) | 22,618 | (21,956) | 22,618 |
| Cash, beginning of period | 1,066 | — | 21,956 | — |
| Cash, end of period | — | 22,618 | — | 22,618 |
| Cash taxes paid | 174 | 1,487 | 603 | 7,613 |
| Cash interest paid | 355 | 127 | 2,175 | 384 |

See accompanying notes to the consolidated interim financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

1. NATURE OF THE ORGANIZATION

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

The operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year revenues and expenses, due to seasonal factors. Actual results may differ from those estimates. The Trust's natural gas liquids marketing group traditionally has stronger results in the first and fourth quarters of the fiscal year. In the natural gas liquids marketing group colder winter weather provides more opportunity for sale of propane and butane.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles and in a manner consistent with the accounting policies in the audited consolidated financial statements of the Trust for the year ended December 31, 2008 except as noted below. Certain information has been condensed or omitted although the Trust believes that the disclosures are adequate to ensure the information presented is not misleading. The following notes are incremental to and should be read in conjunction with the December 31, 2008 audited consolidated financial statements.

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

Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this new Section did not have a material impact on the consolidated financial statements.

Future Accounting Pronouncements

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

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

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

3. REAL ESTATE - ASSETS HELD AND USED AND SALE OF PROPERTIES

i) Real Estate – Reclassified as Assets Held and Used

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

The results of operations that have been reclassified to income from operations are as follows:

| <i>(in thousands of dollars)</i> | Three months ended September 30, 2008 | Nine months ended September 30, 2008 |
|----------------------------------|--|---|
| | \$ | \$ |
| REVENUE | | |
| Real estate revenue | 2,130 | 6,542 |
| Gain on sale of properties | 9,495 | 9,495 |
| | 11,625 | 16,037 |
| EXPENSES | | |
| Real estate operating | 385 | 1,665 |
| General and administrative | 77 | 464 |
| Interest on long-term debt | 609 | 1,873 |
| Capital taxes | (1) | 9 |
| Depreciation and amortization | — | 5,509 |
| | 1,070 | 9,520 |
| Income before taxes | 10,555 | 6,517 |
| Future income tax expense | (696) | (1,230) |
| Net income | 9,859 | 5,287 |

ii) Real Estate – Sale of Properties

While the Real Estate Portfolio is not formally listed for sale, the Trust does entertain unsolicited offers from time to time, as such during the period the following real estate properties were sold.

On June 30, 2009, the Trust disposed of a real estate property for net proceeds of \$5,856,900 comprised of cash of \$1,285,603 and mortgage assumptions of \$4,571,297. A gain of \$2,128,729 was recorded relating to this divestiture.

During the third quarter of 2009 the Trust disposed of two real estate properties, which resulted in net proceeds of \$10,669,365, comprised of cash of \$2,948,284 and mortgage assumptions of \$7,721,081. A gain in the amount of \$209,710 was recorded on the statement of operations and accumulated earnings in the current quarter.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

4. ACQUISITION OF RIDGEBACK EXPLORATION LTD. (“RIDGEBACK”)

On July 31, 2009 the Trust’s Oil & Gas Division acquired all the outstanding shares of Ridgeback Exploration for total cash consideration of \$14,573,640. Transaction costs of the acquisition were approximately \$1,071,449. The bank indebtedness assumed of \$6,354,308 was repaid in conjunction with the closing of the acquisition. The fair value of the net assets exceeded the purchase price. For accounting purposes, the excess was eliminated by reducing the amounts assigned to the acquired property and equipment.

Results from operations for Ridgeback are included in the Trust’s consolidated financial statements from the closing date of acquisition. The transaction has been accounted for using the purchase method of accounting as follows:

| | \$ |
|----------------------------------|-------------------|
| Calculation of purchase price: | |
| Fair value of cash consideration | 14,573,640 |
| Transaction costs | 1,071,449 |
| Bank indebtedness assumed | 6,354,308 |
| | <u>21,999,397</u> |
| Allocation of purchase price: | |
| Non-cash working capital | 234,426 |
| Property and equipment | 19,772,092 |
| Asset retirement obligations | (1,458,674) |
| Future income tax asset | 3,451,553 |
| | <u>21,999,397</u> |

5. INVENTORY

| <i>(in thousands of dollars)</i> | September 30, 2009 | December 31, 2008 |
|----------------------------------|--------------------|-------------------|
| | \$ | \$ |
| Biodiesel | — | 105,650 |
| Butane | 4,477 | 8,764 |
| Propane | 3,660 | 2,961 |
| Fuel ethanol | 2,715 | 4,722 |
| Natural gasoline | 1,641 | 3,355 |
| Canola oil | — | 2,406 |
| Other | — | 25 |
| | <u>12,494</u> | <u>127,883</u> |

All inventory balances relate to Elbow River Marketing Limited Partnership.

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

6. BANK INDEBTEDNESS

In relation to its Oil and Gas Division, as at September 30, 2009, the Trust had available a combined revolving demand facility with a major Canadian bank in the amount of \$60,000,000 (December 31, 2008 - \$46,500,000) bearing interest ranging from prime plus one-quarter of one percent to prime plus two and half percent depending on the debt to cash flow ratio of the Oil and Gas Division (as defined by the banking agreement). The revolving demand facility is collateralized by a floating charge debenture over all of the Trust’s assets.

As at September 30, 2009, \$17,000,000 (December 31, 2008 - \$4,000,000) was drawn on the revolving demand facility. The Oil & Gas Division was in compliance with all its banking covenants as at September 30, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

In relation to Elbow River Marketing Limited Partnership (“Elbow River”), the Trust had a demand revolving loan facility with a Canadian bank in the amount of \$50,000,000 (December 31, 2008 - \$70,000,000) bearing interest at bank prime rate plus 1.0% or the bank’s US base rate plus 1.0%. This facility is collateralized by a charge over all of Elbow River’s assets. As at September 30, 2009 \$2,265,130 (December 31, 2008 - \$89,126,989) was drawn on the demand revolving loan facility. Elbow River was in compliance with all its banking covenants as at September 30, 2009.

The Trust also had \$1,029,847 in bank overdraft as at September 30, 2009 (December 31, 2008 - \$nil).

The average effective interest rate on borrowings under the above lines for the nine months ended September 30, 2009, including service fees, was 4.80% (nine months ended September 30, 2008 – 6.67%).

As at September 30, 2009, the Trust had 9 letters of credit outstanding in the aggregate amount of \$4,456,811 (December 31, 2008 - \$7,366,098). The letters of credit reduce the amount available to be drawn on the related demand facilities. In addition Elbow River had 16 bonds outstanding in the aggregate amount of \$1,827,796 (December 31, 2008 - \$2,160,807) which do not reduce the availability of Elbow’s demand facility.

To provide the Elbow River with additional credit on natural gas liquids inventory purchases, the Trust provides guarantees to third parties for a maximum of \$151,168,212 (December 31, 2008 - \$190,428,176). These guarantees, provided by the Trust to third party counterparties of Elbow River, require the Trust to be responsible for inventory settlements if Elbow River was unable to do so. The Trust has no specific assets pledged and the amounts exposed against the total outstanding guarantees will vary depending on the transactions in place at a specific point in time.

7. MORTGAGES

| <i>(in thousands of dollars)</i> | September 30, 2009 | | | December 31, 2008 | | |
|----------------------------------|--------------------|-----------|---------|-------------------|-----------|----------|
| | Interest Rate | Maturity | \$ | Interest Rate | Maturity | \$ |
| Magee | 5.73% | Oct 31/09 | 3,479 | 5.73% | Oct 31/09 | 3,569 |
| Snidercroft | 5.70% | Aug 1/14 | 3,019 | 5.70% | Aug 1/14 | 3,091 |
| KFC | 5.96% | Aug 1/11 | 7,622 | 5.96% | Aug 1/11 | 7,746 |
| KFC | 5.90% | Mar 1/12 | 1,824 | 5.90% | Mar 1/12 | 1,853 |
| Landmark | 3.81% | Nov 1/11 | 9,693 | 3.81% | Nov 1/11 | 10,154 |
| Sunbelt | — | — | — | 6.05% | Jan 1/09 | 4,656 |
| Cineplex | — | — | — | 5.00% | Mar 1/09 | 7,619 |
| | | | 25,637 | | | 38,688 |
| Current portion of mortgages | | | (4,081) | | | (11,856) |
| Long-term portion of mortgages | | | 21,556 | | | 26,832 |

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

Approximate principal repayments required to maturity are as follows:

| <i>(in thousands of dollars)</i> | \$ |
|----------------------------------|--------|
| 2009 | 3,619 |
| 2010 | 616 |
| 2011 | 16,879 |
| 2012 | 1,845 |
| 2013 | 121 |
| 2014 | 2,557 |
| | 25,637 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

The Trust provides guarantees to third party mortgagors for a maximum of the total value of the mortgages outstanding on behalf of its Real Estate Division. The guarantees require the Trust to be responsible for the mortgage principal and interest payments if its Real Estate Division is unable to do so.

Subsequent to September 30, 2009 the Magee mortgage was renewed for a one year period with an interest rate of 4.25%.

8. 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, 2009, the Trust has estimated the net present value of its total asset retirement obligations to be \$16,718,678 (December 31, 2008 - \$15,009,366) based on an undiscounted total future liability of \$71,498,292 (December 31, 2008 - \$68,846,648). The majority of these payments are expected to be made by 2030. The Trust's credit adjusted risk free rate ranging from 8.5% to 10.0% (December 31, 2008 - 8.5% to 10.0%) and an inflation rate of 2% (December 31, 2008 - 2%) were used to calculate the present value of the asset retirement obligation.

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

| <i>(in thousands of dollars)</i> | 2009 |
|--|---------------|
| | \$ |
| Carrying amount, as at January 1 | 15,009 |
| Oil and gas activities during the year | 1,543 |
| Oil and gas divestitures during the year | — |
| Adjustment for estimated changes in costs and timing | (307) |
| Asset retirement obligation accretion for the year | 803 |
| Abandonment expenditures incurred during the year | (329) |
| Carrying amount, as at September 30 | 16,719 |

9. 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 |
|---|------------------------|----------------------------------|
| | | \$ |
| | | <i>(in thousands of dollars)</i> |
| Balance December 31, 2008 | 42,100,796 | 422,017 |
| Units issued on exercise of stock options (i) | 2,666 | 15 |
| Units repurchased and cancelled - (ii) | (190,200) | (1,907) |
| Balance March 31, 2009 | 41,913,262 | 420,125 |
| Units issued on exercise of stock options (i) | 6,000 | 32 |
| Balance June 30, 2009 | 41,919,262 | 420,157 |
| Units issued on exercise of stock options (i) | 113,750 | 671 |
| Balance September 30, 2009 | 42,033,012 | 420,828 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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- (i) The total cash received for Trust Units issued upon exercise of stock options during the year amounted to \$413,728 and the difference of \$304,157 represents the movement from contributed surplus to unitholders capital relating to the stock based compensation expense previously recognized.
- (ii) On October 20, 2008, the Trust instituted a Normal Course Issuer Bid ("NCIB") under which it may purchase up to 3,463,769 Trust Units for cancellation in a 12 month period. During the period from January 1, 2009 to March 31, 2009, the Trust purchased 190,200 Trust Units under this NCIB for \$886,307. Since the inception of the NCIB total repurchases amounted to 248,544 Trust Units. All Trust Units repurchased have been cancelled. There were no purchases under the NCIB during the second or third quarters.

b) Per unit amounts

For the three and nine months ended September 30, 2009, the Trust had a weighted average number of trust units outstanding of 41,953,583 and 41,965,545, respectively (three and nine months ended September 30, 2008 – 42,026,438 and 41,909,360, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 366,336 and 286,237 Trust Units for the three and nine months ended September 30, 2009, respectively, resulting in a weighted average number of trust units outstanding for the three and nine months ended September 30, 2009, of 42,319,919 and 42,251,782, respectively (three and nine months ended September 30, 2008 – 42,633,983 and 42,579,360, respectively). At September 30, 2009, there were 2,072,365 (September 30, 2008 – 523,500) in anti-dilutive options that were not part of the dilutive per unit calculation.

c) Contributed surplus

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

| <i>(in thousands of dollars)</i> | 2009 |
|--|--------------|
| | \$ |
| Contributed surplus, January 1 | 6,777 |
| Stock-based compensation expense [note 10] | 859 |
| Stock-based compensation capitalized [note 10] | 64 |
| NCIB unit buy back [note 9(a)(ii)] | 1,020 |
| Re-pricing and surrender of options [note 10] | 129 |
| Options exercised [note 9(a)(i)] | (304) |
| Settlement of options | (42) |
| Contributed surplus, September 30 | 8,503 |

d) Accumulated other comprehensive loss

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

| <i>(in thousands of dollars)</i> | 2009 |
|---|----------------|
| | \$ |
| Accumulated other comprehensive loss, January 1 | (4,807) |
| Gain on derivative instruments designated as cash flow hedges | |
| Unrealized gain arising on cash flow hedges | 1,435 |
| Transfer of losses on cash flow hedges to net income | 3,005 |
| Accumulated other comprehensive loss, September 30 | (367) |

The accumulated other comprehensive loss is made up of an unrealized loss on commodity hedges in the amount of \$1,461,418 (see note 11(c)(ii)) and an unrealized gain on foreign exchange contract of \$1,093,971 (see note 11(c)(iii)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

10. STOCK-BASED COMPENSATION

Under the Trust's unit option plan, options to acquire trust units are granted to employees and directors from time to time at exercise prices equal to the market value of the units at the date of the grant. Options granted under the plan vest a third each year over a three-year period starting on the first anniversary from the date of grant. The options have a five-year life. The exercise price of the options is periodically adjusted to reflect the Trust's monthly distributions. Any consideration paid on exercise of stock options is credited to unitholders' capital. A total of 4,203,301 units have been reserved under this plan.

On July 2, 2009, the Trust approved the re-pricing of 1,491,334 out of the money options granted to employees and consultants not including officers and directors. The new price of \$3.71 was based on the weighted average five day trading price immediately prior to July 2, 2009. The re-pricing was undertaken in order to continue to link performance compensation to the enhancement of unitholder value during a period of significant changes in market conditions over the first half of 2009. Of the options re-priced, 25% or 372,835 options were surrendered. Additional stock based compensation expense of \$128,821 was recorded in general and administrative expenses on the consolidated statement of operations and accumulated earnings relating to this modification.

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

| | Number of options outstanding | Weighted average grant date exercise price \$ |
|----------------------------------|----------------------------------|---|
| Outstanding, January 1 | 2,979,833 | 8.17 |
| Granted | 725,200 | 3.77 |
| Exercised | (122,416) | 5.84 |
| Expired | (87,416) | 7.37 |
| Surrendered | (372,835) | 3.71 |
| Outstanding, September 30 | 3,122,366 | 4.96 |
| Exercisable, September 30 | 1,852,663 | 6.88 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

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

| September 30, 2009 Strike Price \$ | Grant date exercise price \$ | Number of options outstanding | Weighted average remaining life (years) | Number of options exercisable |
|---|------------------------------------|-------------------------------------|--|-------------------------------------|
| 0.85 | 11.00 | 30,000 | 0.18 | 30,000 |
| 1.15 | 10.90 | 223,668 | 0.49 | 223,668 |
| 1.67 | 11.20 | 15,000 | 0.66 | 15,000 |
| 1.65 | 10.69 | 20,500 | 1.03 | 20,500 |
| 3.53 | 3.71 | 256,000 | 1.75 | 256,000 |
| 4.67 | 8.30 | 523,000 | 1.75 | 523,000 |
| 3.53 | 3.71 | 21,958 | 1.92 | 14,638 |
| 3.53 | 3.71 | 9,375 | 2.32 | 6,250 |
| 3.53 | 3.71 | 75,000 | 2.32 | 50,000 |
| 3.53 | 3.71 | 253,000 | 2.42 | 157,943 |
| 4.31 | 7.28 | 586,665 | 2.42 | 387,664 |
| 3.53 | 3.71 | 124,875 | 2.67 | 83,250 |
| 3.53 | 3.71 | 20,625 | 3.08 | 6,875 |
| 3.53 | 3.71 | 1,500 | 3.25 | 500 |
| 3.53 | 3.71 | 3,750 | 3.42 | 1,250 |
| 3.53 | 3.71 | 1,500 | 3.50 | 500 |
| 3.53 | 3.71 | 225,750 | 3.68 | 75,250 |
| 3.53 | 3.71 | 1,125 | 3.83 | 375 |
| 3.53 | 3.71 | 11,250 | 4.00 | — |
| 3.53 | 3.71 | 22,125 | 4.17 | — |
| 3.53 | 3.71 | 691,200 | 4.67 | — |
| 4.55 | 4.64 | 4,500 | 4.79 | — |
| | | 3,122,366 | | 1,852,663 |

As a result of the grind feature of the options, the price on the date of grant is reduced by the distributions paid to unitholders. Accordingly, the weighted average strike price at September 30, 2009 on all outstanding options was \$3.65 per option and the weighted average strike price at September 30, 2009 on all exercisable options is \$3.65 per option.

The total fair value of stock-based compensation of \$10,696,122 for these options issued at the date of grant was calculated using a Black-Scholes option-pricing model. The assumptions made for the options granted in 2009 are as follows:

| 2009 Granted Options | |
|---------------------------------|------------|
| Expected volatility | 46.68% |
| Risk – free interest rate | 2.41% |
| Expected life of options | 3.75 years |
| Dividend yield | nil |

The Trust recorded stock based compensation and contributed surplus of \$451,058 and \$1,051,332, respectively for the three and nine months ended September 30, 2009 (three and nine months ended September 30, 2008 - \$316,021 and \$1,350,006, respectively) of which \$26,460 and \$64,304 respectively for the three and nine months ended September 30, 2009, was capitalized (three and nine months ended September 30, 2008 - \$nil and \$nil, respectively).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

11. FINANCIAL INSTRUMENTS

a) Fair values of financial assets and liabilities

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

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

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value. The mortgages are for varying lengths and carry interest rates in line with the market terms agreed to when the mortgages were entered into. The fair value of the mortgages reflect the discounted present value of the principal and interest payments using the effective yield for instruments having the same term and risk characteristics. The fair value of the Trust's mortgages as at September 30, 2009 was \$25,569,718 (December 31, 2008 - \$38,631,215), while the carrying value was \$25,637,039 (December 31, 2008 - \$38,688,417).

b) Credit risk

At September 30, 2009, the Trust had an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of \$669,647 and Elbow River has an allowance for doubtful accounts of \$31,539,219, the two amounts representing 36% of the Trust's accounts receivables of \$88,968,486 before deducting the allowance for doubtful accounts.

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

The allowance in Elbow River is primarily the result of a bio-diesel counterparty receivable; the receivable balance booked at September 30, 2009 net of the allowance is US \$4,000,000. In March 2009, Elbow River was advised by this bio-diesel counterparty that they would be unable to pay to Elbow River its proportionate share owing under their "memorandum of understanding". Elbow River took legal actions against this bio-diesel counterparty, its equity investor and its secured bank, claiming return of funds owing to Elbow River under the memorandum of understanding. A provision for this receivable was booked in 2008. There has been no change to the provision as at September 30, 2009. Subsequent to the end of the third quarter, on October 27, 2009 a settlement was reached with this bio-diesel counterparty. Under this settlement, Elbow River expects to receive after fees, approximately US \$4,700,000 in cash and an assignment of a promissory note, with Elbow River's portion of the note having a face value of approximately US \$5,500,000. The cash portion of the settlement is expected to be paid to Elbow River over the next 3 months, while the portion relating to the promissory note is scheduled to be paid in two installments, one on December 31, 2009 and the other on December 31, 2010. All of the funds Elbow River is scheduled to receive under the settlement remain subject to uncertainty. With respect to the cash funds, some of the funds are still in the process of being liquidated and paid over to Elbow River, and the funds also may be subject to subsequent challenge for 90 days after receipt by Elbow River. In addition, there may be collection risk with respect to the funds from the promissory note, and as such, Elbow River will continue to provide for an allowance against the US \$5,500,000 promissory note receivable balance. Elbow River expects to provide a further update in its year-end disclosures.

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, 2009, 34% of the Trusts consolidated accounts receivable are due from three customers; this entire outstanding balance has been collected subsequent to September 30, 2009. The total amount of receivables past due 90 days amounted to \$13,554,242 as at September 30, 2009. Elbow River has now exited from marketing bio-diesel products and its additional inherent counterparty and partner risks. Management continues to scrutinize and monitor its remaining bio-diesel receivables and expects to collect all outstanding

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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amounts after allowances described above. The Elbow River LPG base accounts receivables have been reviewed and are continually monitored. No allowance was deemed necessary for these accounts.

c) Risk management asset (liability)

| <i>(in thousands of dollars)</i> | 2009 |
|---|--------------|
| | \$ |
| Net risk management liability, January 1, | (294) |
| Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas Division (i) | (2,469) |
| Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii) | 6,893 |
| Change in mark-to-market of cash flow hedge contracts – Elbow River (iii) | 4,439 |
| Net risk management asset, September 30, | 8,569 |
| Reclassified to risk management liability, September 30, | 714 |
| Risk management asset, September 30, | 9,283 |

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

- A fixed price AECO swap for the period November 1, 2008 to October 31, 2009 on 1,000 gigajoules/day of natural gas with a price of \$8.26 CDN/gigajoules.
- A fixed price AECO swap for the period April 1, 2010 to March 31, 2011 on 1,000 gigajoules/day of natural gas with a price of \$8.25 CDN/gigajoules.
- A fixed price WTI swap for the period March 1, 2009 to December 31, 2009 on 200 barrels/day of crude oil with a price of \$60.35 CDN/Bbl.
- A fixed price WTI swap for the period June 1, 2009 to December 31, 2009 on 200 barrels/day of crude oil with a price of \$71.30 CDN/Bbl.
- A fixed price WTI collar for the period August 1, 2009 to July 31, 2010 on 200 barrels/day of crude oil with a floor price of \$65.00 CDN/Bbl and a ceiling price of \$83.50 CDN/Bbl.
- A fixed price WTI collar for the period September 1, 2009 to August 31, 2010 on 100 barrels/day of crude oil with a floor price of \$70.00 CDN/Bbl and a ceiling price of \$91.25 CDN/Bbl.

The mark-to-market value of these contracts as at September 30, 2009 was a risk management asset of \$384,296 (December 31, 2008 – a risk management asset of \$2,852,926), resulting in the recognition of an unrealized loss on the income statement for the nine months ended September 30, 2009 of \$2,468,630 (nine months ended September 30, 2008 - \$3,073,050).

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

- A fixed price WTI collar for the period January 1, 2010 to December 31, 2010 on 200 barrels/day of crude oil with a floor price of \$80.00 CDN/Bbl and a ceiling price of \$96.15 CDN/Bbl.

(ii) Elbow River sells natural gas liquids, ethanol, diesel, and asphalt product in the United States, Canada and overseas, giving rise to significant exposure to market risks from foreign exchange rates and commodity price changes. The Trust uses derivative financial instruments to reduce risks including foreign exchange and commodities hedging contracts. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures. The commodity hedge contracts are entered into for the following commodities: butane, propane, natural gasoline, and ethanol.

At December 31, 2008, Management determined that the documentation and effectiveness measures for hedge accounting had not been met from April 1, 2008 onward. As a result an unrealized loss of \$1,461,418 relating to contracts existing as at March 31, 2008 remains in accumulated other comprehensive loss until the hedged items relating to these commodity and foreign exchange derivative contracts are settled. During the nine months ending September 30, 2009, losses previously recorded in accumulated other comprehensive loss of \$3,508,689 were transferred to net income due to the settlement of the underlying hedged items and \$1,461,418 remains in accumulated other comprehensive loss. Any change in the fair value of these contracts from January 1, 2009 to September 30, 2009 has been recognized in net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The following tables detail those transactions in Elbow River that are not designated for hedge accounting, which resulted in a risk management asset of \$8,552,715 (December 31, 2008 – a risk management asset of \$1,659,607), resulting in the recognition of an unrealized gain on the statement of operations for the nine months ended September 30, 2009 of \$6,893,108 (nine months ended September 30, 2008 - \$13,044,848).

| Commodities hedging contracts: | | | September 30, 2009 |
|---------------------------------------|---|---|-------------------------------|
| Settlement dates | Average Monthly Volume (bbl) | Prices \$(/bbl) | Unrealized gain \$ |
| October – December 2009 | 819,851 | 33.54 – 82.30 | 3,150,453 |
| January – December 2010 | 246,024 | 29.40 – 83.45 | 3,124,067 |
| January – March 2011 | 75,804 | 51.49 – 80.39 | 225,106 |
| | | | 6,499,626 |
| | | Exchange rate | 1.0722 |
| | | Risk management asset in CDN dollars | 6,968,899 |
| | | Amount recorded as other comprehensive loss in 2008 | 1,461,418 |
| | | Amount recorded in unrealized gain on financial instruments | 8,430,317 |

| Forward exchange contracts: | | | September 30, 2009 |
|------------------------------------|----------------------|---------------------------------|-------------------------------|
| Term Due | Amount \$ | Forward Rates CDN \$ | Unrealized gain \$ |
| October - December 2009 | 7,000,000 | 1.075 – 1.0966 | 122,398 |
| Total US dollars | 7,000,000 | | 122,398 |
| Exchange rate | 1.0722 | | |
| Total CDN dollars | 7,505,400 | | |

(iii) The following table details those transactions that are designated for hedge accounting giving rise to a risk management asset of \$1,093,971 (December 31, 2008 – a risk management asset of \$163,744), resulting in the recognition of a comprehensive gain of \$930,227 when compared to the December 31, 2008 mark-to-market. In addition, \$3,508,689 relating to reclassification of the change in fair value from January 1, 2009 to September 30, 2009 of commodity hedge contracts in place as at April 1, 2008 as described in note 11(c)(ii) above is included in other comprehensive income. This brings the total amount of other comprehensive income for the nine months ended September 30, 2009 to \$4,438,916 (other comprehensive loss for the nine months ended September 30, 2008 - \$1,858,498).

| Forward exchange contracts: | | | September 30, 2009 |
|------------------------------------|----------------------|---------------------------------|-------------------------------|
| Term Due | Amount \$ | Forward Rates CDN \$ | Unrealized gain \$ |
| October – December 2009 | 10,450,450 | 1.0663 – 1.2735 | 472,424 |
| January – December 2010 | 11,773,050 | 1.0692 – 1.2705 | 621,547 |
| Total US dollars | 22,223,500 | | 1,093,971 |
| Exchange rate | 1.0722 | | |
| Total CDN dollars | 23,828,037 | | |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

(iv) Foreign currency risk

The Trust's Elbow River group operates internationally with transactions largely denominated in US dollars 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, 2009 all of the forward exchange contracts listed above were designated as cash flow hedges.

In respect of existing financial instruments, a \$0.01 change in the US dollar against the Canadian dollar, with all other variables assumed constant, would have resulted in a change of approximately \$135,000 in net income from continuing operations and a change of approximately \$222,000 in other comprehensive income for the nine months ended September 30, 2009.

(v) Commodity price risk

At September 30, 2009, in respect of the financial derivative instruments in the Oil and Gas Division, a change of \$10.00 US/Bbl in the price of oil would have resulted in unrealized gains and losses impacting net income from continuing operations and other comprehensive income by approximately \$368,000 while a change of \$1.00/gigajoule in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations by approximately \$396,000.

In respect of the financial derivative instruments in Elbow River, a 5% change in commodity pricing would have resulted in unrealized gains and losses changing net income from continuing operations and other comprehensive income by approximately \$1,624,000.

d) Interest rate risk

A 1% change in interest rates would result in net income from continuing operations and other comprehensive income sensitivity of approximately \$238,000. The Trust has not entered into any derivative agreements to mitigate this risk.

e) Liquidity risk

The Trust is exposed to liquidity risk, which is the risk that the Trust may be unable to generate or obtain sufficient cash to meet its commitments as they come due. The Trust mitigates this risk through its management of cash, debt and its distributions. With the sale of the EnerVest assets in May 2008, the Trust continues to have a working capital surplus together with undrawn credit facilities in its Oil & Gas Division providing significant flexibility in meeting current and future liquidity requirements.

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

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

Except for the mortgages as described in note 7 and some hedges covering term deals of up to eighteen months in Elbow River, all the Trust financial liabilities are effectively due within one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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12. RELATED PARTY TRANSACTIONS

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

- During the three and nine months ended September 30, 2009, the Trust paid \$54,642 and \$163,083, respectively (three and nine months ended September 30, 2008 - \$50,928 and \$156,565, respectively) to Avenir Capital Corporation (“Avenir”), a significant unitholder of the Trust, for rent, administration and advisory services. Included in accounts payable and accrued liabilities as at September 30, 2009 is \$35,770 (December 31, 2008 - \$17,012) owing to Avenir relating to these services.
- During the three and nine months ended September 30, 2009, the Trust incurred marketing fees of \$18,000 and \$54,000, respectively (three and nine months ended September 30, 2008 - \$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, 2009 (December 31, 2008 - \$18,000).
- During the three and nine months ended September 30, 2009, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of \$145,281 and \$360,021 respectively (three and nine months ended September 30, 2008 - \$277,820 and \$574,866, respectively) payable to a company with a shareholder who is also a director of the Trust. Of this balance, \$nil is included in accounts payable and accrued liabilities as at September 30, 2009 (December 31, 2008 - \$nil).
- In the normal course of joint business activities, the Trust’s Oil and Gas Division from time to time engages in business transactions with companies having directors in common with the Trust.

13. SEGMENTED INFORMATION

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

The following is selected financial information for each business segment:

| <i>(in thousands of dollars)</i> | Three months ended September 30, 2009 | | | | |
|--|--|---------------------------------|-------------------------------|-------------------------|---------------------|
| | Financial Services – Elbow River \$ | Oil & Gas \$ | Real Estate \$ | Corporate \$ | Total \$ |
| Net total revenue | 150,734 | 12,359 | 1,519 | 630 | 165,243 |
| Net operating expenses | 137,972 | 4,831 | 91 | — | 142,894 |
| Income (loss) from continuing operations | 9,488 | 1,140 | 1,082 | (229) | 11,481 |
| Net income (loss) | 9,488 | 1,140 | 1,082 | (229) | 11,481 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

(in thousands of dollars)

| | Nine months ended September 30, 2009 | | | | |
|--|--|--------------|----------------|-----------|---------|
| | Financial Services – Elbow River | Oil & Gas | Real Estate | Corporate | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Net total revenue | 631,613 | 31,964 | 7,223 | 1,625 | 672,425 |
| Net operating expenses | 614,687 | 15,491 | 1,025 | — | 631,203 |
| Income (loss) from continuing operations | 1,424 | (825) | 3,758 | (679) | 3,678 |
| Net income (loss) | 1,424 | (825) | 3,758 | (679) | 3,678 |

(in thousands of dollars)

| | Three months ended September 30, 2008 (restated – note 3) | | | | | |
|--|--|-----------|----------------|-----------|----------------------------|---------|
| | Financial Services – Elbow River | Oil & Gas | Real Estate | Corporate | Discontinued Operations | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Net total revenue | 573,469 | 24,500 | 11,624 | 317 | — | 609,910 |
| Net operating expenses | 536,279 | 5,372 | 385 | — | — | 542,036 |
| Income (loss) from continuing operations | 33,047 | 9,680 | 9,859 | (1,865) | — | 50,721 |
| Discontinued operations – EnerVest | — | — | — | — | (328) | (328) |
| Net income (loss) | 33,047 | 9,680 | 9,859 | (1,865) | (328) | 50,393 |

(in thousands of dollars)

| | Nine months ended September 30, 2008 (restated - note 3) | | | | | |
|--|---|-----------|----------------|-----------|----------------------------|-----------|
| | Financial Services – Elbow River | Oil & Gas | Real Estate | Corporate | Discontinued Operations | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Net total revenue | 1,453,259 | 51,592 | 16,037 | 690 | — | 1,521,579 |
| Net operating expenses | 1,399,135 | 15,159 | 1,665 | — | — | 1,415,959 |
| Income (loss) from continuing operations | 40,500 | 14,199 | 5,287 | (3,815) | — | 56,171 |
| Discontinued operations – EnerVest | — | — | — | — | 42,410 | 42,410 |
| Net income (loss) | 40,500 | 14,199 | 5,287 | (3,815) | 42,410 | 98,581 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

| <i>(in thousands of dollars)</i> | 2009 | | | | |
|-------------------------------------|-------------------------------|----------------------|------------------------|------------------|--------------|
| | Financial Services | Oil & Gas | Real Estate | Corporate | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Selected balance sheet items | | | | | |
| Property and equipment | 555 | 166,164 | 30,302 | — | 197,021 |
| Intangibles and other assets | 9,538 | — | 900 | — | 10,438 |
| Goodwill | 23,424 | — | — | — | 23,424 |
| Total assets | 105,534 | 183,683 | 35,344 | 32,393 | 356,954 |
| Working capital (deficiency) | 19,839 | (21,513) | (2,849) | 22,317 | 17,794 |
| Mortgages excluding current portion | — | — | (21,556) | — | (21,556) |

14. DISTRIBUTIONS

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

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

During the three and nine months ended September 30, 2009, the Trust declared distributions to the unitholders in the aggregate amount of \$7,556,117 and \$26,517,197, respectively (three and nine months ended September 30, 2008 - \$10,466,415 and \$31,339,971, respectively) in accordance with the following table:

| Period covered | Date of Distribution | Per Unit \$ |
|---|---------------------------------|------------------------|
| January 1, 2009 to January 31, 2009 | 02/16/2009 | 0.0830 |
| February 1, 2009 to February 28, 2009 | 03/16/2009 | 0.0830 |
| March 1, 2009 to March 31, 2009 | 04/15/2009 | 0.0830 |
| April 1, 2009 to April 30, 2009 | 05/15/2009 | 0.0830 |
| May 1, 2009 to May 31, 2009 | 06/15/2009 | 0.0600 |
| June 1, 2009 to June 30, 2009 | 07/15/2009 | 0.0600 |
| July 1, 2009 to July 31, 2009 | 08/17/2009 | 0.0600 |
| August 1, 2009 to August 31, 2009 | 09/15/2009 | 0.0600 |
| September 1, 2009 to September 30, 2009 | 10/15/2009 | 0.0600 |

As at September 30, 2009, the Trust had cash distributions payable of \$2,521,981 (December 31, 2008 - \$28,754,844) representing the Trust's regular monthly distribution paid on October 15, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2009 and 2008 (unaudited)

15. CAPITAL DISCLOSURES

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

- i) maintain balance sheet strength, ensuring the Trust's strategic objectives are met, while retaining an appropriate amount of leverage; and
- ii) provide an appropriate return including distributions to unitholders relative to the risk of the Trust's underlying assets

The Trust manages its capital structure within guidelines approved by the Board of Directors. Changes to the Trust's capital structure are made based on economic conditions and the Trust's planned requirements. The Trust has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to unitholders and making adjustments to its capital expenditure program. In 2008, the sale of the EnerVest assets for proceeds net of costs and adjustments of \$160,957,081 provided the Trust with a great deal of flexibility in its go forward capital structure. While some of the flexibility has been impacted by Elbow River's bio-diesel related operating losses and bad debt provisions on its exit from marketing bio-diesel product, the Trust's balance sheet continues to be strong.

The Trust has 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, 2009. As collateral for the demand revolving facilities, the Trust has provided a general security agreement with a floating charge debenture over all of the Trust's assets. Other than these restrictions the Trust is not subject to any externally imposed capital requirements.

Consistent with its capital structure guidelines, the Trust monitors capital using non-GAAP financial metrics of net debt (calculated as current assets less current liabilities adjusting for the current portion of mortgages and the risk management assets and liabilities) to annualized funds from continuing operations for the non-real estate divisions targeting a ratio of 1:1, 60% mortgage to fair market value ratio on the Real Estate Division and distribution payout ratio of 75% - 80% of funds from continuing operations.

For the three and nine months ended September 30, 2009, the net debt to funds from continuing operations ratio is not meaningful to the Trust as the Trust is in a net positive working capital position versus a net debt position.

For the Real Estate Division, the ratio is calculated using the total amount of the outstanding mortgages for the period as a percentage of the estimated fair market value of the real estate properties. The Trust mortgage to fair value ratio is currently in excess of its 60% target due to the recent sale of low mortgage percentage buildings. The trust is comfortable with this higher rate given its strong balance sheet with a net positive working capital position.

The distribution payout ratio uses the total distributions to unitholders per the Statement of Cash Flows as a percentage of the funds from operations. For the nine months ended September 30, 2009 regular monthly cash distributions of \$26,517,197 exceeded funds provided by operations of by \$13,166,571. For the nine months ended September 30, 2009 the payout ratio was 199%. Excluding the large first quarter loss on the Elbow River bio-diesel exit the payout ratio would have been positive 75% in line with the targeted distribution payout ratios.

16. NOTE RECEIVABLE

The \$25,000,000 note receivable bearing interest at 8% per annum which was scheduled to mature on June 30, 2009 was extended under the same terms until July 15, 2009. The note was not repaid at that time but interest is being received monthly at 10% per annum with repayment expected by the end of 2009.

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.

Legal Counsel

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

Transfer Agent

Olympia Trust Company of Canada

Officers & Key Personnel

Corporate Headquarters

William Gallacher, P.Eng
President & CEO

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

Jill Koskimaki, BBA
Manager Bus. Development

Michelle O'Grady, CA
Controller

Avenir Operating Corp.

Grant Leslie, P. Eng., COO
Bob Guy, VP Production
Debbie Carter, Controller

Elbow River Marketing LP

Ed Malcolm, President
Arie Prins, Chief Financial Officer
George Petropoulos, Mgr, LPG Marketing

Real Estate Management

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OIL & GAS ABBREVIATIONS

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

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