



Avenir Diversified Income Trust

Third Quarter Interim Report for the nine months ended September 30, 2010



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# 2010 Third Quarter Highlights & Review

## TOTAL CONSOLIDATED FINANCIAL SUMMARY

<i>(in thousands except for per unit amounts)</i>	Three months ended September 30			Nine months ended September 30		
	2010	2009	% Change	2010	2009	% Change
Total Revenue	\$ 111,173	\$ 163,723	(28)	\$ 447,931	\$ 665,202	(33)
Funds (Used In) From Continuing Operations (FFCO) <sup>1</sup>	\$ 9,148	\$ 9,221	(1)	\$ 29,692	\$ 20,522	46
FFCO <sup>1</sup> Per Unit - Basic	\$ 0.21	\$ 0.22	(5)	\$ 0.70	\$ 0.49	43
Funds From Operations (FFO) <sup>1</sup>	\$ 9,608	\$ 9,981	(4)	\$ 31,341	\$ 13,351	135
FFO Per Unit <sup>1</sup> - Basic	\$ 0.22	\$ 0.24	(8)	\$ 0.73	\$ 0.32	128
Distributions	\$ 7,729	\$ 7,556	(2)	\$ 23,087	\$ 26,517	(13)
Distributions Per Unit - Basic	\$ 0.18	\$ 0.18	-	\$ 0.54	\$ 0.63	(14)
Distribution Payout Ratio <sup>2</sup>	80%	76%	5	74%	198%	(63)
Net (Loss) Income from Continuing Operations (NICO)	\$ 1,585	\$ 10,397	(85)	\$ (5,051)	\$ (80)	(6214)
NICO Per Unit - Basic	\$ 0.04	\$ 0.25	(83)	\$ (0.12)	\$ (0.00)	(33)
Net Income (loss)	\$ 3,099	\$ 11,482	(73)	\$ (2,174)	\$ 3,678	(160)
Net Income Per Unit - Basic	\$ 0.07	\$ 0.27	(74)	\$ (0.05)	\$ 0.09	(456)
Total Assets	\$ 320,107	\$ 356,954	(10)	\$ 320,107	\$ 356,954	(10)
Working Cap. excluding assets held for sale	\$ 6,635	\$ 20,641	(68)	\$ 6,635	\$ 20,641	(68)
Mortgages (assets held for sale)	\$ 15,658	\$ 25,637	(39)	\$ 15,658	\$ 25,637	(39)
Wtd. Avg. Units Outstanding - Basic	42,923,483	41,953,583	2	42,720,126	41,956,545	2

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

<sup>2</sup> Distribution Payout Ratio is calculated by dividing the Monthly Distributions by the Funds from Operations.

### 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.

# Third Quarter Update and Results Summary

As previously announced, the Trust intends to seek Unitholder approval to convert to an energy focused corporation on or before the end of 2010. An Information Circular was mailed to all Unitholders on November 12, 2010, which outlines the details of the conversion process to be voted on at a Special Meeting of Unitholders on December 9, 2010. This conversion is in response to the legislative changes by the federal government for 2011 that applies tax at the trust level. After a review of the strengths and opportunities, it was determined that the “new” corporation will look to provide a sustainable dividend and modest growth profile while focusing on energy, primarily the oil and gas sector. Based on the current outlook and commodity prices, the Trust continues to expect to be able to maintain its 2010 monthly distribution at \$0.06 per unit. It is currently expected that upon conversion approval, a 2011 monthly dividend would be established at \$0.045 per share. As a dividend, certain individuals would qualify for dividend tax treatment rather than regular income tax treatment thereby effectively increasing the after tax yield by about 3%.

Much of the focus of the third quarter was on the evaluation, negotiation and subsequent finalization of the oil focused Great Plains Exploration Inc. (“Great Plains”) acquisition. The transaction was completed on November 5, 2010 through the issuance of approximately 8.6 million trust units and 1.1 million exchangeable shares and the assumption of approximately \$29 million in debt and working capital. Exchangeable shares will be exchangeable for trust units on a one-for-one basis. The acquisition adds approximately 1,600 BOE per day of production comprised of 60% light oil and natural gas liquids bringing current Trust production to in excess of 5,000 BOE per day. A significant drilling inventory of oil prospects in the Cardium and Nisku formations in the Pembina/Crossfire areas and the Gilwood and Slave Point zones in the Randell area was also added with the acquisition. The adding of go-forward oil opportunities to complement the Trust’s natural gas Cadomin/Nikanassin resource play in the Noel area was a priority as the Trust looks to transition to more of a growth focused junior energy company upon conversion to a corporation in 2011.

The Trust’s third quarter 2010 results were in-line with management’s expectations with solid oil and gas operations offsetting continued weak natural gas prices and the expected slow summer period in the LPG marketing group. Traditionally, the Trust’s results are weaker in the second and third quarter due to the winter skewed seasonal opportunities in the LPG marketing group. For the third quarter 2010, the Trust had net income of \$3.1 million, funds from operations of \$9.6 million and distributions of 80% of funds from operations. For the nine months ended September 30, 2010 the Trust had a net loss of \$2.2 million and funds from operations of \$31.3 million. Distributions were 74% of funds from operations which is lower than our target annual distribution payout ratio of 75%-80%. Of the third quarter 2010 funds from operations, the Oil and Gas Division contributed 70%, with 20% coming from Elbow River, 5% from Real Estate and approximately 5% from the Corporate Division.

In the Oil and Gas Division, third quarter 2010 production averaged 3,719 BOE per day up 7% from second quarter 2010 levels and up about 6% from the corresponding quarter in 2009. Production volumes were split 41% oil and NGL and 59% natural gas for the quarter. Strong September volumes pushed up the quarterly averages as completions and tie-ins were completed on the Noel Cadomin projects and a number of smaller oil projects. Sale prices averaged \$65.50 per barrel for oil and NGL and \$5.45 per Mcf for natural gas, approximately 55% higher than the spot natural gas prices in the period. Given the continued weakness in the natural gas markets, the Trust has protected its cashflow with approximately 50% of its

natural gas production hedged at prices greater than \$6.50 per Mcf through to the end of March 2011. Capital expenditures were focused on the completion and tie-in of Cadomin natural gas projects in the Noel area and non-operated oil projects at Deer Mountain, S.E. Saskatchewan and the Peace River Arch of N.W. Alberta. The highlight of the capital program was the completion and tie-in of a first quarter 100% working interest Cadomin horizontal well in the Noel area of B.C. The well tested 10 Mmcf/day of natural gas over a 5 day test and was put on production at restricted rates of approximately 3 Mmcf/day. With the Great Plains acquisition, the Oil and Gas Division is now expected to increase its 2010 capital expenditure budget from \$20 million to \$24 million with expenditures over the remainder of the year primarily directed at Pembina, Randell and Peace River Arch oil opportunities and a N.E. B.C. Nikanassin natural gas test. The 2011 capital budget will not be finalized until mid-December, however, initial views are for the program to be a front-end loaded, oil focused, capital program in order to take advantage of winter access only opportunities and the current royalty drilling credit program. Although the Trust has significant natural gas upside, natural gas development continues to be closely managed in view of current low natural gas prices. Production for the fourth quarter 2010 is now expected average approximately 4,900 BOE per day which consists of approximately 45% oil and natural gas liquids with a year-end production rate expected to be in excess of 5,000 BOE per day.

The slowdown experienced by Elbow River in the second quarter carried over into a relatively weaker third quarter in its base LPG business. While the third quarter is normally one of Elbow River's weakest quarters, results were down in all LPG commodities except propane due to the continued economic downturn, particularly in the United States, leading to excess industry inventories, turnarounds and refinery shutdowns. This has led to fewer spot opportunities and fewer customers wanting to commit to term contracts until the industry gets back into a more balanced position. The condensate demand which propped up the previous year's third quarter results was also hurt by the start-up of the Southern Lights pipeline into Alberta, reducing the need for rail car volumes. Offsetting the weak LPG third quarter, was progress in collecting approximately \$1.2 million in bio-diesel receivables. The Elbow River fourth quarter has started in-line with previous years' comparables, although it may not be as strong as the past two years when very cold temperatures in the N.E. United States provided exceptional propane demand.

The Trust is continuing the disposition of its real estate portfolio in order to focus on the energy related businesses. Sale discussions are underway such that we would expect to transact on about half of the real estate portfolio by yearend and the other half before mid-year 2011. The portfolio continues to be 100% leased and performs as expected.

In the third quarter, the Trust sold or redeemed 400,000 of the EnerVest Diversified Income Trust ("EnerVest") units being held for investment purposes for a gain of about \$0.75 million. The EnerVest units currently yield around 8.5%, but will be disposed of as opportunities arise for the redeployment of the capital into one of the Trust's core businesses. The Trust continues to maintain a strong balance sheet with a debt to cashflow ratio of less than 1:1 (exclusive of mortgages) post the Great Plains acquisition, over \$25 million in undrawn bank lines in the Oil and Gas Division and mortgages of approximately \$16 million in the Real Estate Division.

The fourth quarter is historically one of the Trust's stronger quarters due to Elbow River's seasonal sales cycle and the

fourth quarter appears to be picking up in Elbow River after a slow summer period. The Oil and Gas Division is well positioned to deliver excellent quarterly results given the third quarter production increases and the oil weighted volumes from the Great Plains acquisition from November 6, 2010 to the end of the year. Given the current commodity and operational outlook, the Trust remains comfortable with its 75%-80% distribution payout ratio target for 2010, but expects to reduce the target dividend payout in 2011 to the 60% range as it transitions to a corporation providing sustainable dividends together with modest growth in the energy sector.

Submitted on behalf of the Board of Directors by:



William M. Gallacher, President & CEO



Gary H. Dundas, V.P Finance & CFO

## REVIEW OF FINANCIAL RESULTS

Net income from continuing operations for the quarter ended September 30, 2010 was \$1.6 million down 85% from \$10.4 million in the quarter ended September 30, 2009, including an \$1.4 million unrealized loss on financial instruments versus a \$7.8 million unrealized gain at the end of the third quarter of 2009. Net loss from continuing operations for the nine months ended September 30, 2010 was \$5.1 million down substantially from a net loss of \$0.1 million for the nine months ended September 30, 2009, as the non-cash unrealized loss on financial instruments more than offset 2009 bio-diesel losses in Elbow River. The net income for the quarter ended September 30, 2010 was \$2.2 million which is down 81% versus \$11.5 million for the quarter ended September 30, 2009 due to an unrealized loss on financial instruments versus an unrealized gain in the third quarter of 2009. Net loss for the nine months ended September 30, 2010 was \$3.1 million compared to a \$3.7 million net income for the same period ended September 30, 2009 again, due to an unrealized loss on financial instruments versus an unrealized gain in the third quarter of 2009.

Funds from continuing operations were \$9.1 million for the quarter ended September 30, 2010 consistent with \$9.2 million in the comparable quarter in 2009. Funds from operations were \$9.6 million for the quarter ended September 30, 2010, down 4% versus funds from operations for the quarter ended September 30, 2009 of \$10.0 million. Funds from operations for the nine months ended September 30, 2010 were \$31.3 million, up 135% from \$13.4 million for the nine months ended September 30, 2009. The increase is in large part due to the first quarter 2009 losses and write-off in the Elbow River bio-diesel business.

The Trust declared distributions of \$7.7 million (\$0.18 per unit) for the quarter ended September 30, 2010 which is up from the \$7.6 million (\$0.18 per unit) distributed for the quarter ended September 30, 2009. The 2010 third quarter end payout ratio was 80% of funds from operations compared to 76% at September 30, 2009. For the nine months ended September 30, 2010 monthly cash distributions of \$23.1 million were lower than the \$26.5 million monthly cash distributions in 2009 as the monthly distribution was reduced from \$0.083 per unit to \$0.06 per unit effective May 2009. The nine months ended September 30, 2010 distribution payout ratio was 74% of funds from operations in-line with long term targets.

## REVIEW OF BUSINESS UNIT OPERATIONS

### 1. Financial Services Division

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

### ELBOW RIVER MARKETING LP ("ELBOW RIVER")

Elbow River had a quiet quarter operationally for the three months ended September 30, 2010. Cash flow from ongoing LPG business operations were slightly below expectations while bio-diesel recoveries were modestly higher than anticipated. Included in the quarter were unrealized losses on financial instruments of \$0.7 million with a year to date loss of \$18.0 million. These have no impact on cash flow and reverse between periods as the transactions they relate to are realized.

### LPG & Ethanol Segment

The slowdown that was experienced in the second quarter extended into the third quarter resulting in cash flows which approximated expectations, however were below the prior year results. Propane had a strong end to the quarter due to logistical issues in the U.S. Northeast that allowed for strong spot activity which replaced the propane demand shrinkage from the lack of crop drying that was seen in the two previous years. Butane was below expectations due to reduced term

sales and slower than normal spot activity as a result of reduced refinery activity related to the slower economic climate. Condensate was also below expectations as the new Southern Lights pipeline started up ahead of schedule and hence less rail car volumes were required for Western Canada diluent markets. Ethanol was as expected with steady term arrangements augmented by some niche arbitrage opportunities. Heavy fuel oils were also above expectations due to steady growth and increased focus in this segment of the business.

### **Bio-diesel Recoveries**

During the Oil and Gas Division quarter Elbow River recovered approximately \$1.2 million in bio-diesel expenditures which were recorded between cost of goods sold and recovery of bad debts.

### **Outlook**

Fourth quarter results are expected to be close to average due to typical increased winter activity. Propane is anticipated to be at or above expectations as continued industry operational issues should result in stronger demand for rail car supply in addition to demand from typical cooler weather in this quarter. Butane is expected to be below expectations due to reduced term sales this year although spot sales will increase as winter gasoline blending enters its peak season. Condensate will likely be below forecast due to the competitive impact of the Southern Lights pipeline. Ethanol is anticipated to be above expectations as term arrangements are in place and trading opportunities are presenting themselves due to the uncertainty around increased and uncertain government mandates in both Canada and the U.S. Heavy fuel oils are expected to be above expectations as the various commodities in this area are steadily being grown to augment the other business lines.

## **2. Oil & Gas Division**

For the third quarter of 2010, the averaged sales of 3,719 BOE per day up 7% from the second quarter of 2010 average sales of 3,471 BOE per day and up 6% from the same period in 2009. In comparison to the second quarter of 2010, oil sales for the third quarter were up 5% or 77 barrels per day while gas sales were up 8% or 1,023 Mcf/d. The gas production for the quarter was higher due to the successful Cadomin development program at Noel which had 3 (1.35 net) new wells come on production in September. Overall, sales production during the first nine months of 2010 was up 5% to 3,548 BOE per day compared to 3,390 BOE per day in 2009.

Total gross revenue from petroleum and natural gas sales in the third quarter was \$15.8 million up 7% from \$14.7 million in the second quarter of 2010 due primarily to higher sales volumes. The average price received for crude oil and natural gas liquids during the third quarter was \$65.50 per barrel after hedging. Natural gas pricing for the third quarter of 2010 was \$5.45 per Mcf representing a 55% premium to the average market spot gas price of \$3.52 per Mcf during the period. Gas hedging continued to be significant for the Trust in the third quarter with approximately 58% of the gas sales volume hedged at \$6.59 per Mcf.

Oil and gas operating expense in the third quarter of 2010 was consistent with the prior quarter at \$5.4 million while the unit operating expense decreased by 9% to \$15.78 per BOE due to the increased gas volumes at Noel which has a per BOE cost of \$8.70. The operating cost for the first nine months of 2010 has averaged \$16.65 per BOE and the Trust anticipates achieving similar unit operating costs for the remainder of the year.

The total third quarter net capital expenditure by the Trust was \$9.0 million on development activities including the well completions and tie-ins of the Cadomin program in Noel and non-operated oil projects in Deer Mountain, S.E. Saskatchewan, Southern Alberta and the Peace River Arch. In the quarter, \$6.0 million was spent in Noel including a

Nikanassin re-completion that encountered mechanical problems and will be re-entered in 2011. The capital program was highlighted by the tie-in of the 100% working interest operated horizontal Cadomin well in the Noel area of NE British Columbia. The well has a flowing capability in excess of 10,000 Mcf/d but is currently being produced at restricted rates of 3,000 Mcf/d due to system constraints. In addition to the operated activity, the Trust has participated in three additional Cadomin horizontal wells at 17.5% working interest with a joint interest partner in the Noel area. The first two wells have been drilled and completed in the third quarter of 2010 with 5 day flow test rates of 10,000 Mcf/d and 8,000 Mcf/d respectively. Both wells were brought on production late in the third quarter. The third well is awaiting completion and is anticipated to be on production by the end of the year. The results from these four wells continue to validate the Cadomin potential on the lands controlled by the Trust in the Noel area. In total, the Trust has Cadomin mineral rights in 10,625 gross hectares (36 gross drilling spacing units) at an average working interest of 79% in the Noel and Kelly Lake areas. Based on the current development activity in the area by the Trust and offset producers, the technical evaluation of the lands suggests the full development could result in 72 net locations with 36 wells at a 100% working interest.

Subsequent to the end of the third quarter, the Trust has successfully closed a corporate acquisition of Great Plains Exploration Inc. ("Great Plains") on November 5, 2010. Through the transaction, the Trust has purchased 1,600 BOE per day of production comprised of 60% light oil and NGLs and a significant drilling inventory of oil prospects in the Cardium and Nisku at Pembina/Crossfire and in the Gilwood and Slave Point at Randall. The Trust also gains an undeveloped land base of 125,000 net acres valued at \$12.3 million and a proprietary seismic database valued at \$10.7 million combined with 3.8 million BOE of proved plus probable reserves based on internal estimates. Based on an acquisition cost of \$84.0 million and adjusted for land and seismic value, the Trust has acquired the production for \$38,200 per BOE per day and reserves for \$16.10 per BOE respectively.

With the Great Plains acquisition, the Trust now anticipates spending \$24 million (net of dispositions) on capital programs to year end 2010. This is an increase from the original budget of \$20 million as a result of ongoing activity in the Pembina and Randall areas combined with the completion of CEE commitments through the drilling of an exploratory well in Noel targeting the Nikanassin horizon. As a result of the remaining capital programs and the acquisition of Great Plains, the Trust is forecasting an average daily production of 4,900 BOE per day for the fourth quarter of 2010.

### 3. Assets Held for Sale – Real Estate Division

Funds from operations decreased for the quarter ended September 30, 2010 to \$0.5 million compared to \$0.8 million for the quarter ended September 30, 2009. The difference is due to the loss in revenue resulting from the sale of the KFC portfolio in the second quarter of 2010 and Red Deer Cineplex in 2009.

The Real Estate Division had net income for the quarter ended September 30, 2010 of \$1.5 million compared to a net income of \$1.1 million for the quarter ended September 30, 2009. The comparative increase is due to a \$0.2 million gain on sale that was realized in 2009 Q3, as well as the loss in revenue resulting from the sale of the aforementioned properties, offset by an increase in future income tax recoveries.

In the third quarter of 2010, the Trust continued its efforts to sell the remaining property portfolio through its property manager and listing agents. The remaining properties include the Landmark portfolio of theatres in Western Canada and the two industrial buildings in Ontario. These properties are 100% leased and continue to perform in accordance with budget expectations. All tenants have paid rent on a timely basis in accordance with their leases.

# Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS for the quarter ended September 30, 2010 should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010 and the audited consolidated financial statements for the year ended December 31, 2009 and the management discussion and analysis thereto. This management discussion and analysis relates to events up to November 15, 2010.

## FORWARD LOOKING STATEMENTS

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#### 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 15 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. 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.

BOEs (McfGe or other applicable units of equivalency) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf/Bbl (or an Mcfe conversion ratio of 1 Bbls/6 Mcf) is based on energy equivalence of conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

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

## OUTLOOK

During the quarter the Trust announced that it had entered into an Arrangement Agreement, pursuant to which Avenir would acquire all of the issued and outstanding common shares of Great Plains Exploration Inc. ("Great Plains"). Great Plains shareholders approved the Arrangement on November 4, 2010 and the transaction closed on November 5, 2010. Great Plains shareholders received 0.088 of a Trust Unit or exchangeable share of the Trust for each Great Plains Share. The Trust has issued 8,563,129 Trust Units and 1,120,621 Exchangeable Shares for the outstanding Great Plains Shares. Exchangeable Shares will be exchangeable for Trust Units on a one-for-one basis. The total consideration for the acquisition of Great Plains is approximately \$84.0 million including assumed debt and industry standard closing costs based on trading prices when the deal was signed.

The combined entity will have approximately 5,100 BOE per day of production (45% light and medium oil); proven plus probable reserve base of 14.3 MMBOE; undeveloped land base of approximately 240,000 net acres; strong proforma balance sheet, with a debt to cashflow ratio of less than 1.0 and tax pools of approximately \$335 million. Additionally, drilling inventory will consist of over 100 gross (59 net) low risk and higher impact exploration oil and gas locations primarily in the focus areas of Pembina/Crossfire (AB), Randell (AB), the Peace River Arch (AB) and Noel (BC) split 29 net oil wells and 30 net gas wells. As well, stable cashflow from the Trust's LPG Marketing business will help underpin the Trust's cash flow. The Trust expects the 2011 dividend pay-out ratio to be less than 60% based on current commodity prices and production estimates and a monthly dividend of \$0.045 per share.

The Trust will be holding a Special Meeting of Unitholders to seek unitholder approval to convert to a corporation on December 9, 2010 at 11:00am at the Telus Convention Centre in Calgary, Alberta. Upon conversion to a corporation it is expected that dividends would be reduced to \$0.045 per month but will be eligible for certain tax credits that will in fact increase the after tax yield slightly for certain individuals.

### Selected Quarterly Information

	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31
<i>(in thousands of \$ except per unit amounts)</i>	2010	2010	2010	2009	2009	2009	2009	2008
Total Revenue	111,173	116,626	220,134	204,882	163,723	132,563	368,916	707,174
Net Income (Loss) from continuing operations	1,585	3,083	(9,720)	21,321	10,397	(2,784)	(7,695)	(93,942)
Net Income (Loss) from continuing operations per unit - basic	0.04	0.07	(0.23)	0.51	0.25	0.06	(0.18)	(2.23)
Net Income (Loss)	3,099	4,273	(9,546)	21,820	11,482	(184)	(7,621)	(96,067)
Net Income (Loss) per unit - basic	0.07	0.10	(0.23)	0.52	0.27	0.00	(0.18)	(2.28)
Funds from (used in) continuing operations <sup>1</sup>	9,148	7,414	13,060	12,790	9,222	12,760	(10,819)	(34,635)
Funds from (used in) continuing operations per unit - basic <sup>1</sup>	0.21	0.17	0.31	0.30	0.22	0.30	(0.24)	(0.82)
Funds from (used in) Operations <sup>1</sup>	9,608	7,998	13,734	13,452	9,981	13,425	(10,056)	(34,160)
Funds from (used in) Operations per unit - basic <sup>1</sup>	0.22	0.19	0.32	0.32	0.24	0.32	(0.24)	(0.81)
Monthly Distributions paid	7,729	7,717	7,647	7,576	7,556	8,509	10,452	10,486
Monthly Distributions per unit - basic	0.18	0.18	0.18	0.18	0.18	0.20	0.25	0.25
Total Assets	320,107	313,345	365,514	367,115	356,954	358,023	393,964	522,228

1. Funds from continuing operations, funds from continuing operations per unit, funds from operations and funds from operations per unit are not recognized measures under 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 table on page 15.

## 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, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Net Income (loss)				
Financial Services – Elbow River	1,276	9,488	(10,181)	1,424
Oil and Gas	478	1,140	3,084	(825)
Corporate	(169)	(231)	2,046	(679)
<b>Net Income (loss) from continuing operations</b>	<b>1,585</b>	<b>10,397</b>	<b>(5,051)</b>	<b>(80)</b>
Discontinued Ops. – Real Estate	1,514	1,085	2,877	3,758
<b>Net Income (loss)</b>	<b>3,099</b>	<b>11,482</b>	<b>(2,174)</b>	<b>3,678</b>

The Trust had a net income for the quarter ended September 30, 2010 of \$3.1 million compared to a net income of \$11.5 million recorded for the quarter ended September 30, 2009. The Trust had solid Oil and Gas Division operational results which were offset by a slightly weaker quarter in its Elbow River business where the third quarter is typically its lower earning quarter. As well, there was a \$0.7 million non-cash unrealized loss on the financial instruments in Elbow River, versus an unrealized gain of \$7.0 million in the third quarter of 2009. The Trust had a net loss for the nine months ended September 30, 2010 of \$2.2 million compared to a net income of \$3.7 million for the same period in 2009. The first nine months of 2010 includes a \$18.0 million non-cash unrealized loss on the financial instruments in Elbow River, versus an unrealized gain of \$6.9 million in the first nine months of 2009.

### 1. FINANCIAL SERVICES – ELBOW RIVER

For the quarter ended September 30, 2010 the Financial Services Division – Elbow River, had net income of \$1.3 million versus a net income of \$9.5 million for the quarter ended September 30, 2009. For the nine months ended September 30, 2010 Elbow River had a net loss of \$10.2 million compared to income of \$1.4 million for the same period in 2009. As mentioned above, Elbow River's first nine months of 2010 includes a \$18.0 million non-cash unrealized loss on the financial instruments in Elbow River, versus an unrealized gain of \$6.9 million in the first nine months of 2009.

### 2. ENERGY - OIL & GAS DIVISION

The Oil and Gas Division had net income of \$0.5 million for the third quarter ended September 30, 2010 versus a net income of \$1.1 million for the quarter ended September 30, 2009. For the nine month period ended September 30, 2010 the Division had a net income of \$3.1 million compared to a net loss of \$0.8 million for the same period in 2009. The difference is due to higher production volumes and higher realized prices for petroleum and natural gas products.

### 3. REAL ESTATE DIVISION – ASSETS HELD FOR SALE

The Real Estate Division had net income for the quarter ended September 30, 2010 of \$1.5 million compared to a net income of \$1.1 million for the quarter ended September 30, 2009, the difference due mainly to the future income tax recoveries in the quarter offsetting the loss in revenue resulting from the sale of KFC portfolio in the second quarter of 2010.

## FUNDS FROM OPERATIONS

	For the three months ended		For the nine months ended	
	Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Funds from Operations <sup>1</sup>				
Financial Services – Elbow River	1,983	3,457	9,180	(4,638)
Oil and Gas	6,686	5,493	19,410	15,299
Corporate	479	271	1,102	502
<b>Funds from continuing operations</b>	<b>9,148</b>	<b>9,221</b>	<b>29,692</b>	<b>11,164</b>
Discontinued Ops. – Real Estate	460	760	1,649	2,187
<b>Funds from Operations</b>	<b>9,608</b>	<b>9,981</b>	<b>31,341</b>	<b>13,351</b>

1. Funds from continuing operations, funds from continuing operations per unit, funds from operations and funds from operations per unit are not recognized measures under 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 table on page 15.

Funds from continuing operations were \$9.1 million for the quarter ended September 30, 2010 consistent with \$9.2 million in the comparable quarter in 2009. Oil and gas operations in 2010 increased due to higher production volumes and higher realized prices versus the prior year. In the third quarter of 2009, Elbow River had benefitted from very strong butane and condensate sales. Funds from operations were \$9.6 million for the quarter ended September 30, 2010, down 4% from funds from operations for the quarter ended September 30, 2009 of \$10.0 million.

Funds from operations for the nine months ended September 30, 2010 were \$31.3 million, up 135% from \$13.4 million for the nine months ended September 30, 2009. The increase is in large part due to the first quarter 2009 bio-diesel write-offs in the Elbow River business.

## 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. However, the Trust believes that its diversification model across multiple business lines including Oil and Gas and Financial Services – Elbow River, 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 \$7.7 million or \$0.18 per unit in regular monthly distributions for quarter ended September 30, 2010 compared to \$7.5 million or \$0.18 per unit for the quarter ended September 30, 2009. For the nine months ended September 30, 2010 the Trust distributed \$23.1 million or \$0.54 per unit compared to \$26.5 million or \$0.63 for the same period in 2009. On a per unit basis this was down 14% due to a May 2009 decrease in the per unit distributions paid to Unitholders.

### III. DISTRIBUTION DISCUSSION

For the quarter ended September 30, 2010, cash provided by operating activities was \$1.3 million compared to the \$7.7 million of monthly cash distributions paid, as additional cash was provided to Elbow River to fund working capital changes. 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 available from cash, marketable securities, bank facilities and all monthly distributions declared are funded by the cash flow of the Trust. Changes in non-cash working capital 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, and LPG marketing. For the quarter ended September 30, 2010, monthly cash distributions of \$7.7 million exceeded the net income of \$3.1 million by \$6.7 million largely due to the impact 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.

For the nine months ended September 30, 2010 monthly cash distributions of \$23.1 million were lower than the \$31.4 million funds from operations. 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. Cash distributions represented 74% of funds from operations for the first nine months of the year.

#### 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, 2010 are calculated in the following table:

	For the three months ended		For the nine months ended	
	Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Cash provided by (used in) operating activities	1,329	9,350	26,848	136,817
Settlement of asset retirement obligations	124	78	507	329
Changes in non-cash working capital relating to operating activities	8,155	553	3,986	(123,795)
Funds provided by (used in) operations	9,608	9,981	31,341	13,351
Cash (available for) used to fund distributions, capital expenditures or growth	(1,879)	(2,425)	8,254	26,581
Distributable cash from operations	7,729	7,556	23,087	26,517
Cash distributions declared and payable	2,578	2,522	2,578	2,522
Cash distributions paid in period	5,151	5,034	20,509	23,995
<b>Accumulated cash distributions paid and payable for the period</b>	<b>7,729</b>	<b>7,556</b>	<b>23,087</b>	<b>26,517</b>

#### 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, 2010 to January 31, 2010	15/02/2010	0.06
February 1, 2010 to February 28, 2010	15/03/2010	0.06
March 1, 2010 to March 31, 2010	15/04/2010	0.06
April 1, 2010 to April 30, 2010	17/05/2010	0.06
May 1, 2010 to May 31, 2010	15/06/2010	0.06
June 1, 2010 to June 30, 2010	15/07/2010	0.06
July 1, 2010 to July 31, 2010	16/08/2010	0.06
August 1, 2010 to August 31, 2010	15/09/2010	0.06
September 1, 2010 to September 30, 2010	15/10/2010	0.06

#### ASSETS HELD FOR SALE

During the second quarter 2010, the Trust made the decision to dispose of the Real Estate Division assets by way of sale. In meeting the criteria for classification as assets held for sale under CICA Handbook Section 3475, the disposition process is currently underway as a national brokerage firm has been engaged and the Trust expects to have completed a transaction by June 30, 2011. As such the Real Estate Division assets and liabilities and results from operations have been reclassified as assets held for sale. Comparative periods have also been reclassified.

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

<i>(in thousands of dollars)</i>	September 30, 2010 \$	December 31, 2009 \$
Cash	33	36
Accounts receivable	1,559	1,478
Prepaid expenses	3	22
<b>Total current assets</b>	<b>1,595</b>	<b>1,536</b>
Property and equipment	20,137	30,053
Intangibles and other assets	596	869
Future income taxes	3,091	2,051
<b>Assets held for sale</b>	<b>25,419</b>	<b>34,509</b>
Accounts payable and accrued liabilities	156	182
Deferred revenue	219	215
Current portion of mortgages (i)	3,749	4,063
<b>Total current liabilities</b>	<b>4,124</b>	<b>4,460</b>
Mortgages (i)	11,909	21,391
<b>Liabilities of assets held for sale</b>	<b>16,033</b>	<b>25,851</b>

The following table represents the balances relating to the Real Estate Division that have been reclassified on the statement of operations as discontinued operations:

<i>(in thousands of dollars)</i>	For the three months ended		For the nine months ended	
	Sept 30, 2010 \$	Sept 30, 2009 \$	Sept 30, 2010 \$	Sept 30, 2009 \$
<b>REVENUE</b>				
Real estate revenue	794	1,309	3,351	4,886
Gain on sale of properties	(1)	211	744	2,338
	793	1,520	4,095	7,224
<b>EXPENSES</b>				
Real estate operating	85	91	679	1,025
General and administrative	84	133	266	554
Interest on long-term debt	167	374	756	1,385
Capital taxes	(4)	(50)	2	(46)
Depreciation and amortization	(6)	355	555	1,235
	326	903	2,258	4,153
Income before taxes	467	617	1,837	3,071
Future income tax recovery (expense)	1,047	468	1,040	687
<b>Net income</b>	<b>1,514</b>	<b>1,085</b>	<b>2,877</b>	<b>3,758</b>

## I. REVENUE

The revenue from the Real Estate Division for the quarter ended September 30, 2010 was \$0.8 million compared to \$1.3 million for the quarter ended 2009 down 39%. For the nine months ended September 30, 2010 revenue was \$3.4 million compared to \$4.9 million for the same period in 2009. The decrease is primarily due to the loss in revenue resulting from the sale of the KFC building portfolio in the second quarter of 2010, the Red Deer Cineplex and Shippers in 2009 as well as the sale of the Landmark Theatre in Hinton which was damaged by fire and sold back to Landmark in 2009. Currently the Real Estate portfolio is 100% leased.

## II. OPERATING COSTS

The Trust's operating costs for the Real Estate Division for the quarter ended September 30, 2010 were \$0.1 million compared to \$0.1 million for the quarter ended September 30, 2009. For the nine months ended September 30, 2010 operating costs were \$0.7 million compared to \$1.0 million for the same period in 2009. The decrease in operating costs for the nine month period of 2010 compared to the same period in the previous year is due to the Trust owning a reduced number of properties.

## III. INTEREST ON LONG-TERM DEBT AND MORTGAGES

Total mortgage interest for the quarter ended September 30, 2010 was \$0.2 million compared to \$0.4 million in 2009. For the nine months ended September 30, 2010 total mortgage interest was \$0.8 million compared to \$1.9 million in 2009.

<i>(in thousands of dollars)</i>	Interest Rate	September 30, 2010	
		Maturity	\$
Magee	4.25%	Nov 1/10	3,338
Snidercroft	5.70%	Aug 1/14	2,918
Landmark	3.81%	Nov 1/11	9,402
			15,658
Current portion of mortgages			(3,749)
Long-term portion of mortgages			11,909

During the three and nine months ended September 30, 2010, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of \$0.03 million and \$0.25 million, respectively (three and nine months ended September 30, 2009 - \$0.15 million and \$0.36 million, respectively) payable to a company with a shareholder who is also a director of the Trust. Of this balance, \$nil is included in liabilities of assets held for sale as at September 30, 2010 (December 31, 2009 - \$nil).

Subsequent to September 30, 2010 the Magee mortgage was renewed for a one year period with an interest rate of 3.5%.

## REVENUE & OPERATING EXPENSES

### 1. FINANCIAL SERVICES DIVISION – Elbow River

<i>(in thousands of dollars)</i>	Three months ended Sept 30, 2010	Three months ended Sept 30, 2009	Nine months ended Sept 30, 2010	Nine months ended Sept 30, 2009
Revenue (net of unrealized gain (loss) on financial instruments)	97,556	150,734	405,810	631,613
Operating Costs	(94,277)	(137,972)	(409,240)	(614,687)
<b>Net Operating Income (loss)</b>	<b>3,279</b>	<b>12,762</b>	<b>(3,430)</b>	<b>16,926</b>

#### I. REVENUE

The Trust recognized revenue in the Financials Services Division – Elbow River of \$97.6 million for the third quarter ended September 30, 2010 and \$405.8 million for the nine months ended September 30, 2010 down 35% for the quarter and down 39% for the nine months ended September 30, 2009 (\$150.7 million and \$631.6 million, respectively). The decrease in the nine month period is due to the exit from the international bio-diesel business in early 2009 and weaker 2010 butane and condensate sales. 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 – Elbow River for the third quarter and nine months ended September 30, 2010 were \$94.3 million and \$409.2 million compared to \$138.0 and \$614.7 million for the third quarter and nine months ended September 30, 2009. The decrease in operating costs is due to the decrease in the cost of goods sold with the decreased product prices in Elbow River's revenue stream and the first quarter 2009 exit from bio-diesel marketing.

### 2. OIL AND GAS DIVISION

	Three months ended			Nine months ended		
	Sept 30 2010	Sept 30 2009	%	Sept 30 2010	Sept 30 2009	%
<b>Oil &amp; Gas Operations</b>			<b>Change</b>			<b>Change</b>
Production						
Oil and NGL's – bbls per day	1,515	1,475	3%	1,470	1,403	5%
Gas – mcf per day	13,221	12,162	9%	12,466	11,918	5%
Total BOE3 per day	3,719	3,502	6%	3,548	3,390	5%
Average Pricing						
Oil & NGL (\$/Bbl) after hedging	\$65.50	\$61.41	7%	\$68.10	\$56.94	20%
Natural Gas (\$/mcf) after hedging	\$5.45	\$5.04	8%	\$5.66	\$5.55	2%
Average Price Per BOE after hedging	\$44.92	\$42.01	7%	\$47.01	\$41.95	12%

#### I. REVENUE AND PRODUCTION

For the quarter ended September 30, 2010, oil and gas revenue totaled \$15.8 million compared to \$14.0 million for the same period in 2009. This increase is due to a 6% increase in production and a 7% increase in the realized after hedge oil and natural gas pricing during the third quarter of 2010. The oil and gas revenue for the nine month period ending September 30, 2010 was up 17% to \$46.6 million from \$39.9 million in the same period in 2009 due to a 12% increase in

the average realized price per barrel equivalent after hedging and a 5% increase in production. Transportation costs for the nine months ended September 30, 2010 were the same as the nine months ended September 30, 2009 at \$1.1 million.

Revenue from petroleum and natural gas sales (net of royalties and unrealized losses on financial instruments) for the quarter ended September 30, 2010 was \$12.7 million compared to \$12.4 million for the quarter ended September 30, 2009. The average price received for petroleum and natural gas sales during the third quarter of 2010 was \$44.92 per BOE an increase of 7% versus \$42.01 per BOE received in Q3 of 2009. The average price received for crude oil and natural gas liquids during the quarter ended September 30, 2010 was \$65.50 per BOE representing an increase of 7% over the \$61.41 per BOE received for the same period of 2009. The Trust's crude oil is primarily medium gravity and is priced at a discount to Edmonton light. Natural gas pricing for the quarter ended September 30, 2010 was \$5.45 per Mcf up 8% from \$5.04 per Mcf for 2009.

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 \$39.6 million compared to \$32.0 million for the same period in 2009. The average price received for petroleum and natural gas sales during the first nine months of 2010 was \$47.01 per BOE an increase of 12% versus \$41.95 per BOE received in Q3 of 2009. The average price received for crude oil and natural gas liquids during the nine months ended September 30, 2010 was \$68.10 per BOE an increase of 20% over the \$56.94 per BOE received for the same period of 2009. Natural gas pricing for the nine months ended September 30, 2010 was \$5.66 per Mcf versus \$5.55 per Mcf for 2009.

The Trust's Oil and Gas Division hedges a portion of its production to add stability to its distributions, to guard against fluctuations in commodity prices and to support acquisition economics. As a result, the Trust recorded a financial hedging gain of \$0.6 million for the quarter ended September 30, 2010 versus a gain of \$0.3 million for the third quarter of 2009. In addition, the accounting treatment of oil and gas swap transactions requires the Trust to recognize an unrealized gain of \$0.2 million for the change in the mark-to-market position on existing contracts at September 30, 2010 versus an unrealized loss of \$0.04 million for the change in mark-to-market position as at June 30, 2010.

Average daily sales volume for the quarter ended September 30, 2010 was 3,719 BOE per day up 6% over the third quarter 2009 production of 3,502 BOE per day while the sales volume for the first nine months of 2010 was up 5% to 3,548 BOE per day compared to 3,390 BOE per day in the same period of 2009. An active third quarter 2010 in Noel and in non-operated oil projects provided the increase in volumes over prior quarter and prior year results. Third quarter 2010 production consisted of 1,515 Bbls per day of crude oil and natural gas liquids and 13,221 Mcf per day of natural gas compared to 1,475 Bbls per day and 12,162 Mcf per day for the quarter ended September 30, 2009. Natural gas production in the first nine months of 2010 was 5% higher than the first nine months of 2009 at 12,466 Mcf per day versus 11,918 Mcf per day. Oil and natural gas liquids sales were up 5% in the first nine months of 2010 at 1,470 Bbls per day as compared to 1,403 Bbls per day for the same period in 2009.

## II. ROYALTIES

The Trust's royalty cost for the quarter ended September 30, 2010 was \$2.0 million or 13% of revenue compared to \$2.0 million or 15% of revenue for the third quarter of 2009. The royalty cost for the first nine months of 2010 was \$6.1 million up 40% from \$4.4 million in the first nine months of 2009 reflecting higher commodity prices and production volumes in 2010. On a BOE basis, royalty costs averaged \$6.36 per BOE for the first nine months of 2010, which is up 34% from \$4.74 per BOE over the same period of 2009.

### III. OPERATING EXPENSES

The Trust's operating costs for the quarter ended September 30, 2010 were \$5.3 million or \$15.78 per BOE compared to \$4.8 million or \$15.00 per BOE for the quarter ended September 30, 2009. On a BOE basis, operating costs averaged \$16.65 per BOE for the first nine months of 2010 which is comparable to the \$16.74 per BOE over the same period of 2009.

### IV. NETBACKS

	2010			2009			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$/BOE	\$/BOE	\$/BOE	\$/BOE	\$/BOE	\$/BOE	\$/BOE
Gross revenue after hedging	44.92	45.37	50.99	45.35	42.01	42.00	41.82
Royalties	5.73	6.70	7.15	6.77	6.26	4.22	3.63
Operating costs	15.78	17.34	16.90	15.05	15.00	17.55	17.79
Operating netback	23.41	21.77	26.94	23.53	20.76	20.23	20.40

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative ("G&A") expenses for the third quarter ended September 30, 2010 were \$3.5 million (which included corporate costs of \$0.8 million) compared to \$5.0 million (which included corporate costs of \$0.8 million) for the quarter ended September 30, 2009. For the nine months ended September 30, 2010 G&A expenses totaled \$12.2 million (which included corporate costs of \$2.2 million) compared to \$15.2 million (which included corporate costs of \$2.1 million) for the first nine months of 2009. G&A expenses for the respective divisions for the third quarter of 2010 were: \$1.5 million for Financial Services (Q3 2009: \$3.1 million) and \$1.0 million for Oil and Gas (Q3 2009: \$1.1 million). G&A expense has decreased compared to the prior periods due to lower employee incentive payments, caused by the buyout of the royalty incentive in the second quarter of 2010, in the Financial Services Division – Elbow River.

### FOREIGN EXCHANGE EXPENSE

The large increase in the foreign exchange expense to a gain of \$0.2 million for the nine months ended September 30, 2010 compared to a loss of \$3.6 million for the nine months ended September 30, 2009, relates to the change in Canadian dollar versus the US dollar and lower international transactions as a result of the exit from marketing bio-diesel product in Elbow River.

### INTEREST AND BANK FEES

Interest expense and bank fees were \$0.3 million for the three months and \$0.7 million for the nine months ended September 30, 2010 reflecting lower 2010 debt levels and the repayment of notes payable in 2009. For the three and nine months ended September 30, 2009, interest expense and bank fees were \$0.2 million and \$1.1 million.

### DEPLETION, DEPRECIATION AND AMORTIZATION

Provision for depletion, depreciation and amortization was \$6.3 million in the third quarter ended September 30, 2010, compared to \$6.0 million for the third quarter of 2009 and \$17.3 million for the nine months ended September 30, 2010 versus \$18.0 million for the nine months ended September 30, 2009. The Trust's depletion and depreciation rate in its Oil and Gas Division was \$17.71 per BOE during the third quarter of 2010 up slightly from the \$16.99 per BOE rate in the third quarter of 2009. The higher depletion rate reflects increased oil reserve additions and capital spent in the quarter for which reserves were already recognized. For the nine months ended September 30, 2010, \$0.6 million relates to amortization of intangibles in the Financial Services Division, and \$16.7 million of the depletion and depreciation cost was on oil and gas assets..

## ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligation was estimated by management based on the Trust's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Given increasing costs, environmental and regulatory requirements in the oil and gas industry, at year end 2009, the Trust undertook a detailed property review to better determine future abandonment and reclamation obligations. The Trust has estimated the net present value of its total asset retirement obligations to be \$15.2 million as at September 30, 2010 based on a total future liability of \$66.8 million. These figures compare to \$16.4 million at December 31, 2009 with a total future liability of \$72.2 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. The decrease in the asset retirement obligation is due to the disposition of high abandonment cost properties in the period.

## 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 its 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 \$0.7 million for the third quarter ended September 30, 2010, compared to a recovery of \$0.7 million for the three months ended September 30, 2009. Capital tax expense was \$0.1 million for the third quarter of 2010, reflecting the resource surcharge on Saskatchewan properties.

## RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The summary of the Trust's Risk Management Asset, as at December 31, 2009, is noted in the table below:

	2010 \$
<i>(in thousands of dollars)</i>	
<b>Risk management asset (liability), January 1,</b>	<b>22,421</b>
Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas Division (i)	225
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	(18,026)
Change in mark-to-market of cash flow hedge contracts – Elbow River (iii)	(33)
<b>Net risk management asset (liability), September 30,</b>	<b>4,587</b>
Reclassified to risk management asset, September 30,	<b>2,089</b>
<b>Risk management liability, September 30,</b>	<b>6,676</b>

- (i) The Trust has the following forward contracts that do not qualify for hedge accounting outstanding as at September 30, 2010 relating to its Oil and Gas Division:
- 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 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.
  - A fixed price WTI sale for August 1, 2010 to July 31, 2011 on 200 barrels/day of crude oil with a price of \$90.05 CDN/Bbl.
  - A fixed price WTI collar for the period January 1, 2011 to December 31, 2011 on 200 barrels/day of crude oil with a floor price of \$80.00 CDN/Bbl and a ceiling price of \$94.25 CDN/Bbl.
  - A fixed price WTI call for the period April 1, 2011 to March 31, 2012 on 300 barrels/day of crude oil with a floor price of \$95.00 USD/Bbl.
  - A fixed price WTI collar for the period September 1, 2010 to December 31, 2010 on 100 barrels/day of crude oil with a floor price of \$75.00 CDN/Bbl and a ceiling price of \$89.87 USD/Bbl.
  - A fixed price AECO swap for the period April 1, 2011 to March 31, 2012 on 2,000 gigajoules/day of natural gas with a price of \$4.75 CDN/gigajoules.

The mark-to-market value of these contracts as at September 30, 2010 was a net risk management asset of \$0.9 million (December 31, 2009 – a risk management asset of \$0.7 million), resulting in the recognition of an unrealized gain on the income statement for the nine months ended September 30, 2010 of \$0.2 million (nine months ended September 30, 2009 – unrealized loss of \$2.5 million).

Subsequent to September 30, 2010, the Trust entered into the following forward contract:

- A fixed price WTI call for the period April 1, 2011 to July 31, 2012 on 200 barrels/day of crude oil with a floor price of \$100.00 USD/Bbl.
  - A fixed price AECO swap for the period April 1, 2011 to July 31, 2012 on 1,000 gigajoules/day of natural gas with a price of \$5.29 CDN/gigajoules.
- (ii) Elbow River sells natural gas liquids, ethanol, diesel, and asphalt product in the United States and Canada, 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 forward 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 relate to butane, propane, natural gasoline, and ethanol.

During the nine months ended September 30, 2010, losses related to ineffective hedge contracts previously recorded in accumulated other comprehensive income of \$0.9 million were transferred to net income due to the settlement of the underlying hedged items.

The following tables describe the fair value of contracts in Elbow River that do not qualify for hedge accounting, which resulted in a net risk management asset of \$3.6 million (December 31, 2009 – a risk management asset of \$21.6 million). The change in fair value results in an unrealized loss on the income statement for the nine months ended September 30, 2010 of \$18.0 million (nine months ended September 30, 2009 - unrealized gain of \$6.9 million).

**Commodities hedging contracts:**

*(in thousands of dollars)*

Settlement dates	Average Monthly Volume (bbl)	Prices \$/(bbl)	September 30, 2010
			Unrealized gain (loss) \$
October – December 2010	495,973	40.11 – 89.53	686
January – December 2011	187,567	42.97 – 91.88	2,842
January – March 2012	111,912	58.17 -84.27	(108)
			3,420
	Exchange rate		1.0298
Amount recorded in Unrealized Gain on Financial Instruments			3,522

**Forward exchange contracts:**

*(in thousands of dollars)*

Term due	Amount \$	Forward rates CDN \$	September 30, 2010
			Unrealized gain \$
October – December 2010	1,800	1.0298 – 1.0313	34
			34

- (iii) The following table details those transactions that qualify for hedge accounting that are outstanding giving rise to a net risk management liability of \$0.1 million (December 31, 2009 – a risk management asset of \$1.0 million), resulting in the recognition of a comprehensive loss of \$0.9 million during the nine months ended September 30, 2010. In addition, \$0.9 million relating to reclassification of the change in fair value from January 1, 2010 to September 30, 2010 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 loss for the nine months ended September 30, 2010 to \$0.03 million (nine months ended September 30, 2009 comprehensive income - \$4.4 million).

**Forward exchange contracts:**

*(in thousands of dollars)*

Term due	Amount \$	Forward rates CDN \$	September 30, 2010
			Unrealized gain \$
October – December 2010	11,414	1.0298 – 1.0313	11
January – December 2011	9,119	1.0321 – 1.0443	67
January – March 2012	585	1.0423 – 1.0443	12
	21,118		90

**LIQUIDITY AND DEBT**

In relation to its Oil and Gas Division, as at September 30, 2010, the Trust had a revolving demand facility with a major Canadian bank in the amount of \$60.0 million (December 31, 2009 - \$60.0 million) bearing interest ranging from prime plus 0.75% to prime plus 2.50% 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, 2010, \$9.2 million (December 31, 2009 - \$12.3 million) was drawn on the revolving demand facility. As at September 30, 2010, the Oil & Gas Division was in compliance with all its banking covenants. Subsequent to

September 30, 2010, the revolving demand facility related to the Trust's Oil and Gas Division was increased to \$70 million due to the acquisition of Great Plains Exploration.

Elbow River has a demand revolving loan facility with a Canadian bank in the amount of \$50.0 million (December 31, 2009 - \$50.0 million) 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, 2010, \$0.5 (December 31, 2009 - \$nil) was drawn on the demand revolving loan facility. Elbow River was in compliance with all its banking covenants as at September 30, 2010.

The Trust also had \$3.4 in bank overdraft as at September 30, 2010 (December 31, 2009 - \$nil).

The average effective interest rate on borrowings under the above lines for the nine months ended September 30, 2010, excluding service fees of \$0.2 million was 3.5% (nine months ended September 30, 2009 - 4.8%).

As at September 30, 2010, the Trust had 13 letters of credit outstanding in the aggregate amount of \$6.7 million (December 31, 2009 - \$7.6 million). The letters of credit reduce the amount available to be drawn on the related demand facilities. In addition Elbow River had 18 bonds outstanding in the aggregate amount of \$0.6 million (December 31, 2009 - \$1.9 million) which do not reduce the availability of Elbow's demand facility.

To provide Elbow River with additional credit on natural gas liquids inventory purchases, the Trust provides guarantees to Elbow River third parties for a maximum of \$156.2 million (December 31, 2009 - \$154.4 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>	Total	Payments due by period		
		Less than 1 year	1 - 3 years	4+ years
Mortgages	15,658	3,749	9,478	2,431
Lease Commitments	8,950	3,743	3,783	1,424
Total Contractual Obligations	24,665	7,492	13,261	3,855

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.

## INTANGIBLES AND OTHER ASSETS

On May 11, 2010, the Trust purchased the royalty agreement in Elbow River for \$5 million. The royalty agreement had originally been granted by the Trust to certain original owners, members of management and employees of Elbow River when it was purchased in April, 2005. The impact of the purchase is to remove the obligation to pay a royalty when Elbow River's funds from operation exceed \$10 million per year. This deferred royalty incentive will be expensed on a straight line basis over a five year period.

## INVESTMENT AND CAPITAL EXPENDITURES

	Three months ended		Nine months ended	
	Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
<b>Financial Services</b>				
Purchase of royalty incentive	–	–	5,035	–
Financial Services development expenditures	–	–	–	–
Proceeds received on sale of financial service assets	–	–	–	(604)
Sub-Total	–	–	5,035	(604)
<b>Oil and Gas</b>				
Land	45	729	154	868
Drilling	6,722	995	17,046	3,461
Production equipment and facilities	2,291	473	5,524	2,547
Other	16	179	70	321
Oil and gas property acquisitions	(30)	22,106	630	30,927
Proceeds received on oil and gas property dispositions	(80)	(50)	(3,493)	(481)
Sub-Total	8,964	24,432	19,931	37,643
<b>Assets held for sale - Real Estate</b>				
Real estate development expenditures	–	10	–	64
Proceeds on sale of real estate properties	1	(2,949)	(1,098)	(4,235)
Sub-Total	1	(2,939)	23,868	(4,171)
<b>Other assets</b>	16	20	234	5
<b>Net capital expenditures</b>	<b>8,981</b>	<b>21,153</b>	<b>24,102</b>	<b>14,901</b>

## 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 statements and future revenues and costs are recognized as earned over the term of the contract.

At September 30, 2010, the following contracts were outstanding with respect to the physical deliveries of oil and gas product:

- 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/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/gigajoule.
- A physical fixed price sale for the period February 1, 2010 to March 31, 2011 on 1,000 gigajoules/day of gas at a price of \$6.79/gigajoule.

- A physical fixed price sale for the period September 1, 2010 to Mar 31, 2011 on 1,000 gigajoules/day of gas at a price of \$5.20/gigajoule.
- A physical fixed price sale for the period July 1, 2010 to June 30, 2011 on 1,000 gigajoules/day of gas at a price of \$5.80/gigajoule
- A physical fixed price sale for the period October 1, 2010 to December 31, 2010 on 2,000 gigajoules/day of gas at a price of \$3.43/gigajoule.
- A physical fixed purchase of electrical power for the period July 1, 2010 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 unrecorded mark-to-market value of these contracts as at September 30, 2010 was an unrealized gain of \$2.1 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 years. The payments over the remaining terms of these lease agreements are as follows:

<i>(in thousands of dollars)</i>	\$
2010	1,063
2011	3,573
2012	1,954
2013	1,247
2014 and beyond	1,113
	8,950

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

## UNITHOLDERS' CAPITAL

Issued	Number of Units	Amount \$ <i>(in thousands of dollars)</i>
<b>Trust Units</b>		
<b>Balance December 31, 2009</b>	<b>42,110,678</b>	<b>421,270</b>
Units issued on exercise of stock options	435,625	2,521
<b>Balance March 31, 2010</b>	<b>42,546,303</b>	<b>423,791</b>
Units issued on exercise of stock options	319,351	1,689
<b>Balance June 30, 2010</b>	<b>42,865,654</b>	<b>425,480</b>
Units issued on exercise of stock options	104,750	568
<b>Balance September 30, 2010</b>	<b>42,970,404</b>	<b>426,048</b>

For the three and nine months ended September 30, 2010, the Trust had a weighted average number of trust units outstanding of 42,923,483 and 42,720,126, respectively (three and nine months ended September 30, 2009 – 41,953,583 and 41,965,545, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 797,608 and 808,949 Trust Units for the three and nine months ended September 30, 2010, respectively, resulting in

a weighted average number of trust units outstanding for the three and nine months ended September 30, 2010, of 43,721,091 and 43,529,075, respectively (three and nine months ended September 30, 2009 – 42,319,919 and 42,251,782, respectively). At September 30, 2010, there were 1,599,500 (September 30, 2009 – 2,072,365) in anti-dilutive options that were not part of the dilutive per unit calculation. Net income per unit from continuing operations for the nine months ended September 30, 2009 and the nine months ended September 30, 2010 did not include the dilution adjustment as there was a loss for the period.

As at September 30, 2010, the Trust had issued a total of 3,716,267 options which represents 87% of the options available for issuance. Subsequent to September 30, 2010 the Trust granted 98,500 new options.

The Trust commenced a normal course issuer bid on December 29, 2009 pursuant to which the Trust can, from time to time, purchase for cancellation up to a maximum of 3,466,355 Units through the Toronto Stock Exchange. The bid expires on December 28, 2010. As of the date hereof, the Trust has not purchased Units pursuant to such bid.

## **RELATED PARTY TRANSACTIONS**

During the three and nine months ended September 30, 2010, the Trust paid \$0.1 million and \$0.3 million, respectively (three and nine months ended September 30, 2009 - \$0.1 million and \$0.2 million, respectively) to Avenir Capital Corporation (“Avenir”), for rent, administration and advisory services. Included in accounts payable as at September 30, 2010 is \$0.1 million (December 31, 2009 - \$0.1 million) owing to Avenir relating to these services.

During the three and nine months ended September 30, 2010, the Trust incurred marketing fees of \$0.02 million and \$0.05 million, respectively (three and nine months ended September 30, 2009 - \$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, 2010 (December 31, 2009 - \$0.02 million).

In the normal course of joint business activities, the Trust’s Oil and Gas Division from time to time may engage 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, 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

Unless otherwise noted below, as at September 30, 2010, there were no significant differences between the carrying amounts of the financial instruments listed above and their estimated fair values due to their short-term nature.

Marketable securities are classified as available for sale and at September 30, 2010 have been recorded at fair value of \$6.8 million. The increase in the per unit market value of the investments of \$0.1 million for the nine month period ended September 30, 2010 has been included in comprehensive 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, 2010 was \$15.9 million (December 31, 2009 - \$25.4 million), while the carrying value was \$15.7 million (December 31, 2009 - \$25.5 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. The trade receivables are from 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. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses. At September 30, 2010, the Trust had an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of \$0.2 million and Elbow River has an allowance for doubtful accounts of \$0.6 million, the two amounts representing 2.3% of the Trust's accounts receivable.

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, 2010, 25% of the Trust's consolidated accounts receivable are due from two customers. The total amount of receivables past due 90 days amounted to \$3.6 million as at September 30, 2010.

## FOREIGN CURRENCY RISK

Elbow River operates internationally and is therefore exposed to foreign exchange risk. The Trust's primary exposures are from fluctuations in the US dollar relative to the Canadian dollar. The Trust enters into derivative instruments from time to time to mitigate its currency risk.

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 \$0.05 million in net income and a change of approximately \$0.21 million in other comprehensive income for the nine months ended September 30, 2010.

## 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 and other comprehensive income. The periodic effects are determined by relating the reasonable possible changes in the risk variables to actual volumes.

At December 31, 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 and \$1.00/gigajoule in the price of natural gas would have resulted in unrealized gains and losses impacting net income and other comprehensive income by approximately \$3.8 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 and other comprehensive income by approximately \$7.1 million.

## INTEREST RATE RISK

Drawings under the Trust's bank credit facilities are at floating interest rates and expose the Trust to interest rate risk. The Trust is authorized by the Board of Directors to enter into fixed rate swaps to manage risks associated with rising interest rates if felt appropriate. The Trust is also exposed to interest rate risk on maturity and refinancing of its fixed rate mortgages including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The Trust mitigates these risks by its continued efforts to enhance the value of its real estate properties and maintain high occupancy levels. A 1% change in interest rates would result in net income and other comprehensive income sensitivity of approximately \$0.07 million. The Trust has not entered into any derivative agreements to mitigate this risk.

## LIQUIDITY RISK

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

The Trust maintains appropriate unused capacity in its revolving credit facilities to meet short term fluctuations from forecasted results or volatility in commodities affecting margining requirements, especially in Elbow River. The Trust manages its liquidity requirements through the use of both short term and long term cash forecasts, by establishing a conservative distribution payout target of 75%-80% of funds from 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 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. With Elbow River, the Trust attempts to hedge as much of the business as possible in order to lock-in profit margins when transactions are entered into.

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

## BUSINESS RISKS

Within each of the Divisions of the Trust there are a number of risks that can affect the amount of funds available for distribution to Unitholders and the ability for the Trust to grow. These risks include but are not limited to:

### Elbow River:

- Assessing partner and counterparty risk particularly in newer less established markets;
- Energy market division relies on rail transportation;
- Ability to maintain key customer relationships to protect energy market revenues;
- Seasonality with higher first and fourth quarter results;
- Price volatility in natural gas liquids and ethanol provides opportunity and risk;
- Maturity of ethanol business will bring increased competitive pressures;
- Ability to access credit given tighter global credit markets and general market uncertainties;
- Ability to manage risk and fluctuations in commodity and currency markets; and
- Managing the potential impact on core LPG business of 2009 write-downs and exit from marketing the bio-diesel product.

### Oil and Gas

- Fluctuations and volatility in commodity prices, exchange rates and interest rates;
- Government and regulatory risk with respect to royalties, land tenure, allowable production and income tax regimes;
- Operational and geological risk that may affect the quality and recoverability of reserves;
- Capital markets risk and the ability to finance future growth;
- The ability to market the Trust's oil and natural gas;
- Operational problems affecting pipelines and facilities;
- Environmental risks associated with the business;
- Estimates of reserve and production recovery information contained in the reserve reports; and
- Bank borrowing rates.

### Real Estate

- Interest rates and a strong stable economic environment are key drivers in Real Estate Division;
- Loss of key tenants could impact real estate profits due to large fixed expenditures relating to commercial properties;
- Recovery from the worldwide financial crisis and a slowly recovering economy dampens valuations; and
- Uncertainty and tightened credit markets have significantly affected financing and real estate valuations.

### The Trust strives to mitigate these risks by:

- Following a diversification strategy;
- Employing experienced incentivized personnel in all divisions;
- Hedging energy marketing transactions to lock in margins;
- Fixing commodity prices on a portion of oil and gas volumes to ensure stability of cash available for distribution and to support acquisition economics;

- Marketing to selected credit worthy customers;
- Maintaining prudent financial leverage;
- Managing mortgage terms to rental leases and monitoring financial status of tenants;
- Adhering to strict environmental, health and safety programs; and
- Maintaining strong relationships with investment community and capital providers.

For a discussion of additional risks applicable to the Trust, see “Risk Factors” detailed in the Annual Information Form for the year ended December 31, 2009, which is available on the Trust’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **CRITICAL ACCOUNTING ESTIMATES**

The MD&A is based on the Trust’s consolidated financial statements, which have been prepared in accordance with Canadian GAAP. The application of Canadian GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Trust bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

The following is a discussion of the critical accounting estimates that are inherent in the preparation of the Trust’s consolidated financial statements and notes thereto.

### **RESERVE ESTIMATES**

Estimates of the Trust’s reserves in its consolidated financial statements are prepared in accordance with guidelines established by NI 51-101. Reserve engineering is a subjective process of estimating underground accumulations of petroleum and natural gas that cannot be measured in an exact manner. The process relies on interpretations of available geological, geophysical, engineering and production data. The accuracy of a reserve estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions and the judgment of the persons preparing the estimate.

The Trust’s reserve information is based on estimates prepared by its independent petroleum consultants. Estimates prepared by others may be different than these estimates. Because these estimates depend on many assumptions such as projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which may differ from actual results, reserve estimates may be different from the quantities of petroleum and natural gas that are ultimately recovered. In addition, the results of drilling, testing and production after the date of an estimate may justify revisions to the estimate.

The present value of future net revenues should not be assumed to be the current market value of the Trust’s estimated reserves. Actual future prices, costs and reserves may be materially higher or lower than the prices, costs and reserves used for the future net revenue calculations. Reserve estimates can have a significant impact on earnings, as they are a key component in the calculation of depreciation, depletion and amortization.

A downward revision in the reserve estimate could result in a higher depletion, depreciation and amortization (“DD&A”) charge to earnings (see depletion and depreciation below). In addition, if the net capitalized costs are determined to be in excess of the calculated ceiling, which is based largely on reserve estimates (see asset impairment below), the excess must be written off as an expense charged against earnings.

## ASSET RETIREMENT OBLIGATIONS

The asset retirement obligation provision recorded in the consolidated financial statements is based on an estimate for total costs for future restoration and abandonment of the Trust's petroleum and natural gas properties, as well as estimates of when these costs will occur. These estimates are based on management's analysis of production structure, reservoir characteristics and depth, market demand for equipment, currently available procedures, and discussions with construction and engineering consultants. Estimating these future costs requires management to make estimates and judgments that are subject to future revisions based on numerous factors, including changing technology and political and regulatory environments.

## INTANGIBLE ASSETS

The Trust reviews long-lived assets and intangible assets with finite lives at least annually or whenever events or changes in circumstance indicate that the carrying value of such assets may have changed. A fair value test of the asset values incorporates estimates of useful life, normalized earnings, future earnings, price earnings or cash flow multiples, future cash flows, discount rates and residual values. Any impairment would be charged to the consolidated statement of operations as an increase in depletion, depreciation and amortization. The majority of the Trust's intangible assets are in the Financial Services Division.

## GOODWILL

Globally, the economic crisis has resulted in a significant revaluation of assets, including infrastructure assets. While the Trust's portfolio continues to generate stable cash flow, the Trust has not been immune to the turbulence in global capital markets, as evidenced by the Trust's unit price performance in 2009 and 2010.

The Trust performed its annual goodwill impairment test in the fourth quarter of 2009 and determined that the fair values of the Elbow River reporting units were greater than the respective carrying values. Consequently, no goodwill impairment was recorded.

## INCOME TAXES

The Trust is a taxable entity under the Income Tax Act (Canada) and, for periods prior to January 1, 2011, is taxable only on income that is not distributed or distributable to the Unitholders. On June 22, 2009 the federal government's bill regarding the taxation of distributions from trusts beginning January 1, 2011 was substantially enacted. Under this new law, distributions after January 1, 2011 will not be deductible by the Trust for tax purposes. As the Trust distributes all of its taxable income to the Unitholders pursuant to the Trust Indenture and meets the requirements of the Tax Act applicable to the Trust, no current provisions for income taxes have been made. Notwithstanding the above, the Trust does provide for an estimate of future income taxes in its Oil and Gas and Real Estate corporate entities, as per required accounting rules. This may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgment as to their interpretation and application to the Trust's specific situation. Any changes in future income tax assets and liabilities are charged to income in the period.

## ACCOUNTS RECEIVABLE

Accounts receivable collectability may require an assessment and estimation of the creditworthiness of the Trust's customers and partners, the timing and circumstances of collection and eventual amounts to be recovered. Any allowance estimated as uncollectible is recorded against earnings. In 2008, the Trust was required to record a significant bad debt expense of \$36.3 million largely due to a bio-diesel joint venture partner advising Elbow River that the partner would be

unable to pay Elbow River its proportionate share of joint venture revenues. Elbow River has reached a settlement with the counterparty and will add-back into income any recoveries greater than the bad debt amount. 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 does not expect any further impairment. The final bio-diesel receivables should be collected on a payment plan in 2010 and 2011. The Elbow River LPG base accounts receivables have been reviewed and are continually monitored. No allowance was deemed necessary for these accounts.

## **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 that the Trust's disclosure controls and procedures were operating effectively during the third quarter of 2010 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 September 30, 2010, Management has evaluated the design and operation of the Trust's internal controls over financial reporting as is required under National Instrument 52-109. Management has 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.

Based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the design of internal controls over financial reporting was effective and sufficient to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes, the implementation and operation of the internal controls over financial reporting effective.

## **FUTURE ACCOUNTING PRONOUNCEMENTS**

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.

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting purposes. The required changeover date is for fiscal years beginning on or after January 1, 2011. The Trust commenced the process to transition from current Canadian GAAP to IFRS in 2009 with project planning and the establishment of a project team.

The project planning has consisted of three phases: initiation, detailed assessment and design and implementation. The Trust has completed the first phase, which involved the development of a detailed timeline for assessing resources and training and the completion of a high level review of the major differences between current Canadian GAAP and IFRS. Employees in key affected areas throughout the organization were involved and discussions with the Trust's external auditors were held and will continue throughout the subsequent phases. Regular reporting on the project plan is provided to the Trust's Audit Committee of the Board of Directors.

During 2009, the Trust engaged in the detailed assessment and design phase of the project. The detailed assessment and design phase involved a comprehensive analysis of the impact of the IFRS differences identified in the initial scoping assessment. In addition, an initial evaluation of IFRS 1 transition exemptions, as further described below, and an analysis of the impact on the financial statements and the Trust's financial systems has been performed.

With the implementation phase in 2010, the Trust will convert the 2010 opening balance sheet and execute the required changes to business processes, financial systems, accounting policies, IT systems and disclosure controls and internal controls over financial reporting as discussed below. Management has not yet finalized its accounting policies and as such is unable to quantify the impact of adopting IFRS on the financial statements. In addition, due to anticipated changes to IFRS and International Accounting Standards prior to the Trust's final adoption of IFRS, the Trust's current implementation plan will surely change based on new facts and circumstances that arise after the date of this MD&A.

IFRS 1, "First-Time Adoption of International Financial reporting Standards" ("IFRS 1"), provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application of IFRS. Management is analyzing the various accounting policy choices available and will implement those determined to be the most appropriate for the Trust, which at this time include the following:

- Business Combinations – IFRS 1 would allow the Trust to use the IFRS rules for business combinations on a prospective basis rather than re-stating all business combinations that occurred prior to transition to IFRS. The IFRS business combination rules converge with the new CICA Handbook section 1582 on January 1, 2011.

- Property, Plant and Equipment (“PP&E”) – IFRS 1 provides the option to value the Upstream PP&E assets at their deemed cost being the Canadian GAAP net book value assigned to these assets as at the date of transition, January 1, 2010. The July 2009 amendment is permissible for entities, such as the Trust, who currently follow the full cost accounting guideline under Canadian GAAP that accumulates all oil and gas assets into one cost centre. Under IFRS, Trust’s PP&E assets must be divided into smaller cost centres. The net book value of the assets on the date of transition will be allocated to the new cost centres on the basis of the Trust’s reserve volumes or values at that point in time.

The substance and presentation of the Trust’s financial statements will be significantly impacted by the change to IFRS. At this time, the Trust has identified key differences that will impact the financial statements as follows:

- Presentation of Exploration and Evaluation (“E&E”) expenditures separate from PP&E – Upon transition to IFRS, the Trust will present all E&E expenditures as a separate component on the Consolidated Balance Sheet. This will include the book value for Trust’s land that relates to undeveloped properties. E&E assets will not be depleted and must be assessed for impairment when indicators suggest the possibility of impairment.
- Calculation of depletion expense for Upstream PP&E assets – Upon transition to IFRS, the Trust has the option to calculate depletion using a reserve base of proved reserves or both proved and probable reserves, as compared to the Canadian GAAP method of calculating depletion using only proved reserves. The Trust has not concluded at this time which method for calculating depletion will be used.
- Impairment of long-term assets – Under IFRS, impairment of long-term assets must be calculated at a more detail level than what is currently required under Canadian GAAP. Impairment calculations will be performed at the cash generating unit level for all long-term asset classes.
- Investment property – IFRS defines investment property as a property (land or a building) held to earn rentals, capital appreciation, or both. All of the Trust’s real estate properties will qualify as investment property under IFRS. Similar to Canadian GAAP, investment property is initially recorded at cost under IAS 40. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for its investment property. The Company expects to use the fair value model when preparing its financial statements under IFRS. Under the fair value model, investment properties will be carried on the consolidated balance sheet at their fair values and changes in fair value during each period will be recorded in the consolidated statement of comprehensive income. Amortization related to investment properties is not recognized under the fair value model.
- Due to the recent withdrawal of the exposure draft on IAS 12 Income Taxes in November 2009 and the issuance of the exposure draft on IAS 37 Provisions, Contingent Liabilities and Contingent Assets in January 2010, the Trust is still determining the impact of these revised standards on its IFRS transition.

In addition to accounting policy differences, the Trust is reviewing the impact the change over to IFRS will have on internal controls over financial reporting, disclosure controls and procedures and IT systems. In regards to internal controls over financial reporting (“ICFR”), the Trust will be determining which additional changes to ICFR will be required to deal with the changes in accounting policies. This will be ongoing through 2010 to ensure all changes in accounting polices include appropriate additional controls and procedures for future IFRS reporting requirements. In regards to disclosure controls and procedures, the Trust will be assessing stakeholders’ information requirements and will ensure that appropriate and timely information is provided once available. IT systems are being reviewed and testing is being set-up to ensure updates,

primarily to the accounting systems are in place. The modifications were not significant, however, they will allow the Trust to report both Canadian GAAP and IFRS statements and track E&E costs, transfers from E&E to PP&E and allocation of PP&E into cash generating units.

The Trust has set up a process to have its opening January 1, 2010 balance sheet in accordance with IFRS completed and audited by the end of 2010. The Trust is confident it will be in a position to be IFRS compliant by the initial reporting date of the first quarter of 2011.

For additional information on the Trust, please go to the company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or the Trust's website at [www.avenirtrust.com](http://www.avenirtrust.com)

Submitted on behalf of:



William M. Gallacher, President & CEO



Gary Dundas, Vice President & CFO

# Consolidated Balance Sheet (unaudited)

As at	September 30, 2010	December 31, 2009
<i>(in thousands of dollars)</i>	\$	\$
<b>ASSETS</b> <i>[note 7]</i>		
<b>Current</b>		
Cash	–	2,148
Marketable securities <i>[note 11]</i>	6,804	19,842
Accounts receivable	42,955	54,831
Prepaid expenses	3,299	8,604
Inventory <i>[note 5]</i>	17,269	13,687
Risk management assets <i>[note 11]</i>	6,676	22,825
Assets held for sale – Real Estate <i>[note 3]</i>	1,595	1,536
	<b>78,598</b>	<b>123,473</b>
<b>Property and equipment</b>	<b>164,136</b>	<b>162,085</b>
<b>Intangibles and other assets</b> <i>[note 6]</i>	<b>13,220</b>	<b>9,094</b>
<b>Goodwill</b>	<b>23,424</b>	<b>23,424</b>
<b>Future income taxes</b>	<b>16,905</b>	<b>15,483</b>
<b>Assets held for sale – Real Estate</b> <i>[note 3]</i>	<b>23,824</b>	<b>32,973</b>
	<b>320,107</b>	<b>366,532</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness <i>[note 7]</i>	13,153	12,300
Accounts payable and accrued liabilities <i>[note 12]</i>	52,548	67,063
Distributions payable <i>[note 14]</i>	2,578	2,527
Risk management liabilities <i>[note 11]</i>	2,089	404
Liabilities of assets held for sale – Real Estate <i>[note 3]</i>	4,124	4,460
	<b>74,492</b>	<b>86,754</b>
<b>Asset retirement obligation</b> <i>[note 8]</i>	<b>15,216</b>	<b>16,373</b>
<b>Future income taxes</b>	<b>3,170</b>	<b>4,636</b>
<b>Liabilities of assets held for sale – Real Estate</b> <i>[note 3]</i>	<b>11,909</b>	<b>21,391</b>
<b>Unitholders' equity</b>		
Unitholder capital <i>[note 9]</i>	426,048	421,270
Contributed surplus <i>[note 9]</i>	6,970	8,591
Accumulated earnings	118,510	120,684
Accumulated other comprehensive loss <i>[note 9]</i>	748	701
Accumulated distributions	(336,956)	(313,868)
	<b>215,320</b>	<b>237,378</b>
	<b>320,107</b>	<b>366,532</b>

See accompanying notes to the consolidated financial statements



Director



Director

# Consolidated Statements of Operations and Accumulated Earnings

(unaudited)

For the	Three months ended		Nine months ended	
	Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
(in thousands of dollars)	\$	\$	\$	\$
<b>REVENUE</b>				
Financial services revenue	98,212	143,772	423,836	624,720
Unrealized gain (loss) on financial instruments [note 11]	(656)	6,962	(18,026)	6,893
Total financial services revenue	97,556	150,734	405,810	631,613
Oil and gas revenue	15,761	13,969	46,619	39,896
Oil and gas transportation costs	(395)	(434)	(1,091)	(1,078)
Royalties	(1,958)	(2,016)	(6,156)	(4,385)
Unrealized gain (loss) on financial instruments [note 11]	(729)	840	225	(2,469)
Total oil and gas revenue	12,679	12,359	39,597	31,964
Gain (loss) on sale of marketable securities	751	-	1,599	(20)
Interest and other revenue	187	630	925	1,645
<b>Total revenue</b>	<b>111,173</b>	<b>163,723</b>	<b>447,931</b>	<b>665,202</b>
<b>EXPENSES</b>				
Financial services operating	94,277	137,972	409,240	614,687
Oil and gas operating	5,399	4,831	16,123	15,491
General and administrative [notes 10 and 12]	3,477	4,983	12,218	15,190
Bad debt expense (recovery)	(291)	(153)	(607)	10
Foreign exchange (gain) loss	412	(231)	(150)	3,588
Interest and bank fees	345	217	670	1,143
Capital taxes	79	98	249	233
Depletion, depreciation and amortization	6,272	6,025	17,284	17,972
Asset retirement obligation accretion [note 8]	290	267	843	803
	110,260	154,009	455,870	669,117
Income (loss) from continuing operations before income tax	913	9,714	(7,939)	(3,915)
Future income tax recovery	672	683	2,888	3,835
Net income (loss) from continuing operations	1,585	10,397	(5,051)	(80)
Net income from discontinued operations – Real Estate [note 3]	1,514	1,085	2,877	3,758
Net income (loss) for the period	3,099	11,482	(2,174)	3,678
Accumulated earnings, beginning of period	115,411	87,380	120,684	95,184
Accumulated earnings, end of period	118,510	98,862	118,510	98,862
Net income (loss) from continuing operations per unit [note 9]				
Basic and diluted	0.04	0.25	(0.12)	0.00
Net income from discontinued operations per unit [note 9]				
Basic and diluted	0.03	0.02	0.07	0.09
Net income (loss) per unit [note 9]				
Basic and diluted	0.07	0.27	(0.05)	0.09

## Consolidated Statements of Comprehensive Income

(unaudited) For the	Three months ended		Nine months ended	
	Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
(in thousands of dollars)	\$	\$	\$	\$
Net income (loss) for the period	3,099	11,482	(2,174)	3,678
Change in fair value of derivative instruments designated as cash flow hedges [note 10]	225	2,090	(33)	4,439
Change in fair value of marketable securities	21	-	80	-
Other comprehensive income (loss)	246	2,090	47	4,439
Comprehensive income (loss) for the period	3,345	13,572	(2,127)	8,117

See accompanying notes to the consolidated financial statements

# Consolidated Statements of Cash Flows (unaudited)

For the	Three months ended		Nine months ended	
	Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net income (loss) from continuing operations	1,585	10,397	(5,051)	(80)
Add (deduct) non-cash items:				
Non-cash general and administrative <i>[note 10]</i>	572	425	1,175	987
Depletion, depreciation and amortization	6,272	6,025	17,284	17,972
Asset retirement obligation accretion	290	267	843	803
Unrealized loss (gain) on financial instruments	1,385	(7,802)	17,801	(4,403)
Unrealized foreign exchange	(284)	592	528	(280)
Future income tax recovery	(672)	(683)	(2,888)	(3,835)
Funds from continuing operations	9,148	9,221	29,692	11,164
Funds from discontinued operations – Real Estate	460	760	1,649	2,187
	9,608	9,981	31,341	13,351
Asset retirement expenditures during year <i>[note 8]</i>	(124)	(78)	(507)	(329)
Change in non-cash working capital	(8,155)	(553)	(3,986)	125,220
Cash provided (used in) by operating activities	1,329	9,350	26,848	138,242
<b>FINANCING ACTIVITIES</b>				
Issue of trust units, net of issue costs <i>[note 9]</i>	348	400	2,479	414
Repurchase of trust units	–	–	–	(886)
Cash settlement of options	(8)	(38)	(254)	(42)
Distributions to unitholders <i>[note 14]</i>	(7,729)	(7,556)	(23,087)	(26,517)
Increase (decrease) in bank indebtedness	1,154	17,295	853	(72,832)
Real estate repayment of mortgages <i>[note 3]</i>	(134)	(259)	(510)	(759)
Change in non-cash working capital	6	7	52	(26,233)
Cash provided by (used in) financing activities	(6,362)	9,849	(20,467)	(126,855)
<b>INVESTING ACTIVITIES</b>				
Sale of financial services assets	–	–	–	604
Purchase of financial services royalty <i>[note 6]</i>	–	–	(5,035)	–
Oil and gas property acquisitions	30	(107)	(630)	(8,928)
Oil and gas property disposals	80	50	3,493	481
Oil and gas development expenditures	(9,074)	(2,376)	(22,794)	(7,197)
Acquisition of Ridgeback Exploration <i>[note 4]</i>	–	(21,999)	–	(21,999)
Purchase of other assets	(16)	(20)	(234)	(27)
Real estate development expenditures <i>[note 3]</i>	–	(10)	–	(64)
Real estate dispositions <i>[note 3]</i>	(1)	2,949	1,098	4,235
Change in non-cash working capital	5,924	1,248	15,571	(448)
Cash provided by (used in) investing activities	(3,057)	(20,265)	(8,531)	(33,343)
Increase (decrease) in cash during the period	(8,090)	(1,066)	(2,150)	(21,956)
Cash, beginning of period	7,970	(312)	2,148	21,826
Change in cash of assets held for sale	120	1,225	2	(23)
<b>Cash, end of period</b>	–	(153)	–	(153)
Cash taxes paid	71	174	130	603
Cash interest paid	329	355	618	2,175

See accompanying notes to the consolidated financial statements

# Notes to Consolidated Financial Statements

## 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, oil and gas properties, and real estate operations.

The operating results for the three and nine months ended September 30, 2010 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 estimates. The Trust's natural gas liquids marketing group traditionally has stronger results in the first and fourth quarters of the fiscal year as the colder winter weather provides more opportunity for sale of propane and butane.

Comparative periods have been reclassified to conform to 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, 2009. 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, 2009 audited consolidated financial statements.

## 3. REAL ESTATE - ASSETS HELD FOR SALE

During the three month period ended June 30, 2010, the Trust decided to dispose of the Real Estate Division assets by way of sale. The disposition process is currently underway as a national brokerage firm has been engaged and the Trust expects to have completed a transaction by June 30, 2011. As such the Real Estate Division assets and liabilities and results from operations have been reclassified as assets held for sale. Comparative periods have also been reclassified.

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

	September 30, 2010	December 31, 2009
	\$	\$
<i>(in thousands of dollars)</i>		
Cash	33	36
Accounts receivable	1,559	1,478
Prepaid expenses	3	22
Total current assets	1,595	1,536
Property and equipment	20,137	30,053
Intangibles and other assets	596	869
Future income taxes	3,091	2,051
<b>Assets held for sale</b>	<b>25,419</b>	<b>34,509</b>
Accounts payable and accrued liabilities	156	182
Deferred revenue	219	215
Current portion of mortgages (i)	3,749	4,063
Total current liabilities	4,124	4,460
Mortgages (i)	11,909	21,391
<b>Liabilities of assets held for sale</b>	<b>16,033</b>	<b>25,851</b>

(i) Mortgages

<i>(in thousands of dollars)</i>	September 30, 2010			December 31, 2009		
	Interest Rate	Maturity	\$	Interest Rate	Maturity	\$
Magee	4.25%	Nov 1/10	3,338	4.25%	Nov 1/10	3,447
Snidercroft	5.70%	Aug 1/14	2,918	5.70%	Jul 1/14	2,994
KFC	n/a	n/a	–	5.96%	Aug 31/11	7,579
KFC	n/a	n/a	–	5.90%	Aug 31/11	1,815
Landmark	3.81%	Nov 1/11	9,402	3.81%	Nov 30/10	9,619
			15,658			25,454
Current portion of mortgages			(3,749)			(4,063)
Long-term portion of mortgages			11,909			21,391

The weighted average interest rate on all mortgages is 4.26% (December 31, 2009 – 4.88%). All mortgages are collateralized by a first charge over the related properties.

Subsequent to September 30, 2010 the Magee mortgage was renewed for a one year period with an interest rate of 3.5%.

Approximate principal repayments required to maturity are as follows:

<i>(in thousands of dollars)</i>	\$
2010	3,434
2011	9,432
2012	114
2013	121
2014	2,557
	15,658

The Trust provides guarantees to third party mortgagors 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.

The following table represents the balances relating to the Real Estate Division that have been reclassified on the statement of operations as discontinued operations:

	Three months ended		Nine months ended	
	Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
<b>REVENUE</b>				
Real estate revenue	794	1,309	3,351	4,886
Gain on sale of properties	(1)	211	744	2,338
	793	1,520	4,095	7,224
<b>EXPENSES</b>				
Real estate operating	85	91	679	1,025
General and administrative	84	133	266	554
Interest on long-term debt	167	374	756	1,385
Capital taxes	(4)	(50)	2	(46)
Depreciation and amortization	(6)	355	555	1,235
	326	903	2,258	4,153
Income before taxes	467	617	1,837	3,071
Future income tax recovery (expense)	1,047	468	1,040	687
<b>Net income</b>	1,514	1,085	2,877	3,758

(i) During the three and nine months ended September 30, 2010, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions, divestitures and mortgage financing of \$31,112 and \$247,581, respectively (three and nine months ended September 30, 2009 - \$145,281 and \$360,021, respectively) payable to a company with a shareholder who is also a director of the Trust. Of this balance, \$3,423 is included in liabilities of assets held for sale as at September 30, 2010 (December 31, 2009 - \$nil).

#### 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

	September 30, 2010	December 31, 2009
	\$	\$
<i>(in thousands of dollars)</i>		
Propane	6,344	6,301
Butane	5,834	3,897
Fuel ethanol	2,273	2,325
Gas oil	—	688
Natural gasoline	320	461
Fuel Oil, Asphalt and Other	2,498	15
	<u>17,269</u>	<u>13,687</u>

All inventory balances relate to Elbow River Marketing Limited Partnership.

## 6. INTANGIBLE AND OTHER ASSETS

The following tables summarize the intangible and other assets of the Trust:

	September 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
<i>(in thousands of dollars)</i>			
<b>Intangibles:</b>			
Contracts	1,200	1,054	146
Non-compete agreements	8,100	8,100	–
Trade name	5,300	–	5,300
Customer relationships	5,500	2,383	3,117
<b>Total intangibles</b>	<b>20,100</b>	<b>11,537</b>	<b>8,563</b>
<b>Other assets:</b>			
Deferred financial services royalty incentive	5,035	378	4,657
<b>Total intangibles and other assets</b>	<b>25,135</b>	<b>11,914</b>	<b>13,220</b>

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
<i>(in thousands of dollars)</i>			
<b>Intangibles:</b>			
Contracts	1,200	911	289
Non-compete agreements	8,100	7,964	136
Trade name	5,300	–	5,300
Customer relationships	5,500	2,131	3,369
<b>Total intangibles and other assets</b>	<b>20,100</b>	<b>11,006</b>	<b>9,094</b>

The deferred financial services royalty incentive is being expensed to general and administrative expenses over a 5 year period.

## 7. BANK INDEBTEDNESS

In relation to its Oil and Gas Division, as at September 30, 2010, the Trust has a revolving demand facility with a major Canadian bank in the amount of \$60,000,000 (December 31, 2009 - \$60,000,000) bearing interest ranging from prime plus 0.75% to prime plus 2.50% 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, 2010, \$9,200,000 (December 31, 2009 - \$12,300,000) was drawn on the revolving demand facility. As at September 30, 2010, the Oil & Gas Division was in compliance with all its banking covenants. Subsequent to September 30, 2010 the revolving demand facility related to the Trust's Oil and Gas Division was increased to \$70,000,000.

Elbow River has a demand revolving loan facility with a Canadian bank in the amount of \$50,000,000 (December 31, 2009 - \$50,000,000) 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, 2010, \$505,483 (December 31, 2009 - \$nil) was drawn on the demand revolving loan facility. Elbow River was in compliance with all its banking covenants as at September 30, 2010.

The Trust also had \$3,447,898 in bank overdraft as at September 30, 2010 (December 31, 2009 - \$nil).

The average effective interest rate on borrowings under the above lines for the nine months ended September 30, 2010, excluding service fees of \$211,983, was 4.0% (nine months ended September 30, 2009 – 4.8%).

As at September 30, 2010, the Trust had 13 letters of credit outstanding in the aggregate amount of \$6,731,907 (December 31, 2009 - \$7,563,944). The letters of credit reduce the amount available to be drawn on the related demand facilities. In addition Elbow River had 18 bonds outstanding in the aggregate amount of \$605,868 (December 31, 2009 - \$1,869,331) 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 Elbow River third parties for a maximum of \$156,224,960 (December 31, 2009 - \$154,382,560). 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.

## 8. ASSET RETIREMENT OBLIGATION

The total 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, 2010, the Trust has estimated the net present value of its total asset retirement obligations to be \$15,215,981 (December 31, 2009 - \$16,373,176) based on an undiscounted total future liability of \$66,808,206 (December 31, 2009 - \$72,220,299). 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, 2009 – 8.5% to 10.0%) and an inflation rate of 2% (December 31, 2009 – 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>	2010 \$
<b>Carrying amount, as at January 1</b>	<b>16,373</b>
Oil and gas activities during the period	171
Oil and gas divestitures during the period	(1,664)
Abandonment expenditures incurred during the period	(507)
Asset retirement obligation accretion for the period	843
<b>Carrying amount, as at September 30</b>	<b>15,216</b>

## 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>
<b>Balance December 31, 2009</b>	<b>42,110,678</b>	<b>421,270</b>
Units issued on exercise of stock options	435,625	2,521
<b>Balance March 31, 2010</b>	<b>42,546,303</b>	<b>423,791</b>
Units issued on exercise of stock options	319,351	1,689
<b>Balance June 30, 2010</b>	<b>42,865,654</b>	<b>425,480</b>
Units issued on exercise of stock options	104,750	568
<b>Balance September 30, 2010</b>	<b>42,970,404</b>	<b>426,048</b>

- (i) The total cash received for Trust Units issued upon exercise of stock options during the year amounted to \$2,478,784; the remainder of the change in unitholders' capital of \$2,298,623 represents the movement from contributed surplus to unitholders' capital relating to the stock based compensation expense previously recognized.
- (ii) On December 29, 2009, the Trust instituted a Normal Course Issuer Bid ("NCIB") under which it may purchase up to 3,446,355 Trust Units for cancellation in a 12 month period. As at September 30, 2010, the Trust has not purchased any Trust Units under this Normal Course Issuer Bid.

### b) Per unit amounts

For the three and nine months ended September 30, 2010, the Trust had a weighted average number of trust units outstanding of 42,923,483 and 42,720,126, respectively (three and nine months ended September 30, 2009 – 41,953,583 and 41,965,545, respectively). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 797,608 and 808,949 Trust Units for the three and nine months ended September 30, 2010, respectively, resulting in a weighted average number of trust units outstanding for the three and nine months ended September 30, 2010, of 43,721,091 and 43,529,075, respectively (three and nine months ended September 30, 2009 – 42,319,919 and 42,251,782, respectively). At September 30, 2010, there were 1,599,500 (September 30, 2009 – 2,072,365) anti-dilutive options that were not part of the dilutive per unit calculation. Net income per unit from continuing operations for the nine months ended September 30, 2009 and the nine months ended September 30, 2010 did not include the dilution adjustment as there was a loss for the period.

### c) Contributed surplus

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

	2010
<i>(in thousands of dollars)</i>	\$
<b>Contributed surplus, January 1</b>	<b>8,591</b>
Stock-based compensation expense [note 10]	799
Stock-based compensation capitalized [note 10]	133
Options exercised [note 9 (a)(i)]	(2,299)
Settlement of options	(254)
<b>Contributed surplus, September 30</b>	<b>6,970</b>

### d) Accumulated other comprehensive income (loss)

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

	2010
<i>(in thousands of dollars)</i>	\$
<b>Accumulated other comprehensive income (loss), January 1</b>	<b>701</b>
Gain in value of marketable securities	80
Gain (loss) on derivative instruments designated as cash flow hedges	
Unrealized loss arising on cash flow hedges	(717)
Transfer of losses on cash flow hedges to net income	684
<b>Accumulated other comprehensive income (loss), September 30</b>	<b>748</b>

The accumulated other comprehensive income (loss) is made up of a cumulative gain in marketable securities of \$658,411 and an accumulated unrealized gain on foreign exchange contract of \$89,926 (see note 11(c)(iii)).

## 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 4,297,040 units have been reserved under this plan.

The following table summarizes the status and changes during the nine months ended September 30, 2010:

	Number of outstanding	Weighted average grant date exercise price \$
<b>Outstanding, January 1</b>	<b>3,054,451</b>	<b>4.95</b>
Granted	1,599,500	5.51
Exercised	(859,726)	(6.02)
Expired	(77,958)	(5.61)
<b>Outstanding, September 30</b>	<b>3,716,267</b>	<b>4.93</b>
<b>Exercisable, September 30</b>	<b>1,292,983</b>	<b>6.36</b>

The following table summarizes information about the unit options outstanding at September 30, 2010:

September 30, 2010 Strike Price \$	Grant date exercise price \$	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
2.81	3.71	57,125	0.83	57,125
3.95	8.30	460,000	0.83	460,000
2.81	3.71	7,500	1.25	7,500
2.81	3.71	5,250	1.25	5,250
2.81	3.71	89,125	1.50	89,125
3.59	7.28	519,000	1.50	519,000
2.81	3.71	44,025	1.75	44,025
2.81	3.71	16,875	1.92	10,000
2.81	3.71	1,500	2.33	1,000
2.81	3.71	3,750	2.50	2,500
2.81	3.71	1,500	2.58	1,000
2.81	3.71	167,000	2.75	91,958
2.81	3.71	1,125	2.92	750
2.81	3.71	11,250	3.08	3,750
2.81	3.71	17,625	3.25	5,875
2.81	3.71	678,367	3.75	194,400
3.83	4.64	4,500	3.88	1,500
4.24	4.84	31,250	4.17	—
5.29	5.71	5,000	4.48	—
5.43	5.51	1,594,500	4.92	—
		<u>3,716,267</u>		<u>1,494,758</u>

As a result of the grind feature of the options, the price on the date of grant is reduced by the distributions paid to unitholders. Accordingly, the weighted average strike price at September 30, 2010 on all outstanding options was \$4.20 per option and the weighted average strike price at September 30, 2010 on all exercisable options is \$3.43 per option.

The total fair value of stock-based compensation was calculated using a Black-Scholes option-pricing model. The assumptions made for the options granted in 2010 are as follows:

	2010 Granted Options
Expected volatility	40%
Risk – free interest rate	2.29%
Expected life of options	3.75 years
Fair value per unit of options	\$1.81
Dividend yield	–

The Trust recorded stock based compensation and contributed surplus of \$401,890 and \$930,908, respectively for the three and nine months ended September 30, 2010 (three and nine months ended September 30, 2009 - \$451,058 and \$1,051,332, respectively) relating to the Trust' current options, of which \$81,248 and \$132,772, respectively for the three and nine months ended September 30, 2010, was capitalized (three and six months ended September 30, 2009 - \$26,640 and \$64,304, respectively).

Subsequent to September 30, 2010 the Trust granted 98,500 new options.

## 11. FINANCIAL INSTRUMENTS

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

Financial instrument	Category
<b>Financial assets:</b>	
Cash	Held for trading
Marketable securities	Available for sale
Accounts receivable	Loans and receivables
Note receivable	Loans and receivables
Risk management assets	Cash flow hedges and held for trading
<b>Financial liabilities:</b>	
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Mortgages	Other financial liabilities
Risk management liabilities	Cash flow hedges (note 11(c)(iii)) and held for trading (note 11(c)(i)&(ii))

#### a) Fair values of financial assets and liabilities

Unless otherwise noted below, as at September 30, 2010, there were no significant differences between the carrying amounts of the financial instruments listed above and their estimated fair values due to their short-term nature.

Marketable securities are classified as available for sale and at September 30, 2010 have been recorded at a fair value of \$6,803,579. The change in the per unit market value of the unsold investments of \$20,671 and \$80,411 for the three and nine months ended September 30, 2010, respectively, has been included in other comprehensive income.

Borrowings under bank credit facilities are revolving in nature and are market rate based, thus, carrying value approximates fair value.

Risk management assets and liabilities are recorded at their estimated fair values based on discounted cash flow analysis using forward pricing curves. The results are compared to quotes from third parties for reasonability.

#### b) Credit risk

The Trust's financial instruments exposed to credit risk consist primarily of trade accounts receivable and risk management assets. The trade receivables are from the 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. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses. At September 30, 2010, the Trust had an allowance for doubtful accounts relating to its Oil and Gas Division receivable balance of \$204,544 and Elbow River has an allowance for doubtful accounts of \$615,740, the two amounts representing 2% of the Trust's accounts receivable.

The maximum credit exposures associated with the Trust's customers are the carrying value of the accounts receivable and the gross amount of forward sales contracts in Elbow River (which are not reflected in the consolidated financial statements). As at September 30, 2010, 25% of the Trusts consolidated accounts receivable are due from two customers. The total amount of receivables past due 90 days amounted to \$3,624,576 as at September 30, 2010.

#### c) Risk management asset (liability)

<i>(in thousands of dollars)</i>	2010 \$
<b>Risk management asset (liability), January 1,</b>	<b>22,421</b>
Change in mark-to-market for hedges not qualifying for hedge accounting – Oil & Gas Division (i)	225
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	(18,026)
Change in mark-to-market of cash flow hedge contracts – Elbow River (iii)	(33)
<b>Net risk management asset (liability), September 30,</b>	<b>4,587</b>
Reclassified to risk management asset, September 30,	<b>2,089</b>
<b>Risk management liability, September 30,</b>	<b>6,676</b>

(i) The Trust has the following forward contracts that do not qualify for hedge accounting outstanding as at September 30, 2010 relating to its Oil and Gas Division:

- 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 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.
- A fixed price WTI sale for August 1, 2010 to July 31, 2011 on 200 barrels/day of crude oil with a price of \$90.05 CDN/Bbl.
- A fixed price WTI collar for the period January 1, 2011 to December 31, 2011 on 200 barrels/day of crude oil with a floor price of \$80.00 CDN/Bbl and a ceiling price of \$94.25 CDN/Bbl.
- A fixed price WTI call for the period April 1, 2011 to March 31, 2012 on 300 barrels/day of crude oil with a floor price of \$95.00 USD/Bbl.
- A fixed price WTI collar for the period September 1, 2010 to December 31, 2010 on 100 barrels/day of crude oil with a floor price of \$75.00 CDN/Bbl and a ceiling price of \$89.87 USD/Bbl.
- A fixed price AECO swap for the period April 1, 2011 to March 31, 2012 on 2,000 gigajoules/day of natural gas with a price of \$4.75 CDN/gigajoules.

The mark-to-market value of these contracts as at September 30, 2010 was a net risk management asset of \$941,733 (December 31, 2009 – a risk management asset of \$716,556), resulting in the recognition of an unrealized gain on the income statement for the nine months ended September 30, 2010 of \$225,178 (nine months ended September 30, 2009 - unrealized loss of \$2,468,630).

Subsequent to September 30, 2010, the Trust entered into the following forward contracts:

- A fixed price WTI call for the period April 1, 2011 to July 31, 2012 on 200 barrels/day of crude oil with a floor price of \$100.00 USD/Bbl.
- A fixed price AECO swap for the period April 1, 2011 to July 31, 2012 on 1,000 gigajoules/day of natural gas with a price of \$5.29 CDN/gigajoules.

(ii) Elbow River sells natural gas liquids, ethanol, diesel, and asphalt product in the United States and Canada, 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 forward 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 relate to butane, propane, natural gasoline, and ethanol.

During the nine months ended September 30, 2010, losses related to ineffective hedge contracts previously recorded in accumulated other comprehensive income of \$899,660 were transferred to net income due to the settlement of the underlying hedged items.

The following tables describe the fair value of contracts in Elbow River that do not qualify for hedge accounting which resulted in a net risk management asset of \$3,556,167 (December 31, 2009 – a risk management asset of \$21,582,070). The change in fair value results in an unrealized loss on the income statement for the nine months ended September 30, 2010 of \$18,025,959 (nine months ended September 30, 2009 – unrealized gain of \$6,893,108).

**Commodities hedging contracts:***(in thousands of dollars)*

Settlement dates	Average Monthly Volume (bbl)	Prices \$/(bbl)	September 30, 2010
			Unrealized gain (loss) \$
October – December 2010	495,973	40.11 – 89.53	686
January – December 2011	187,567	42.97 – 91.88	2,842
January – March 2012	111,912	58.17 -84.27	(108)
			3,420
	Exchange rate		1.0298
Amount recorded in Unrealized Gain on Financial Instruments			3,522

**Forward exchange contracts:***(in thousands of dollars)*

Term due	Amount \$	Forward rates CDN \$	September 30, 2010
			Unrealized gain \$
October – December 2010	1,800	1.0298 – 1.0313	34
			34

- (iii) The following table details those transactions that qualify for hedge accounting that are outstanding giving rise to a net risk management asset of \$89,925 (December 31, 2009 – a risk management asset of \$1,022,833), resulting in the recognition of a comprehensive loss of \$932,908 during the nine months ended September 30, 2010. In addition, \$899,660 relating to reclassification of the change in fair value from January 1, 2010 to September 30, 2010 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 comprehensive loss for the nine months ended September 30, 2010 to \$33,248 (nine months ended September 30, 2009 comprehensive income - \$4,438,916).

**Forward exchange contracts:***(in thousands of dollars)*

Term due	Amount \$	Forward rates CDN \$	September 30, 2010
			Unrealized gain \$
October – December 2010	11,414	1.0298 – 1.0313	11
January – December 2011	9,119	1.0321 – 1.0443	67
January – March 2012	585	1.0423 – 1.0443	12
	21,118		90

- (iv) Foreign currency risk

Elbow River operates internationally and is therefore exposed to foreign exchange risk. The Trust's primary exposures are from fluctuations in the US dollar relative to the Canadian dollar. The Trust enters into derivative instruments from time to time to mitigate its currency risk.

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 \$52,000 in net income from continuing operations and a change of approximately \$210,000 in other comprehensive income for the nine months ended September 30, 2010.

(v) Commodity price risk

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

The following sensitivity analyses show the effects of reasonably possible changes in relevant risk variables on net income from 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, 2010, 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 and \$1.00/gigajoule in the price of natural gas would have resulted in unrealized gains and losses impacting net income from continuing operations and other comprehensive income by approximately \$3,778,000.

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 \$7,056,000.

d) Interest rate risk

Drawings under the Trust's bank credit facilities are at floating interest rates and expose the Trust to interest rate risk. The Trust is authorized by the Board of Directors to enter into fixed rate swaps to manage risks associated with rising interest rates if deemed appropriate. The Trust is also exposed to interest rate risk on maturity and refinancing of its fixed rate mortgages including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favorable terms or with interest rates as favorable as those of the existing debt. The Trust mitigates these risks by its continued efforts to enhance the value of its real estate properties and maintain high occupancy levels. A 1% change in interest rates would result in net income from continuing operations and other comprehensive income sensitivity of approximately \$72,000. The Trust has not entered into any derivative agreements to mitigate this risk.

e) Liquidity risk

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

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

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

Except for the mortgages as described in note 3 and some hedges covering term deals of up to two years in Elbow River, all the Trust financial liabilities are effectively due within one year.

#### f) Fair Value Hierarchy

Financial instruments recorded at fair value in the consolidated balance sheets are categorized based on the fair value hierarchy of inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 inputs involve limited use of judgments as fair value inputs are based on unadjusted quoted prices in active markets for identical assets and liabilities. The Trust's level 1 inputs include marketable securities.

Level 2 inputs require slightly more judgment than level 1 but still involve observable or corroborated, either directly or indirectly, market factors. The Trust's level 2 inputs include quoted market prices for commodities, foreign exchange, interest rates and credit risk premiums. Financial instruments in this category include commodities hedging contracts, forward exchange contracts, and fixed rate debt. The Trust obtains information from sources including independent price publications, third party pricing services, market exchanges and investment dealer quotes. The Trust uses level 2 inputs for all of its' derivative financial instrument and fixed rate debt fair value measurements.

Level 3 inputs require the most significant judgments and consist primarily of unobservable or non-market based inputs. Level 3 inputs include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar locations, similar instruments or later time periods. Level 3 inputs may include items based on pricing services or broker quotes, but the inputs into the prices are not observable and cannot be verified. The Trust has no level 3 inputs.

## 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, 2010, the Trust paid \$123,775 and \$329,195, respectively (three and nine months ended September 30, 2009 - \$54,642 and \$163,083, respectively) to Avenir Consolidated 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, 2010 is \$110,071 (December 31, 2009 - \$77,888) owing to Avenir relating to these services.
- During the three and nine months ended September 30, 2010, the Trust incurred marketing fees of \$18,000 and \$54,000, respectively (three and nine months ended September 30, 2009 - \$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, 2010 (December 31, 2009 - \$18,000).
- In the normal course of joint business activities, the Trust's Oil and Gas Division from time to time may engage 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, and financial services. The accounting policies followed by these business segments are the same as those described in the summary of significant accounting policies in the annual financial statements.

The following is selected financial information for each business segment:

The following is selected financial information for each business segment:

	Three months ended September 30, 2010				
	Financial Services – Elbow River	Oil & Gas	Corporate	Discontinued Operations	Total
<i>(in thousands of dollars)</i>	\$	\$	\$	\$	\$
Net total revenue	97,556	12,679	938	–	111,173
Net operating expenses	94,277	5,399	–	–	99,676
Income (loss) from continuing operations	1,276	478	(169)	–	1,585
Discontinued Operations – Real Estate <i>(note 3)</i>	–	–	–	1,514	1,514
Net income (loss)	1,276	478	(169)	1,514	3,099

	Nine months ended September 30, 2010				
	Financial Services – Elbow River	Oil & Gas	Corporate	Discontinued Operations	Total
<i>(in thousands of dollars)</i>	\$	\$	\$	\$	\$
Net total revenue	405,810	39,597	2,524	–	447,931
Net operating expenses	409,240	16,123	–	–	425,363
Income (loss) from continuing operations	(10,181)	3,084	2,046	–	(5,051)
Discontinued Operations – Real Estate <i>(note 3)</i>	–	–	–	2,877	2,877
Net income (loss)	(10,181)	3,084	2,046	2,877	(2,174)

# Oil & Gas Abbreviations

## Three months ended September 30, 2009

	Financial Services – Elbow River	Oil & Gas	Corporate	Discontinued Operations	Total
<i>(in thousands of dollars)</i>	\$	\$	\$	\$	\$
Net total revenue	150,734	12,359	630	–	163,723
Net operating expenses	137,972	4,831	–	–	142,803
Income (loss) from continuing operations	9,488	1,140	(231)	–	10,397
Discontinued Operations – Real Estate <i>(note 3)</i>	–	–	–	1,085	1,085
Net income (loss)	9,488	1,140	(231)	1,085	11,482

## Nine months ended September 30, 2009

	Financial Services – Elbow River	Oil & Gas	Corporate	Discontinued Operations	Total
<i>(in thousands of dollars)</i>	\$	\$	\$	\$	\$
Net total revenue	631,613	31,964	1,625	–	665,202
Net operating expenses	614,687	15,491	–	–	630,178
Income (loss) from continuing operations	1,424	(825)	(679)	–	(80)
Discontinued Operations – Real Estate <i>(note 3)</i>	–	–	–	3,758	3,758
Net income (loss)	1,424	(825)	(679)	3,758	3,678

## September 30, 2010

	Financial Services – Elbow River	Oil & Gas	Corporate	Discontinued Operations	Total
<i>(in thousands of dollars)</i>	\$	\$	\$	\$	\$
<b>Selected balance sheet items</b>					
Property and equipment	463	163,673	–	–	164,136
Intangibles and other assets	13,220	–	–	–	13,220
Goodwill	23,424	–	–	–	23,424
Total assets	96,554	181,403	16,731	24,419	320,107
Working capital (deficiency)	16,679	(14,330)	4,286	(2,529)	4,106

## December 31, 2009

	Financial Services – Elbow River	Oil & Gas	Corporate	Discontinued Operations	Total
<i>(in thousands of dollars)</i>	\$	\$	\$	\$	\$
<b>Selected balance sheet items</b>					
Property and equipment	535	161,550	–	–	162,085
Intangibles and other assets	9,094	–	–	–	9,094
Goodwill	23,424	–	–	–	23,424
Total assets	125,052	178,682	28,289	34,509	366,532
Working capital (deficiency)	36,713	(14,694)	17,624	(2,924)	36,719

## 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 all impact each of the operating divisions and their ability to fund distributions. The Trust believes that its balance sheet diversification model across multiple business lines including Energy and Financial Services provides distribution support by balancing risk across a portfolio of business sectors. The distributions are not guaranteed and the level of cash withheld can vary as it is dependent upon numerous factors. For the remainder of 2010, the Trust intends to continue to make cash distributions.

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

During the nine months ended September 30, 2010, the Trust declared distributions to the unitholders in the aggregate amount of \$23,087,100 (nine months ended September 30, 2009 - \$26,517,197) in accordance with the following table:

<b>Period covered</b>	<b>Date of Distribution</b>	<b>Per Unit \$</b>
January 1, 2010 to January 31, 2010	02/15/2010	0.06
February 1, 2010 to February 28, 2010	03/15/2010	0.06
March 1, 2010 to March 31, 2010	04/15/2010	0.06
April 1, 2010 to April 30, 2010	05/17/2010	0.06
May 1, 2010 to May 31, 2010	06/15/2010	0.06
June 1, 2010 to June 30, 2010	07/15/2010	0.06
July 1, 2010 to July 31, 2010	08/16/2010	0.06
August 1, 2010 to August 31, 2010	09/15/2010	0.06
September 1, 2010 to September 30, 2010	10/15/2010	0.06

As at September 30, 2010, the Trust had cash distributions payable of \$2,578,224 (December 31, 2009 - \$2,526,641) representing the Trust's regular monthly distribution to be paid on October 15, 2010.

## 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.

The Trust does have externally imposed capital requirements, which consist of positive, non-financial covenants on its demand revolving facilities that the Trust is in compliance with for the three and nine months ended September 30, 2010. As collateral for the demand revolving facilities, the Trust has provided a general security agreement with a floating charge debenture over all of the Trust's assets. Other than these restrictions the Trust is not subject to any externally imposed capital requirements.

Consistent with its capital structure guidelines, the Trust monitors capital using non-GAAP financial metrics of working capital (net debt) to annualized funds from 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 operations.

For the nine months ended September 30, 2010, the working capital (net debt) to funds from operations ratio is not meaningful to the Trust as the Trust is in a net positive working capital position versus a net debt position.

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

The distribution payout ratio uses the total distributions to unitholders per the Statement of Cash Flows of \$23,087,100 as a percentage of the funds from operations. The distribution payout ratio for the nine months ended September 30, 2010 based on regular monthly cash distributions of \$0.06 is approximately 73%.

## 16. SUBSEQUENT EVENTS

On November 5, 2010, the Trust acquired all of the issued and outstanding shares of Great Plains Exploration Inc. ("Great Plains") for total consideration of approximately \$84.0 million including assumed debt and industry standard closing costs. Consideration was made through the issuance of 8,563,129 Trust Units and 1,120,621 exchangeable shares based on an exchange ratio of 0.088 for each share of Great Plains. Exchangeable shares will be exchangeable for Trust Units on a one-for-one basis.

On November 12, 2010, the Trust mailed an information circular to its unitholders relating to the Trust's planned conversion to a corporation on December 31, 2010. This conversion is subject to a unitholder vote that will be held on December 9, 2010.

## Oil and Natural Gas Liquids

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

## Natural Gas

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

## Other

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

# Corporate Information

## DIRECTORS

William M. Gallacher <sup>(2,3)</sup>  
President & CEO, Chairman

Gary H. Dundas  
VP Finance & CFO

Dennis Balderston<sup>(1,4)</sup>

David E. Butler <sup>(1,3,4)</sup>

Stuart Y. Chow <sup>(2,3,4)</sup>

Jeffery Kohn <sup>(4)</sup>

Alan Moon <sup>(1,2,4)</sup>  
Lead Director

William E. Patterson <sup>(1,2,4)</sup>

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

## 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

**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

**Stuart King, CA**  
Financial Reporting 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

## Real Estate Management

MDC Property Services Ltd.

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