



Avenir Diversified Income Trust



First Quarter Interim Report
for the period ending March 31, 2007

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2006 FINANCIAL HIGHLIGHTS & REVIEW

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TOTAL CONSOLIDATED FINANCIAL SUMMARY	For the quarter ended March 31		
	2007	2006 ³	Change
Total Revenue	\$238,512	\$166,700	43%
Funds From Continuing Operations	\$17,677	\$13,612	30%
Funds from Continuing Operations Per Unit - Basic	\$0.43	\$0.34	26%
Funds From Operations (FFO) ¹	\$17,677	\$20,595	(14)%
FFO Per Unit ¹ - Basic	\$0.43	\$0.51	(16)%
Distributions	\$10,395	\$14,737	(29)%
Distributions Per Unit - Basic	\$0.25	\$0.37	(32)%
Distribution Payout Ratio ²	59%	72%	(18)%
Net Income from continuing operations	\$7,331	\$7,115	3%
Net Income from continuing operations Per Unit - Basic	\$0.18	\$0.18	0%
Net Income	\$7,331	\$10,105	(27)%
Net Income Per Unit - Basic	\$0.18	\$0.25	(28)%
Total Assets	\$545,517	\$567,628	(4)%
Working Cap. (Net Debt) including mortgages ¹ (not incld. discontinued operations)	\$(57,551)	\$(35,958)	(60)%
Wtd. Avg. Units Outstanding - Basic	41,202,084	40,149,659	3%
Units Outstanding (including escrowed units)	41,748,403	41,421,450	1%

¹ Funds from operations, Funds from operations per unit, and working capital (net debt) including mortgages 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 including mortgages. Management believes that these measures are useful supplemental measures to analyze operating performance as they demonstrate the Trust's ability to generate the Funds from operations necessary to fund future distributions and capital investments. The Trust's method of calculating these measures may differ from other issuers, and accordingly, they may not be comparable to measures used by other issuers. Investors should be cautioned that "Funds from operations" and "Funds from operations per unit" should not be construed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

² Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from Operations.

³ Comparative periods have been restated to conform to current period presentation – specifically relating to the discontinued operations of the Energy Services Division of the Trust.

FORWARD LOOKING STATEMENTS

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

PRESIDENT'S MESSAGE

The Trust continued to perform well during the first quarter. Year over year comparative funds from ongoing operations increased 30%. All of our business units performed at or slightly ahead of expectations with particular strength in our Financial Services division. As evidenced by our results, the diversification model we have followed continues to provide stable, sustainable returns.

The payout ratio for the first quarter of 2007 was 59% of funds from operations which is below our annual target range of 75 – 80%. We are constantly looking for ways to enhance unitholder value and therefore we continue to review all of our business units to identify further opportunities to grow within our existing trust structure, or by divesting of certain assets. In addition, we evaluate opportunities that either compliment our existing business or provide a new opportunity for further diversification.

The focus was on organic growth in the first quarter of 2007. This growth came from all three of our business units.

- Funds from operations reflect the benefits of the Trust's diversification model with 70% coming from Financial Services and Real Estate.
- Distributions represented 59% payout of the funds from operations for the quarter.
- In our EnerVest Limited Partnership, the assets under management have grown to approximately \$2.04 billion with an increase of 8% in total revenue. Assets under management are approaching pre-October 2006 levels before the share sell-off as a result of the Federal governments trust tax announcement.
- The Elbow River group had an outstanding quarter with cash flow of approximately \$7.2 million for the first quarter of 2007 compared to \$2.7 million in the first quarter of 2006.
- The Oil and Gas division results were solid with additional future opportunity arising from the March 30, 2007 acquisition of oil and gas assets of approximately 150 BOE per day of sweet natural gas production.
- In Real Estate, the acquisitions completed during the third and fourth quarters of 2006 contributed to the increased cash flow generated from this division.

We are continually reviewing how our trust operates, and are assessing different steps we may take as we approach 2011. We see no need for immediate changes to our structure and believe we have ample time to consider and implement any value adding alternatives. However, our performance clearly indicates we continue to provide stable, sustainable returns for our unitholders.

We would like to thank all of our unitholders for their ongoing support.



William M. Gallacher

President & CEO

REVIEW OF FINANCIAL RESULTS

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Net income from continuing operations for the quarter ended March 31, 2007 was \$7.3 million up 3% from \$7.1 million in the quarter ended March 31, 2006. The net income for the quarter ended March 31, 2007 was \$7.3 million which is down 27% versus the \$10.1 million net income for the quarter ended March 31, 2006. The three months ended March 31, 2007 net income was lower than 2006 due to the impact of the spin out of the Energy Services Division in Q2 of 2006 as Essential Energy Services Trust.

Funds from continuing operations were \$17.7 million for the quarter ended March 31, 2007 up 30% from \$13.6 million in the comparable quarter in 2006. The increase reflected a larger contribution from the Trust's Financial Services division. Funds from operations were \$17.7 million for the quarter ended March 31, 2007, down 14% as funds from operations for the quarter ended March 31, 2006 were \$20.6 million. The decrease in funds from operations was primarily the result of the spin out of the Energy Services Division in Q2 2006.

The Trust declared distributions of \$10.4 million (\$0.25 per unit) for the quarter ended March 31, 2007 which is down 29% on a total cash basis over the \$14.7 million (\$0.37 per unit) distributed for the quarter ended March 31, 2006, again this is due to the spin-off of the Energy Services division. It should be noted that if Avenir Trust Unitholders retained their units of Essential Energy Services Trust there would in fact be a slight increase in distributions per unit. The 2007 quarter end payout ratio was 59% of funds from operations.

REVIEW OF BUSINESS UNIT OPERATIONS

1. Financial Services

At March 31, 2007 the Trust's Financial Services business unit consisted of:

i. ENERVEST LIMITED PARTNERSHIP – MANAGEMENT CONTRACT

EnerVest provides a stable long-term source of monthly distributable cash flow based on fees earned from assets under management in the EnerVest Group of Funds. Initial acquisition metrics were based on annual funds from operations of at least \$14 million, the majority of which is derived from the EnerVest Diversified Income Trust, which has 45 years remaining on its trust indenture. This is compared to the current annual funds from operations of approximately \$17.5 to 18.0 million.

The assets under management for the EnerVest Group of Funds grew marginally during the first quarter of 2007, inline with the Canadian income trust market. As at March 31, 2007 EnerVest managed approximately \$2.04 billion on behalf of approximately 80,000 investors in principally income trusts or oil and gas funds.

Quarter over quarter revenues were up only slightly, 8%, as assets under management have been impacted by the federal government's announcement to tax trusts effective 2011. That said recent strength in the trust sector, largely fuelled by higher commodity prices and trust buyouts has increased the net assets of the funds late in Q1 2007 and into April 2007.

During the quarter, EnerVest launched a flow-through fund offering which the company has done every year since 1995. New credit facilities were negotiated on behalf of both the EnerVest Diversified Income Trust and the EnerVest Energy and Oil Sands Trust. As well, as was required by the Canadian Securities Regulators (National Instrument 81-107), EnerVest organized an Independent Review Committee and Mandate during the quarter for implementation on May 1, 2007. This committee was established to oversee any potential conflicts of interest that may arise between the manager of the funds and the fund's unitholders.

ii. ELBOW RIVER MARKETING LP

Elbow River Marketing LP (“Elbow River”) is a wholesale broker, transporter and supplier of butane, propane and biofuels to major refineries, distributors, retailers and end users in the United States, Canada, Europe and Mexico. Elbow River, established in 1984, is one of the largest wholesale brokers in Canada and United States in providing brokerage, marketing, logistics, transportation, storage and risk management services to the natural gas liquids and specialty petroleum products market.

At March 31, 2007, Elbow River completed its second full year as part of the Trust. They currently transact over 16,500 BOE per day of liquids sales with approximately 200 customers and suppliers. Revenues and funds from operations were up significantly from the first year that Elbow was a part of the Trust and well ahead of forecasts when Elbow was initially acquired.

Record Q1 2007 cash flows were well above budget as all the commodity groups had solid sales. Propane demand was steady as cold weather was still prevalent on the West Coast along with some late winter along the East Coast. Butane had strong winter presales and good spot sales as strong gasoline prices translated into steady feedstock demand. Ethanol also had strong winter presales along with steady spot activity due to delays in start up of several new plants. Bio-diesel continued to show steady growth although most of the demand came from the export market while North American margins were squeezed by high feedstock costs relative to diesel prices.

The remainder of 2007 looks promising due to a number of presales. Propane is entering the slower summer season and hence spot sales will be limited until Q4 of 2007. Butane is experiencing continued strengths due to escalating Alberta Oil Sands volumes and their impact on North America wide markets. Ethanol markets are currently slower as the ethanol markets are relatively in balance. However once all the new ethanol plants come on stream we anticipate a supply overhang that may result in increased opportunities to sell incremental volumes to discretionary blenders. Bio-diesel should continue to benefit from increased market growth as well as the summer seasonal increase in demand.

iii. FINANCIAL SERVICE CONTRACTS

During the first quarter of 2007, Avenir Financial Services Limited Partnership redeemed an additional \$1.5 million in financial services contracts leaving a balance outstanding as at March 31, 2007 of \$1.8 million. Subsequent to the quarter end the remaining balance of \$1.8 million was redeemed with RentCash Inc. leaving the Trust with no further exposure to the payday loan/cheque cashing industry once the final interest payments are collected.

2. Energy - Oil & Gas Operations

For the first quarter of 2007, the Oil and Gas division delivered consistent production volumes through a combination of optimization and development programs. Oil and gas sales averaged 3,329 BOED in the first quarter matching the average rate of 3,326 BOED for the fourth quarter of 2006. The Trust continued to be negatively impacted, on average 147 BOED, by 3rd party restrictions due to planned outages in first quarter. Production capability in the first quarter was consistent with the 2007 exit rates at 3,466 BOED. In comparison to the fourth quarter of 2006, oil and natural gas liquid sales for the second quarter averaged 1,694 bbl/d down 1% while natural gas sales were up 2% to 9,809 mcf/d.

Total gross revenue from petroleum and natural gas sales in the first quarter was \$14.7 million up 12% from \$13.1 million in the fourth quarter of 2006 due to both higher oil and natural gas pricing. The average price received for

crude oil and natural gas liquids during the first quarter was \$52.51 per barrel after hedging representing a 17% increase over fourth quarter pricing. Natural gas pricing for the first quarter of 2007 was \$7.54 per mcf versus \$6.78 per mcf in the fourth quarter of 2006 representing an increase of 11%. Royalties in the fourth quarter were consistent with the prior quarter at 14%.

Oil and gas operating expenses decreased in the first quarter of 2007 primarily due to the reduction of power costs from the abnormal price fluctuations experienced in the fourth quarter of 2006. The total operating expenses for the first quarter was \$5.1 million resulting in a unit operating expense of \$17.03 per boe down from \$20.77 per boe in the fourth quarter of 2006. The unit operating expense for the Trust was negatively impacted in the first quarter due to the 3rd party turnaround production restrictions. Using the production capability of 3,466 BOED for the first quarter yields a unit operating expense of \$16.33 as lower cost natural gas production was shut in for much of March 2007.

The total first quarter capital expenditure by the Trust was \$1.75 million which was spent primarily on optimization and de-bottleneck projects in core operated areas. Drilling activity in the first quarter of 2007 totalled 6 gross (0.7 net) wells including 3 gas wells in Mills Grouse, 2 heavy oil wells in Irish and 1 development well in the Deer Mountain Oil Unit. The tie-in of 3 gross (0.5 net) non-operated gas wells from the fourth quarter drilling program were also completed in Central Alberta. For the second and third quarters of 2007, the Trust plans to participate in 16 gross (5.9 net) wells highlighted by the drilling of 6 operated wells in Central Alberta, Grand Forks and Southwest Saskatchewan. The Trust will endeavour to balance the remaining development activity in 2007 between oil and gas opportunities and remains flexible on the timing of capital programs based on commodity pricing and the resulting cash flow through out the year. The capital programs are currently budgeted to be approximately \$10.5 million in 2007.

In addition to the development programs, the Trust continues to evaluate accretive acquisition opportunities to strengthen the core areas. On March 30, 2007, the Trust successfully completed the acquisition of additional working interest in the operated property of Noel in North East British Columbia. The acquisition includes approximately 150 BOE per day of sweet natural gas production from assets in which the Trust already holds a majority working interest. Based on a January 1, 2007 effective date and excluding the undeveloped land value of \$253,000 and normal industry closing adjustments, the total consideration paid for the working interest proved plus probable reserves was \$7.2 million for 537,100 BOE yielding an acquisition cost of \$12.95 per BOE. Significant opportunities have been identified on the lands and the Trust has already agreed to participate in the drilling of a Cadomin tight gas development play at a 20% working interest with the major producer in the area.

3. Real Estate

The Trust's Real Estate division currently consists of 625,644 leasable square feet with 66% in Western Canada and 34% in Southern Ontario. The portfolio is fully leased at March 31, 2007.

During the first quarter of 2007 the acquisition of vacant land in Spruce Gorge and Wetaskiwin was finalized with plans to commence construction of two KFC restaurants sometime in late 2007. Construction on the Landmark Cinema in Red Deer is progressing with an anticipated opening date of November 2007.

4. Discontinued Operations - Energy Services

On May 31, 2006, the Energy Services division was spun-off to create the publicly-traded oilfields services trust, Essential Energy Services Trust ("Essential"). For the 2006 comparative first quarter, the Energy Services division is included in the Trust's operations and is accounted for as a discontinued operation in the financial statements.

MANAGEMENT'S DISCUSSION and ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS for the quarter ended March 31, 2007 should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2007 and the audited consolidated financial statements for the year ended December 31, 2006 and the management discussion and analysis thereto. This management discussion and analysis relates to events up to May 11, 2007.

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

Funds from 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 8 for the quantitative reconciliation of funds from operations. Working capital (net debt) is calculated by taking current assets less current liabilities including mortgages. Operating netbacks per BOE equal total petroleum and natural gas revenue net of transportation expenses and realized gains on commodity contracts per BOE less royalties per BOE and operating expenses per BOE. Operating netbacks as used in the MD&A do not have any standardized meaning under GAAP and therefore may not be comparable with the calculation of similar measures of other entities. Operating netbacks are a useful measure to compare the Trust's operations with those of its peers). Management believes that these measures are useful supplemental measures to analyze operating performance as they demonstrate the Trust's ability to generate the funds from operations necessary to fund future distributions and capital investments. The Trust's method of calculating these measures may differ from other issuers, and accordingly, they may not be comparable to measures used by other issuers. Investors should be cautioned that "Funds from operations" and "Funds from operations per unit" should not be construed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Distribution Payout Ratio is calculated by dividing the Distributions by the Funds from operations.

Comparative periods have been restated to conform to current period presentation – specifically relating to the discontinued operations of the Energy Services Division of the Trust.

The Trust's strategy is comprised of having three distinct business units: Financial Services, Energy and Real Estate. These three units combine the stability of cash flows from both financial services and real estate with a higher, variable return cash flow stream from the energy sector.

Significant Events for the Quarter Ended March 31, 2007

- Achieved Record Financial Services Division Funds from Operations

The Trust's Financial Services Division provided first quarter 2007 funds from operations of \$11.7 million versus \$5.1 million in the first quarter of 2006.

- Redemption of \$1.5 million in Financial Services Contracts Outstanding with RentCash Inc.

During the first quarter of 2007, the Trust redeemed \$1.5 million of the \$3.3 million in financial services contracts with RentCash Inc.

- Oil & Gas Acquisition – March 2007

On March 31, 2007 the Trust acquired additional working interest in its Noel property in North East British Columbia for total net consideration of approximately \$7.2 million. This transaction added approximately 540,000 BOE in reserves and 150 BOE/day of production.

Subsequent Events to the Quarter Ended March 31, 2007

- Redemption of \$1.8 million in Financial Services Contracts Outstanding with RentCash Inc.

At March 31, 2007, the Trust held \$1.8 million in contracts with RentCash. Subsequent to quarter end the remaining balance outstanding had been redeemed, with no further balance in contracts outstanding at the present date. The Trust will have no further exposure to the payday loan/cheque cashing industry once the final interest payments are collected.

Selected Quarterly Information

	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
<i>(thousand of dollars except per unit amounts)</i>	2007	2006	2006	2006	2006	2005	2005	2005
Total Revenue	238,512	218,513	212,835	169,127	166,700	184,245	86,942	59,326
Net Income from continuing operations	7,331	9,390	7,594	9,783	7,115	13,317	5,346	2,332
Net Income from continuing operations per unit - basic	0.18	0.23	0.18	0.24	0.18	0.34	0.22	0.10
Net Income	7,331	9,390	7,594	10,310	10,105	14,207	6,592	2,744
Net Income per unit - basic	0.18	0.23	0.18	0.25	0.25	0.36	0.27	0.11
Funds from continuing operations	17,678	14,334	14,328	13,636	13,612	19,804	12,896	7,710
Fund from continuing operations per unit - basic	0.43	0.35	0.35	0.33	0.34	0.50	0.53	0.32
Funds from Operations	17,678	14,334	14,328	15,747	20,595	23,153	16,360	9,351
Funds from Operations per unit - basic	0.43	0.35	0.35	0.38	0.51	0.58	0.67	0.38
Cash Distributions paid	10,395	10,397	10,401	13,449	14,737	13,941	8,389	7,954
Cash Distributions per unit - basic	0.25	0.25	0.25	0.33	0.37	0.35	0.34	0.33
Special Distribution per unit (Energy Services)	-	-	-	4.445	-	-	-	-
Total Assets	545,517	530,551	489,014	476,205	567,628	583,627	401,227	317,217

Net Income

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

<i>(in thousands of dollars)</i>	For the three months ended	
	March 31, 2007	March 31, 2006
	\$	\$
Net Income (loss)		
Financial Services	8,617	7,293
Oil and Gas	(148)	811
Real Estate	342	4
Corporate	(1,480)	(992)
Net Income from continuing operations	7,331	7,115
Discontinued Operations	-	2,990
Net Income	7,331	10,105

The net income from continuing operations for the quarter ended March 31, 2007 was \$7.3 million up 3% from \$7.1 million in the first quarter of 2006. The increase is due mainly to an increase in the net income from the Financial Services division offset by lower net income in the Oil and Gas and Corporate divisions. The net income for the quarter ended March 31, 2007 was \$7.3 million which is down 27% versus the \$10.1 million net income for the quarter ended March 31, 2006. The three months ended March 31, 2007 net income was lower than 2006 due to the impact of the spin out of the Energy Services Division in Q2 of 2006.

1. Financial Services

The increases in net income in the financial services business unit from \$7.3 million in the first quarter of 2006 to \$8.6 million in the first quarter of 2007, is due mainly to the growth in Elbow River and the underlying net asset value of the funds which are managed under the EnerVest management contract. Net income for the quarter ended March 31, 2007 from financial service contracts was \$0.13 million (Q1 2006: \$1 million), for Elbow River was \$5.0 million (Q1 2006: \$3 million) and for EnerVest was \$3.6 million (Q1 2006: \$3.4 million).

2. Energy - Oil & Gas Division

The oil and gas had a net loss of \$0.1 million for the quarter ended March 31, 2007 versus 2006 net income of \$0.8 million. The difference is largely due to the impact of a \$0.5 million non-cash mark-to-market hedging loss versus a \$1.3 million gain for the quarter ended March 31, 2006 together with higher depreciation, depletion and amortization costs, and operating costs in 2007.

3. Real Estate

The Real Estate business unit net income for the quarter ended March 31, 2007 totaled \$0.3 million compared to net income of \$0.04 million in the quarter ended March 31, 2006. The increase is as a result of the acquisition of the KFC and Landmark properties in Q3 and Q4 of 2006.

Funds from Operations

<i>(in thousands of dollars)</i>	For the three months ended	
	March 31, 2007	March 31, 2006
	\$	\$
Funds from Operations		
Financial Services	11,676	5,137
Oil and Gas	5,408	8,034
Real Estate	782	342
Corporate	(189)	99
Funds from continuing operations	17,677	13,612
Discontinued Operations	-	6,983
Funds from Operations	17,677	20,595

Funds from continuing operations were \$17.7 million for the quarter ended March 31, 2007 up 30% from \$13.6 million in the comparable quarter in 2006. Stronger results in Elbow River offset the impact of higher costs and lower natural gas prices in the Oil and Gas Division. Funds from operations were \$17.7 million for the quarter ended March 31, 2007, down 14% as funds from operations for the quarter ended March 31, 2006 were \$20.6 million. The decrease in funds from operations was the result of the spin out of the Energy Services Division in Q2 2006 offset by the improved performance of the Financial Services division.

Cash Distributions

The Trust distributed \$10.4 million or \$0.25 per unit for the three month ended March 31, 2007 which is down 29% on a total cash basis over the \$14.7 million or \$0.37 per unit distributed for the three months ended March 31, 2006, a result of the spin-off of the Energy Services division as Essential Energy Services Trust in May 2006. It should be noted that is the Trust unitholders retained their Essential units, they would have a slight increase in distributions per unit.

i. 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.

The first quarter 2007 three month payout ratio was 59% of funds from operations.

Distributable cash from operations for the three months ended March 31, 2007 and 2006 are calculated as follows:

<i>(in thousands of dollars)</i>	For the three months ended	
	March 31, 2007	March 31, 2006
	\$	\$
Cash provided by (used in) operating activities	14,186	42,216
Settlement of asset retirement obligations	(86)	(67)
Changes in non-cash working capital relating to operating activities	3,405	(25,688)
Funds from operations	17,677	20,595
Cash available to fund capital expenditures and growth	(7,282)	(5,858)
Distributable cash from operations	10,395	14,737
Cash distributions declared and payable	3,465	4,971
Cash distributions paid in period	6,930	9,766
Accumulated cash distributions paid and payable	10,395	14,737

ii. Cash Distribution Policy

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

On October 31, 2006, the Government of Canada announced proposed legislation that, if enacted, will impose a tax on the Trust of 31.5% of cash distributions paid to unitholders. Income trusts that are publicly traded prior to November 2006 will not be impacted by this proposed legislation until 2011. If this proposed legislation is implemented, it will have an impact on distributable cash and the payout ratio in 2011.

iii. Cash Distributions Declared

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

Period covered	Date of Distribution	Per Unit \$
January 1, 2007 to January 31, 2007	15/02/2007	0.083
February 1, 2007 to February 28, 2007	15/03/2007	0.083
March 1, 2007 to March 31, 2007	16/04/2007	0.083

Revenue

1. Financial Services

i. Revenue

The Trust recognized revenue in the financial services business unit of \$225.5 million for the quarter ended March 31, 2007 up over the quarter ended March 31, 2006 of \$153.9 million by 47%. The increase is primarily due to Elbow River revenue of \$218.8 million compared to \$146.3 million for the quarter ended March 31, 2006. Elbow River is a high revenue low margin (2.0% - 5.0%) brokerage marketing business. The EnerVest management contract provided revenue of \$5.6 million compared to \$5.1 million in the first quarter of 2006.

ii. Operating Costs

The Trust's operating costs for Financial Services for the quarter ended March 31, 2007 were \$208.3 million compared to \$143.6 million for the quarter ended March 31, 2006. The increase in operating costs is due to the matching of operating and natural gas liquids product costs, corresponding to the increased revenue at Elbow River (see the explanation above in 1(i)).

2. Oil & Gas

OIL & GAS OPERATIONS	March 31 2007	For the three months ended March 31 2006	% Change
Production			
Oil and NGL's – bbls per day	1,695	1,714	(1)%
Gas – mcf per day	9,809	9,586	2%
Total BOE ³ per day	3,329	3,312	1%
Average Pricing			
Oil & NGL (\$/Bbl) before hedging	\$52.67	\$47.04	12%
Oil & NGL (\$/Bbl) after hedging	\$52.51	\$41.14	28%
Natural Gas (\$/mcf)	\$7.54	\$8.10	(7)%
Average Price Per BOE before hedging	\$48.13	\$47.04	2%
Average Price Per BOE after hedging	\$48.05	\$43.98	9%

i. Revenue and Production

For the quarter ended March 31, 2007, oil and gas revenue totaled \$14.7 million compared to \$13.3 million for the same period in 2006. This was attributable in most part to the 28% increase in realized after hedge oil pricing during the first quarter of 2007.

Transportation costs for the quarter ended March 31, 2007 were \$0.3 million versus \$0.2 million for the quarter ended March 31, 2006. The increase is a result primarily of increased natural gas production from the end of the first quarter 2006.

Revenue from petroleum and natural gas sales (net of royalties) for the quarter ended March 31, 2007 was \$12.0 million compared to the quarter ended March 31, 2006 of \$12.0 million. The average price received for petroleum and natural gas sales during the quarter ended March 31, 2007 was \$48.05 per BOE an increase of 9% versus \$43.98 pre BOE received in Q1 of 2006. The average price received for crude oil and natural gas liquids during the quarter ended March 31, 2007 was \$52.51 per BOE an increase of 28% over the \$41.14 per BOE received for the quarter ended March 31, 2006. This increase is a result of substantially narrowed differentials between Edmonton sweet crude and the Trust's predominantly heavier medium crude. Natural gas pricing for the quarter ended March 31, 2007 was \$7.54 per mcf versus \$8.10 per mcf for 2006.

Although 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, it has been determined that its oil and gas swap transactions do not qualify under hedge accounting guidelines. Accordingly, the Trust recorded a hedging cost of \$0.025 million for the quarter ended March 31, 2007. In addition, the accounting treatment requires the Trust to recognize an unrealized loss of \$0.5 million for the change in the mark to market position on existing contracts at March 31, 2007. This compares to a non-cash mark-to-market gain of \$1.3 million in the first quarter of 2006.

Average daily sales volumes for the quarter ended March 31, 2007 were 3,329 BOE per day up 1% over the first quarter 2006 sales volumes of 3,312 BOE per day. First quarter 2007 sales consisted of 1,695 bbls per day of crude oil and natural gas liquids and 9,809 mcf per day of natural gas (compared to 1,714 bbls per day and 9,586 mcf per day for the first quarter 2006, respectively). Production in the first quarter of 2007 was negatively impacted by 3rd party plant turnarounds which reduced natural gas production by approximately 882 mcf (147 BOE per day) on average for the first quarter. The overall increase in gas sales volumes for first quarter 2007 is a

result of the late year asset acquisition in 2006 as well as a bias toward natural gas opportunities in the 2006 non-operated capital programs.

ii. Royalties

The Trust's royalty costs for the quarter ended March 31, 2007 were \$1.8 million or 13% of revenue compared to \$2.4 or 17% of revenue for the first quarter of 2006. On a BOE basis, royalty costs averaged \$6.16 per BOE for the first quarter of 2007, which is down from \$8.01 per BOE over the same period of 2006 primarily due to lower natural gas pricing.

iii. Operating Expenses

The Trust's operating costs for the quarter ended March 31, 2007 were \$5.1 million or \$17.03 per BOE compared to \$3.9 million or \$13.37 per BOE for the quarter ended March 31, 2006, which reflects the overall inflationary impacts to the oil and gas industry as well as the realization of the full year costs of the corporate acquisitions completed in 2005. The production restrictions in Q1 of 2007 also had a negative impact on the unit costs for the Trust as lower cost gas production was shut-in for the majority of March 2007.

iv. Operating Netbacks

	2007	Q4	Q3	2006	
	Q1			Q2	Q1
	\$/BOE	\$/BOE	\$/BOE	\$/BOE	\$/BOE
Gross revenue after hedging	48.05	42.25	43.98	47.93	43.98
Royalties	6.16	5.49	6.50	5.49	8.01
Operating costs	17.03	20.21	15.47	14.89	13.37
Operating netback	24.86	16.54	21.86	27.55	22.60

3. Real Estate

i Revenue

The revenue from the Real Estate business unit for the quarter ended March 31, 2007 was \$1.7 million compared to \$0.7 million for the quarter ended March 31, 2006. Revenue was higher due to the KFC and Landmark acquisitions completed in Q3 and Q4 of 2006 and the leasing of vacant space in the second quarter of 2006. The real estate portfolio is fully leased.

ii. Operating Costs

The Trust's operating costs for Real Estate for the quarter ended March 31, 2007 were \$0.5 million compared to \$0.2 million for the quarter ended March 31, 2006. The increase in operating costs is due to the increase in properties in the portfolio and higher utility and property management fees.

iii. Interest

There are various mortgages with interest rates ranging from 4.85% to 6.50% (weighted average 5.63%), maturities from August 2007 to August 2011.

General and Administrative Expenses

General and administrative ("G&A") expenses for the quarter ended March 31, 2007 were \$6.5 million (which includes corporate costs of \$1.3 million) compared to \$3.9 million for the quarter ended March 31, 2006 (which includes corporate costs of \$0.83 million). G&A expenses for the respective business units are: \$4.1 million for Financial Services (Q1 2006: \$2.1 million), \$1 million for Oil and Gas (Q1 2006: \$0.9 million), and \$0.1 million for Real Estate (Q1 2006: \$0.07 million). The 67% increase in G&A expenses in the first quarter 2007 is the result of higher staff incentives in the Financial Services division, greater staffing requirements in the Oil and Gas divisions; increased stock based compensation expense; and higher corporate regulatory reporting costs.

Interest and Bank Fees

Interest expense and bank fees were \$1.6 million for the quarter ended March 31, 2007 compared to \$0.7 million for the quarter ended March 31, 2006. Interest expense for the first quarter of 2007 includes bank fees of \$0.02 million. The Financial Services division accounted for \$0.4 million of interest expense the majority of which relates to the outstanding balance on the banking facility for Elbow River. The Oil and Gas division accounted for \$0.6 million of the interest expense for the quarter ended March 31, 2007. Most of the remaining interest expense was in the Real Estate division where the Trust had \$34.5 million in mortgages outstanding at the quarter ended March 31, 2007 versus March 31, 2006 mortgages of \$14.6 million.

Depletion, Depreciation and Amortization

Provision for depletion, depreciation and amortization was \$7.4 million for the quarter ended March 31, 2007 compared to \$6.7 million for the quarter ended March 31, 2006, with the Trust's oil and gas depletion and depreciation rate at \$18.43 per BOE up from the \$16.41 per BOE rate in the first quarter of 2006. The depletion rate reflects the higher cost per BOE of acquisitions. For the quarter ended March 31, 2007, \$1.3 million is the amortization of intangibles in Financial Services, \$5.6 million of the depletion and depreciation cost for oil and gas assets and \$0.5 million is the depreciation and amortization cost in real estate.

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. The Trust has estimated the net present value of its total asset retirement obligations to be \$13.2 million as at March 31, 2007 based on a total future liability of \$27.1 million. These payments are expected to be made over the next 29 years. The Trust's credit adjusted risk free rate of 8.5% and an inflation rate of 2% were used to calculate the present value of the asset retirement obligation.

The following table reconciles the Trust's total asset retirement obligation for the quarter ended March 31, 2007:

<i>(in thousands of dollars)</i>	\$
Carrying amount, as at December 31, 2006	12,799
Oil and gas activities during the period	204
Abandonment cost incurred during the period	(86)
Asset retirement obligation accretion for the period	270
Carrying amount, as at March 31, 2007	13,187

Income Taxes

Currently, the Trust does not provide for current income taxes, as it expects that all taxable income will be passed to unitholders in the form of distributions. Future income tax expense totaled \$0.6 million for the quarter ended March 31, 2007. The future income tax expense for the quarter largely resulted from the change in the recognition of the future tax benefits mainly relating to the Oil and Gas division's tax pools from the previous quarter. The first quarter 2007 capital tax of \$0.09 million largely reflects the Saskatchewan surcharge on its Saskatchewan production.

Risk Management and Financial Instruments

	\$
Risk management asset, December 31, 2006	??
Transition adjustment on adoption of new standards	1??
Transition adjustment to retained earnings for hedges no longer qualifying for hedge accounting	??
Change in mark-to-market for hedges not qualifying for hedge accounting – oil & gas (i)	??
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	??
Change in mark-to-market of cash flow hedge contracts (iii)	??
Risk management asset, March 31, 2007	??

(i) The Trust has the following forward contracts outstanding as at March 31, 2007 relating to its Oil and Gas Division:

- A fixed price AECO natural gas swap for the period November 1, 2006 to October 31, 2007 on 700 GJ/day of gas at a price of \$6.64 Cdn/GJ
- A fixed price WTI collar for the period November 1, 2004 to October 31, 2007 on 70 barrels/day of crude oil with a floor price of \$38.00 US/Bbl and a ceiling price of \$44.65 US/Bbl
- A fixed price WTI floor for the period December 1, 2004 to November 30, 2007 on 170 barrels/day of crude oil with a floor price of \$40.00 US/Bbl
- A fixed price WTI floor for the period from August 1, 2006 to December 31, 2007 on 200 barrels/day of crude oil with a floor of \$65.00 and the Trust participates in 77% of the upside above the floor price
- A fixed price WTI floor for the period from August 1, 2006 to July 31, 2007 on 200 barrels/day of crude oil with a floor of \$60.00 and the Trust participates in 88% of the upside above the floor price

The mark-to-market value of these contracts as at March 31, 2007 was an unrealized loss of \$841,956 (December 31, 2006 – an unrealized loss of \$316,639), resulting in the recognition of an unrealized loss on the income statement of \$525,317 when compared to the December 31, 2006 mark-to-market.

(ii) The following tables detail those transactions in the Elbow River Marketing group that do not qualify for hedge accounting, which resulted in a risk management asset and an unrealized loss on forward exchange and futures financial instruments of \$187,249 (December 31, 2007 – an unrealized gain of \$619,896), resulting in the recognition of an unrealized loss on the income statement of \$807,145 when compared to the December 31, 2006 mark-to-market.

Forward exchange contracts:		March 31, 2007	
Term Due	Forward Rates CDN \$	Unrealized (loss) \$	
May, 2007	1.1254 – 1.1529	(12,867)	
June, 2007	1.1244 – 1.1529	(13,554)	
July, 2007	1.1233 – 1.1529	(14,320)	
August, 2007	1.1223 – 1.1529	(14,880)	
September, 2007	1.1213 – 1.1529	(15,403)	
October, 2007	1.1204 – 1.1529	(15,958)	
November, 2007	1.1195 – 1.1529	(16,476)	
December, 2007	1.1186 – 1.1529	(17,143)	
January, 2008	1.1178 – 1.1529	(17,509)	
February, 2008	1.1170 – 1.1597	(8,564)	
March, 2008	1.1161 – 1.1587	(10,445)	
April, 2008	1.1152 – 1.1578	(12,255)	
		<u>(169,374)</u>	

Futures contracts:			March 31, 2007	
Settlement dates	Volume (lbs)	Prices US \$/(lbs)	Unrealized (loss) \$	
May, 2007	15,000,000	13.64 – 13.73	(15,504)	
	<u>15,000,000</u>		(15,504)	
		Exchange rate	1.1529	
		Total CDN dollars	<u>(17,875)</u>	

- (iii) The Elbow River Marketing group of the Trust sells natural gas liquids 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 foreign exchange and commodities hedging contracts. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures. The commodity hedge contracts are entered into for the following commodities: butane, propane, low sulphur diesel, unleaded gasoline, heating oil, soy bean oil, and crude. The following table details those transactions that qualify for hedge accounting that are outstanding resulting in a risk management asset of \$8,120,737:

Commodities hedging contracts:			March 31, 2007	
Settlement dates	Volume (bbl)	Prices US \$/(bbl)	Unrealized gain (loss) \$	
April, 2007	484,530	41.27 – 98.28	1,213,410	
May, 2007	331,421	44.10 – 90.72	745,831	
June, 2007	277,421	44.10 – 90.72	935,068	
July, 2007	277,421	44.10 – 90.72	882,617	
August, 2007	240,371	44.10 – 90.72	724,688	
September, 2007	130,306	45.57 – 90.72	444,064	
October, 2007	134,877	45.57 – 91.35	427,536	
November, 2007	133,877	45.57 – 85.21	398,918	
December, 2007	133,877	45.57 – 85.86	389,777	
January, 2008	155,032	45.57 – 85.97	289,490	
February, 2008	155,032	45.57 – 86.43	286,011	
March, 2008	152,651	45.57 – 86.43	256,934	
	<u>2,606,816</u>		6,994,346	
		Exchange rate	1.1529	
		Total CDN dollars	<u>8,063,781</u>	

MANAGEMENT'S DISCUSSION and ANALYSIS

Forward exchange contracts:			March 31, 2007
Term Due	Amount \$	Forward Rates \$	Unrealized gain (loss) \$
April, 2007	9,925,000	1.1112 – 1.17180	121,718
May, 2007	6,415,000	1.1110 – 1.15648	(41,603)
June, 2007	3,770,000	1.1274 – 1.15541	(309)
July, 2007	360,000	1.1264 – 1.13690	(8,490)
August, 2007	345,000	1.1254 – 1.13600	(8,428)
September, 2007	245,000	1.1244 – 1.13490	(5,932)
Total US dollars	21,060,000		56,956
Exchange rate	1.1529		
Total CDN dollars	24,280,074		

Credit Risk

The Trust's financial instruments that are exposed to credit risk consist primarily of trade accounts receivable, risk management assets (liabilities) and financial services contracts. Although a substantial portion of trade receivables is dependant upon the strength of the Canadian oil and gas industry, management considers credit risk to be minimal. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses.

With respect to derivative financial instruments, the Trust could be exposed to losses if the counter party fails to perform in accordance with the terms of the contract. This risk is managed by diversifying the portfolio among counter parties meeting certain financial criteria.

The Trust is exposed to interest rate fluctuations on its bank indebtedness, which is tied to Canadian bank prime rate. In addition, given the fixed fee nature and the long period to maturity of the financial services contracts, a significant change in interest rates will affect the value of these contracts.

Liquidity and Debt

At March 31, 2007 in relation to its Oil and Gas division, the Trust has a combined revolving demand facility with a syndicate of two major Canadian banks in the amount of \$50.5 million bearing interest ranging from prime plus one-quarter of one percent to prime plus one percent depending on the debt to cash flow ratio of the Trust. The revolving demand facility is collateralized by a floating charge debenture over all of the Trust's assets. As at March 31, 2007, \$40.6 million was drawn on the revolving demand facility.

A facility primarily used to provide credit for natural gas liquids inventory purchases through the Trust's subsidiary Elbow River includes a demand revolving loan facility with a Canadian bank in the amount of \$70.0 million bearing interest as follows; for advances of \$50.0 million or less the interest rate is bank prime rate plus 0.125% or US bank base rate plus 0.125%; for advances greater than \$50.0 million a 0.125% premium shall apply to applicable interest rates. These facilities are collateralized by a charge over Elbow River's assets. As at March 31, 2007, \$29.7 million was drawn on the demand loan facility.

The Trust also had \$2.7 million in bank overdraft as at March 31, 2007.

The average effective interest rate on borrowings under the above lines for the year ended March 31, 2007, including service fees, was 5.33% (March 31, 2006 – 6.21%).

As at March 31, 2007, the Trust also had seventeen letters of credit outstanding in the aggregate amount of \$0.7

million. The Trust also provides Elbow River with additional credit on natural gas liquids inventory purchases, the Trust also has guarantees to third parties for a maximum of \$56.5 million. These guarantees, provided by the Trust to third party counterparties of Elbow River, require the Trust to be responsible for inventory settlements if Elbow River was unable to do so. The Trust has no specific assets pledged and the amounts exposed against the total outstanding guarantees will vary depending on the transactions in place at a specific point in time.

The Trust borrowed \$10.0 million, in two equal amounts of \$5.0 million on July 28, 2006 and September 25, 2006, from a third party to fund additional opportunities within its Elbow River Marketing group. The Trust is responsible for interest at 12.5% per annum on the drawn portion of the note and a standby fee of 2% on any unused portion, for a minimum period of six months. The notes payable mature July 24, 2007 with the option to extend the due date based on mutual agreement of both parties. The note payable is collateralized by a guarantee provided by the Trust. \$5.0 million of the note payable was repaid on November 29, 2006. As at March 31, 2007, \$5.0 million of this note payable is outstanding.

EnerVest Limited Partnership ("EnerVest") a wholly owned subsidiary of the Trust, entered into an unsecured promissory note with EnerVest Diversified Income Trust ("EDIT"), an investment vehicle that EnerVest manages, for the reimbursement of offering costs paid by EDIT in relation to its exchange offer on October 24, 2006. The note requires the offering costs to be repaid in equal quarterly payments plus interest over a six year period ending October 1, 2012 and bears interest at a rate per annum equal to the interest rate charged under EDITs' credit facility, which is bank prime less 0.5%. On December 28, 2006 EnerVest paid EDIT \$2.0 million for the four principal payments required in 2007 and interest accrued to date. As at March 31, 2007, \$9.4 million of this note payable is outstanding, with \$0.5 million classified as current notes payable.

<i>(in thousands of dollars)</i>	Payments due by period			
	Total	Less than 1 year	1 – 3 years	4+ years
Mortgages	34,549	18,329	6,912	9,308
Notes Payable	14,434	5,472	5,188	3,774
Lease Commitments	17,062	4,390	9,090	3,582
Total Contractual Obligations	66,045	27,621,727	21,190	16,664

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

MANAGEMENT'S DISCUSSION and ANALYSIS

Investment and Capital Expenditures

<i>(in thousands of dollars)</i>	Quarter Ended March 31, 2007 \$	Quarter Ended March 31, 2006 \$
Financial Services		
Financial services development expenditures	125	1
Sub-Total	125	1
Oil and Gas		
Land	77	162
Drilling	831	2,151
Production equipment and facilities	839	1,494
Other	207	101
Oil and gas property acquisitions	7,212	-
Proceeds received on oil and gas property dispositions	(27)	(95)
Sub-Total	9,138	3,813
Real Estate		
Real estate acquisitions	810	1,036
Real estate development expenditures	571	-
Sub-Total	1,381	1,036
Discontinued Operations - Energy Services		
Energy services acquisitions	-	26,750
Sub-Total	-	26,750
Other assets	78	21
Net capital expenditures	10,722	31,621

Contractual Obligations

The contracts outstanding with respect to the physical deliveries of oil and gas as at March 31, 2007 are as follows

- A physical fixed price sale for the period November 1, 2004 to October 31, 2007 on 1,050 gigajoules/day of gas at a price of \$6.55/gigajoule.
- A physical fixed price AECO natural gas swap for the period April 1, 2007 to October 31, 2007 on 1000 gigajoules/day of gas with a floor price of \$6.75/gigajoule and a ceiling price of \$7.60/gigajoule.
- A physical fixed price sale for the period March 1, 2007 to April 30, 2008 on 1,000 gigajoules/day of gas at a price of \$7.00/gigajoule.
- A physical fixed price AECO natural gas swap for the period April 1, 2007 to April 1, 2008 on 1000 gigajoules/day of gas with a floor price of \$6.75/gigajoule and a ceiling price of \$7.60/gigajoule.

The mark-to-market value of these contracts as at March 31, 2007 was an unrealized loss of \$0.9 million.

At March 31, 2007, the following contract was outstanding with respect to the physical purchase of power:

- A physical fixed price purchase of real electrical power for the period January 1, 2007 to June 30, 2007 of 3.0 megawatts per month at a price of \$71.65/megawatt hour.

The mark-to-market value of this contract as at March 31, 2007 was an unrealized loss of \$0.09 million.

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

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

<i>(in thousands of dollars)</i>	\$
2007	3,357
2008	4,134
2009	3,153
2010	2,837
2011	1,825
2012	567
2013	328
2014	265
2015	265
2016	265
2017	66
	17,062

The Trust is also a party to an agreement to fund the construction of a 40,000 square foot theatre in Red Deer, Alberta for Landmark Cinemas. The Trust has committed to fund construction costs of \$10,300,000 in 2007, of which \$2,300,000 will be funded with cash and \$8,000,000 will be financed with a construction loan. The Trust earns a return during the construction phase and Landmark will enter into a 20 year lease upon construction completion in the fall of 2007. To date \$1.4 million of the construction has been completed.

Unitholders' Capital

Trust Units	Number of Units	Amount \$ (in thousands of dollars)
Balance December 31, 2006	41,196,885	413,731
Units issued on exercise of stock options	3,333	26
Units released from escrow – Energy Services division	3,891	36
Balance March 31, 2007	41,204,109	413,793

For the first quarter ended March 31, 2007 the Trust had weighted average trust units outstanding of 41,202,084. The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options resulting in trust units of 149,201 for the quarter ended March 31, 2007. As at March 31 2007, there were 1,295,000 in anti-dilutive options that were excluded from the diluted per unit calculations. Subsequent to March 31, 2007 the Trust issued an additional 1,178,900 options.

As at March 31, 2007 the total units outstanding for the Trust were 41,204,109 (not including units under escrow of 474,006 relating to the Elbow River acquisition and 70,288 relating to the Essential Energy Services Trust original Avenir options). Subsequent to March 31, 2007, 76,452 of the escrowed units relating to the acquisition of Elbow River were released from escrow upon Elbow River management meeting their two year anniversary time release commitment. Also, subsequent to March 31, 2007, 16,894 Trust Units were released from escrow and 540 Trust Units were cancelled, of the 70,288 Trust Units relating to the Energy Services spin-out.

Related Party Transactions

During the three months ended March 31, 2007, the Trust paid \$42,157 (three months ended March 31, 2006 - \$36,891) to Avenir Capital Corporation ("Avenir"), a significant unitholder of the Trust for rent, administration and advisory services. Included in accounts payable as at March 31, 2007 is \$14,306 owing to Avenir relating to administration and advisory services.

During the three months ended March 31, 2007, the Trust incurred marketing fees of \$18,000 (three months ended March 31, 2006 - \$18,000) 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 March 31, 2007.

During the three months ended March 31, 2007, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions and mortgage financing of \$131,383 (three months ended March 31, 2006 - \$nil) payable to a company with a shareholder who is also a director of the Trust. Of this balance, \$3,524 is included in accounts payable and accrued liabilities as at March 31, 2007.

In the normal course of joint venture activities, the Trust's Oil and Gas division from time to time, engages in business transactions with companies having directors in common with the Trust. In this regard, in March 2007, the Trust purchased minor producing property interests from a publicly traded corporation with certain directors in common for \$7.2 million.

Recent Accounting Pronouncements

Effective January 1, 2007, the Trust adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Financial instruments

Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These Sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Trust is required to designate its financial instruments into 1 of the following 5 categories: (i) held for trading, (ii) available for sale, (iii) held to maturity, (iv) loans and receivables, or (v) other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

Comprehensive income

Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including changes in the fair value of the effective portion of cash flow hedging instruments.

As required, prior periods have not been restated as a result of implementing Section 1530. As required upon initial application of Section 3855, all adjustments to the carrying amount of financial instruments are recognized as an adjustment to the opening balance of accumulated other comprehensive income.

Hedges

Section 3865, Hedges, specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon sale or early termination of the hedged item. All hedges entered into by the Trust that qualify for hedge accounting are cash flow hedges.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income while the ineffective portion is recognized in net earnings. When hedge accounting is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to net earnings during the periods when the variability in the cash flows of the hedged item affects net earnings. Gains and losses on derivatives are reclassified immediately to net earnings when the hedge item is sold or terminated early.

Impact upon adoption of Sections 1530, 3855, 3861 and 3865

The transition adjustments attributable to the re-measurement of financial assets and liabilities at fair value were recognized in opening retained earnings as at January 1, 2007. Adjustments arising from re-measuring financial assets classified as available-for-sale at fair value were recognized in opening accumulated other comprehensive income as at January 1, 2007. For cash flow hedging relationships existing prior to adopting section 2865 that continue to qualify for hedge accounting under the new standard, the transition adjustment being the effective portion of any gain or loss on the hedging instrument was recognized in accumulated other comprehensive income.

<i>(in thousands of dollars)</i>	Accumulated retained earnings adjustment	Accumulated other comprehensive income adjustment
	\$	\$
Transition adjustment on adoption of Financial Instrument standards:		
Fair value of derivative instruments designated as cash flow hedges as at January 1, 2007	–	4,640
Fair value of marketable securities as at January 1, 2007	–	1,748
Fair value of hedges no longer qualifying for hedge accounting as at January 1, 2007	258	–
Adjustment to opening balances as at January 1, 2007	258	6,388

Accounting Changes

Section 1506, Accounting Changes, relates to changes in accounting policies, changes in accounting estimates and errors. Under the revised section, voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Trust has not applied a new primary source of generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. Adoption of this revised standard had no impact on the Trust's unaudited interim consolidated financial statements.

Equity

Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements under this Section have been presented in these unaudited interim consolidated financial statements.

Future Accounting Pronouncements

On December 1, 2006 the CICA issued three new accounting standards: Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These new standards will be effective beginning on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Trust is currently assessing the impact of these new standards.

Disclosure Controls and Internal Controls over Financial Reporting

For the three months ended March 31, 2007, no changes were made in the Trust's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

Risks & Uncertainties and Critical Accounting Estimates

For a discussion of Risks and Uncertainties and Critical Accounting Estimates, please refer to the audited consolidated financial statements for the year ended December 31, 2006 available on SEDAR (www.sedar.com) and our website (www.avenirtrust.com).

Outlook

Traditionally the Trust's first and fourth quarters are its strongest quarters due to increased winter product demand in its Elbow River natural gas liquids marketing group. This year will be no exception. Coming off a very strong first quarter 2007, the Trust is well on its way to meeting or beating its target payout ratio of 75%-80%. The Elbow River group is on track for record cash flow contributions; the EnerVest management group has recovered their assets under management to early October 2006 levels before the federal government trust tax announcement; the oil and gas division continues its solid consistent performance with its approximate 3500 boe/d of production and within the real estate division, building valuations continue to rise. Our operating divisions have never been stronger.

The Trust continues to evaluate accretive opportunities in each of our business segments and looks for acquisitions where it can continue to use the competitive advantage its Trust status provides until at least 2011. As we have shown over the past four years, our business model continues to provide stable distributions and we continue to see new and interesting growth possibilities for the Trust.

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

Submitted on behalf of:



William M. Gallacher
President & CEO



Gary Dundas
Vice President Finance & CFO

CONSOLIDATED BALANCE SHEETS (unaudited)

<i>(in thousands of dollars)</i>	March 31, 2007	December 31, 2006
	\$	\$
ASSETS <i>[note 4]</i>		
Current		
Cash	–	509
Marketable securities	1,910	13
Accounts receivable and prepaid expenses	72,221	76,402
Inventory	48,567	39,949
Risk management assets <i>[note 10]</i>	7,092	46
	129,790	116,919
Property and equipment	208,906	203,823
Investment in financial services contracts	1,766	3,265
Intangibles and other assets	152,514	154,003
Goodwill	52,541	52,541
	545,517	530,551
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness <i>[note 4]</i>	73,038	69,240
Accounts payable and accrued liabilities <i>[note 11]</i>	70,529	69,083
Distributions payable	3,465	3,465
Deferred revenue	288	372
Notes payable <i>[note 5]</i>	5,472	5,000
Current portion of mortgages <i>[note 6]</i>	19,495	18,536
	172,287	165,696
Notes payable <i>[note 5]</i>	8,962	9,434
Mortgages <i>[note 6]</i>	15,054	14,313
Asset retirement obligation <i>[note 7]</i>	13,187	12,799
Future income taxes	15,678	16,242
Unitholders' equity		
Unitholder capital <i>[note 8]</i>	413,793	413,731
Contributed surplus <i>[note 8]</i>	5,351	4,344
Accumulated earnings	72,611	65,022
Accumulated other comprehensive income <i>[notes 2 and 8d]</i>	10,019	–
Accumulated distributions	(181,425)	(171,030)
	320,349	312,067
	545,517	530,551

See accompanying notes to the consolidated financial statements

On behalf of the Board



Director



Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED EARNINGS (unaudited)

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<i>(in thousands of dollars)</i>	March 31, 2007	Three months ended March 31, 2006
	\$	\$ (restated – note 3)
REVENUE		
Financial services revenue	225,544	153,913
Unrealized gain (loss) on financial instruments <i>[note 10]</i>	(807)	–
Total financial services revenue	224,737	153,913
Oil and gas revenue	14,665	13,337
Oil and gas transportation costs	(267)	(227)
Royalties, net of ARTC	(1,845)	(2,387)
Unrealized gain (loss) on financial instruments <i>[note 10]</i>	(525)	1,325
Total oil and gas revenue	12,028	12,048
Real estate revenue	1,747	739
Total revenue	238,512	166,700
EXPENSES		
Financial services operating	208,307	143,639
Oil and gas operating	5,104	3,913
Real estate operating	458	182
General and administrative <i>[note 11]</i>	6,506	3,889
Foreign exchange	2,019	(613)
Interest and bank fees	1,053	479
Interest on long-term debt	561	186
Capital taxes	96	136
Depletion, depreciation and amortization	7,371	6,731
Asset retirement obligation accretion <i>[note 7]</i>	270	244
	231,745	158,786
Income from continuing operations before income tax	6,767	7,914
Future income tax recovery (expense)	564	(799)
Net income from continuing operations	7,331	7,115
Net income from discontinued operations <i>[note 3]</i>	–	2,990
Net income for the period	7,331	10,105
Accumulated earnings, beginning of period	65,022	27,624
Change in accounting policy <i>[note 2]</i>	258	–
Accumulated earnings, end of period	72,611	37,729
Net income from continuing operations per unit <i>[note 8]</i>		
Basic and diluted	0.18	0.18
Net income from discontinued operations per unit <i>[note 8]</i>		
Basic and diluted	–	0.07
Net income per unit <i>[note 8]</i>		
Basic and diluted	0.18	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

<i>(in thousands of dollars)</i>	March 31, 2007	Three months ended March 31, 2006
	\$	\$
Net income for the period	7,331	10,105
Change in derivative instruments designated as cash flow hedges <i>[note 2]</i>	3,481	–
Change in fair value of marketable securities <i>[note 2]</i>	150	–
Other comprehensive income	3,631	–
Comprehensive income for the period	10,962	10,105

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

<i>(in thousands of dollars)</i>	March 31, 2007 \$	Three months ended March 31, 2006 \$ <i>(restated – note 3)</i>
OPERATING ACTIVITIES		
Net income from continuing operations	7,331	7,115
Add (deduct) non-cash items:		
Non-cash general and administrative <i>[note 9]</i>	1,054	631
Depletion, depreciation and amortization	7,371	6,731
Asset retirement obligation accretion	270	244
Unrealized loss (gain) on financial instruments	1,332	(1,325)
Unrealized foreign exchange	883	(583)
Future income tax (recovery) expense	(564)	799
Funds from continuing operations	17,677	13,612
Funds from discontinued operations	–	6,983
	17,677	20,595
Asset retirement expenditures incurred during year <i>[note 7]</i>	(86)	(67)
Change in non-cash working capital	(3,405)	25,688
Cash provided by operating activities	14,186	46,216
FINANCING ACTIVITIES		
Issue of trust units, net of issue costs	15	–
Distributions to unitholders	(10,395)	(14,649)
Increase in bank indebtedness	9,098	164,486
Decrease in bank indebtedness	(5,300)	(1,277)
Decrease in notes payable	–	(7,500)
Increase in mortgages	1,907	–
Repayment of mortgages	(207)	(130)
Repayments of capital lease obligations	–	(30)
Repayment of long-term debt	–	(2,822)
Change in non-cash working capital	–	33
Cash provided by financing activities	(4,882)	(21,889)
INVESTING ACTIVITIES		
Acquisitions	–	(26,750)
Redemption of financial services contracts	1,499	–
Financial services development expenditures	(125)	(1)
Oil and gas property acquisitions	(7,212)	–
Oil and gas property disposals	27	95
Oil and gas development expenditures	(1,954)	(3,908)
Purchase of other assets	(78)	(21)
Purchase of real estate properties	(810)	(1,036)
Real estate development expenditures	(571)	–
Change in restricted cash	–	163
Change in non-controlling interest	–	(106)
Change in non-cash working capital	(589)	469
Cash used in investing activities	(9,813)	(31,095)
Decrease in cash during the period	(509)	(6,768)
Cash, beginning of period	509	6,768
Cash, end of period	–	–
Cash taxes paid	10	3
Cash interest paid	1,776	705

See accompanying notes to the consolidated financial statements

As at March 31, 2007 and for the three months ended March 31, 2007 and 2006 (unaudited)

1. NATURE OF THE ORGANIZATION

Avenir Diversified Income Trust (the "Trust") is an open-end unincorporated trust governed by the laws of the Province of Alberta. Funds from operations are provided to the Trust from oil and gas properties, financial services income, real estate income, and energy services income (for the period from January 1, 2006 to May 31, 2006).

The operating results for the three month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the full fiscal year revenues and expenses during the reporting period, due to seasonal factors. Actual results may differ from those estimates. The Trust's natural gas marketing divisions traditionally have stronger results in the first and fourth quarters of the fiscal year. In the natural gas liquids marketing business colder winter weather also provides more opportunity for sale of propane and butane. Similarly, although muted somewhat by the industry's use of storage, the Oil and Gas Division often has stronger results in the winter months due to winter demand increasing oil and gas commodity prices.

Comparative periods have been restated to conform with current period presentation.

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, 2006. Certain information has been condensed or omitted although the Trust believes that the disclosures are adequate to make the information presented not misleading. The following notes are incremental to and should be read in conjunction with the December 31, 2006 audited consolidated financial statements.

Effective January 1, 2007, the Trust adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

units of the Trust at their average market price for the period.

Financial instruments

Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These Sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Trust is required to designate its financial instruments into 1 of the following 5 categories: (i) held for trading, (ii) available for sale, (iii) held to maturity, (iv) loans and receivables, or (v) other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net income and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in fair value recorded in net income. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net income.

Comprehensive income

Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including changes in the fair value of the effective portion of cash flow hedging instruments.

As required, prior periods have not been restated as a result of implementing Section 1530. Upon initial application of Section 3855, all adjustments to the carrying amount of financial instruments are recognized as an adjustment to the opening balance of accumulated other comprehensive income.

Hedges

Section 3865, Hedges, specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon sale or early termination of the hedged item. All hedges entered into by the Trust that qualify for hedge accounting are cash flow hedges.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income while the ineffective portion is recognized in net income. When hedge accounting is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately to net income when the hedge item is sold or terminated early.

Impact upon adoption of standards

The transition adjustments attributable to the re-measurement of financial assets and liabilities at fair value were recognized in opening accumulated earnings as at January 1, 2007. Adjustments arising from re-measuring financial assets classified as available-for-sale at fair value were recognized in opening accumulated other comprehensive income as at January 1, 2007. For cash flow hedging relationships existing prior to adopting section 3865 that continue to qualify for hedge accounting under the new standard, the transition adjustment being the effective portion of any gain or loss on the hedging instrument was recognized in accumulated other comprehensive income.

<i>(in thousands of dollars)</i>	Accumulated retained earnings adjustment	Accumulated other comprehensive income adjustment
	\$	\$
Transition adjustment on adoption of Financial Instrument standards:		
Fair value of derivative instruments designated as cash flow hedges as at January 1, 2007 <i>[note 10]</i>	–	4,640
Fair value of marketable securities as at January 1, 2007	–	1,748
Fair value of hedges no longer qualifying for hedge accounting as at January 1, 2007	258	–
Adjustment to opening balances as at January 1, 2007	258	6,388

Accounting Changes

Section 1506, Accounting Changes, relates to changes in accounting policies, changes in accounting estimates and errors. Under the revised section, voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Trust has not applied a new primary source of generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. Adoption of this revised standard had no impact on the Trust's unaudited interim consolidated financial statements.

Equity

Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements under this Section have been presented in these unaudited interim consolidated financial statements.

Future Accounting Pronouncements

On December 1, 2006 the CICA issued three new accounting standards: Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These new standards will be effective beginning on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Trust is currently assessing the impact of these new standards.

3. DISCONTINUED OPERATIONS

On May 31, 2006, the Trust completed the formation of a new publicly traded oilfield services trust called Essential Energy Services Trust ("Essential"). Pursuant to a plan of arrangement, the Trust conveyed its entire Energy Services Division to Essential in return for Essential Trust Units. All of the Essential Trust Units received were then distributed to existing unitholders of the Trust pro rata to their respective interest in the Trust - for every two Trust Units one Essential Trust Unit was distributed. The total net asset value that was conveyed to Essential was \$77,847,372. Total costs associated with the plan of arrangement were \$2,383,243 consisting of cash that was conveyed of \$946,877, cash paid on settlement of vested options of \$236,366 and an estimate of \$1,200,000 for additional costs. The total carrying value of \$79,047,372, made up of the net asset value and \$1,200,000 in costs has been recorded as a non-cash distribution to unitholders. No gain or loss was recorded on the spin-out as it was accounted for at its carrying value. The spin-out was considered a related party transaction due to the fact that the Essential trust units were distributed to Avenir unitholders.

The following table represents the net asset value of the assets and liabilities conveyed to Essential on May 31, 2006:

<i>(in thousands of dollars)</i>	\$
Working Capital	12,076
Property and equipment	58,409
Goodwill	38,730
Bank indebtedness	(27,400)
Capital lease obligations	(338)
Long-term debt	(1,813)
Future income tax	(299)
Non-controlling interest	(1,518)
	77,847

In the three month period ended to March 31, 2006, prior to the Energy Services Division spin-out, the Trust had acquired an energy services business and had purchased energy services assets for a total cost of \$26,749,814.

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

<i>(in thousands of dollars)</i>	March 31, 2007 \$	Three months ended March 31, 2006 \$
REVENUE		
Energy services revenue	-	19,448
Gain (loss) on sale of property and equipment	-	-
	-	19,448
EXPENSES		
Energy services operating	-	9,770
General and administrative	-	2,383
Interest and bank fees	-	263
Interest on long-term debt and capital leases	-	49
Depreciation and amortization	-	3,585
	-	16,050
Income from discontinued operations before non-controlling interest	-	3,398
Non-controlling interest	-	(408)
Net income from discontinued operations, net of tax	-	2,990

4. BANK INDEBTEDNESS

As at March 31, 2007 in relation to its Oil and Gas Division, the Trust has a combined revolving demand facility with a syndicate of two major Canadian banks in the amount of \$50,500,000 (December 31, 2006 - \$50,500,000) bearing interest ranging from prime plus one-quarter of one percent to prime plus one percent depending on the debt to cash flow ratio of the Trust. The revolving demand facility is collateralized by a floating charge debenture over all of the Trust's assets. As at March 31, 2007, \$40,630,000 (December 31, 2006 - \$45,930,000) was drawn on the revolving demand facility.

The Trust has a demand revolving loan facility with a Canadian bank in the amount of \$70,000,000 (December 31, 2006 - \$70,000,000) bearing interest as follows; for advances of \$50,000,000 or less the interest rate is bank prime rate plus 0.125% or US bank base rate plus 0.125%; for advances greater than \$50,000,000 a 0.125% premium shall apply to applicable interest rates. The facility is primarily used to provide credit for natural gas liquids inventory purchases through the Trust's subsidiary Elbow River Marketing Partnership. These facilities are collateralized by a charge over Elbow River's assets. As at March 31, 2007, \$29,683,891 (December 31, 2006 - \$23,309,728) was drawn on the demand loan facility.

The Trust also had \$2,724,001 in bank overdraft as at March 31, 2007 (December 31, 2006 - \$nil).

The average effective interest rate on borrowings under the above lines for the three months ended March 31, 2007, including service fees, was 5.33% (March 31, 2006 - 6.21%).

As at March 31, 2007, the Trust also had seventeen letters of credit outstanding in the aggregate amount of \$747,927 (December 31, 2006 - \$751,400).

To provide the Elbow River Marketing Partnership with additional credit on natural gas liquids inventory purchases, the Trust also has guarantees to third parties for a maximum of \$56,494,434 (December 31, 2006 - \$56,982,738). These guarantees, provided by the Trust to third party counterparties of Elbow River, require the Trust to be responsible for inventory settlements if Elbow River was unable to do so. The Trust has no specific assets pledged and the amounts exposed against the total outstanding guarantees will vary depending on the transactions in place at a specific point in time.

5. NOTES PAYABLE

The Trust borrowed \$10,000,000, in two equal amounts of \$5,000,000 on July 28, 2006 and September 25, 2006, from a third party to fund additional opportunities within its Elbow River Marketing group. The Trust is responsible for interest at 12.5% per annum on the drawn portion of the note and a standby fee of 2% on any unused portion, for a minimum period of six months. The notes payable mature July 24, 2007 with the option to extend the due date based on mutual agreement of both parties. The note payable is collateralized by a guarantee provided by the Trust. \$5,000,000 of the note payable was repaid on November 29, 2006. As at March 31, 2007, \$5,000,000 (December 31, 2006 - \$5,000,000) of this note payable is outstanding.

Enervest Limited Partnership ("Enervest") a wholly owned subsidiary of the Trust, entered into an unsecured promissory note with Enervest Diversified Income Trust ("EDIT"), an investment vehicle that Enervest manages, for the reimbursement of offering costs paid by EDIT in relation to its exchange offer on October 24, 2006. The note requires the offering costs to be repaid in equal quarterly payments plus interest over a six year period ending October 1, 2012 and bears interest at a rate per annum equal to the interest rate charged under EDITs' credit facility, which is bank prime less 0.5%. On December 28, 2006 Enervest paid EDIT \$2,004,418 for the four principal payments required in 2007 and interest accrued to date. As at March 31, 2007, \$9,433,589 (December 31, 2006 - \$9,433,589) of this note payable is outstanding, with \$471,679 classified as current notes payable.

6. MORTGAGES

<i>(in thousands of dollars)</i>	March 31, 2007	March 31, 2006
	\$	\$
Various mortgages with interest rates ranging from 4.85% to 6.50% (December 31, 2006 - 4.85% to 6.50%) (weighted average rate of 5.63% (December 31, 2006 - 5.63%), maturities from August 2007 to August 2011 and collateralized by a first charge over the related properties, and restricted cash	34,549	32,849
Current portion of mortgages	(19,495)	(18,536)
	<u>15,054</u>	<u>14,313</u>

Approximate principal repayments required to maturity are as follows:

<i>(in thousands of dollars)</i>	\$
2007	18,329
2008	4,665
2009	201
2010	2,046
2011	9,308
	<u>34,549</u>

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2007 market rates for debt of similar terms. Based on these assumptions, the fair value of the mortgages as at March 31, 2007 has been estimated at \$34,535,533 (December 31, 2006 - \$32,823,500).

7. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated by management based on the Trust's net ownership interest in all wells and facilities in its oil and gas segment, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Trust has estimated the net present value of its total asset retirement obligations to be \$13,186,525 as at March 31, 2007 based on a total future liability of \$27,066,132. These payments are expected to be made over the next 29 years. The Trust's credit adjusted risk free interest rate of 8.5% and an inflation rate of 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>	\$
Carrying amount, as at December 31,	12,799
Oil and gas activities during the period	204
Oil and gas divestitures during the period	-
Abandonment expenditures incurred during the period	(86)
Asset retirement obligation accretion for the period	270
Carrying amount, as at March 31, 2007	13,187

8. UNITHOLDERS' CAPITAL

a) Unitholders' capital

Authorized

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

Issued

Trust Units	Number of Units	Amount \$ <i>(in thousands of dollars)</i>
Balance December 31, 2006	41,196,885	413,731
Units issued on exercise of stock options (i)	3,333	26
Units released from escrow - Energy Services Division (ii)	3,891	36
Balance March 31, 2007	41,204,109	413,793

- (i) Trust Units issued upon exercise of stock options in 2007. The total cash received amounted to \$14,817 and the difference of \$11,172 represents the movement from contributed surplus to unitholders' equity relating to the stock based compensation expense previously recognized.
- (ii) In 2006 the Trust issued 123,312 units from treasury, which were escrowed for energy service employees who had unvested Trust options at the time of the Energy Services Division spin-out on May 31, 2006 (see note 3). These units will remain in escrow until the vesting date is reached on the respective Trust options based on the original grant date of the options, which will occur over the next one to two and a half years. During 2007, 3,891 of these Trust Units were released from escrow on their respective vesting dates. Also, 650 of these escrowed Trust Units were cancelled as certain terms of the escrow agreement were not met. The total number of Trust Units remaining in escrow for the Energy Services Division spin-out is 70,288.

b) Per unit amounts

For the three months ended March 31, 2007, the Trust had a weighted average number of trust units outstanding of 41,202,084 (March 31, 2006 – 40,149,659). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options of an additional 149,201 Trust Units resulting in a weighted average number of trust units outstanding for the three months ended March 31, 2007, of 41,351,285 (March 31, 2006 – 40,412,413). At March 31, 2007 there were 1,295,500 in anti-dilutive options that were not part of the diluted per unit calculation. If the Escrowed Trust Units relating to the Elbow River acquisition and the spin out of the Energy Services Division were issued there would not be a change in the basic earnings per unit and a decrease of \$0.01 in the diluted earnings per unit for the three months ended March 31, 2007.

c) Contributed surplus

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

<i>(in thousands of dollars)</i>	\$
Contributed surplus, December 31, 2006	4,344
Stock based compensation expense [note 9]	1,060
Release of units from escrow relating to Energy Services Division [note 8a(ii)]	(42)
Options exercised	(11)
Contributed surplus, March 31, 2007	5,351

d) Accumulated other comprehensive income

The following table reconciles the movement in the accumulated other comprehensive income balance:

<i>(in thousands of dollars)</i>	\$
Accumulated other comprehensive income, December 31, 2006	–
Derivative instruments designated as cash flow hedges	8,121
Fair value of marketable securities	1,898
Accumulated other comprehensive income, March 31, 2007	10,019

9. STOCK-BASED COMPENSATION

Under the Trust's unit option plan, options to acquire trust units are granted to employees and directors from time to time at exercise prices equal to the market value of the units at the date of the grant. Options granted under the plan vest a third each year over a three-year period starting on the first anniversary from the date of grant. The options have a five-year life. The exercise price of the options is periodically adjusted to reflect the Trust's monthly distributions. Any consideration paid on exercise of stock options is added to unitholders capital. A total of 4,174,840 units have been reserved under this plan.

The following table summarizes the status and changes during the three months ended March 31, 2007:

	Number of options outstanding	Weighted average grant date exercise price \$
Outstanding, December 31, 2006	1,956,229	9.09
Granted	117,500	7.16
Exercised	(3,333)	(10.85)
Expired	(15,834)	(8.93)
Outstanding, March 31, 2007	2,054,562	8.98
Exercisable, March 31, 2007	182,504	10.39

The following table summarizes information about the unit options outstanding at March 31, 2007:

March 31, 2007 Strike Price \$	Grant date exercise price \$	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
1.66	9.00	78,668	2.6	46,612
4.62	10.69	120,167	3.6	34,613
4.13	10.90	387,727	3.1	89,613
3.83	11.00	30,000	2.8	3,333
4.65	11.20	25,000	3.2	8,333
7.65	8.30	1,246,000	4.3	-
7.85	8.35	49,500	4.5	-
6.99	7.16	17,500	4.8	
7.08	7.16	100,000	4.9	
		2,054,562	4.0	

As a result of the grind feature of the options, the price on the date of grant is ground down by the distributions paid to unitholders. Accordingly, the weighted average strike price at March 31, 2007 on all outstanding options was \$6.46 and the weighted average strike price at March 31, 2007 on all exercisable options is \$3.61.

The total value of stock-based compensation of \$7,144,626 for those options issued to employees and directors was calculated using a Black-Scholes option-pricing model to estimate the fair value of stock options at the date of grant. The assumptions made for the options granted in 2007 are as follows:

	2007 Granted Options
Expected volatility	37.67%
Risk – free interest rate	4.0%
Expected life of options	5 years
Dividend yield	nil)

The Trust recorded compensation expense and contributed surplus of \$1,060,193 relating to the Trust's current options and \$(6,048) for the spin-out of the Energy Services Division (see note 8a(ii)) for the three months ended March 31, 2007.

Subsequent to March 31, 2007 the Trust issued an additional 1,178,900 options.

10. FINANCIAL INSTRUMENTS

	\$
Risk management asset, December 31, 2006	46
Transition adjustment on adoption of new standards [note 2]	4,640
Transition adjustment to retained earnings for hedges no longer qualifying for hedge accounting [note 2]	(258)
Change in mark-to-market for hedges not qualifying for hedge accounting – oil & gas (i)	(525)
Change in mark-to-market for hedges not qualifying for hedge accounting – Elbow River (ii)	(807)
Change in mark-to-market of cash flow hedge contracts (iii)	3,481
Risk management asset, March 31, 2007	7,092

Fair values of commodity and foreign exchange derivatives are based on pricing models using forward curves as at March 31, 2007. The fair values of other financial instruments approximate their carrying values.

(i) The Trust has the following forward contracts outstanding as at March 31, 2007 relating to its Oil and Gas Division:

- A fixed price AECO natural gas swap for the period November 1, 2006 to October 31, 2007 on 700 GJ/day of gas at a price of \$6.64 Cdn/GJ
- A fixed price WTI collar for the period November 1, 2004 to October 31, 2007 on 70 barrels/day of crude oil with a floor price of \$38.00 US/Bbl and a ceiling price of \$44.65 US/Bbl
- A fixed price WTI floor for the period December 1, 2004 to November 30, 2007 on 170 barrels/day of crude oil with a floor price of \$40.00 US/Bbl
- A fixed price WTI floor for the period from August 1, 2006 to December 31, 2007 on 200 barrels/day of crude oil with a floor of \$65.00 and the Trust participates in 77% of the upside above the floor price
- A fixed price WTI floor for the period from August 1, 2006 to July 31, 2007 on 200 barrels/day of crude oil with a floor of \$60.00 and the Trust participates in 88% of the upside above the floor price

The mark-to-market value of these contracts as at March 31, 2007 was an unrealized loss of \$841,956 (December 31, 2006 – an unrealized loss of \$316,639), resulting in the recognition of an unrealized loss on the income statement of \$525,317 when compared to the December 31, 2006 mark-to-market.

(ii) The following tables detail those transactions in the Elbow River Marketing group that do not qualify for hedge accounting, which resulted in a risk management asset and an unrealized loss on forward exchange and futures financial instruments of \$187,249 (December 31, 2007 – an unrealized gain of \$619,896), resulting in the recognition of an unrealized loss on the income statement of \$807,145 when compared to the December 31, 2006 mark-to-market.

Forward exchange contracts:

Term Due	Forward Rates CDN \$	March 31, 2007 Unrealized (loss) \$
May, 2007	1.1254 – 1.1529	(12,867)
June, 2007	1.1244 – 1.1529	(13,554)
July, 2007	1.1233 – 1.1529	(14,320)
August, 2007	1.1223 – 1.1529	(14,880)
September, 2007	1.1213 – 1.1529	(15,403)
October, 2007	1.1204 – 1.1529	(15,958)
November, 2007	1.1195 – 1.1529	(16,476)
December, 2007	1.1186 – 1.1529	(17,143)
January, 2008	1.1178 – 1.1529	(17,509)
February, 2008	1.1170 – 1.1597	(8,564)
March, 2008	1.1161 – 1.1587	(10,445)
April, 2008	1.1152 – 1.1578	(12,255)
		(169,374)

Futures contracts:

Settlement dates	Volume (lbs)	Prices US \$/(lbs)	March 31, 2007 Unrealized (loss) \$
May, 2007	15,000,000	13.64 – 13.73	(15,504)
	15,000,000		(15,504)
		Exchange rate	1.1529
		Total CDN dollars	(17,875)

(iii) The Elbow River Marketing group of the Trust sells natural gas liquids 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 foreign exchange and commodities hedging contracts. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures. The commodity hedge contracts are entered into for the following commodities: butane, propane, low sulphur diesel, unleaded gasoline, heating oil, soy bean oil, and crude. The following table details those transactions that qualify for hedge accounting that are outstanding resulting in a risk management asset of \$8,120,737:

Commodities hedging contracts:

Settlement dates	Volume (bbl)	Prices US \$/(bbl)	March 31, 2007 Unrealized gain (loss) \$
April, 2007	484,530	41.27 – 98.28	1,213,410
May, 2007	331,421	44.10 – 90.72	745,831
June, 2007	277,421	44.10 – 90.72	935,068
July, 2007	277,421	44.10 – 90.72	882,617
August, 2007	240,371	44.10 – 90.72	724,688
September, 2007	130,306	45.57 – 90.72	444,064
October, 2007	134,877	45.57 – 91.35	427,536
November, 2007	133,877	45.57 – 85.21	398,918
December, 2007	133,877	45.57 – 85.86	389,777
January, 2008	155,032	45.57 – 85.97	289,490
February, 2008	155,032	45.57 – 86.43	286,011
March, 2008	152,651	45.57 – 86.43	256,934
	2,606,816		6,994,346
		Exchange rate	1.1529
		Total CDN dollars	(17,875)

Forward exchange contracts:

Settlement dates	Volume (bbl)	Prices US \$/(bbl)	March 31, 2007
			Unrealized gain (loss)
			\$
April, 2007	9,925,000	1.1112 – 1.17180	121,718
May, 2007	6,415,000	1.1110 – 1.15648	(41,603)
June, 2007	3,770,000	1.1274 – 1.15541	(309)
July, 2007	360,000	1.1264 – 1.13690	(8,490)
August, 2007	345,000	1.1254 – 1.13600	(8,428)
September, 2007	245,000	1.1244 – 1.13490	(5,932)
Total US dollars	21,060,000		56,956
Exchange rate	1.1529		
Total CDN dollars	24,280,074		

(iv) The Trust enters into fixed price contracts for the physical delivery of commodities. 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 on the financial statement and future revenues and costs are recognized as earned over the term of the contract.

11. RELATED PARTY TRANSACTIONS

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

- During the three months ended March 31, 2007, the Trust paid \$42,157 (three months ended March 31, 2006 - \$36,891) to Avenir Capital Corporation (“Avenir”), a significant unitholder of the Trust for rent, administration and advisory services. Included in accounts payable as at March 31, 2007 is \$42,157 (December 31, 2006 - \$13,650) owing to Avenir relating to administration and advisory services.
- During the three months ended March 31, 2007, the Trust incurred marketing fees of \$18,000 (three months ended March 31, 2006 - \$18,000) 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 March 31, 2007 (December 31, 2006 - \$18,000).
- During the three months ended March 31, 2007, the Trust incurred fees relating to its Real Estate Division for management of properties, acquisitions and mortgage financing of \$131,383 (three months ended March 31, 2006 - \$nil) payable to a company with a shareholder who is also a director of the Trust. Of this balance, \$3,524 is included in accounts payable and accrued liabilities as at March 31, 2007 (December 31, 2006 - \$28,911).
- In the normal course of joint venture activities, the Trust’s Oil and Gas Division from time to time, engages in business transactions with companies having directors in common with the Trust. In this regard, in March 2007, the Trust purchased minor producing property interests from a publicly traded corporation with certain directors in common for \$7,212,256.

12. SEGMENTED INFORMATION

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

The following is selected financial information for each business segment:

	March 31, 2007 (in thousands of dollars)				
	Financial Services	Oil & Gas	Real Estate	Corporate	Total
	\$	\$	\$	\$	\$
Gross Revenue	224,737	12,028	1,747	–	238,512
Inter-segment eliminations	–	–	–	–	–
Net Total Revenue	224,737	12,028	1,747	–	238,512
Operating expenses	208,307	5,104	458	–	213,869
Inter-segment eliminations	–	–	–	–	–
Net Operating Expenses	208,307	5,104	458	–	213,869
Net income (loss) before inter-segment eliminations	8,617	(148)	342	(1,480)	7,331
Inter-segment eliminations	–	–	–	–	–
Net income (loss) for the period	8,617	(148)	342	(1,480)	7,331

	March 31, 2007 (in thousands of dollars) (restated – note 3)					
	Financial Services	Oil & Gas	Real Estate	Corporate	Discontinued Operations	Total
	\$	\$	\$	\$	\$	\$
Gross Revenue	154,058	12,048	739	145	–	166,990
Inter-segment eliminations	(145)	–	–	(145)	–	(290)
Net Total Revenue	153,913	12,048	739	–	–	166,700
Operating expenses	143,639	3,986	182	–	–	147,807
Inter-segment eliminations	–	(73)	–	–	–	(73)
Net Operating Expenses	143,639	3,913	182	–	–	147,734
Net income (loss) before inter-segment eliminations	7,147	738	4	(847)	–	7,042
Inter-segment eliminations	145	73	–	(145)	–	73
Net income (loss) from continuing operations	7,292	811	4	(992)	–	7,115
Net income from discontinued operations	–	–	–	–	2,990	2,990
Net income (loss) for the period	7,293	811	4	(992)	2,990	10,105

	March 31, 2007 (in thousands of dollars)				
	Financial Services	Oil & Gas	Real Estate	Corporate	Total
	\$	\$	\$	\$	\$
Selected balance sheet items					
Property and equipment	674	154,954	53,278	–	208,906
Investment in financial services contracts	1,766	–	–	–	1,766
Intangibles and other assets	149,629	–	2,885	–	152,514
Goodwill	31,306	21,235	–	–	52,541
Total assets	294,613	191,934	57,041	1,929	545,517
Working capital (deficiency)	27,856	(44,401)	(18,644)	(7,308)	(42,497)
Mortgages	–	–	(15,054)	–	(15,054)

DIRECTORS

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

Gary H. Dundas
VP Finance & CFO

David E. Butler (1,3)

Stuart Y. Chow (2,3)

Jeffery Kohn

Alan Moon (1,2)
Lead Director

William E. Patterson (1,2)

1. Audit Committee
2. Governance & Compensation Committee
3. Reserves Committee

CORPORATE SECRETARY

J.G. (Jeff) Lawson
Burnet, Duckworth & Palmer, LLP

AUDITORS

Ernst & Young, LLP

BANKERS

National Bank of Canada
HSBC Bank Canada
Canadian Western Bank

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.

LEGAL COUNSEL

Burnet, Duckworth & Palmer, LLP

TRANSFER AGENT

Olympia Trust Company

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

Avenir Operating Corp.

Grant Leslie, P. Eng., COO

Bob Guy, VP Production

Debbie Carter, Controller

EnerVest Management Ltd.

Kevin Wolfe, President

Ward Mallabone, COO

Sean Morgan, CFO

Elbow River Marketing LP

Ed Malcolm, President

George Petropoulos, Mgr, LPG Mktg

Mitch Brown, General Manager

Real Estate Management

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OIL & GAS ABBREVIATIONS

Oil, Natural Gas and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Bbls/d	barrels per day
Bcf	billion cubic feet
Mbbls	thousand barrels
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mmbbls	million barrels
MMBTU	million British Thermal Units
Mmcf	million cubic feet
Mmcf/d	million cubic feet per day
NGLs	natural gas liquids

Other

AECO	The AECO-C hub is the main pricing point for Alberta natural gas and represents the major pricing point for Canadian gas. Prices are determined via the spot market, which includes all transactions for sale of 30 days or less, but typically refers to a 30-day sale.	OOIP	original oil in place
BOE	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	WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
BOE/d	barrels of oil equivalent per day	°API	the measure of the density or gravity of liquid petroleum products derived from a specific gravity
COGPE	Canadian oil and gas property expense, as defined in the Tax Act	MW	megawatts of electrical power
MBOE	thousand barrels of oil equivalent	3D	three dimensional
McfGe	thousand cubic feet of gas equivalent	Darcies	the measure of permeability (being the ease with which a single fluid will flow through connected pore space when a pressure gradient is applied)
MMBOE	million barrels of oil equivalent	Porosity	the measure of the fraction of pore space of a reservoir.