ESSENTIAL
energy services trust

For Immediate Release: March 19, 2007

ESSENTIAL ENERGY SERVICES TRUST RELEASES RECORD FOURTH QUARTER AND YEAR END RESULTS

Calgary, Alberta – (TSX: ESN.UN) Essential Energy Services Trust ("Essential", or the "Trust") is pleased to release the operational and financial results for the three months and year ended December 31, 2006 and to announce it has filed the complete Management Discussion and Analysis and audited consolidated financial statements for the year ended December 31, 2006 on SEDAR. An electronic copy of these documents may be obtained on the Trust's SEDAR profile at www.sedar.com.

These operational and financial results contain the results of the Energy Services Division of Avenir Diversified Income Trust ("Avenir", TSX: AVF.UN) for the periods prior to May 31, 2006. Essential was formed on May 31, 2006 as a spin out from Avenir which took place as a special distribution to unitholders of Avenir on the basis of one unit of Essential for every two units of Avenir.

Fourth Quarter and Year End 2006 Financial Highlights

	Three Months Ended December 31			**Year Ended December 31**		
$ thousands, except per unit amounts and margins	**2006**	**2005**	**% Change**	**2006**	**2005**	**% Change**
Financial Results						
Revenue	32,791	13,252	147%	96,308	33,986	183%
EBITDA[1]	10,392	3,604	188%	29,532	10,351	185%
EBITDA margin (%)[1]	31.7%	27.2%		30.7%	30.5%	
Funds from operations[2]	9,434	3,454	173%	27,221	10,052	171%
Net income	5,650	996	467%	12,785	3,526	263%
Net income margin (%)	17.2%	7.5%		13.3%	10.4%	
Distributions to unitholders[3]	6,901	n/a	n/a	15,960	n/a	n/a
Payout ratio on EBITDA[4]	66%	n/a	n/a	54%	n/a	n/a
Unit Information						
Weighted average number of units outstanding - basic	27,713	n/a	n/a	27,418	n/a	n/a
Weighted average number of units outstanding - diluted	29,949	n/a	n/a	29,949	n/a	n/a
EBITDA per unit - diluted	0.35	n/a	n/a	0.99	n/a	n/a
Funds from operations per unit - diluted	0.32	n/a	n/a	0.91	n/a	n/a
Distributions per unit[3]	0.249	n/a	n/a	0.581	n/a	n/a
Earnings per unit - diluted	0.19	n/a	n/a	0.43	n/a	n/a

[1] EBITDA is defined as earnings before non-controlling interests, interest, taxes, depreciation and amortization. We believe in addition to net income, EBITDA is a useful supplemental earnings measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before non-cash amortization expenses. EBITDA margin is calculated as EBITDA divided by revenue.

[2] Funds from operations is calculated by taking net income and adding back non-cash balances such as depreciation and amortization, (loss) gain on sale of property and equipment , non-cash unit compensation expense and non-controlling interest.

[3] The distributions to unitholders and per unit for the year ended December 31, 2006 reflects only seven months of distributions from Essential due to its spin out from Avenir on May 31, 2006.

[4] Payout ratio on EBITDA for the year ended December 31, 2006 reflects only seven months of distributions from Essential due to its spin out from Avenir on May 31, 2006.

EBITDA, funds from operations and funds from operations per unit are not recognized measures under Canadian generally accepted accounting principles (GAAP). 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 EBITDA, funds from operations and funds from operations per unit should not be construed as alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

n/a means not applicable as the comparative numbers for the period ended December 31, 2005 were those of Avenir Diversified Income Trust and would not be meaningful on a distribution or per unit basis to Essential unitholders.

Overview

The fourth quarter of 2006 saw Essential achieve record financial performance despite a challenging slow down in drilling-related activities in the Western Canadian Sedimentary Basin ("WCSB"). Essential's strategic focus on essential production services as opposed to drilling or drilling-related services is paying off as indicated by our strong financial results in the fourth quarter. Revenue for the quarter ended December 31, 2006 increased by 147% over the comparable period in 2005 and by 30% over the third quarter 2006. EBITDA increased 188% and net income increased by 467% compared to the fourth quarter of 2005. On a quarter over quarter basis, Essential increased EBITDA by 49% and net income by 133% compared to the third quarter of 2006 while also increasing the EBITDA margin from 28% in the third quarter to 32% in the fourth quarter. These successful fourth quarter results surpass all previous ten quarters since our inception. To put the fourth quarter results into perspective, the EBITDA of $10.4 million in the fourth quarter of 2006 matched the $10.4 million EBITDA for the entire year ended 2005. "These extremely positive financial results demonstrate the strength in Essential's strategy of focusing on essential production services," said James Burns, President and CEO. Essential provides little in the way of drilling-related services, but focuses on those areas where services are performed on producing wells or facilities as these services are necessary to maintain production. "Such production-focused services provide consistent revenue regardless of fluctuations in the capital spending programs of oil and gas production companies," concluded Mr. Burns. As expected, Essential improved its distribution payout ratio as a percentage of EBITDA from 98% in the third quarter of 2006 to 66% in the fourth quarter of 2006. On an annualized basis, Essential targets an EBITDA payout ratio of 65% to 75%. Historically, the first quarter is Essential's strongest quarter of financial performance and we would expect the first quarter payout ratio to be the best of the four quarters. The first quarter of 2007 has seen good utilization across Essential's business units and results are in line with our expectations. The significant slow down in drilling has had little effect on Essential as yet.

The optimism beyond the winter months, however, is tempered by the uncertainty created by the federal government's announcement on October 31, 2006 of their intent to change the tax treatment of income trusts. The fourth quarter of 2006 was the first quarter in the Trust's history where no acquisitions were completed. This was largely due to the disruption caused by the federal government's surprise announcement on October 31 and subsequent lack of clarity in their December 21, 2006 draft legislation. Under such draft legislation to keep its "tax holiday" status, Essential would be limited to growing its equity capital by 40% in 2007 and 20% in each of 2008, 2009 and 2010 using the market capitalization of Essential at October 31, 2006 as the benchmark. The resulting effect this announcement has had on Essential has been a curtailing of access to equity capital despite the fact there are accretive acquisitions available to the Trust. Having taken time to assess the effects on Essential under this government proposal, the Board of Directors and management of Essential believe it is prudent not to consider any changes to the Trust's structure until such draft legislation becomes enacted, if at all. At that time and throughout the four year period before these changes are expected to take effect, Essential will re-evaluate its growth opportunities to determine whether the constraints arbitrarily set on income trusts by the federal government are prohibitive to the Trust's growth strategies. Any potential future changes in the Trust's structure would carefully consider the options available in order to realize the maximum value for Essential's unitholders. The four year grace period currently provides a window of opportunity for Essential to carry on its business and pay out distributions to unitholders without incurring a distribution tax. This should be seen as a competitive advantage for Essential compared to a corporate structure. Essential is optimistic that reasonable access to capital will be restored in the near future.

During the fourth quarter, Essential integrated the operations of Jacar Energy Services Partnership ("Jacar") into its Transport division in southern Alberta. This acquisition, only contributed to 12 days of operating results in the third quarter whereas it contributed $1.1 million or 32% of the $3.4 million EBITDA increase from the third to fourth quarter. An additional $1.2 million or 35% of the EBITDA increase from the third quarter to the fourth quarter came from the

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Transport division as the onset of colder weather improved the northern operations of Cascade Services Partnership ("Cascade") and operational synergies between Jacar and Richmound Energy Services L.P. ("Richmound") helped strengthen Richmound's results. The remaining $1.1 million or 32% of the EBITDA increase in the fourth quarter compared to the third quarter came from the Rigs division where Kodiak Coil Tubing Limited Partnership and Classic Well Servicing Partnership returned to robust winter activity in their operating areas. Essential believes it is now reasonably balanced in terms of revenue and EBITDA contribution by division as evident by the fourth quarter results in the Transport division contributing 53% of Essential's revenue and 47% of its EBITDA compared to 47% of revenue and 53% of EBITDA for the Rigs division.

During the fourth quarter, Essential continued to experience delays in the delivery of new equipment which were ordered in early 2006. These equipment delays are a direct result from a booming western Canadian economy with chronic shortages of parts, equipment and skilled personnel. Cardinal Well Servicing Partnership took delivery of one of its three new rod rigs in late October 2006. The other two rod rigs have now been delivered in the first quarter of 2007 and should add to the growth in the Rigs division. Endless Tubing Services Partnership also saw its fleet grow in the first quarter of 2007 with the retrofitting of one coil tubing unit in February. The Transport division continues to add to its fleet opportunistically where its oil and gas producing customers are requesting Essential to provide additional services. In December 2006 and January 2007, Cascade added one vacuum truck and one hydro-vac to its fleet. Westvac Energy Services Partnership added one semi-vac in December 2006 and two super B tankers in February 2007 to its fleet. These growth capital expenditures which were initiated as part of the 2006 capital expenditure program are now complete. Management has set a 2007 maintenance capital expenditure program of $3.5 million. Any growth capital expenditures in 2007 will be carefully considered and determined on a customer demand driven basis.

The outlook for the first quarter of 2007 is positive. Operational and marketing synergies among the business units are creating new opportunities for additional revenue with existing customers. Management continues to assess growth acquisition opportunities as valuation metrics are becoming more reasonable. Essential is optimistic about 2007, but remains cautious that a prolonged slow down in drilling and drilling-related activities may ultimately have a negative effect on production and production-related activities. However, the fundamentals of the oil and gas industry in the WCSB remain intact and will provide growth opportunities for production-focused energy service companies in the long-term. Essential will continue in its present form and will continue to pay out distributions as long as industry conditions do not deteriorate to the point where it would be imprudent to do so.

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The TSX Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

Forward Looking Statements: *Certain information set forth in this document, including a discussion of future plans and operations, contains forward looking statements that involve substantial known and unknown risks and uncertainties. These forward looking statements are subject to numerous risks and uncertainties, some of which are beyond the Trust's and management's control, including but not limited to, the impact of general economic conditions, industry conditions, fluctuation of commodity prices, fluctuation of foreign exchange rates, environmental risks, industry competition, availability of qualified personnel and management, stock market volatility, timely and cost effective access to sufficient capital from internal and external sources. Actual results, performance or achievement could differ materially from those expressed in or implied by, these forward looking statements.*

ESSENTIAL ENERGY SERVICES TRUST
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

This Management's Discussion & Analysis ("MD&A") was prepared as of March 9, 2007 and is provided to assist readers in understanding Essential Energy Services Trust's ("Essential" or the "Trust") financial performance for the years ended December 31, 2006 and 2005 and significant trends that may affect future performance of the Trust. This MD&A should be read in conjunction with the accompanying audited consolidated financial statements for the years ended December 31, 2006 and 2005 and the notes contained therein. The accompanying audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Essential is a reporting issuer in each of the provinces of Canada, except Quebec. The Trust's units trade on the Toronto Stock Exchange under the symbol "**ESN.UN**".

Certain statements contained in this MD&A constitute forward-looking statements. All statements, other than statements of historical fact, that address activities, events, or developments that the Trust or a third party expects or anticipates will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect management's current beliefs and are based on information currently available to management and on assumptions we believe are reasonable. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties as discussed throughout this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Trust. These forward-looking statements are made as of the date of this MD&A, and we assume no obligation to update or revise them to reflect subsequent information, events, or circumstances unless otherwise required by applicable securities legislation.

This MD&A also makes reference to certain non-GAAP financial measures to assist users in assessing the Trust's performance. Earnings before non-controlling interest, interest, taxes, depreciation and amortization ("EBITDA"), funds from operations and funds from operations per unit are not recognized measures under Canadian GAAP and do not have any standardized meanings prescribed by GAAP. See the Financial Highlights section for a description of how these non-GAAP measures are calculated. Management believes that these measures are useful supplemental measures to analyze operating performance as they demonstrate the Trust's ability to generate the funds from operations necessary to fund future distributions and capital investments. The Trust's method of calculating these measures may differ from other issuers, and accordingly, they may not be comparable to measures used by other issuers. Investors should be cautioned that these non-GAAP measures should not be construed as alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

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

CORPORATE PROFILE

Essential is an open-end unincorporated, limited purpose investment trust. Essential provides rig and transport based, essential production services to oil and gas producers across western Canada including service rigs, coil tubing, rod rigs, swab rigs, vacuum truck, pressure truck, tank truck, hydro-vac, steaming and hot oiling along with other related services. The Trust operates through ten operating entities (the "Business Units") which offer a diversified range of services focused on the maintenance and enhancement of production from oil and gas wells and other related services to ensure stable cash flows for Essential's unitholders. Essential Energy Services Operating Corp. (the "Manager") is the manager of the Trust, which provides management, administration and financial services to the Business Units. In addition, the Manager provides cross-selling opportunities, equipment and facility sharing, as well as bulk purchasing, shared insurance, benefit administration and other services to enhance revenue, reduce employee turnover and reduce costs.

METHOD OF ACCOUNTING

The Trust, as the successor in interest to Avenir Diversified Income Trust's ("Avenir") Energy Services Division, has been accounted for using the continuity of interests method. The consolidated financial statements of the Trust for the year ended December 31, 2006 and comparables for the year ended December 31, 2005 will reflect the financial position, results of operations and cash flows as if the Trust had always carried on the business formerly carried on by Avenir's Energy Services Division. No per unit measures have been presented for the comparable year ended December 31, 2005 as such information would not be meaningful.

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2006

- **Revenue**
  Revenue increased 183% to $96.3 million.

- **EBITDA[1]**
  EBITDA increased 185% to $29.5 million.

- **Funds From Operations[2]**
  Funds from operations increased 171% to $27.2 million.

- **Net Income**
  Net income increased 263% to $12.8 million.

- **Distributions to Essential Unitholders[3]**
  Distributions declared in 2006 to Essential unitholders was $16.0 million.

- **Payout Ratio for Essential Unitholders[3]**
  Payout ratio on EBITDA for 2006 was 54%.
  Payout ratio on EBITDA for the fourth quarter was 66%.

- **Increase in Extendible Revolving Credit Facility from $25.0 million to $85.0 million**
  During 2006, the extendible revolving and term loan facilities were increased with a syndicate of two Canadian chartered banks from $25.0 million to $85.0 million.

- **Acquisition of the assets of HK Well Service in February 2006**

- **Acquisition of Kodiak Coil Tubing Limited Partnership in March 2006**

- **Acquisition of Classic Well Servicing Partnership in May 2006**

- **Acquisition of DRB-AV Partnership in May 2006**

1,2,3 See corresponding footnote under Financial Highlights.

- **Acquisition of Non-controlling Interests in May 2006**
- **Acquisition of Pelican Lake Assets in June 2006**
- **Acquisition of Jacar Energy Services Partnership in September 2006**

FINANCIAL HIGHLIGHTS

	As at and for the year ended		**As at and for the three months ended**							
$ thousands, except per unit amounts, margins and ratios	**Dec. 31, 2006**	Dec. 31, 2005	**Dec. 31, 2006**	Dec. 31, 2005	Sep. 30, 2006	Sep. 30, 2005	Jun. 30, 2006	Jun.30, 2005	Mar. 31, 2006	Mar. 31, 2005
Financial Results										
Revenue	**96,308**	33,986	**32,791**	13,252	25,267	9,906	18,729	6,624	19,521	4,204
EBITDA[1]	**29,532**	10,351	**10,392**	3,604	6,972	3,545	4,800	1,690	7,368	1,512
EBITDA margin (%)[1]	**30.7%**	30.5%	**31.7%**	27.2%	27.6%	35.8%	25.6%	25.5%	37.7%	36.0%
EBITDA per unit	**0.99**	n/a	**0.35**	n/a	0.26	n/a	0.18	n/a	n/a	n/a
Net income	**12,785**	3,526	**5,650**	996	2,421	1,247	1,651	418	3,063	865
Net income margin (%)	**13.3%**	10.4%	**17.2%**	7.5%	9.6%	12.6%	8.8%	6.2%	15.7%	20.6%
Earnings per unit - diluted	**0.43**	n/a	**0.19**	n/a	0.09	n/a	0.06	n/a	n/a	n/a
Funds from operations[2]	**27,221**	10,052	**9,434**	3,454	6,293	3,464	4,438	1,647	7,056	1,487
Funds from operations per unit - diluted	**0.91**	n/a	**0.32**	n/a	0.23	n/a	0.16	n/a	n/a	n/a
Distribtutions to unitholders[3]	**15,960**	n/a	**6,901**	n/a	6,806	n/a	2,253	n/a	n/a	n/a
Payout ratio on EBITDA - diluted[3]	**54.0%**	n/a	**66.4%**	n/a	97.6%	n/a	46.9%	n/a	n/a	n/a
Payout ratio on funds from operations - diluted[3]	**58.6%**	n/a	**73.1%**	n/a	108.2%	n/a	50.7%	n/a	n/a	n/a
Financial Position and Liquidity										
Working capital (excluding debt)[4]	**7,596**	(909)								
Working capital ratio[4]	**1.4:1**	0.9:1								
Net Debt [5]	**49,068**	19,440								
Unitholders equity										
Investment from Avenir and accumulated deficit	**147,007**	42,871								
Unit Information										
Number of units outstanding	**27,713**	n/a								
Weighted average number of units outstanding – diluted	**29,949**	n/a								
Number of options outstanding	**1,451**	n/a								

See Reconciliation of Non-GAAP Measures footnote for explanation of EBITDA, funds from operations, working capital (excluding debt) and funded debt (including current portion).

n/a means not applicable as the comparative numbers for the quarters ended March 31, 2006 and before were those of Avenir Diversified Income Trust and would not be meaningful to Essential unitholders.

[1] EBITDA is defined as earnings before non-controlling interests, interest, taxes, depreciation and amortization. We believe in addition to net income, EBITDA is a useful supplemental earnings measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before non-cash amortization expenses. EBITDA margin is calculated as EBITDA divided by revenue.

[2] Funds from operations is calculated by taking net income and adding back non-cash balances such as depreciation and amortization, (loss) gain on sale of property and equipment, non-cash unit compensation expense and non-controlling interest.

[3] Payout ratio on EBITDA and on funds from operations - diluted for the year ended December 31, 2006 reflects only seven months of distributions from Essential due to its spin out from Avenir on May 31, 2006.

[4] Working capital (excluding debt) is calculated by taking current assets less current liabilities excluding current portions of capital lease obligations, long-term debt, non-controlling interest and Due to Avenir. Working capital ratio is calculated by taking current assets divided by current liabilities excluding current portions of capital lease obligations, long-term debt, non-controlling interest and Due to Avenir.

[5] Net debt is calculated by taking current assets less total liabilities

DISCUSSION OF FINANCIAL RESULTS

Overview

2006 was a challenging year by any standard in the oil and gas industry. Falling commodity prices, weakening equity markets for energy service companies and trusts and the uncertainty created by the federal government's surprise announcement on the taxation of income trusts on October 31 made 2006 a difficult year. Essential has always focused on those services that are required to maintain production or to restore production when producing wells fail as these services tend to provide the steady utilization and predictable cash flows required by the trust structure. The business units under whose names Essential operates in the field have lengthy track records and tend to be the service provider of choice in their particular market areas, further insulating Essential from the volatility of the oilfield service sector.

2006 saw Essential achieve significant milestones and record financial results which will set the stage for significant growth in a challenging environment. Year-over-year growth in revenue increased by 183% over 2005 while EBITDA increased 185% and net income increased by 263%. This marks ten consecutive quarters of significant growth since inception. Most importantly Essential has managed to maintain high operating margins while many competitors, particularly those involved in drilling and drilling-related services, have seen pressure from customers to reduce rates resulting in lower operating margins.

The year saw Essential complete a number of significant transactions. Beginning in February, the assets of HK Well Service ("HK") of Medicine Hat providing us with a fleet of five swab rigs and another rod rig to complement the operations of Cardinal Well Services Partnership ("Cardinal"). At the end of March, the acquisition of Kodiak Coil Tubing Limited Partnership ("Kodiak") of Brooks, Alberta was closed adding a fleet of ten new coil tubing units. Kodiak has been a strong contributor to the bottom line and a perfect complement to Endless Tubing Services Partnership ("Endless") that we acquired in 2005. These two companies provide us with a very strong coil tubing operation in southern Alberta. At the end of May, the spin out of Essential from Avenir was completed and concurrently the assets and businesses of four other private companies were acquired. The most significant was Classic Well Servicing Partnership ("Classic") of Nisku, Alberta with its fleet of nine service rigs. Classic is an established central Alberta service rig operation that is complimentary to our existing service rig operations at Millard Oilfield Services Partnership ("Millard") of Medicine Hat. In addition to Classic the assets of three smaller companies were acquired, one providing four additional swab rigs for the HK operation and the other two providing additional equipment and contracts for Cascade Services Partnership ("Cascade") in northern Alberta and British Columbia. In June we closed the acquisition of assets that are complimentary to our Westvac Energy Services Partnership ("Westvac") operations in Wabasca, Alberta including four rod rigs that are now operated by Cardinal, a permanent camp and several tank trucks. In September, we acquired the operations of Jacar Energy Services Partnership ("Jacar") based in Taber, Alberta. Jacar is a large provider of tank trucks, pressure trucks, hot oiling and chemical sales in southern Alberta. This was an important strategic acquisition that provides transport services similar to the services offered by Cascade, Westvac and Richmound Energy Services L.P. ("Richmound"). Jacar provides these services across southern Alberta to compliment the northern operations of Cascade and Westvac as well as the southwest Saskatchewan operations of Richmound. This broad and balanced geographic footprint significantly expands the transport services fleet allowing Essential to provide improved service across western Canada and to take on larger and more complex projects.

The fourth quarter of 2006 saw Essential achieve record financial performance. Essential's strategic focus on essential production services as opposed to drilling or drilling-related services is paying off as indicated by our strong financial results in the fourth quarter. Revenue for the fourth quarter increased by 147% over the comparable period in 2005 and by 30% over the third quarter 2006. EBITDA increased 188% and net income increased by 467% compared to the fourth quarter of 2005. On a quarter over quarter basis, Essential increased EBITDA by 49% and net income by 133% compared to the third quarter of 2006 while also increasing the EBITDA margin from 28% in the third quarter to 32% in the fourth quarter. These successful fourth quarter results surpass all previous ten quarters since our inception. To put the fourth quarter results into perspective, the EBITDA of $10.4 million in the fourth quarter of 2006 matched the $10.4 million EBITDA for the entire year ended 2005. As expected, Essential improved its distribution payout ratio as a percentage of EBITDA from 98% in the third quarter of 2006 to 66% in the fourth quarter of 2006. During the fourth quarter, Essential integrated the operations of Jacar into its Transport division in southern Alberta. This

acquisition, only contributed to 12 days of operating results in the third quarter whereas it contributed $1.1 million or 32% of the $3.4 million EBITDA increase from the third to fourth quarter. An additional $1.2 million or 35% of the EBITDA increase from the third quarter to the fourth quarter came from the Transport division as the onset of colder weather improved the northern operations of Cascade and operational synergies between Jacar and Richmound helped strengthen Richmound's results. The remaining $1.1 million or 32% of the EBITDA increase in the fourth quarter compared to the third quarter came from the Rigs division where Kodiak and Classic returned to robust winter activity in their operating areas. Essential believes it is now reasonably balanced in terms of revenue and EBITDA contribution by division as evident by the fourth quarter results in the Transport division contributing 53% of Essential's revenue and 47% of its EBITDA compare to 47% of revenue and 53% of EBITDA for the Rigs division.

Taxation on Income Trusts

On October 31, 2006, the Minister of Finance announced its proposal to amend the *Income Tax Act* (Canada) to apply a Distribution Tax on distributions from publicly-traded income trusts. Under the proposal, existing income trusts will be subject to the new measures commencing in their 2011 taxation year, following a four year grace period. The Minister of Finance has issued a Notice of Ways and Means Motion to Amend the *Income Tax Act* and on November 7, 2006 obtained approval from Parliament to enact the proposal.

In simplified terms, under the proposed tax plan, income distributions will first be taxed at the trust level at a special rate estimated to be 31.5%. Income distributions to individual unitholders will then be treated as dividends from a Canadian corporation and eligible for the dividend tax credit. Income distributions to corporations resident in Canada will be eligible for full deduction as tax free inter-corporate dividends. Tax-deferred accounts (RRSPs, RRIFs and Pension Plans) will continue to pay no tax on distributions. Non-resident unitholders will be taxed on distributions at the non-resident withholding tax rate for dividends. The net impact on Canadian taxable investors is expected to be minimal because they can take advantage of the dividend tax credit. However, as a result of the 31.5% Distribution Tax at the trust level, distributions to tax-deferred accounts will be reduced by approximately 31.5%, and distributions to non-residents will be reduced by approximately 26.5%.

Following the Minister's announcement, the market's reaction was immediate and significant, with a widespread sell-off across the entire trust sector that eliminated billions of dollars in unit holder value. Income trusts comprise a significant portion of the public issuers in Canada, and trusts provide an important income stream for individuals, especially retirees and those planning retirement.

We encourage Essential's unitholders to read the full transcript of the government's plan at: www.fin.gc.ca/news06/06-061e.html and consult with their personal financial and tax advisors regarding potential tax consequences based on their individual circumstances. Unitholders may also express their views directly to the Minister of Finance, whose contact information is available at www.fin.gc.ca/admin/contact-e.html.

Essential has joined with other energy income trusts to form the Coalition of Canadian Energy Trusts (the "Coalition") to lobby for changes to the proposed legislation. The Coalition includes the largest, most successful and most influential energy trusts in Canada. Essential has joined with the Coalition to try and seek relief for our unitholders.

Given the four-year grace period before existing trusts will be taxed, Essential has an opportunity to examine its strategy, and if warranted, modify it to provide the best possible return for its unitholders. At the same time, Essential's investors have an opportunity to arrange their investments before 2011 to minimize the impact of the proposed tax changes on their portfolios. The long-term effect of the proposed tax changes is yet to be determined.

Revenue

$ thousands	For the three months ended Dec. 31, 2006	Dec. 31, 2005	For the year ended Dec. 31, 2006	Dec. 31, 2005
Revenue by segment:				
Rigs	**15,904**	5,672	**45,047**	14,442
Transport	**16,887**	7,580	**51,261**	19,544
Total revenue	**32,791**	13,252	**96,308**	33,986

Revenue for the year was $96.3 million (Q4 - $32.8 million), up $62.3 million or 183% (Q4 - $19.5 million or 147%) from $34.0 million in 2005 (Q4 2005 - $13.3 million). The increase in the Rigs division of $30.5 million (Q4 - $10.2 million) was primarily due to the acquisitions of HK in the first quarter of 2006 and Kodiak and Classic in the second quarter of 2006. The Transport division increased its revenues by $31.8 million (Q4 - $9.3 million), reflecting the acquisitions of Westvac in August 2005, Richmound in December 2005 and Jacar in September 2006. Overall the Rigs division generated 47% and the Transport division generated 53% of the total revenue as compared to 42% and 58% respectively, during 2005.

Operating Expenses

$ thousands	For the three months ended Dec. 31, 2006	Dec. 31, 2005	For the year ended Dec. 31, 2006	Dec. 31, 2005
Operating expense by segment:				
Rigs	**8,480**	2,937	**24,446**	7,384
Transport	**9,693**	4,468	**29,361**	10,453
Total operating expense	**18,173**	7,405	**53,807**	17,837

Operating expenses for the year increased by $36.0 million (Q4 - $10.8 million) or 202% (Q4 – 145%) to $53.8 million (Q4 - $18.2 million), from $17.8 million in 2005 (Q4 2005 - $7.4 million). Operating expenses in the Rigs division increased $17.1 million (Q4 - $5.6 million) while the Transport division increased $18.9 million (Q4 - $5.2 million) from 2005. The increase is consistent with the significant growth in revenue from acquisitions and new equipment. The increase in operating costs was also affected by the upward pressure on wages and fuel costs felt throughout the industry.

General and Administrative Expenses

$ thousands	For the three months ended Dec. 31, 2006	Dec. 31, 2005	For the year ended Dec. 31, 2006	Dec. 31, 2005
General and administrative	**3,976**	2,243	**12,327**	5,798

General and administrative ("G&A") expenses for the year increased by $6.5 million (Q4 - $1.7 million) or 113% (Q4 – 77%) to $12.3 million (Q4 - $4.0 million), from $5.8 million in 2005 (Q4 2005 - $2.3 million). The increase in G&A expenses is consistent with the increase in the number of business units due to acquisitions from five in 2005 to ten in 2006. In addition, a management team was put in place to run Essential as a stand-alone public entity which resulted in increased staff, regulatory, legal and audit costs in 2006 compared to 2005.

Depreciation and Amortization

	For the three months ended		For the year ended	
$ thousands	**Dec. 31, 2006**	Dec. 31, 2005	**Dec. 31, 2006**	Dec. 31, 2005
Depreciation and amortization	**3,410**	2,368	**13,286**	6,270

Depreciation and amortization for the year was $13.3 million (Q4 - $3.4 million), an increase of $7.0 million (Q4 - $1.0 million) or 112% (Q4 – 44%), from $6.3 million in 2005 (Q4 2005 - $2.4 million). The increase in depreciation was due to the significant increase in the amount of equipment from acquisitions the Trust closed during the year.

Interest and Bank Charges

	For the three months ended		For the year ended	
$ thousands	**Dec. 31, 2006**	Dec. 31, 2005	**Dec. 31, 2006**	Dec. 31, 2005
Interest and bank Charges	**1,332**	150	**3,050**	293

Interest and bank charges for the year was $3.1 million (Q4 - $1.3 million), an increase of $2.8 million (Q4 - $1.1 million) or 941% (Q4 – 788%), from $0.3 million in 2005 (Q4 2005 - $0.2 million). This increase is consistent with the increase in the amount drawn on the Trust's term acquisition loan facility, which increased to $55.0 million at December 31, 2006 from $nil at December 31, 2005. The increase in the term acquisition loan facility is due to the acquisitions the Trust closed during the year, and that in 2005 the Trust was part of Avenir where its acquisitons were funded by Avenir Operating Trust.

Non-cash Unit Compensation Expense

	For the three months ended		For the year ended	
$ thousands	**Dec. 31, 2006**	Dec. 31, 2005	**Dec. 31, 2006**	Dec. 31, 2005
Non-cash unit compensation expense	**250**	-	**642**	-

Non-cash unit compensation expense relates to issued and outstanding stock options which amounted to $0.6 million in 2006 (Q4 - $0.3 million) compared to $nil in 2005. All stock options are out-of-the money at December 31, 2006.

Net Income

	For the three months ended		For the year ended	
$ thousands	**Dec. 31, 2006**	Dec. 31, 2005	**Dec. 31, 2006**	Dec. 31, 2005
Net income	**5,650**	996	**12,785**	3,526

Net income for the year was $12.8 million (Q4 - $5.7 million), an increase of $9.3 million (Q4 - $4.7 million) or 263% (Q4 – 467%), from $3.5 million in 2005 (Q4 2005 - $1.0 million). Net income margin increased from 10.4% in 2005 to 13.3% in 2006. This net income was positively affected by the earnings generated by the

acquisitions and by the longer life equipment that were acquired in the Kodiak and Classic transactions resulting in lower depreciation and amortization as a percentage of revenue from 18.4% in 2005 to 13.8% in 2006.

EBITDA

	For the three months ended		For the year ended	
$ thousands	**Dec. 31, 2006**	Dec. 31, 2005	**Dec. 31, 2006**	Dec. 31, 2005
EBITDA	**10,392**	3,604	**29,532**	10,351

EBITDA for the year was $29.5 million (Q4 - $10.4 million), an increase of $19.1 million (Q4 - $6.8 million) or 185% (Q4 - 188%), from $10.4 million in 2005 (Q4 2005 - $3.6 million). This increase is a direct result of increased revenues derived from acquisitions. EBITDA margin remained the same from 30.5% in 2005 (Q4 2005 – 27.2%) to 30.7% in 2006 (Q4 - 31.7%) reflecting Essential's ability to maintain operating margins at a high level despite the increase in labour and fuel costs experienced throughout 2006. In addition, Essential was successful in managing pressure from some of its oil and gas customers to decrease its hourly and daily pricing rates. Such successes are attributable to the strong field management teams that Essential has in its business units.

FINANCIAL RESOURCES AND LIQUIDITY

Working Capital

$ thousands, except ratios	**Dec. 31, 2006**	Sep. 30, 2006	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005
Current assets	**27,106**	24,515	20,925	22,542	12,927
Current liabilities (excluding debt)[1]	**19,510**	18,372	14,014	29,824	13,836
Working capital (excluding debt)[2]	**7,596**	6,143	6,911	(7,282)	(909)
Working capital (excluding debt) ratio[2]	**1.4:1**	1.3:1	1.5:1	0.9:1	0.9:1

[1] Current liabilities (excluding debt) is calculated by taking current liabilities less current portions of non-controlling interest, capital lease obligations and long-term debt and Due to Avenir.

[2] Working capital (excluding debt) is calculated by taking current assets less current liabilities excluding current portions of capital lease obligations, long-term debt, non-controlling interest and Due to Avenir. Working capital ratio is calculated by taking current assets divided by current liabilities excluding current portions of capital lease obligations, long-term debt, non-controlling interest and Due to Avenir.

Working capital (excluding debt) on December 31, 2006 was $7.6 million compared to $(0.9) million on December 31, 2005. The increase of $8.5 million in working capital (excluding debt) was due primarily to the acquisition of Kodiak, Classic and Jacar. The working capital (excluding debt) ratio of 1.4:1 indicates that Essential remains in a strong liquidity position to pay its debts as they become due.

Funded Debt

$ thousands	**Dec. 31, 2006**	Sep. 30, 2006	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005
Total Liabilities	**76,174**	72,234	49,228	50,550	32,367
Current liabilities (excluding debt and bank indebtedness)[1]	**8,570**	7,982	8,424	5,025	2,955
Funded debt (including current portion)[2]	**67,604**	64,252	40,804	45,525	29,412

[1] Current liabilities (excluding debt and bank indebtedness) is calculated by taking current liabilities less bank indebtedness, current portions of non-controlling interest, capital lease obligations, long-term debt and Due to Avenir.

[2] Funded debt (including current portion) is calculated by taking bank indebtedness plus current and long-term portions of capital lease obligations and long-term debt, plus Due to Avenir.

During 2006, the Trust increased its credit facilities from $25.0 million to $85.0 million. The Trust now has an extendible revolving loan facility with a syndicate of two major Canadian banks in the amount of $20.0 million bearing interest at prime plus one-half of one percent for operating purposes. In addition, the Trust has an extendible revolving term loan facility with a syndicate of two Canadian banks in the amount of $65.0 million bearing interest at prime plus three-quarters of one percent for capital expenditures and acquisition purposes. As at December 31, 2006, $10.9 million was drawn on the revolving loan facility resulting in an additional availability of $9.1 million. As at December 31, 2006, $55.0 million was drawn on the revolving term loan facility resulting in current availability of an additional $10.0 million.

In addition to the above facilities, the Trust also has approximately $1.4 million of long-term debt and $0.3 million of capital lease obligations, comprised of various loans payable in monthly instalments with interest rates ranging from 0.00% to 10.95%.

The average effective interest rate on borrowings under all of the above loan facilities for the year including service fees was 6.2%.

Deficiencies, if any, in the working capital, ongoing operations and capital expenditures, will be managed by existing funds from operations and the availability of the current revolving loan facilities and proposed future financings.

Unitholders' Equity

$ thousands	**Dec. 31, 2006**	Sep. 30, 2006	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005
Unitholders' equity	**147,007**	135,646	135,766	n/a	n/a
Investment from Avenir and accumulated earnings	**n/a**	n/a	n/a	66,172	42,871

On May 31, 2006, the date of Essential's spin-out from Avenir, the Trust had 27,142,250 units outstanding. During the period from May 31, 2006 to December 31, 2006 the Trust issued the following units:

- On September 18, 2006, 544,053 units as part of the consideration for the Jacar acquisition.
- On September 29, 2006, 26,774 units for land and buildings in Richmound, Saskatchewan.

The Trust had 27,713,077 units outstanding at December 31, 2006 and 27,814,428 units outstanding at March 9, 2007.

The Trust had 1,450,600 unit options outstanding at December 31, 2006 and March 9, 2007. All unit options are currently out-of-the money.

Total unitholders' capital at December 31, 2006 was $159.4 million. This amount includes a $12.6 million accrual for 2,531,029 units that will be issued subsequent to December 31, 2006 related to the additional consideration provisions with respect to the acquisitions of Kodiak and the non-controlling interest of Cascade.

BUSINESS ACQUISITIONS

The Trust pursued business acquisition opportunities during the year as summarized below:

HK Well Service

On February 9, 2006, Avenir's Energy Services Division closed the acquisition of assets from HK Well Service Ltd. of Medicine Hat, Alberta for cash consideration of $8.1 million. HK operates a fleet of five swab rigs and one flush-by unit.

Kodiak Coil Tubing Limited Partnership

On March 31, 2006, Avenir's Energy Services Division acquired a 90% partnership interest in Kodiak Coil Tubing Limited Partnership for total net consideration of $22.25 million satisfied through payment of $13.0 million in cash and the issuance of 729,438 Avenir trust units at $12.11 per unit. Transaction costs for the acquisition were approximately $400,000. Kodiak provides essential production related services to the oil and gas industry with a fleet of ten coiled tubing units. Kodiak is based in Brooks, Alberta and provides services across southern Alberta from operational bases in Brooks, Medicine Hat and Three Hills, Alberta.

Additional Consideration for Kodiak Coil Tubing Limited Partnership

The Trust agreed to pay an additional consideration to the vendors of Kodiak Coil Tubing Limited Partnership based on a pre-determined multiple of Kodiak's 2006 EBITDA in excess of $5.2 million up to a maximum payment of $18.0 million. Essential estimates the additional consideration to be approximately $12.0 million to be paid in April 2007 by issuing approximately 2.4 million trust units of Essential.

Classic Well Servicing Partnership

Effective May 31, 2006 and concurrent with the Plan of Arrangement, Essential acquired the assets and business of Classic Well Servicing Partnership of Nisku, Alberta. Classic operates nine service rigs including four doubles and five singles throughout central and southern Alberta. Total consideration consisted of 3,191,721 units of Essential.

DRB-AV Partnership

Effective May 31, 2006 and concurrent with the plan of arrangement, Essential acquired the assets of DRB-AV Partnership. The assets acquired include four swab rigs, two hot oilers, two vacuum trucks, one hydro-vac, a tank truck and a combination steamer-vac. All equipment acquired was absorbed by other operating units of Essential. Total consideration consisted of 1,985,960 units of Essential.

Non-controlling Interests

Effective May 31, 2006 and concurrent with the plan of arrangement, Essential acquired the outstanding 10% non-controlling interests of Cascade Services Partnership, Westvac Energy Services Partnership and Kodiak Coil Tubing Limited Partnership. Total consideration consisted of 1,144,533 units of Essential and $618,000 in cash.

Additional Consideration for Non-controlling Interest of Cascade Services Partnership

The Trust agreed to pay an additional consideration to the non-controlling interest partner of Cascade Services Partnership based on achieving certain 2006 EBITDA targets in excess of $7.4 million up to a maximum payment of $0.6 million. Essential has subsequently paid the additional consideration totalling $0.6 million on February 28, 2007 by issuing 101,351 trust units of Essential.

Pelican Lake Assets

Effective June 1, 2006, Essential purchased four flush-bys, two tank trucks, related equipment and a 100 person camp in the Pelican Lake, Alberta area from a private company for total cash consideration of approximately $5.6 million.

Jacar Energy Services Partnership

Effective September 18, 2006, Essential acquired the assets and business of Jacar Energy Services Partnership from Jacar Hot Oil Service Ltd. Jacar is based in Taber, Alberta with operational bases in Medicine Hat, Taber, Pincher Creek and Cayley, Alberta. Jacar has a fleet of 72 revenue generating units including 6 hot oilers, 6 pressure trucks and 55 tank trucks and trailers and 5 acid shower units which provide a

range of production services to oil and gas operators across southern Alberta and into southwest Saskatchewan. Jacar also provides chemicals such as methanol and KCl (potassium chloride) solution to the oil and gas industry and maintains facilities for mixing, storage and transport of these chemicals. Total consideration was $20.5 million consisting of $15.8 million in cash and 544,053 units of the Trust. Transaction costs for the acquisition were approximately $300,000.

FUNDS FROM OPERATIONS AND DISTRIBUTIONS TO UNITHOLDERS

	For the three months ended		For the year ended	
$ thousands	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Cash provided by operating activities	**5,248**	16,831	**19,669**	21,832
Change in non-cash working capital	**(4,186)**	13,377	**(7,552)**	11,780
Funds from operations	**9,434**	3,454	**27,221**	10,052
Required principal repayments	**(266)**	(140)	**(872)**	(461)
Distributions paid to Avenir	**-**	(1,775)	**(7,190)**	(6,079)
Funds retained for growth and capital expenditures	**(2,885)**	(1,539)	**(3,199)**	(3,512)
Distributions to Essential unitholders	**6,901**	-	**15,960**	-

Funds From Operations

Funds from operations for the year increased $17.1 million (Q4 - $6.0 million) or 171% (Q4 – 173%) to $27.2 million (Q4 - $9.4 million) from $10.1 million in 2005 (Q4 2005 - $3.5 million). The increase is a direct result of the contribution made to funds from operations due to the acquisitions of Westvac and Richmound in the second half of 2005 and HK, Kodiak, Classic and Jacar throughout 2006.

Distributions To Unitholders

The Trust made distributions to unitholders of $16.0 million in the year (Q4 - $6.9 million). The Manager of the Trust anticipates monthly cash distributions to continue at $0.083 per Trust unit ($0.996 per annum) subject to the ability of the Trust to continue to generate sufficient cash flows from operations to pay such distributions.

COMMITMENTS

The Trust has entered into operating leases for office and shop premises and equipment that provide for minimum annual lease payments as follows:

	$ thousands
2007	2,952
2008	2,369
2009	1,772
2010	1,171
2011 and forward	606

CONTINGENCIES

The Trust has no contingent liabilities at December 31, 2006.

FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities
The Trust's financial instruments consist of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, distributions payable, due to non-controlling interest owners, due to Avenir Diversified Income Trust, capital lease obligations and long-term debt. Unless otherwise noted, as at December 31, 2006 and 2005, there were no significant differences between the carrying amounts of these financial instruments and their estimated fair values.

Credit risk
The Trust's accounts receivable are exposed to credit risk. 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 customers, and monitors the exposure for credit losses.

Of the Trust's significant accounts receivable as at December 31, 2006, approximately 23.9% was due from two companies (12.7% and 11.2% respectively) (December 31, 2005 – 17.3% was due from one company).

Interest rate risk
Drawings under the Trust's bank credit facilities and long-term debt are at floating interest rates and expose the Trust to interest rate risk.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2006, the Trust paid $0.2 million through the issuance of 26,774 Trust units, to a corporation controlled by an officer of the Trust for land and buildings. The transaction was recorded at the exchange amount.

The Trust also rents land, buildings from officers of the trust which are included in operating expenses. The expense totaled $0.3 million for the year ended December 31, 2006 (2005 - $0.2 million). These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

OFF-BALANCE SHEET ITEMS

The Trust has no off-balance sheet items as at December 31, 2006.

SUBSEQUENT EVENTS

The Trust has no material subsequent events as at December 31, 2006.

ESSENTIAL energy services trust

RECONCILIATION OF NON-GAAP MEASURES

This Management Discussion and Analysis contains reference to certain financial measures that do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other companies or trusts. These measures are provided to assist investors in determining the Trust's ability to generate cash from operations and to provide additional information regarding the use of its cash resources. These financial measures are identified and defined below:

	For the year ended		For the three months ended							
$ thousands, except ratios	**Dec. 31, 2006**	Dec. 31, 2005	**Dec. 31, 2006**	Dec. 31, 2005	Sep. 30, 2006	Sep. 30, 2005	Jun. 30, 2006	Jun. 30, 2005	Mar.31, 2006	Mar.31, 2005
EBITDA[1]										
Net income	**12,785**	3,526	**5,650**	996	2,421	1,247	1,651	418	3,063	865
Depreciation and amortization	**13,286**	6,270	**3,410**	2,368	3,611	2,148	2,680	1,229	3,585	525
Interest and bank charges	**3,050**	293	**1,332**	150	940	81	466	37	312	25
Non-controlling interest	**411**	262	**-**	90	-	69	3	6	408	97
EBITDA[1]	**29,532**	10,351	**10,392**	3,604	6,972	3,545	4,800	1,690	7,368	1,512
Funds From Operations										
Net income	**12,785**	3,526	**5,650**	996	2,421	1,247	1,651	418	3,063	865
Loss (gain) on sale of property and equipment	**97**	(6)	**124**	-	(33)	-	6	(6)	-	-
Depreciation and amortization	**13,286**	6,270	**3,410**	2,368	3,611	2,148	2,680	1,229	3,585	525
Non-cash unit compensation	**642**	-	**250**	-	294	-	98	-	-	-
Non-controlling interest	**411**	262	**-**	90	-	69	3	6	408	97
Funds from operations	**27,221**	10,052	**9,434**	3,454	6,293	3,464	4,438	1,647	7,056	1,487
Payout Ratios										
EBITDA[1]	**29,532**	10,351	**10,392**	n/a	6,972	n/a	4,800	n/a	7,368	n/a
Non-cash unit compensation	**642**	-	**250**	n/a	294	n/a	98	n/a	-	n/a
Interest and bank charges	**(3,050)**	(293)	**(1,332)**	n/a	(940)	n/a	(466)	n/a	(312)	n/a
Loss (gain) on sale of fixed assets	**97**	(6)	**124**	n/a	(33)	n/a	6	n/a	-	n/a
Funds from operations	**27,221**	10,052	**9,434**	n/a	6,293	n/a	4,438	n/a	7,056	n/a
Distributions paid to unitholders	**15,960**	n/a	**6,901**	n/a	6,806	n/a	2,253	n/a	n/a	n/a
Distributions paid to Avenir	**7,190**	n/a	**-**	n/a	-	n/a	4,315	n/a	2,875	n/a
Payout ratio on funds from operations	**58.6%**	n/a	**73.1%**	n/a	108.2%	n/a	50.7%	n/a	n/a	n/a
Payout ratio on EBITDA	**54.0%**	n/a	**66.4%**	n/a	97.6%	n/a	46.9%	n/a	n/a	n/a

EBITDA, funds from operations, working capital (excluding debt), and funded debt (including current portion) are not recognized measures under Canadian generally accepted accounting principles ("GAAP"). 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 EBITDA, funds from operations, working capital (excluding debt), and funded debt (including current portion) should not be construed as alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

n/a means not applicable as the comparative numbers for the quarters ended March 31, 2006 and before were those of Avenir Diversified Income Trust and a meaningful equivalent is not available.

[1] EBITDA is defined as earnings before non-controlling interests, interest, taxes, depreciation and amortization. We believe in addition to net income, EBITDA is a useful supplemental earnings measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before non-cash amortization expenses. EBITDA margin is calculated as EBITDA divided by revenue.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Trust's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the Trust's annual filings for the most recently completed financial year, that the Trust's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings) of the Canadian Securities Administrators are effective to provide reasonable assurance that material information related to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of financial statements together with the other financial information for external purposes in accordance with Canadian GAAP. The Trust's CEO and CFO are responsible for designing, or causing to be designed under their supervision, internal controls over financial reporting related to the Trust, including its consolidated subsidiaries.

During the Trust's assessment of its system of internal controls over financial reporting as defined under Multilateral Instrument 52-109, the Fund identified certain weaknesses in internal controls over financial reporting:

- due to the limited number of staff, it is not feasible to achieve the complete segregation of incompatible duties.

The broad scope of senior management's oversight and strong entity level control are expected to compensate for any individual internal control weakness. In addition, the weaknesses identified are mitigated by: the active involvement of senior management in all the affairs of the Trust; open lines of communication within the Trust and its divisions; the present levels of activities and transactions within the Trust being readily transparent; the thorough review of the Trust's financial statements by management and the establishment of a whistle-blower policy.

The Trust's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the Trust's annual filings for the year ended December 31, 2006,that the Trust's internal control over financial reporting, as defined in Multilateral Instrument 52-109, are suitably designed to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of financial statements together with the other financial information for external purposes in accordance with Canadian GAAP.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that disclosures and financial information is accurate and complete.

CRITICAL ACCOUNTING ESTIMATES

Preparation of consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the consolidated financial statements. Our significant accounting estimates include depreciation of property and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; estimated intangible assets; goodwill impairment; and estimating bad debts on accounts receivable. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

(1) Amortization of Property and Equipment
Our property and equipment are amortized based upon estimated useful lives and salvage values. We review our historical experience with similar assets to help ensure that these amortization rates are appropriate. However, the actual useful life of the assets may differ from our original estimate due to factors such as technological obsolescence and maintenance activity.

(2) Fair Value of Assets and Liabilities Acquired in Business Combinations
The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment acquired, we rely on independent third party valuations.

(3) Asset Impairment
We assess the carrying value of long-lived assets, which include property and equipment, intangible assets and goodwill, for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the reporting unit to the estimated fair value to ensure that the fair value is greater than the carrying value. We arrive at the estimated fair value of a reporting unit using valuation methods such as discounted cash flow analysis. These valuation methods employ a variety of assumptions, including future revenue growth, expected earnings, and earnings multiples. Estimating the fair value of a reporting unit is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods.

(4) Provision for Doubtful Accounts Receivable
We perform periodic credit evaluations of our customers and grant credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Our history of bad debt losses has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the energy industry, our customer’s ability to fulfill its payment obligations can change suddenly and without notice.

RISKS AND UNCERTAINTIES

General
Certain activities of Essential are affected by factors that are beyond its control or influence. The oilfield services business is directly affected by fluctuations in the levels of exploration, oil and natural gas development and production activity carried on by its customers, which in turn is dictated by numerous factors, including world energy prices and government policies. Additionally, the business risks also include: seasonality, with lower second and third quarter and higher fourth and first quarter activity; availability of skilled workers; ability to retain key customers; and the environmental and safety risks inherent in the business.

Service Industry Conditions
The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. Exploration and production companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels and access to capital. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for Essential’s services. A significant, prolonged decline in commodity prices could have a material adverse effect on the oilfield services segment, results of operations and financial condition. The price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers’ business cycles and national and regional economic conditions are factors over which Essential has little or no control. Significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, could reduce profitability and could adversely affect Essential’s ability to maintain distributions.

Essential cannot predict the impact of future economic conditions and there is no assurance that the operations of Essential will continue to be profitable.

Seasonality of Operations
All of Essential's operations are carried out in Western Canada where the ability to move heavy equipment is dependant on weather conditions. An example of such a condition includes thawing in the spring, which renders many secondary roads incapable of supporting heavy equipment until the ground is dry. As a result, our operations traditionally follow a seasonal pattern, with revenue and earnings being higher in the first three months than in the other quarters of the year. However, this has not always been the case over the past eight quarters due to a number of factors, including the completion of a number of significant business acquisitions.

The Trust's operations rely on the movement of heavy equipment, usually on poorly surfaced roads. The pattern of equipment utilization in the northern operations of the Trust sees strongest utilization in the first quarter followed by relatively poor utilization in the second quarter due to "spring break-up" and the attendant restrictions on moving equipment with improvement occurring steadily through the third and fourth quarters. In the southern area the Trust's operations tend to show good utilization through the first quarter, a slow down in the second quarter due to spring break-up which is less pronounced than in the north followed by very strong utilization in the third quarter if dry conditions prevail and generally good utilization in the fourth quarter.

Environmental Risk
All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol (the "Protocol"), which calls for Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined, could have a material impact on the nature of oil and gas operations, including those of the Trust. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Trust and its operations and financial condition.

Credit and Interest Rate Risk
Substantial portions of Essential's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be low at this time. Management routinely assesses the financial strength of partners and customers, and monitors the exposure for credit losses.

The Trust is exposed to interest rate fluctuations on its bank indebtedness and long-term debt, which is tied to Canadian bank prime rate.

Competition
Essential competes with several large companies in the energy services industry that have greater financial and other resources than Essential. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of Essential or that new competitors will not enter the various markets in which Essential is active.

Income Tax Matters
Generally, income trusts, including Essential, involve significant amounts of inter-company debt, royalties or similar instruments, generating substantial interest expense or other deductions which serve to reduce taxable income and income tax payable. Although Essential is of the view that all expenses to be claimed by Essential will be reasonable and deductible and that the cost amount and capital cost allowance claims of such entities' depreciable properties will have been correctly determined, there can be no assurance that the taxation authorities will not seek to challenge the amount of interest expense and other deductions. If such a challenge

were to succeed it could materially adversely affect the amount of distributions available to the unitholders of Essential. Essential believes that the interest expense inherent in the structure of the unitholders of Essential is supportable and reasonable. In addition the Trust does not provide for current income taxes, as it expects that all taxable income will be passed on to unitholders in the form of distributions.

On October 31, 2006 the Federal Minister of Finance proposed to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders (the "October 31 Proposals"). On December 21, 2006 the Federal Minister of Finance released draft legislation to implement the October 31, 2006 Proposals pursuant to which, commencing January 1, 2011 (provided the Trust only experiences "normal growth" and no "undue expansion" before then) certain distributions from the Trust which would have otherwise been taxed as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate rates at the trust level. Assuming the October 31 Proposals are ultimately enacted in their form, the implementation of such legislation would be expected to result in adverse tax consequences to the Trust and certain Unitholders (including most particularly Unitholders that are tax deferred or non-residents of Canada) and may impact cash distributions from the Trust. It is not known at this time when the October 31 Proposals will be enacted by Parliament, if at all, or whether the October 31 Proposals will be enacted in the form currently proposed.

Employees and Labour Relations

The success of Essential is dependent upon Essential’s key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of Essential. The ability of Essential to expand its services will be dependent upon Essential’s ability to attract additional qualified employees which is constrained in times of strong industry activity. The failure to attract and retain a sufficient number of qualified drivers and owner-operators could also have a material adverse affect on the profitability of Essential. The largest components of Essential’s overall expenses are salary, wages, benefits and costs of subcontractors. Any significant increase in these expenses could impact the financial results of Essential. In addition, Essential is at risk if there are any labour disruptions.

Access to Additional Financing

Essential may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Essential when needed or on terms acceptable to Essential which could limit Essential’s growth and may have a material adverse effect upon the Trust.

Non-resident Ownership of Units

In order for the Trust to maintain its status as a mutual fund trust under the *Income Tax Act* (Canada), the Trust must not be established or maintained primarily for the benefit of non-residents of Canada. The Trust must continuously ensure that not more than 50 percent of its issued units are held by non-residents of Canada. If at any time the Managers of the Trust becomes aware that activities of the Trust and/or ownership of units by non-residents may threaten the status of the Trust under the *Income Tax Act* (Canada) as a “unit trust” or a “mutual fund trust”, management of the trust is authorized to take such action as may be necessary to maintain the status of the Trust as a “unit trust” or a “mutual fund trust”.

RECENT ACCOUNTING PRONOUNCEMENTS

Financial Instruments

Effective January 1, 2007, the Trust will adopt the recommendations of three new Handbook Sections issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new accounting standards are effective for fiscal years beginning on or after October 1, 2006 and are identified as follows:

- Section 1530 - "Comprehensive Income";
- Section 3855 - "Financial Instruments - Recognition and Measurement"; and
- Section 3865 - "Hedges".

The new standards determine how reporting entities recognize and measure financial assets, financial liabilities and non-financial derivatives. All financial assets should be measured at fair value with the exception of loans, receivables and investments that are intended to be held to maturity, and certain equity investments, which should be measured at cost. All financial liabilities should be measured at fair value when they are held for trading or if they are derivatives. Gains and losses on financial instruments measured at fair value must be recognized in net income in the period in which they arise, with the exception of gains and losses arising from:

- Financial assets held for sale where gains and losses are deferred in other comprehensive income until sold or impaired; and
- Certain financial instruments that qualify for hedge accounting.

Accounting Changes

The CICA has issued revisions to Handbook Section 1506 - "Accounting Changes", applicable to interim and annual financial statements issued after January 1, 2007. The revisions in this section address changes in accounting policies, accounting estimates and the correction of errors. A change in accounting policy is recommended only if the change is required by a primary source of GAAP or results in the financial statements providing reliable and more relevant information. The Trust will adopt the requirements of this section for any future changes to accounting policies and estimates.

OUTLOOK

We will continue to organically expand our business in 2007 with planned growth capital expenditures. We continue to see and evaluate business opportunities and plan to remain active on evaluating merger and acquisition to create value for our unitholders within the constraints of “normal growth” and no “undue expansion” to keep our four year grace period of no taxation on distributions entact. The effect that taxation of income trusts will have on activity levels in our energy industry remains largely uncertain at this time. However, we will continue to strive for sustainable distributions for our unitholders until the distributions from our Trust become taxable in 2011. Due to the production service focused nature of our Trust, we anticipate continuing strong results in the first quarter of 2007 as production related oilfield activity remains healthy.

ESSENTIAL energy services trust

CORPORATE INFORMATION

Directors

William M. Gallacher[2,3]
Chairman

Gary H. Dundas[1,2]

Dennis Balderston[1,3]

Jeffrey J. Scott[1,4]

Neil Mackenzie[3,4]

1. Audit Committee
2. Nominations & Governance Committee
3. Compensation Committee
4. Health, Safety & Environment Committee

Corporate Secretary

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

Auditors

Ernst & Young LLP

Bankers

National Bank of Canada
Toronto Dominion Bank

Legal Counsel

Burnet, Duckworth & Palmer, LLP

Transfer Agent

Olympia Trust Company

Officers

James Burns, P. Geol., MBA[2,4]
President & CEO

Duncan Au, CA, CFA
VP Business Development & CFO

Ken Wagner
VP Operations,Transport

Stuart King, CA
Controller

For further information:

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Consolidated Financial Statements

Essential Energy Services Trust

(Formerly the Energy Services Division of Avenir Diversified Income Trust)

December 31, 2006 and 2005

Essential Energy Services Trust
(Formerly the Energy Services Division of Avenir Diversified Income Trust)

CONSOLIDATED BALANCE SHEETS

As at December 31,
($ in thousands)

	2006 $	2005 $
ASSETS ***[notes 7 and 9]***		
Current		
Cash and cash equivalents	1,110	2,770
Accounts receivable and prepaid expenses *[note 13]*	24,214	9,997
Materials and supplies	1,782	160
	27,106	12,927
Property and equipment *[notes 3, 4 and 8]*	96,741	37,965
Intangibles *[note 5]*	10,759	-
Goodwill *[note 6]*	88,575	24,346
	223,181	75,238
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 7]*	10,940	10,881
Accounts payable and accrued liabilities	6,269	2,955
Distributions payable	2,301	-
Due to non-controlling interest owner	-	44
Due to Avenir Diversified Income Trust *[note 16]*	-	14,718
Current portion of capital lease obligations *[note 8]*	235	155
Current portion of long-term debt *[note 9]*	11,347	1,159
	31,092	29,912
Capital lease obligations ***[note 8]***	17	326
Long-term debt ***[note 9]***	45,065	1,124
Non-controlling interest ***[note 10]***	-	1,005
	76,174	32,367
Commitments and contingencies ***[note 14]***		
Unitholders' equity		
Unitholder capital *[note 11]*	159,423	-
Investment from Avenir Diversified Income Trust	-	45,564
Contributed surplus *[note 12]*	642	-
Accumulated deficit	(13,058)	(2,693)
	147,007	42,871
	223,181	75,238

See accompanying notes to the consolidated financial statements

Essential Energy Services Trust
(Formerly the Energy Services Division of Avenir Diversified Income Trust)

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

($ in thousands)

	For the year ended December 31, 2006 $	For the year ended December 31, 2005 $
REVENUE		
Energy services revenue	96,405	33,980
Gain (loss) on sale of property and equipment	(97)	6
	96,308	33,986
EXPENSES		
Operating expenses	53,807	17,837
General and administrative	12,327	5,798
Non-cash unit compensation expense *[note 12]*	642	-
Short-term interest and bank fees	685	68
Interest on long-term debt and capital lease obligations	2,365	225
Depreciation and amortization	13,286	6,270
	83,112	30,198
Net income before non-controlling interest	13,196	3,788
Non-controlling interest *[note 10]*	(411)	(262)
Net income for the year	12,785	3,526
Accumulated deficit, beginning of year	(2,693)	(140)
Distributions to Avenir Diversified Income Trust	(7,190)	(6,079)
Distributions to unitholders *[note 19]*	(15,960)	-
Accumulated deficit, end of year	(13,058)	(2,693)
Net income per unit *[note 11]*		
Basic diluted	0.47	n/a
Diluted	0.43	n/a

See accompanying notes to the consolidated financial statements

Essential Energy Services Trust
(Formerly the Energy Services Division of Avenir Diversified Income Trust)

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in thousands)

	For the year ended December 31, 2006 $	For the year ended December 31, 2005 $
OPERATING ACTIVITIES		
Net income for the year	12,785	3,526
Add non-cash items:		
Depreciation and amortization	13,286	6,270
Non-controlling interest	411	262
Non-cash unit compensation expense	642	-
Loss (gain) on sale of property and equipment	97	(6)
	27,221	10,052
Change in non-cash working capital *[note 18]*	(7,552)	11,780
Cash provided by operating activities	19,669	21,832
FINANCING ACTIVITIES		
Investment by Avenir Diversified Income Trust	14,279	33,451
Distributions to Avenir Diversified Income Trust	(7,890)	(5,529)
Distributions to unitholders	(13,659)	-
Cost of formation of Essential Energy Services Trust	(5,104)	-
Increase in bank indebtedness	59	10,881
Repayments of bank indebtedness	-	(1,912)
Repayments of capital lease obligations	(139)	(78)
Increase in long-term debt	55,236	266
Repayments of long-term debt	(4,568)	(3,796)
Repayment of subordinated debt	-	(192)
Change in non-cash working capital *[note 18]*	-	66
Cash provided by financing activities	38,214	33,157
INVESTING ACTIVITIES		
Purchase of Energy Services companies *[note 3]*	(30,099)	(39,786)
Purchase of property and equipment	(31,072)	(12,503)
Sale of property and equipment	1,835	69
Change in non-controlling interest *[note 10]*	(524)	241
Change in non-cash working capital *[note 18]*	317	(240)
Cash and cash equivalents used in investing activities	(59,543)	(52,219)
(Decrease) Increase in cash during the year	(1,660)	2,770
Cash and cash equivalents, beginning of year	2,770	-
Cash and cash equivalents**, end of year**	1,110	2,770
Cash interest paid	2,821	251

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2006 and 2005 and for the year ended December 31, 2006 and 2005
(All $ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

1. NATURE OF THE ORGANIZATION

Essential Energy Services Trust ("Essential" or the "Trust") is an open-ended unincorporated investment trust governed by the laws of the province of Alberta and created pursuant to a deed of trust dated April 4, 2006 between Olympia Trust Company and Avenir Diversified Income Trust ("Avenir").

Pursuant to Section 193 of the Business Corporations Act (Alberta), under a Plan of Arrangement entered into by the Trust, Avenir Diversified Income Trust, Avenir Operating Trust, Avenir Operating Corp., Essential Production Services Exchange Corp., and Essential Energy Services Corp., effective May 31, 2006 the Energy Services Division of Avenir ("the Energy Services Division") was transferred to the Trust. Essential began publicly trading on the Toronto Stock Exchange on May 31, 2006. The Trust is made up of various partnerships which for the purposes of these financial statements have been combined to reflect the operations relating to Essential.

The following represents the partnerships that together make up Essential as at December 31, 2006:

- Essential Energy Services Limited Partnership
- Cascade Services Partnership
- Millard Oilfield Services Partnership
- Endless Tubing Services Partnership
- Cardinal Well Services Partnership
- Westvac Energy Services Partnership
- Richmound Energy Services L.P.
- Kodiak Coil Tubing Limited Partnership
- Classic Well Servicing Partnership
- Jacar Energy Services Partnership

Avenir through a series of steps transferred their Energy Services Division to Essential in exchange for Essential units. These units were subsequently distributed to Avenir's unitholders on May 31, 2006 (20,820,036 units were distributed on a pro rata basis, with an additional 6,322,214 units issued for new acquisitions and the purchase of the non-controlling interests). Due to the transactions being structured in this manner, there was no change of control of the ownership of Avenir's Energy Services Division. Consequently, there was no upward adjustment to the carrying value of the assets (to record them at fair market value) and no corresponding upward adjustment to the partnership equity of the Trust. This accounting is referred to as continuity of interests accounting and as a result, the due to and investment from Avenir Diversified Income Trust balances were rolled into partnership equity.

All operations are located in Western Canada and provide oilfield services to crude oil and natural gas exploration and production customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes.

a) Basis of presentation

The financial statements of Essential have been prepared by management in accordance with GAAP.

The business of the Trust was carried out as the Energy Services Division of Avenir until May 31, 2006. After giving effect to the Plan of Arrangement the financial statements include the accounts of the Trust and its partnerships. As these financial statements have been prepared following the continuity of interest method of accounting they include the historical assets, liabilities, revenue and expenses of the Energy Services Division. Essential has distinct operating staff, capital budgets and targets. Historically Avenir has maintained accounting records necessary to support its consolidated financial statements and for other internal or tax reporting purposes. While Avenir did not prepare separate complete financial statements for the Energy Services Division or for any of its other divisions, separate accounting records for the Energy Services Division have been maintained by Avenir. Therefore, all revenues, expenses, assets and liabilities applicable to Essential have been derived directly from the accounting records of Avenir and it has not been necessary to allocate certain general and administrative items.

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and highly liquid investments with an original maturity of three months or less. As at December 31, 2006 and 2005 cash and cash equivalents consisted of balances with banks.

c) Property and equipment

Property and equipment assets are recorded at cost. Depreciation is recorded using the declining balance method, net of salvage value, over the estimated useful lives of the assets. Depreciation rates are as follows:

Automotive	30%
Heavy automotive equipment	Ranging from 10 to 40%
Equipment	20%
Office equipment	Ranging from 20 to 30%
Building	4%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

The Trusts reviews the valuation of long-lived assets when events or changes in circumstances may indicate impairment or cause its carrying value to exceed the total undiscounted cash flows expected from their use or disposition. An impairment loss would be recorded as the excess of the carrying value of the assets over their fair value, measured by either market value, if applicable, or estimated by calculating the present value of expected cash flows from the assets.

d) Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired and liabilities assumed in business acquisitions. Goodwill is allocated at the date of acquisition to the reporting units of the Trust's operations that are expected to benefit from the business combination.

Goodwill is not subject to amortization, but is tested for impairment on an annual basis, or more frequently if events occur that could result in an impairment, by applying a fair value based test. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of that reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. In the second step, the fair value of goodwill is compared to its carrying amount, with an impairment loss recognized when the carrying value of goodwill exceeds its estimated fair value. Any goodwill impairment will be recognized as an expense in the period the impairment is determined. Impairment provisions are not reversed if there is subsequent increase in the fair value of goodwill.

e) Materials and supplies

Materials and supplies consists of coil tubing, chemicals, tires and fuel and are valued at the lower of cost, determined on a first in first out basis, and net realizable value.

f) Capital lease obligations

Leases are classified as either capital or operating. Leases that effectively transfer substantially all of the risks and rewards of ownership to the Trust are capital leases and are accounted for as an acquisition of an asset and an assumption of an obligation at the inception of the lease, measured at the present value of minimum lease payments. The asset is amortized on a straight-line basis over the term of the lease but not in excess of its useful life. Obligations recorded under capital leases are reduced by the lease payments, net of imputed interest. All other leases are accounted for as operating leases, and the associated payments are recorded as an expense when they are paid or become payable.

g) Revenue recognition

Revenue from energy services is recognized in the period that the services are rendered to the customer.

h) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known. The assets most subjective to estimation include the useful lives and recoverability of property and equipment, intangible assets and goodwill.

i) Income taxes

The Trust, and its operating entity, are taxable entities under the Income Tax Act of Canada and are taxable only on income that is not distributed or distributable to the Unitholders. As the Trust distributes all of its taxable income to the Unitholders pursuant to the Trust Indenture and meets the requirements of the Income Tax Act of Canada applicable to the Trust, no provision for income taxes has been made in these consolidated financial statements.

j) Intangible assets

Intangible assets, consisting of acquired customer relationships, trade names, and non-compete agreements, are recorded at cost and amortized over their useful lives, which is estimated to be between three and ten years. Intangible assets are regularly evaluated for possible impairment by comparing their applicable estimated future net cash flows to the unamortized net book value of the intangible assets. If impairment is indicated the intangible asset is written down to its estimated fair market value. Any impairment would be charged to income in that period.

k) Per unit amounts

Basic earnings per unit amounts are computed by dividing net income by the weighted average number of units outstanding during the period. The treasury stock method is used to determine the diluted per unit amounts. Under this method, the diluted weighted average number of units is calculated assuming the proceeds that arise from the exercise of outstanding, in the money options are used to purchase units of the Trust at their estimated average market price during the period, and the difference between the Trust units issued upon exercise of the options and the number of options obtainable under this option, on a weighted average basis, is added to the number of units outstanding. Anti-dilutive options are not considered in computing diluted earnings per unit. The diluted weighted average number of units also includes contingently issuable shares, which consist of shares that are issuable upon the satisfaction of certain conditions pursuant to a contingent share agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2006 and 2005 and for the year ended December 31, 2006 and 2005
(All $ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

l) Unit-based compensation

Options to purchase Trust units granted under the Unit Option Plan are described further in Note 12 of these consolidated financial statements. Unit-based compensation is recognized in accordance with the fair-value based method of accounting. Compensation expense for unit options awarded under the plan is measured at estimated fair value at the grant date, using the Black-Scholes valuation model and is recognized as unit-based compensation expense over the vesting period of the options granted.

3. ACQUISITIONS

2006

The Trust completed a number of acquisitions during the year of 2006. These acquisitions have been accounted for using the purchase method of accounting. Results from the operations of Jacar Energy Services Partnership (“Jacar”), Classic Well Servicing Partnership (“Classic”), DRB-AV Partnership (“DRB-AV”) and Kodiak Coil Tubing Limited Partnership (“Kodiak”) are included in the Trust’s consolidated financial statements from the closing date of acquisition. The purchase price for Jacar has not been finalized and is subject to change.

The following indicates how the purchase price has been allocated.

2006 Acquisitions	Jacar (a) $	Classic (b) $	DRB-AV (c) $	Non-Controlling Interest (d) $	Kodiak (e) $	Total $
Calculation of purchase price						
Cash consideration	15,464	-	-	618	13,017	29,099
Bank overdraft	391	39	-	-	-	430
Essential Trust units issued	4,369	31,917	19,860	12,045	20,860	89,051
Transaction costs	300	300	-	-	400	1,000
Total purchase price	20,524	32,256	19,860	12,663	34,277	119,580

Allocation of purchase price	Jacar (a) $	Classic (b) $	DRB-AV (c) $	Non-controlling Interest (d) $	Kodiak (e) $	Total $
Non-cash working capital	2,749	1,065	-	353	2,313	6,480
Property and equipment	8,673	16,192	7,966	-	9,226	42,057
Intangible assets	6,800	1,100	-	-	3,601	11,501
Goodwill	2,302	14,837	11,894	10,840	22,237	62,110
Long-term debt	-	(938)	-	-	(2,522)	(3,460)
Non-controlling interest	-	-	-	1,470	(578)	892
Total purchase price	20,524	32,256	19,860	12,663	34,277	119,580

a) Jacar Energy Services Partnership

On September 18, 2006 the Trust acquired all of the assets and business of Jacar Energy Services Partnership from Jacar Hot Oil Service Ltd. and related parties, which provides a range of production services to oil and gas operators across southern Alberta and into southwest Saskatchewan, for total consideration of $20,524 consisting of net cash of $15,464, the assumption of $391 in bank overdraft, transaction costs of approximately $300, and the issuance of 544,053 Essential Trust Units at $8.03 per unit.

b) Classic Well Servicing Partnership

On May 31, 2006 as part of the Plan of Arrangement, the Trust acquired 100% of the partnership units of Classic Well Servicing Partnership, which provides well servicing through nine mobile service rigs to the oil and gas industry, for the issuance of 3,191,721 Trust Units at $10.00 per unit and the assumption of $39 in bank overdraft. Transaction costs of the acquisition were approximately $300.

c) DRB-AV Partnership

On May 31, 2006 as part of the Plan of Arrangement the Trust acquired 100% of the partnership units of DRB-AV Partnership. The assets acquired include 4 swab rigs, 2 hot oilers, 2 vacuum trucks, 1 hydro-vac, a tank truck and a combination steamer-vac. The acquisition was completed through the issuance of 1,985,960 Trust Units at $10.00 per unit.

d) Non-Controlling Interest

On May 31, 2006 as part of the Plan of Arrangement, the Trust acquired the remaining 10% of the partnership units of Cascade Services Partnership ("Cascade"), Westvac Energy Services Partnership ("Westvac") and Kodiak Coil Tubing Limited Partnership ("Kodiak"), for net cash consideration of $618 and the issuance of 1,144,533 Trust Units at $10.00 per unit. The Trust further agreed to pay additional consideration to the non-controlling interest partner of Cascade Services Partnership based on achieving certain 2006 EBITDA targets in excess of $7,423 up to a maximum payment of $600. The additional consideration totalled $600 and was paid on February 28, 2007 by issuing 101,351 trust units of Essential. This amount has been reflected in the purchase consideration above.

e) Kodiak Coil Tubing Limited Partnership

On March 31, 2006 the Energy Services Division of Avenir acquired a 90% partnership interest in Kodiak Coil Tubing Limited Partnership, for total consideration of $22,250 consisting of net cash of $13,017, transaction costs of approximately $400 and the issuance of 729,438 Avenir Trust Units at $12.11 per unit. The Avenir Trust Units were valued based on a 5% discount to the average fair market value of the units immediately prior to the date the letter of intent was signed. The Trust further agreed to pay an additional contingent amount based on a predetermined multiple of Kodiak's 2006 earnings before interest, depreciation and taxes in excess of $5,200 up to a maximum payment of $18,000. As at December 31, 2006 the trust estimates a contingent cost of $12,027, payable in April 2007 with the issuance of 2,429,678 Essential trust units at $4.95 per unit. This amount has been reflected in the purchase consideration above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2006 and 2005 and for the year ended December 31, 2006 and 2005
(All $ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

2005

During 2005, the Energy Services Division of Avenir completed five acquisitions. Results from the operations of Richmound Energy Services L.P. ("Richmound"), Westvac Service Ltd. ("Westvac"), Cardinal Well Services Inc. ("Cardinal"), Richmound Endless Tubing Services Ltd. ("Endless") and Millard Oilfield Services (91) Ltd. ("Millard") are included in the Trust's consolidated financial statements from the closing date of acquisition.

These acquisitions have been accounted for using the purchase method of accounting as follows:

2005 Acquisitions	Richmound (f) $	Westvac (g) $	Cardinal (h) $	Richmound Endless (i) $	Millard (j) $	Other $	Total $
Calculation of purchase price							
Cash consideration	8,670	4,723	6,809	10,863	7,779	772	39,616
Bank overdraft	-	-	191	-	-	-	191
Paid by Avenir Operating Trust	-	2,119	-	-	-	-	2,119
Trust units issued	-	2,250	-	-	-	-	2,250
Estimated transaction costs	200	200	210	400	200	-	1,210
Less Cash acquired	(830)	-	-	(95)	(306)	-	(1,231)
Total purchase price	8,040	9,292	7,210	11,168	7,673	772	44,155

Allocation of purchase price	Richmound (f) $	Westvac (g) $	Cardinal (h) $	Richmound Endless (i) $	Millard (j) $	Other $	Total $
Non-cash working capital	144	804	752	429	873		3,002
Property and equipment	2,097	4,674	6,267	6,248	6,800	772	26,858
Goodwill	8,454	7,075	1,623	5,657	-		22,809
Bank indebtness	-	(387)	-	-	-		(387)
Captial Lease obligations	-	-	(390)	-	-		(390)
Due to Avenir Production Services Limited Partnership	-	(1,247)	-	-	-		(1,247)
Bonus and note payable	-	-	-	(1,166)	-		(1,166)
Long-term debt	(2,655)	(1,385)	(1,042)	-	-		(5,082)
Subordinated debt	-	(192)	-	-	-		(192)
Non-controlling interest	-	(50)	-	-	-		(50)
Total purchase price	8,040	7,173	7,210	11,168	7,673	772	44,155

f) Richmound Energy Services L.P.
On December 16, 2005 the Energy Services Division acquired all of the interest in Richmound Energy Services L.P. (“Richmound”), which provides vacuum and tank truck services to the energy industry, for net cash consideration of $8,040. Transaction costs of the acquisition were approximately $200.

g) Westvac Energy Services
On August 31, 2005 the Energy Services Division acquired a 90% partnership interest in Westvac Service Ltd. (“Westvac”), which provides production related services to the oil and gas industry, for net cash consideration of $7,173. Transaction costs of the acquisition were approximately $200. As part of the acquisition of Westvac an additional contingent amount was paid at four and half times of earnings before interest, taxes and depreciation for the twelve month period ending January 31, 2006 in excess of $2,300. This amount totaled $2,119.

h) Cardinal Well Services Inc.
On May 1, 2005 the Energy Services Division of Avenir acquired all of the issued and outstanding shares of Cardinal Well Services Inc. (“Cardinal”), which provides well servicing through rod rig “flush-by” units to the oil and gas industry, for net cash consideration of $7,210. Transaction costs of the acquisition were approximately $210.

i) Richmound Endless Tubing Services Ltd.
On April 15, 2005 the Energy Services Division of Avenir acquired all of the issued and outstanding shares of Richmound Endless Tubing Services Ltd. ("Endless"), which provides coiled tubing services to the oil and gas industry, for net cash consideration of $11,168. Transaction costs of the acquisition were approximately $400.

j) Millard Oilfield Services (91) Ltd.
On April 1, 2005 the Energy Services Division of Avenir acquired all of the issued and outstanding shares of Millard Oilfield Services (91) Ltd. ("Millard"), which provides well servicing through mobile service rigs to the oil and gas industry, for net cash consideration of $7,673. Transaction costs of the acquisition were approximately $200.

4. PROPERTY AND EQUIPMENT

		December 31, 2006	
	Cost $	Accumulated Depreciation $	Net Book Value $
Automotive	5,260	2,074	3,186
Heavy automotive equipment	103,418	16,396	87,022
Equipment	3,035	607	2,428
Office equipment	532	101	431
Leasehold improvements	197	16	181
Land	78	-	78
Building	3,062	52	3,010
Assets under capital lease	473	226	247
Prospects and development	158	-	158
	116,213	19,472	96,741

		December 31, 2005	
	Cost $	Accumulated Depreciation $	Net Book Value $
Automotive	3,780	1,113	2,667
Heavy automotive equipment	38,046	5,502	32,544
Equipment	1,777	147	1,630
Office equipment	218	36	182
Leasehold improvements	32	3	29
Land	30	-	30
Building	345	4	341
Assets under capital lease	558	80	478
Prospects and development	64	-	64
	44,850	6,885	37,965

5. INTANGIBLES

	December 31, 2006		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	$	$
Customer relationships	7,701	392	7,309
Trade names	2,300	57	2,243
Non-compete	1,500	293	1,207
	11,501	**742**	**10,759**

6. GOODWILL

	Amount
	$
Goodwill, December 31, 2005	**24,346**
Kodiak acquisition (note 3)	22,237
Classic acquisition (note 3)	14,837
DRB-AV acquisition (note 3)	11,894
Non-controlling interest acquisitions (note 3)	10,840
Westvac acquisition contingency payment (note 3)	2,119
Jacar acquisition (note 3)	2,302
Goodwill, December 31, 2006	**88,575**

7. BANK INDEBTEDNESS

At December 31, 2006, the Trust has an extendible revolving loan facility with a major Canadian bank in the amount of $20,000 bearing interest at prime plus one-half of one percent payable monthly. As at December 31, 2006, $10,940 (December 31, 2005 – $10,881) was drawn on the revolving loan facility.

This facility is collateralized by a floating charge debenture over all of the Trust's assets.

The average effective interest rate on borrowings under the line for the year ended December 31, 2006, including services fees, was 6.3%. (December 31, 2005 – 4.7%)

8. CAPITAL LEASE OBLIGATIONS

The Trust has capital leases for equipment which are repayable in monthly installments totaling approximately $14 including interest at rates implicit in the leases ranging from 3.7% to 12.7% per annum. The leases mature between April 2007 and February 2008 and are collateralized by specific equipment purchased.

Future minimum lease payments at December 31, 2006 are as follows:

	$
2007	246
2008	17
Total minimum lease payments	263
Less amount representing interest	(11)
	252
Current portion of minimum lease payments	(235)
	17

In management's opinion, the fair value of these capital lease obligations subject to fixed rates of interest does not differ significantly from their carrying value.

9. LONG-TERM DEBT

The Trust has the following long-term loans outstanding:

	2006 $	**2005** $
Term acquisition loan facility	55,000	-
Various loans payable in monthly instalments with interest rates ranging from 0.00% to 10.95% , and maturities from February 2007 to November 2009	1,412	2,283
Current portion	(11,347)	(1,159)
	45,065	1,124

On May 31, 2006, the Trust entered into an agreement with a syndicate of two Canadian chartered banks comprised of an operating line of credit (note 7) and a term acquisition loan facility. Under this agreement, the term acquisition loan facility is limited to the lesser of $65,000 or 60 percent of the unencumbered net tangible assets. The facility has no required principal repayments during the term and bears interest at the bank's prime rate plus 0.75 percent. The average effective interest rate on borrowings under the line for the year ended December 31, 2006 was 6.7% (December 31, 2005 – nil %). The facility expires on May 30, 2007 and can be renewed, at the lender's option, for an additional 364-day period. If not renewed, the loan is repayable in equal monthly instalments over a three-year period. As a result, the portion of the term acquisition loan included in the current portion of long-term debt at December 31, 2006 is $11,347 (December 31, 2005 – $1,159). The term acquisition loan facility is collateralized by a general security agreement and a general assignment of book debts. The various loans payable are collateralized by automotive and heavy automotive equipment.

In management's opinion the carrying value of these loans do not differ significantly from their fair values, as the terms and conditions of loans entered into today would not differ significantly from existing loans.

10. NON-CONTROLLING INTEREST

	2006 $
Opening non-controlling interest, January 1, 2006	**1,005**
Energy Services acquisitions (note 3)	578
Non-controlling interest in earnings	411
Distributions to non-controlling interest holders	(524)
Buyout of minority interests on May 31, 2006 (note 3)	(1,470)
Closing non-controlling interest, December 31, 2006	**-**

As part of the Plan of Arrangement the non-controlling interest owners exchanged their share of the Trust's operations for Trust units, thereby eliminating the non-controlling interest balance going forward.

11. UNITHOLDERS' CAPITAL

a) Unitholders' capital

Authorized

Authorized capital consists of an unlimited number of Trust Units, without par value, and an unlimited number of Special Voting Units, without par value. 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 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** $
Balance December 31, 2005	**-**	**-**
Units issued via plan of arrangement on May 31, 2006, net	27,142,250	142,212
Units issued for acquisition of Jacar and Saskatchewan land and buildings	570,827	4,584
Units to be issued in 2007 as additional consideration relating to the acquisition of Kodiak	-	12,027
Units to be issued in 2007 as additional consideration relating to the acquisition of the 10% interest in Cascade	-	600
Balance December 31, 2006	**27,713,077**	**159,423**

Trust formation costs were $5,104.

The Trust units of Essential were distributed to existing Avenir unitholders pro rata to their respective interests in Avenir.

The Trust issued 101,351 units on February 28, 2007 at $5.92 per unit to pay the additional consideration to the non-controlling interest partner of Cascade Services Partnership. In addition, Essential estimates that approximately 2,429,678 trust units will be issued in April 2007 at $4.95 per unit to the vendors of Kodiak Coil Tubing Limited Partnership ("Kodiak") based on a predetermined multiple of Kodiak's 2006 EBITDA in excess of $5,200 up to a maximum payment of $18,000. As at December 31, 2006, the total consideration ($600 relating to Cascade and $12,027 to Kodiak) have been accrued to unitholders' equity. As the Trust units came into existence on May 31, 2006, and the comparative numbers where those of Avenir Diversified Income Trust, the December 31, 2005 comparative amounts are not applicable.

b) Net income per unit

The Trust had basic weighted average number of trust units outstanding of 27,418,285 for 2006 (December 31, 2005 – nil). The diluted per unit amount was calculated assuming the exercise of outstanding in-the-money options and contingently issuable shares resulting in a weighted average number of trust units outstanding for the year, of 29,949,314. All options outstanding at December 31, 2006 are currently out-of-the money.

12. STOCK-BASED COMPENSATION

Essential implemented a stock option plan whereby options to acquire Trust Units of Essential may be granted to the directors, officers, employees and consultants.

The aggregate number of Trust units issuable upon the exercise of options outstanding under the Plan at any time may not exceed 10% of the issued and outstanding Trust Units. The period during which an option granted under the Plan is exercisable may not exceed five years from the date such option is granted. The options issued under the Plan vest 1/3 after one year, 1/3 after two years and 1/3 after three years. In addition, the exercise price of each issued option is reduced by the monthly per unit distribution. At the time of exercise, the holder of the option has the right to choose the reduced exercise price, as described above, or the initial exercise price.

The following table summarizes the status and changes during the year ended December 31, 2006:

	Number of options outstanding	Weighted average grant date exercise price ($)
Outstanding, December 31, 2005	-	-
Granted	1,621,200	9.92
Expired	(170,600)	-
Outstanding, December 31, 2006	1,450,600	9.92
Exercisable, December 31, 2006	-	-

The following table summarizes information about the unit options outstanding at December 31, 2006:

Grant date exercise price	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
10.00	1,360,600	4.4	-
8.64	90,000	4.6	-
	1,450,600	4.4	-

The total value of stock-based compensation of $3,322 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 fair value of the options is amortized equally over the vesting period to income and equity as stock compensation expense and contributed surplus respectively. The assumptions made for the options granted in 2006 are as follows:

Grant date exercise price	
Expected volatility	40%
Risk-free interest rate	4.22%
Expected life of options	5 years
Dividend yield	nil

The Trust recorded compensation expense and contributed surplus of $642 for year ended December 31, 2006 (December 31, 2005 - $nil).

13. FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

The Trust's financial instruments consist of cash and cash equivalents, accounts receivable and prepaid expenses, bank indebtedness, accounts payable and accrued liabilities, distributions payable, due to non-controlling interest owners, due to Avenir Diversified Income Trust, capital lease obligations and long-term debt. Unless otherwise noted, as at December 31, 2006 and 2005, there were no significant differences between the carrying amounts of these financial instruments and their estimated fair values.

Credit risk

The Trust's accounts receivable are exposed to credit risk. 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 customers, and monitors the exposure for credit losses.

Of the Trust's significant trade accounts receivable as at December 31, 2006, approximately 23.9% was due from two companies (12.7% and 11.2%, respectively) (December 31, 2005 – 17.3% due from one company).

Interest rate risk

Drawings under the Trust's bank credit facilities and long-term debt are at floating interest rates and expose the Trust to interest rate risk.

14. COMMITMENTS AND CONTINGENCIES

Commitments

The Trust has entered into operating leases for office and shop premises and equipment that provide for minimum annual lease payments as follows:

	$
2007	2,952
2008	2,369
2009	1,772
2010	1,171
2011 & forward	606
Total	8,870

Contingencies

On October 31, 2006, the Minister of Finance announced its proposal to amend the *Income Tax Act* (Canada) to apply a Distribution Tax on distributions from publicly-traded income trusts. Under the proposal, existing income trusts will be subject to the new measures commencing in their 2011 taxation year, following a four-year grace period. The Minister of Finance has issued a Notice of Ways and Means Motion to Amend the Income Tax Act and on November 7, 2006 obtained

approval from Parliament to enact the proposal. If the legislation is ultimately enacted, the Trust will be required to record a liability for future taxes.

15. RELATED PARTY TRANSACTIONS

On September 23, 2006, the Trust paid $215, through the issuance of 26,774 Trust units, to a corporation controlled by an officer of the Trust for land and buildings. The transaction was recorded at the exchange amount.

During the year ended December 31, 2006, the Trust leased land and buildings from officers of the Trust which are included in operating expenses. The expense totalled $263. (December 31, 2005 – $214). These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

16. DUE TO RELATED PARTIES

The balance due to related parties is comprised of the following, all of which have been recorded at their exchange values:

	2006 **$**	**2005** **$**
Distributions payable to Avenir	-	700
Funds loaned from Avenir, zero interest and no repayment terms	-	14,018
	-	14,718

During 2006, $7,890 was paid to Avenir through cash distributions. The remaining balance was settled as part of the Plan of Arrangement.

17. SEGMENTED INFORMATION

The Trust determines its reportable segments based on the structure of its operations, which are primarily focused on two principal business segments – transport and rigs. The accounting policies followed by these business segments are the same as those described in the summary of significant accounting polices. During the year ended December 31, 2006 there were no inter-segment eliminations (December 31, 2005 – nil).

The following is selected financial information for each business segment:

	For the year ended	
	December 31, 2006 **$**	**December 31, 2005** **$**
Revenue		
Rigs	45,047	14,442
Transport	51,261	19,544
	96,308	33,986

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2006 and 2005 and for the year ended December 31, 2006 and 2005
(All $ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

	For the year ended December 31, 2006	For the year ended December 31, 2005
	$	$
Operating expenses		
Rigs	24,446	7,384
Transport	29,361	10,453
	53,807	17,837

	For the year ended December 31, 2006	For the year ended December 31, 2005
	$	$
Net Income		
Rigs	9,209	1,746
Transport	6,986	2,064
Corporate	(3,410)	(284)
	12,785	3,526

	As at December 31, 2006			
	Rigs	**Transport**	**Corporate**	**Total**
	$	$	$	$
Selected balance sheet items				
Property and equipment	55,400	41,087	254	96,741
Intangibles	4,158	6,601	-	10,759
Goodwill	51,327	37,248	-	88,575
Total assets	124,227	98,099	855	223,181
Bank indebtedness	-	-	10,940	10,940
Long-term debt	-	1,412	55,000	56,412

	As at December 31, 2005			
	Rigs	**Transport**	**Corporate**	**Total**
	$	$	$	$
Selected balance sheet items				
Property and equipment	18,112	19,801	52	37,965
Intangibles	-	-	-	-
Goodwill	7,280	17,066	-	24,346
Total assets	30,716	44,107	415	75,238
Bank indebtedness	-	-	10,881	10,881
Long-term debt	-	2,283	-	2,283

18. CHANGE IN NON-CASH WORKING CAPITAL

	2006 $	2005 $
Cash provided by (used in):		
Accounts receivable and prepaid expenses	(14,217)	(7,071)
Materials and supplies	(1,622)	(1,038)
Accounts payable and accrued liabilities	3,314	2,593
Due to Avenir Diversified Income Trust	(14,718)	14,389
Due to non-controlling interest owner	(44)	(23)
Working capital acquired through acquisitions and spin-out	20,052	2,756
Changes in non-cash working capital	**(7,235)**	**11,606**
Operating activities	**(7,552)**	**11,780**
Financing activities	**-**	**66**
Investing activities	**317**	**(240)**
Changes in non-cash working capital	**(7,235)**	**11,606**

19. CASH DISTRIBUTIONS TO UNITHOLDERS

During 2006, the Trust declared monthly distributions to unitholders of record as at the close of business on each distribution record date. Such distributions are recorded as reductions of Unitholders' equity upon declaration of the distribution.

Record Date	Payment Date	Cash Distributions per Unit ($)	Total Distributions
June 30, 2006	July 17, 2006	0.083	2,253
July 31, 2006	August 15, 2006	0.083	2,253
August 31, 2006	September 15, 2006	0.083	2,253
September 29, 2006	October 13, 2006	0.083	2,300
October 31, 2006	November 15, 2006	0.083	2,300
November 30, 2006	December 15, 2006	0.083	2,300
December 29, 2006	January 15, 2007	0.083	2,301
Total		**0.581**	**15,960**