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ESSENTIAL RELEASES RECORD FIRST QUARTER 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 ended March 31, 2007 and to announce it has filed the complete Management Discussion and Analysis and unaudited financial statements for the three months ended March 31, 2007 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.

First Quarter 2007 Financial Highlights

\$ thousands, except per unit amounts, margins and ratios	As at and for the three months ended March 31,		
	2007	2006	% Change
Financial Results			
Revenue	35,901	19,521	84%
EBITDAC ¹	10,750	7,368	46%
EBITDAC margin (%) ¹	30%	38%	(8)%
EBITDAC per unit - diluted	0.36	n/a	n/a
Net income	4,948	3,063	62%
Net income margin (%)	14%	16%	(2)%
Earnings per unit - diluted	0.16	n/a	n/a
Funds from operations ²	9,454	7,056	40%
Funds from operations per unit - diluted	0.31	n/a	n/a
Distributions to unitholders ³	6,917	n/a	n/a
Payout ratio on funds from operations ³	73%	n/a	n/a
Unit Information			
Number of units outstanding	27,814	n/a	n/a
Weighted average number of units – diluted	30,119	n/a	n/a

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

¹ EBITDAC is defined as earnings before non-controlling interests, interest, taxes, depreciation, amortization and stock-based compensation expense. We believe in addition to net income, EBITDAC 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 and stock-based compensation expense. EBITDAC margin is calculated as EBITDAC 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, stock-based compensation expense and non-controlling interest.

³ Payout ratio on funds from operations is calculated by dividing distributions to unitholders by funds from operations.

Overview

The first quarter of 2007 saw Essential achieve another quarter of record financial performance despite numerous challenges. Revenue increased by 84%, net income by 62% and earnings before interest, income taxes, depreciation, amortization and stock-based compensation ("EBITDAC") increased by 46% compared to the first quarter of 2006 as a result of acquisitions and capital investment in new equipment.

The continued growth and strong performance was achieved in a very difficult environment and reaffirms the validity of the Trust's strategy of focusing on production services. The quarter began with slow activity in early January due to unseasonably warm temperatures and ended with warm weather causing an early spring break up. Spring break up usually occurs in late March across southern Alberta and Saskatchewan and somewhat later in the north. In 2006 spring break up did not start until early April whereas in 2007 break up was well under way by the second week of March in southern Alberta. During spring break up the ground softens and restrictions are placed on road use thereby preventing heavy equipment from moving to field locations. This resulted in reduced revenue in March from our southern operations. The Trust's northern operation continued to perform reasonably well through the end of the quarter. In spite of the unusually warm periods the Trust was able to provide excellent financial results due to the focus on production operations and geographical diversification between northern and southern operational areas.

"We are very pleased that Essential has shown such strong performance through the first quarter in the face of a general slow down in the oil and gas industry and the relatively poor operating conditions that resulted from periods of unusually warm weather," said James Burns, President and Chief Executive Officer. "Essential was able to show gains not only over the first quarter of 2006 but also over the fourth quarter of 2006 even though the Trust completed no acquisitions and had no significant increase in new equipment in the first quarter of 2007," concluded Mr. Burns.

Operational performance was very impressive given the general slowdown in oilfield activity in the first quarter of 2007. In particular, Essential has maintained its EBITDAC margins at or above 30% throughout the fourth quarter of 2006 and the first quarter of 2007. The reduction in EBITDAC margin from 38% in the first quarter of 2006 to 30% in the first quarter of 2007 is due to the increased administrative costs of operating Essential as a stand alone public entity compared to the first quarter of 2006 when Essential was operated as the energy services division of Avenir. Essential has had to provide for head office accounting and administrative support and absorb the increased staff, regulatory, legal and accounting costs associated with operating as a separate public entity. As the Trust grows through further capital equipment purchases and acquisitions, these administrative expenses should decrease as a percentage of revenue.

Outlook

The outlook for the balance of 2007 and beyond is positive as commodity prices have remained at reasonable levels. Fears of a collapse in natural gas prices due to high storage levels in the United States appear to be fading as storage levels moderate. Global events and robust consumption in the United States are contributing to strong oil prices. Barring any unforeseen events, commodity prices should support relatively strong oilfield activity for the balance of the year and beyond. The second quarter is always the weakest quarter of the year for financial results due to spring break up and 2007 will be no exception. April has been a very challenging month and a prolonged spring break up or unusually wet spring may provide much weaker than expected results. Proposed changes to the legislation concerning taxation of income trusts continue to have a negative effect on trust unit values and impede the efficient functioning of the capital markets, but these uncertainties are also becoming somewhat less of a problem with time. In the face of these challenges we remain confident that the Trust will provide stable cash flows to sustain distributions and allow accretive growth on a per unit basis.

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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 THREE MONTHS ENDED MARCH 31, 2007

This Management's Discussion & Analysis ("MD&A") was prepared as of May 10, 2007 and is provided to assist readers in understanding Essential Energy Services Trust's ("Essential" or the "Trust") financial performance for the three months ended March 31, 2007 and significant trends that may affect future performance of the Trust. This MD&A should be read in conjunction with the accompanying interim consolidated financial statements for the three months ended March 31, 2007 and the notes contained therein. The accompanying 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, amortization and stock-based compensation ("EBITDAC"), 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 Reconciliation of Non-GAAP Measures 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. It should also be noted that the Trust's operations traditionally follow a seasonal pattern and therefore the results of this quarter may not be indicative of the entire year.

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 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 three months ended March 31, 2007 and comparables for the three months ended March 31, 2006 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 period ended March 31, 2006 as such information would not be meaningful.

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2007

- **Revenue**
Revenue increased 84% to \$35.9 million.
- **EBITDAC¹**
EBITDAC increased 46% to \$10.8 million.
- **Funds From Operations²**
Funds from operations increased 40% to \$9.5 million.
- **Net Income**
Net income increased 62% to \$4.9 million.
- **Distributions to Essential Unitholders³**
Distributions declared in the quarter to Essential unitholders was \$6.9 million.
- **Payout Ratio for Essential Unitholders³**
Payout ratio on funds from operations for the first quarter was 73%.

^{1,2,3} See corresponding footnote under Financial Highlights.

FINANCIAL HIGHLIGHTS

\$ thousands, except per unit amounts, margins and ratios	For the three months ended March 31,		
	2007	2006	% Change
Financial Results			
Revenue	35,901	19,521	84%
EBITDAC ¹	10,750	7,368	46%
EBITDAC margin (%) ¹	30%	38%	(8)%
EBITDAC per unit - diluted	0.36	n/a	n/a
Net income	4,948	3,063	62%
Net income margin (%)	14%	16%	(2)%
Earnings per unit - diluted	0.16	n/a	n/a
Funds from operations ²	9,454	7,056	40%
Funds from operations per unit - diluted	0.31	n/a	n/a
Distributions to unitholders ³	6,917	n/a	n/a
Payout ratio on funds from operations ³	73%	n/a	n/a
	As at March 31, 2007	As at December 31, 2006	
Financial Position and Liquidity			
Working capital (excluding debt) ⁴	7,702	7,596	
Working capital ratio ⁴	1.3:1	1.4:1	
Net Debt ⁵	49,173	49,068	
Unitholders' equity	145,368	147,007	
Unit Information			
Number of units outstanding	27,814	27,713	
Weighted average number of units outstanding – diluted	30,118	29,949	
Number of options outstanding	2,611	1,451	

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

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

¹ EBITDAC is defined as earnings before non-controlling interests, interest, taxes, depreciation, amortization and stock-based compensation expense. We believe in addition to net income, EBITDAC 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 and stock-based compensation expense. EBITDAC margin is calculated as EBITDAC 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, stock-based compensation expense and non-controlling interest.

³ Payout ratio on funds from operations is calculated by dividing distributions to unitholders by funds from operations.

⁴ Working capital (excluding debt) is calculated by taking current assets less current liabilities excluding current portions of capital lease obligations, and long-term debt. Working capital ratio is calculated by taking current assets divided by current liabilities excluding current portions of capital lease obligations, and long-term debt.

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

DISCUSSION OF FINANCIAL RESULTS

Overview

The first quarter of 2007 saw Essential achieve another quarter of record financial performance despite numerous challenges. Revenue increased by 84%, net income by 62% and EBITDAC increased by 46% compared to the first quarter of 2006 as a result of acquisitions and capital investment in new equipment in the intervening period.

The continued growth and strong performance was achieved in a very difficult environment and reaffirms the validity of the Trust's strategy of focusing on production services. The quarter began with slow activity due to unseasonably warm temperatures and ended with warm weather causing an early spring break up. Operations in southern Alberta slowed dramatically in early March due to warm weather and the poor conditions associated with spring break up that usually occurs in late March. In comparison 2006 spring break up did not occur until early April. An overall slowdown in oilfield activity related to a year-over-year decline in drilling has had a minimal impact on Essential due to the Trust's focus on production-related services.

More importantly, Essential has managed to maintain high operating margins. EBITDAC margin in the first quarter of 2007 continued to be healthy at 30%. These successful first quarter results allowed Essential to maintain its current distribution level at \$0.996 per unit per annum resulting in a payout ratio of 73% in the first quarter of 2007 which is the same as the fourth quarter of 2006.

Revenue

\$ thousands	For the three months ended March 31,		
	2007	2006	% Change
Revenue by segment:			
Rigs	15,936	5,872	171%
Transport	19,965	13,649	46%
Total revenue	35,901	19,521	84%

Revenue for the first quarter 2007 was \$35.9 million (Q1 2006 - \$19.5 million), up \$16.4 million or 84%.

The increase in the Rigs division of \$10.1 million was primarily due to the acquisitions of several private companies since the first quarter of 2006. These acquisitions added a significant amount of equipment to the Rigs division including 10 coil tubing rigs, 9 service rigs, 7 swab rigs and 5 rod rigs that did not contribute to revenue in Q1 2006.

The Transport division increased its revenues by \$6.3 million, reflecting the acquisition of several private companies since the first quarter of 2006. These acquisitions added 79 revenue generating Transport units that did not exist in Q1 2006. In addition, the Transport division's revenue also includes revenue from a 100 person camp acquired in June 2006 without a similar revenue stream in Q1 2006.

Overall the Rigs division generated 44% and the Transport division generated 56% of the Q1 2007 revenue as compared to 30% and 70% respectively, during Q1 2006. Essential believes it is now reasonably weighted between the Rigs and Transport divisions.

Operating Expenses

\$ thousands	For the three months ended March 31,		
	2007	2006	% Change
Operating expense by segment:			
Rigs	8,976	3,102	189%
Transport	11,832	6,668	77%
Total operating expense	20,808	9,770	113%

Operating expenses for the quarter was \$20.8 million (Q1 2006 - \$9.8 million), up \$11.0 million or 113%

The increase in the Rigs division of \$5.9 million is consistent with the significant growth in revenue from acquisitions and new equipment.

The increase in the Transport division of \$5.1 million is consistent with the significant growth in revenue from acquisitions and new equipment.

General and Administrative Expenses

\$ thousands	For the three months ended March 31,		
	2007	2006	% Change
General and administrative	4,343	2,383	82%

General and administrative ("G&A") expenses for the quarter was \$4.3 million (Q1 2006 - \$2.4 million), up \$1.9 million or 82%.

The increase in G&A expenses is consistent with the increase in the number of business units due to acquisitions from six at the beginning of 2006 to ten at the end of the first quarter of 2007. 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 Q1 2007 compared to Q1 2006.

Depreciation and Amortization

\$ thousands	For the three months ended March 31,		
	2007	2006	% Change
Depreciation and amortization	4,173	3,585	16%

Depreciation and amortization for the quarter was \$4.2 million (Q1 2006 - \$3.6 million), up \$0.6 million or 16%.

The increase in depreciation and amortization was due to the significant increase in the amount of new equipment from acquisitions and purchases since the first quarter of 2006.

Interest and Bank Charges

	For the three months ended March 31,		
\$ thousands	2007	2006	% Change
Interest and bank charges	1,299	312	316%

Interest and bank charges for the quarter was \$1.3 million (Q1 2006 - \$0.3 million), up \$1.0 million or 316%.

This increase is consistent with the increase in the amount drawn on the Trust's term acquisition loan facility, which increased to \$55.5 million at March 31, 2007 from \$nil at March 31, 2006. The increase in the term acquisition loan facility is due to the five acquisitions the Trust closed since the end of the first quarter of 2006.

Stock-based Compensation Expense

	For the three months ended March 31,		
\$ thousands	2007	2006	% Change
Stock-based compensation expense	330	nil	n/a

Stock-based compensation expense for the quarter was \$0.3 million (Q1 2006 - \$nil), up \$0.3 million.

This expense relates to issued and outstanding stock options.

Net Income

	For the three months ended March 31,		
\$ thousands	2007	2006	% Change
Net income	4,948	3,063	62%

Net income for the quarter was \$4.9 million (Q1 2006 - \$3.1 million), up \$1.8 million or 62%.

Net income margin decreased from 16% in the first quarter of 2006 to 14% in the first quarter of 2007. This decrease in net income margin was due to Essential putting in place a management team to run the Trust as a stand-alone public entity with increased staff, regulatory, legal and audit costs.

EBITDAC

	For the three months ended March 31,		
\$ thousands	2007	2006	% Change
EBITDAC	10,750	7,368	46%

EBITDAC for the quarter was \$10.8 million (Q1 2006 - \$7.4 million), up \$3.4 million or 46%.

This increase is a direct result of increased revenues derived from acquisitions. EBITDAC margin remained high for our industry sector at 30% in the first quarter of 2007(Q1 2006 – 38%), reflecting Essential's ability to maintain operating margins at a high level despite the increase in labour and fuel costs experienced throughout the past 12 months. 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.

SUMMARY OF QUARTERLY DATA

\$ thousands, except per unit amounts	March 2007	December 2006	September 2006	June 2006	March 2006	December 2005	September 2005	June 2005
	Revenue	35,901	32,791	25,267	18,729	19,521	13,252	9,906
EBITDAC ¹	10,750	10,642	7,266	4,898	7,368	3,604	3,545	1,690
Net income	4,948	5,650	2,421	1,651	3,063	996	1,247	418
Earnings per unit - diluted ²	0.16	0.19	0.09	0.06	n/a	n/a	n/a	n/a

¹ EBITDAC is defined as earnings before non-controlling interests, interest, taxes, depreciation, amortization and stock-based compensation expense. We believe in addition to net income, EBITDAC 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 and stock-based compensation expense. EBITDAC margin is calculated as EBITDAC divided by revenue.

² n/a means not applicable as the per unit amounts for the comparative quarters were those of Avenir Diversified Income Trust and would not be meaningful on a per unit basis to Essential unitholders.

FINANCIAL RESOURCES AND LIQUIDITY

Working Capital

\$ thousands, except ratios	March 31, 2007	December 31, 2006
Current assets	31,198	27,106
Current liabilities (excluding debt) ¹	23,496	19,510
Working capital (excluding debt) ²	7,702	7,596
Working capital (excluding debt) ratio ²	1.3:1	1.4:1

¹ Non-GAAP measure - Current liabilities (excluding debt) is calculated by taking current liabilities less current portions of capital lease obligations and long-term debt.

² Non-GAAP measure - Working capital (excluding debt) is calculated by taking current assets less current liabilities excluding current portions of capital lease obligations and long-term debt. 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 March 31, 2007 remained consistent at \$7.7 million (December 31, 2006 - \$7.6 million).

The working capital (excluding debt) ratio of 1.3:1 (December 31, 2006 - 1.4:1) indicates that Essential remains in a strong liquidity position to pay its debts as they become due.

Funded Debt

\$ thousands	March 31, 2007	December 31, 2006
Total Liabilities	80,371	76,174
Current liabilities (excluding debt and bank indebtedness) ¹	9,496	8,570
Funded debt (including current portion) ²	70,875	67,604

¹ Non-GAAP measure - Current liabilities (excluding debt and bank indebtedness) is calculated by taking current liabilities less bank indebtedness, current portions of capital lease obligations and long-term debt.

² Non-GAAP measure - 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.

Funded debt on March 31, 2007 was \$70.9 million compared to \$67.6 million on December 31, 2006. After taking cash at March 31, 2007 of \$3.7 million (December 31, 2006 - \$1.1 million) into consideration, net funded debt remains consistent at March 31, 2007 of \$67.2 million (December 31, 2006 - \$66.5 million)

As at March 31, 2007, \$14.0 million was drawn on the revolving loan facility resulting in an additional availability of \$6.0 million to be drawn on the facility. As at March 31, 2007, \$55.5 million was drawn on the revolving term loan facility resulting in excess availability on the facility of \$9.5 million.

In addition to the above facilities, the Trust also has approximately \$1.2 million of long-term debt and \$0.2 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 was 6.8%.

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	March 31, 2007	December 31, 2006
Unitholders' equity	145,368	147,007

On December 31, 2006, the Trust had 27,713,077 units outstanding. During the first quarter of 2007, the Trust issued the following units:

- On Feb 28, 2007, 101,351 units were issued to the non-controlling interest holder of Cascade Services Partnership as final consideration for the purchase of the 10% non-controlling interest Essential purchased on May 31, 2006.

The Trust had 27,814,428 units outstanding at March 31, 2007. Subsequent to March 31, 2007, Essential issued 2,304,294 units to satisfy the additional consideration provisions with respect to the acquisition of Kodiak Coil Tubing Limited Partnership ("Kodiak") which Essential purchased through Avenir on March 31, 2006. Total unitholders' equity at March 31, 2007 was \$145.4 million which includes an \$12.0 million accrual for the 2,304,294 units subsequently issued for Kodiak. On May 10, 2007, 30,118,722 units were outstanding.

The Trust had 2,611,300 unit options outstanding at March 31, 2007 and May 10, 2007.

FUNDS FROM OPERATIONS AND DISTRIBUTIONS TO UNITHOLDERS

\$ thousands	For the three months ended March 31,	
	2007	2006
Cash provided by operating activities	8,891	4,435
Change in non-cash working capital	563	2,621
Funds from operations	9,454	7,056
Required principal repayments	(216)	(300)
Distributions paid to Avenir	-	(2,875)
Funds retained for growth and capital expenditures	(2,329)	(3,851)
Distributions paid to Essential unitholders	6,909	-

Funds From Operations

Funds from operations for the quarter was \$9.5 million (Q1 2006 - \$7.1 million), up \$2.4 million or 34%.

The increase is a direct result of the contribution made to funds from operations due to several acquisitions made since the end of the first quarter of 2006 which added a significant amount of equipment including 10 coil tubing rigs, 9 service rigs, 7 swab rigs, 5 rod rigs and 79 Transport division units.

Required debt repayments are expected to remain relatively consistent throughout 2007.

Funds retained for growth and capital expenditures are not committed and will vary over time as cash availability changes.

Distributions To Unitholders

The Trust made distributions to unitholders of \$6.9 million in the quarter (Q1 2006 - \$nil). 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 AND CONTINGENCIES

There have been no material changes in the Trust's commitments since December 31, 2006.

The Trust has no contingent liabilities at March 31, 2007.

FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

The Trust's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, distributions payable, capital lease obligations and long-term debt. Unless otherwise noted, as at March 31, 2007, 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 March 31, 2007, approximately 23% was due from two companies (12% and 11% respectively) (December 31, 2006 – two companies; 13% and 11% respectively).

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 quarter ended March 31, 2007, the Trust paid \$0.6 million through the issuance of 101,351 Trust units, to a corporation controlled by an officer of the Trust for additional consideration related to the acquisition of the non-controlling interest of Cascade Services Partnership. The transaction was accrued for at December 31, 2006 and 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 \$0.2 million for the quarter ended March 31, 2007 (Q1 2006 - \$0.1 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 March 31, 2007.

SUBSEQUENT EVENTS

On April 25th, 2007, the Trust issued 2,304,294 trust units to the vendors of Kodiak Coil Tubing Limited Partnership ("Kodiak") at a price per unit based on the average closing price of the last 10 trading days of 2006 and a pre-determined multiple of Kodiak's 2006 EBITDA in excess of \$5.2 million, up to a maximum payment of \$18.0 million. At December 31, 2006, Essential accrued \$12,027, relating to the Kodiak additional consideration, to unitholders' capital and goodwill.

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:

\$ thousands, except ratios	For the three months ended March 31,	
	2007	2006
EBITDAC¹		
Net income	4,948	3,063
Stock-based compensation	330	-
Depreciation and amortization	4,173	3,585
Interest and bank charges	1,299	312
Non-controlling interest	-	408
EBITDAC¹	10,750	7,368
Funds From Operations		
Cash provided by operating activities	8,891	4,435
Change in non-cash working capital	563	2,621
Funds from operations	9,454	7,056
Payout Ratios		
EBITDAC ¹	10,750	7,368
Interest and bank charges	(1,299)	(312)
Loss (gain) on sale of fixed assets	3	-
Funds from operations	9,454	7,056
Distributions to unitholders	6,917	n/a
Payout ratio on funds from operations	73%	n/a

EBITDAC, funds from operations, and payout ratios 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 EBITDAC, funds from operations, and payout ratios 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 quarter ended March 31, 2006 were those of Avenir Diversified Income Trust and a meaningful equivalent is not available.

¹ EBITDAC is defined as earnings before non-controlling interests, interest, taxes, depreciation, amortization and stock-based compensation expense. We believe in addition to net income, EBITDAC 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 and stock-based compensation expense. EBITDAC 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 reported on these as part of the 2006 audit (please refer to the audited consolidated financial statements for the year ended December 31, 2006 available on SEDAR at www.sedar.com and on our website at www.essentialenergy.ca) and there have been no changes to disclosure controls in the current period.

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.

The Trust reported on these as part of the 2006 audit (please refer to the audited consolidated financial statements for the year ended December 31, 2006 available on SEDAR at www.sedar.com and on our website at www.essentialenergy.ca) and there have been no changes to internal controls over financial reporting in the current period.

RISKS AND UNCERTAINTIES, CRITICAL ACCOUNTING ESTIMATES, AND RECENT ACCOUNTING PRONOUNCEMENTS

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

On January 1, 2007 the Trust adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1506, Accounting Changes; Handbook Section 1530, Comprehensive Income; Handbook Section 3855, Financial Instruments – Recognition and Measurement; Handbook Section 3861, Financial Instruments – Disclosure and Presentation; and Handbook Section 3865, Hedges. Essential adopted these standards retroactively. These standards had no impact on the presentation of the financial statements.

OUTLOOK

The outlook for the balance of 2007 and beyond is positive as commodity prices have remained at reasonable levels. Fears of a collapse in natural gas prices due to high storage levels in the United States appear to be fading as storage levels moderate. Global events and robust consumption in the United States are contributing to strong oil prices. Barring any unforeseen events, commodity prices should support relatively strong oilfield activity for the balance of the year and beyond. The second quarter is always the weakest quarter of the year for financial results due to spring break up and 2007 will be no exception. April has been a very challenging month and a prolonged spring break up or unusually wet spring may provide much weaker than expected results. Proposed changes to the legislation concerning taxation of income trusts continue to have a negative effect on trust unit values and impede the efficient functioning of the capital markets, but these uncertainties are also becoming somewhat less of a problem with time. In the face of these challenges we remain confident that the Trust will provide stable cash flows to sustain distributions and allow accretive growth on a per unit basis.

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
Canadian Western Bank

Legal Counsel

Burnet, Duckworth & Palmer, LLP

Transfer Agent

Olympia Trust Company

Officers

James Burns, P. Geol., MBA^{2,4}
President & Chief Executive Officer

Duncan Au, CA, CFA
VP Business Development & Chief Financial Officer

Ken Wagner
Chief Operating Officer

Stuart King, CA
Controller

For further information:

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950, 330 – 5 Avenue SW
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Website: www.essentialenergy.ca

Consolidated Financial Statements

Essential Energy Services Trust

March 31, 2007

Essential Energy Services Trust

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at, (\$ in thousands)	March 31, 2007 \$	December 31, 2006 \$
ASSETS [note 4]		
Current		
Cash	3,721	1,110
Accounts receivable and prepaid expenses	25,785	24,214
Materials and supplies	1,692	1,782
	<u>31,198</u>	<u>27,106</u>
Property and equipment [note 5]	95,450	96,741
Intangibles	10,516	10,759
Goodwill	88,575	88,575
	<u>225,739</u>	<u>223,181</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness [note 4]	14,000	10,940
Accounts payable and accrued liabilities	7,187	6,269
Distributions payable [note 11]	2,309	2,301
Current portion of capital lease obligations	180	235
Current portion of long-term debt [note 5]	15,738	11,347
	<u>39,414</u>	<u>31,092</u>
Capital lease obligations	-	17
Long-term debt [note 5]	40,957	45,065
	<u>80,371</u>	<u>76,174</u>
Unitholders' equity		
Unitholders' capital [note 6]	159,423	159,423
Contributed surplus [note 6]	972	642
Accumulated deficit	(15,027)	(13,058)
	<u>145,368</u>	<u>147,007</u>
	<u>225,739</u>	<u>223,181</u>

See accompanying notes to the consolidated financial statements

Essential Energy Services Trust

**CONSOLIDATED STATEMENTS OF
OPERATIONS, COMPREHENSIVE INCOME AND
ACCUMULATED DEFICIT**
(unaudited)

(\$ in thousands)

	For the three months ended March 31, 2007	For the three months ended March 31, 2006
	\$	\$
REVENUE		
Energy services revenue	35,901	19,521
EXPENSES		
Operating expenses <i>[note 9]</i>	20,808	9,770
General and administrative	4,343	2,383
Stock-based compensation expense <i>[note 7]</i>	330	-
Short-term interest and bank fees	331	263
Interest on long-term debt and capital lease obligations	968	49
Depreciation and amortization	4,173	3,585
	30,953	16,050
Income before non-controlling interest	4,948	3,471
Non-controlling interest	-	(408)
Net income and comprehensive income for the period	4,948	3,063
Accumulated deficit, beginning of period	(13,058)	(2,693)
Distributions to Avenir Diversified Income Trust	-	(2,875)
Distributions to unitholders	(6,917)	-
Accumulated deficit, end of period	(15,027)	(2,505)
Net income per unit <i>[note 6]</i>		
Basic	0.18	n/a
Diluted	0.16	n/a

See accompanying notes to the consolidated financial statements

Essential Energy Services Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(\$ in thousands)

	For the three months ended March 31, 2007 \$	For the three months ended March 31, 2006 \$
OPERATING ACTIVITIES		
Net income for the period	4,948	3,063
Add non-cash items:		
Depreciation and amortization	4,173	3,585
Non-controlling interest	-	408
Stock-based compensation expense	330	-
Loss on sale of property and equipment	3	-
	9,454	7,056
Change in non-cash working capital	(563)	(2,621)
Cash provided by operating activities	8,891	4,435
FINANCING ACTIVITIES		
Investment by Avenir Diversified Income Trust	-	14,279
Distributions to Avenir Diversified Income Trust	-	(2,725)
Distributions to unitholders	(6,909)	-
Increase in bank indebtedness	3,060	13,919
Repayments of capital lease obligations	(37)	(30)
Increase in long-term debt	500	-
Repayments of long-term debt	(217)	(2,822)
Change in non-cash working capital	-	45
Cash provided by (used in) financing activities	(3,603)	22,666
INVESTING ACTIVITIES		
Purchase of Energy Services companies <i>[note 3]</i>	-	(13,417)
Purchase of property and equipment	(2,835)	(13,499)
Sale of property and equipment	158	166
Change in non-controlling interest	-	(106)
Change in non-cash working capital	-	216
Cash used in investing activities	(2,677)	(26,640)
Increase in cash during the period	2,611	461
Cash, beginning of period	1,110	2,770
Cash, end of period	3,721	3,231
Cash interest paid	881	201

See accompanying notes to the consolidated financial statements

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(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.

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. The ability to operate the equipment in oil and gas fields in Canada is dependent on weather conditions, whereby thawing in the spring renders many secondary roads incapable of supporting heavy equipment until the ground is dry. In addition, activity in more northern regions of Canada is accessible only in winter months where the ground is frozen enough to support the equipment. As a result of this seasonality, the Corporation’s activity is traditionally higher in the first and fourth quarters of the year and lower in the second and third quarters.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, the unaudited interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles and in a manner consistent with the accounting policies in the audited consolidated financial statements of the Trust for the year ended December 31, 2006. Certain information has been condensed or omitted although the Trust believes that the disclosures are adequate to make the information presented not misleading. The following notes are incremental to and should be read in conjunction with the December 31, 2006 audited consolidated financial statements.

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

Accounting changes, other comprehensive income, financial instruments and hedging

On January 1, 2007, Essential adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”): Handbook Section 1506; Accounting Changes, Handbook Section 1530; Comprehensive Income, Handbook Section 3855; Financial Instruments – Recognition and Measurement, Handbook Section 3861; Financial Instruments – Disclosure and Presentation, and Handbook Section 3865; Hedges. The Trust adopted these standards retroactively without restatement.

Accounting Changes

The CICA released 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 has adopted the requirements of this section and will apply these standards to any future changes in accounting policies and/or estimates.

Comprehensive Income

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. Upon adoption of Section 1530, the Trust incorporated the new required Statement of Comprehensive Income by creating a “Consolidated Statement of Income (Loss), Comprehensive Income (Loss), and Earnings (Deficit). The application of this revised standard did not result in comprehensive income (loss) being different from net income (loss) for the period presented. Should the Trust recognize any other comprehensive income in the future, the cumulative changes in other comprehensive income would be recognized in Accumulated Other Comprehensive Income which would be presented as a new category within unitholders’ equity on the balance sheet.

Financial Instruments

The Trust has classified all financial instruments into one of the following five categories: 1) loans and receivables, 2) assets held-to-maturity, 3) assets available-for-sale, 4) other financial liabilities, and 5) held-for-trading. Financial instruments classified as held-for-trading or available-for-sale items as a result of initially adopting this section are measured at fair value. Gains or losses on re-measurement of held-for-trading items are recognized as an adjustment to opening retained earnings, while gains and losses on re-measurement of available-for-sale items are recognized as an adjustment to opening accumulated other comprehensive income.

Financial instruments that are classified as held-for-trading or available-for-sale are re-measured each reporting period at fair value with the resulting gain or loss recognized immediately in net income and other comprehensive income, respectively. All other financial instruments are accounted for at amortized cost with foreign exchange gains and losses recognized immediately in net income. The recognition, de-recognition and measurement policies followed in financial statements for periods prior to the adoption of this standard are not reversed and, therefore, those financial statements are not restated. The application of this standard did not have a material impact on the consolidated financial statements.

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2007 and for the three months ended March 31, 2007 and 2006
(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

Hedging

The Trust currently does not utilize hedges or other derivative financial instruments in its operation, and as a result the adoption of Section 3865 currently has no material impact on the financial statements of the Trust.

3. ACQUISITIONS

There were no acquisitions during the current period. For the comparative period in 2006, operating as the Energy Services Division of Avenir, the Trust 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 acquisition was accounted for using the purchase method of accounting.

4. BANK INDEBTEDNESS

At March 31, 2007, the Trust has an extendible revolving loan facility with a syndicate of three Canadian Chartered banks in the amount of \$20,000 bearing interest at prime plus one-half of one percent payable monthly. As at March 31, 2007, \$14,000 (December 31, 2006 – \$10,940) 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 March 31, 2007 was 6.2% (December 31, 2006 – 6.3%).

5. LONG-TERM DEBT

	March 31, 2007	December 31, 2006
	\$	\$
Term acquisition loan facility	55,500	55,000
Various loans payable in monthly instalments with interest rates ranging from 0.00% to 10.95% , and maturities from August 2007 to November 2009	1,195	1,412
Less:		
Current portion	(15,738)	(11,347)
	<u>40,957</u>	<u>45,065</u>

On May 31, 2006 and as first amended on August 31, 2006, second amendment on January 29, 2007 and assignments on March 27, 2007, the Trust entered into an agreement with a syndicate of three Canadian chartered banks comprised of an operating line of credit (note 4) 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 March 31, 2007 was 6.9% (December 31, 2006 – 6.7%). 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

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

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 March 31, 2007 is \$15,278 (March 31, 2006 – \$nil). 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.

6. 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, 2006	27,713,077	159,423
Units issued February 28, 2007 as additional consideration relating to the acquisition of the 10% interest in Cascade	101,351	-
Balance March 31, 2007	27,814,428	159,423

The Trust issued 101,351 units on February 28, 2007 at \$5.92 per unit to settle the additional consideration to the non-controlling interest partner of Cascade Services Partnership ("Cascade"). The dollar value of the units was accrued to unitholders' capital on December 31, 2006.

In addition, 2,304,294 trust units were issued on April 25, 2007, to the vendors of Kodiak Coil Tubing Limited Partnership ("Kodiak") at a price per unit based on the average closing price of the last 10 trading days of 2006, and a pre-determined multiple of Kodiak's 2006 EBITDA in excess of \$5,200, up to a maximum payment of \$18,000. At December 31, 2006, Essential accrued \$12,027, relating to the Kodiak additional consideration, to unitholders' capital and goodwill.

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2007 and for the three months ended March 31, 2007 and 2006
(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

b) Contributed surplus

	March 31, 2007	December 31, 2006
Contributed surplus, beginning of period	642	-
Stock-based compensation	330	642
Contributed surplus, end of period	972	642

c) Net income per unit

The Trust had basic weighted average number of trust units outstanding of 27,748,379 for the three months ended March 31, 2007 (March 31, 2006 – 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 three months ended March 31, 2007, of 30,118,722. All options outstanding at March 31, 2007 are currently anti-dilutive.

7. 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 three months ended March 31, 2007:

	Number of options outstanding	Weighted average grant date exercise price (\$)
Outstanding, December 31, 2006	1,450,600	9.92
Granted	1,192,200	5.87
Expired	(31,500)	10.00
Outstanding, March 31, 2007	2,611,300	8.07
Exercisable, March 31, 2007	-	-

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

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

Grant date exercise price	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
10.00	1,329,100	4.25	-
8.64	90,000	4.42	-
5.87	1,192,200	5.00	-
	2,611,300	4.60	-

The total value of stock-based compensation of \$2,449, for those options issued to employees directors, and consultants during the period, 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 2007 are as follows:

Grant date exercise price	
Expected volatility	49.1%
Risk-free interest rate	3.97%
Expected life of options	5 years
Dividend yield	nil

The Trust recorded compensation expense and contributed surplus of \$330 for the three months ended March 31, 2007 (March 31, 2006 - \$nil). The fair value of the options issued during the period was \$2.05 per unit.

8. FINANCIAL INSTRUMENTS

a) Designation and valuation of financial instruments

Section 3855 requires upon initial adoption of the standard that an entity designate its financial instruments in one of the following five categories: 1) loans and receivables, 2) assets held-to-maturity, 3) assets available-for-sale, 4) other financial liabilities, and 5) held-for-trading (assets and liabilities). The Trust did not designate any of its financial assets as either held-to-maturity or available-for-sale at January 1, 2007. Section 3855 also requires all financial instruments to be initially measured at their fair value.

As a result of the adoption of Section 3855, Essential has classified its cash as held for trading. Accounts receivable are classified as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities, distributions payable, capital lease obligations, and long-term debt are classified as other financial liabilities. The carrying values of all financial instruments are equivalent to their estimated fair values.

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

The fair-value of long-term debt is estimated to equal the carrying value, as the interest rate attached to the debt is a floating rate which fluctuates with market interest rates.

b) Derivatives

The Trust currently does not have any stand alone derivative instruments as defined under Section 3855. The Trust also conducted a review of contractual agreements for embedded derivatives.

Under Section 3855, a derivative must meet three specific criteria in order to be accounted for under the section. For contracts entered into by the Trust, all potential embedded derivatives reviewed by the Trust were either closely related with the economic characteristics and risks of the underlying contract or had no notional amount that could be used to measure the instrument or had no value.

c) Risks

Exposure to credit risk, interest rate risk, and liquidity risk arises in the normal course of the Trust's business. The Trust currently does not enter into derivative financial instruments to reduce exposure to fluctuations in any of the risks impacting the Trust's operations. The Trust enters into financial instruments to finance the Trust's operations in the normal course of business.

(i) 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 March 31, 2007, approximately 22.5% was due from two companies (12.0% and 10.5% respectively) (December 31, 2006 - 12.7% and 11.2%, respectively).

(ii) Interest rate risk

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

(iii) Liquidity risk

The Trust defines liquidity risk as the financial risk associated with changes to the credit rating of the Trust. The Trust has debt facilities which have interest rate and fee components that are sensitive to the credit rating of the Trust.

9. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2007, the Trust paid \$600 through the issuance of 101,351 Trust units, to a corporation controlled by an officer of the Trust for additional consideration related to the acquisition of the non-controlling interest of Cascade Services Partnership. The transaction was accrued for at December 31, 2006 and was recorded at the exchange amount.

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

During the three months ended March 31, 2007, the Trust leased land and buildings from officers of the Trust which are included in operating expenses. The expense totaled \$154 (March 31, 2006 – \$63). 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.

10. SEGMENTED INFORMATION

The Trust determines its reportable segments based on the structure of its operations, which are primarily focused on two principal business segments – Rigs and Transport. The accounting policies followed by these business segments are the same as those described in the summary of significant accounting policies. During the three months ended March 31, 2007 there were no inter-segment eliminations (March 31, 2006 – nil).

The following is selected financial information for each business segment:

	For the three months ended	
	March 31, 2007	March 31, 2006
	\$	\$
Revenue		
Rigs	15,936	5,872
Transport	19,965	13,649
	<u>35,901</u>	<u>19,521</u>

	For the three months ended	
	March 31, 2007	March 31, 2006
	\$	\$
Operating expenses		
Rigs	8,976	3,102
Transport	11,832	6,668
	<u>20,808</u>	<u>9,770</u>

	For the three months ended	
	March 31, 2007	March 31, 2006
	\$	\$
Net Income		
Rigs	3,659	198
Transport	3,889	3,327
Corporate	(2,600)	(462)
	<u>4,948</u>	<u>3,063</u>

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2007 and for the three months ended March 31, 2007 and 2006
(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

As at March 31, 2007				
	Rigs	Transport	Corporate	Total
	\$	\$	\$	\$
Selected balance sheet items				
Property and equipment	55,076	40,034	340	95,450
Intangibles	4,081	6,435	-	10,516
Goodwill	51,327	37,248	-	88,575
Total assets	124,636	100,509	594	225,739
Bank indebtedness	-	-	14,000	14,000
Long-term debt	-	1,195	55,500	56,695

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

11. CASH DISTRIBUTIONS TO UNITHOLDERS

During the period, 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
January 31, 2007	February 15, 2007	0.083	2,300
February 28, 2007	March 15, 2007	0.083	2,308
March 30, 2007	April 16, 2007	0.083	2,309
Total		0.249	6,917

Essential Energy Services Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(All \$ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

12. SUBSEQUENT EVENTS

On April 25th, 2007, the Trust issued 2,304,294 trust units to the vendors of Kodiak Coil Tubing Limited Partnership (“Kodiak”) at a price per unit based on the average closing price of the last 10 trading days of 2006 and a pre-determined multiple of Kodiak’s 2006 EBITDA in excess of \$5,200, up to a maximum payment of \$18,000. At December 31, 2006, Essential accrued \$12,027, relating to the Kodiak additional consideration, to unitholders’ capital and goodwill.