ESSENTIAL
energy services trust

SECOND QUARTER REPORT 2007

ESSENTIAL ENERGY SERVICES TRUST is an independent oilfield services trust based in Calgary, Alberta. The Company provides stable cash flows for unitholders by providing essential post drilling production maintenance and enhancement services to oil and gas producers in British Columbia, Alberta and Saskatchewan. Essential's experienced management team is focused on accretive, profitable growth through both the aggregation of smaller oilfield services operations and organic growth.

Essential Energy Services Trust trades on the TSX under the symbol ESN.UN.

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ESSENTIAL ENERGY SERVICES TRUST
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SECOND QUARTER ENDED JUNE 30, 2007

This Management's Discussion & Analysis ("MD&A") was prepared as of August 7, 2007 and is provided to assist readers in understanding Essential Energy Services Trust's ("Essential" or the "Trust") financial performance for the second quarter ended June 30, 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 and six months ended June 30, 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, funds from operations per unit, net debt and working capital (excluding debt) 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 (loss) 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 trucks, pressure trucks, tank trucks, hydro-vacs, 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 and six months ended June 30, 2007 and comparables for the three and six months ended June 30, 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 June 30, 2006 as such information would not be meaningful.

HIGHLIGHTS FOR THE SECOND QUARTER ENDED JUNE 30, 2007

- **Revenue**
  Revenue increased 18% to $22.1 million for the second quarter.

- **EBITDAC[1]**
  EBITDAC decreased 51% to $2.4 million for the second quarter.

- **Funds From Operations[2]**
  Funds from operations decreased 78% to $1.0 million for the second quarter.

- **Net Loss**
  Net loss of $4.4 million for the second quarter 2007 compared to net income of $1.7 million in the second quarter 2006.

- **Distributions to Essential Unitholders[3]**
  Distributions declared in the second quarter to unitholders was $7.9 million.

- **Equity Financing of $32.6 Million in June 2007**
  On June 13, 2007, Essential completed an equity offering issuing 5.1 million Trust units at $6.70 per unit for net proceeds of $32.6 million.

- **Increase in Extendible Revolving Credit Facilities from $85.0 million to $110.0 million**
  On June 27, 2007, the extendible revolving and term loan facilities were increased with a syndicate of four Canadian chartered banks from $85.0 million to $110.0 million.

- **Acquisition of Redneck Flushbys Ltd.’s Assets and Business in June 2007**
  On June 29, 2007, Essential acquired the assets and business of Redneck Flushbys Ltd. (“Redneck”) of Forestburg, Alberta. Redneck operates 4 rod rigs and 1 swab rig in central Alberta. Total consideration including transaction costs was approximately $4.6 million cash.

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

- **Acquisition of Anderson Well Servicing (1986) Ltd.'s Assets and Business in June 2007**
  On June 29, 2007, Essential acquired the assets and business of Anderson Well Servicing (1986) Ltd. ("Anderson") of Grande Prairie, Alberta. Anderson operates a fleet of 8 hot oilers in northern Alberta. Total consideration including transaction costs was approximately $6.1 million cash.

FINANCIAL HIGHLIGHTS

	For the three months ended			For the six months ended		
$ thousands, except per unit amounts, margins and ratios	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
Financial Results						
Revenue	**22,098**	18,729	18%	**57,999**	38,250	52%
EBITDAC[1]	**2,392**	4,898	(51)%	**13,142**	12,266	1%
EBITDAC margin (%)[1]	**11%**	26%	(14)%	**23%**	32%	(34)%
EBITDAC per unit - diluted	**0.07**	0.18	(61)%	**0.42**	0.45	(11)%
Funds from operations[2]	**996**	4,438	(78)%	**10,450**	11,494	(9)%
Funds from operations per unit - diluted	**0.03**	0.16	(81)%	**0.34**	0.42	(19)%
Net (loss) income	**(4,440)**	1,651	(368)%	**508**	4,714	(89)%
Net (loss) income margin (%)	**(20)%**	9%	(322)%	**1%**	12%	(92)%
Net (loss) income per unit - diluted	**(0.14)**	0.06	(333)%	**0.02**	0.17	(88)%
	As at June 30, 2007	As at Dec. 31, 2006				
Financial Position and Liquidity						
Working capital (excluding debt)[3]	**20,571**	7,596				
Working capital ratio[3]	**3.3:1**	1.4:1				
Net debt [4]	**36,683**	49,068				
Unitholders' equity	**166,085**	147,007				
Unit Information						
Number of units outstanding	**35,268**	27,713				
Weighted average number of units outstanding – diluted	**31,091**	29,949				
Number of options outstanding	**2,577**	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).

[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 (loss) 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 (loss) 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] 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.

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

DISCUSSION OF FINANCIAL RESULTS

Overview

The second quarter of 2007 continued to see high levels of natural gas storage in North America resulting in low natural gas prices and a slow down in drilling-related activity in the Western Canadian Sedimentary Basin. Combining this general natural gas industry slow down with an extended period of inactivity due to weather and surface conditions and a challenging environment for raising equity capital resulted in a very difficult quarter. Essential was very pleased to complete a $34.5 million bought deal financing, increase its credit facilities from $85 million to $110 million and complete two accretive and complimentary acquisitions during the quarter and two more immediately following the quarter which will add approximately $5.8 million of additional EBITDAC annually. These positive activities in the second quarter position the Trust to be able to provide strong results as production activity returns to more normal levels in the third and fourth quarters.

The second quarter is typically the most challenging for oilfield service companies due to spring thawing and the inability to move heavy equipment into the oil and gas fields. All of Essential's operations are carried out in Western Canada where the ability to move heavy equipment is dependant on weather conditions. Thawing in the spring (called "spring break-up") renders many secondary roads and oil and gas well field locations incapable of supporting heavy equipment until the ground is dry. 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, 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. This year spring break-up occurred in early March for our southern operations and late March for our northern operations and continued until late April to mid May. In the latter part of May and all of June, both our northern and southern operations experienced record rainfall prolonging the inability to move our heavy equipment into the oil and gas fields. Such unusual wet weather conditions after spring break-up resulted in much weaker than expected second quarter results. These wet weather conditions in the second quarter has resulted in approximately a one month backlog of work orders as demand for Essential's production maintenance and enhancement services remains relatively strong in a weak drilling-related services environment. With the return to normal weather patterns in July, the third quarter is off to a better start.

Revenue

	For the three months ended			For the six months ended		
$ thousands	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
Revenue by segment:						
Rigs	**9,338**	8,841	6%	**25,274**	14,712	72%
Transport	**12,760**	9,888	29%	**32,725**	23,538	39%
Total revenue	**22,098**	18,729	18%	**57,999**	38,250	52%

Revenue for the second quarter was $22.1 million (Q2 2006 - $18.7 million), up $3.4 million or 18% from the prior period.

The increase in the Rigs division of $0.5 million was primarily due to the inclusion of a full quarter of revenue in 2007 from acquisitions made in Q2 2006 where such assets only contributed one month of revenue. These Q2 2006 acquisitions added 9 service rigs, 4 swab rigs and 4 rod rigs to Essential's fleet.

The Transport division increased its revenues by $2.9 million, reflecting the additional equipment from the acquisition of Jacar Energy Services Partnership ("Jacar"), which did not exist in Q2 2006. In addition, the Transport division's revenue also includes a full quarter of revenue in 2007 from a 100 person camp acquired in June 2006.

Overall the Rigs division generated 43% and the Transport division 57% of the Q2 2007 revenue as compared to 47% and 53%, respectively, during Q2 2006. The drop in revenue contribution from the Rigs division is due primarily to spring break-up and wet weather conditions throughout Q2 2007. These wet conditions had a significant impact particularly on our coil tubing units which saw lower utilization due to the inability to access field locations.

Operating Expenses

	For the three months ended			For the six months ended		
$ thousands	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
Operating expense by segment:						
Rigs	**5,915**	4,618	28%	**14,891**	7,719	93%
Transport	**8,004**	6,208	29%	**19,836**	12,877	54%
Total operating expense	**13,919**	10,826	29%	**34,727**	20,596	69%

Operating expenses for the quarter was $13.9 million (Q2 2006 - $10.8 million), up $3.1 million or 29% from the prior period.

The increase in operating expenses for the Rigs division of $1.3 million or 28% is higher than the increase in revenue of 6%. The higher operating expense percentage change compared to revenue percentage change is due to fixed costs such as salaried operating employees and premise rent which were incurred, without expected corresponding revenue generation due to a prolonged spring break-up and wet weather conditions throughout Q2 2007.

The increase in operating expenses for the Transport division of $1.8 million or 29% is consistent with the increase in revenue of 29% due primarily to acquisitions and new equipment.

General and Administrative Expenses

	For the three months ended			For the six months ended		
$ thousands	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
General and administrative	**5,787**	3,005	93%	**10,130**	5,388	88%

General and administrative ("G&A") expenses for the quarter was $5.8 million (Q2 2006 - $3.0 million), up $2.8 million or 93% from the prior period.

The increase in G&A expenses is consistent with the increase in the number of business units from eight at the beginning of Q2 2006 to ten at the end of the second quarter of 2007. In addition, a management team was put in place to run Essential as a stand-alone public entity on May 31, 2006 which resulted in a full quarter of staff, regulatory, legal and audit costs in Q2 2007 compared to just one month of expenditures in Q2 2006. Approximately $0.8 million of G&A expenses during the second quarter were one time costs resulting from contractual bonus payments and write-off of transaction costs that are not expected to repeat in subsequent quarters.

Depreciation and Amortization

	For the three months ended			For the six months ended		
$ thousands	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
Depreciation and amortization	**4,298**	2,680	60%	**8,471**	6,265	35%

Depreciation and amortization for the quarter was $4.3 million (Q2 2006 - $2.7 million), up $1.6 million or 60% from the prior period.

The increase in depreciation and amortization was due to the significant increase in the amount of new equipment (79 revenue generating units) from the Jacar acquisition purchased after Q2 2006 and a full quarter of depreciation and amortization in Q2 2007 compared to just one month in Q2 2006 for the acquisition of 9 service rigs, 4 swab rigs and 4 rod rigs.

Interest and Bank Charges

	For the three months ended			For the six months ended		
$ thousands	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
Interest and bank charges	**1,435**	466	208%	**2,734**	778	251%

Interest and bank charges for the quarter was $1.4 million (Q2 2006 - $0.5 million), up $0.9 million or 208% from the prior period.

This increase in interest and bank charges is due to an increase in the amount drawn on the Trust's term acquisition loan facility, which increased $22.4 million from $33.1 million on June 30, 2006 to $55.5 million on June 30, 2007. The $22.4 million increase in the loan facility was due to the acquisition of Jacar and various growth capital expenditures which expanded the rod rig, coil tubing and Transport division's fleets.

Stock-based Compensation Expense

	For the three months ended			For the six months ended		
$ thousands	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
Stock-based compensation expense	**466**	98	376%	**796**	98	712%

Stock-based compensation expense for the quarter was $0.5 million (Q2 2006 - $0.1), up $0.4 million or 376% from the prior period.

The increase is due to 2.6 million options outstanding on June 30, 2007 combined with a full quarter of stock-based compensation expense being recorded in Q2 2007 compared to 1.5 million options outstanding and just one month of stock-based compensation expense being recorded in Q2 2006.

Net (Loss) Income

	For the three months ended			For the six months ended		
$ thousands	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
Net (loss) income	**(4,440)**	1,651	(368)%	508	4,714	(89)%

Net (loss) income for the quarter was $(4.4 million) (Q2 2006 - $1.7 million), down $6.1 million or 368% from the prior period.

The net loss of $4.4 million in Q2 2007 is a direct result of a prolonged spring break-up and wet weather conditions throughout the quarter which affected Essential's ability to move heavy equipment into the oil and gas fields. Despite the challenging conditions, Essential generated positive cash flow for the quarter and only resulted in a net loss position due to a depreciation and amortization policy which allocated $4.3 million of expenses to the quarter despite the low utilization of the equipment. Additionally, in Q2 2007 the Trust was required to record future income taxes as a result of new taxation of income trusts as described in the Taxation of Income Trusts section below which resulted in a future income tax expense of $0.6 million being recorded.

EBITDAC

	For the three months ended			For the six months ended		
$ thousands	**June 30, 2007**	June 30, 2006	% Change	**June 30, 2007**	June 30, 2006	% Change
EBITDAC	**2,392**	4,898	(51)%	**13,142**	12,266	7%

EBITDAC for the quarter was $2.4 million (Q2 2006 - $4.9 million), down $2.5 million or 51% from the prior period.

This decrease is a direct result of lower than expected revenues due to a prolonged spring break-up and wet weather conditions throughout the quarter which affected Essential's ability to move heavy equipment into the oil and gas fields. Operating and G&A expenses included a reasonable amount of fixed costs that could not be avoided resulting in the lower EBITDAC compared to Q2 2006.

SUMMARY OF QUARTERLY DATA

$ thousands, except per unit amounts	**June 2007**	**March 2007**	**December 2006**	**September 2006**	**June 2006**	**March 2006**	**December 2005**	**September 2005**
Revenue	22,137	35,901	32,791	25,267	18,729	19,521	13,252	9,906
EBITDAC[1]	2,392	10,750	10,642	7,266	4,898	7,368	3,604	3,545
Net (loss) income	(4,440)	4,948	5,650	2,421	1,651	3,063	996	1,247
Net (loss) income per unit - diluted[2]	(0.14)	0.16	0.19	0.09	0.06	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 (loss) 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.

[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	June 30, 2007	December 31, 2006
Current assets	**29,456**	27,106
Current liabilities (excluding debt)[1]	**8,885**	19,510
Working capital (excluding debt)[2]	**20,571**	7,596
Working capital (excluding debt) ratio[2]	**3.3:1**	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 and long-term debt.

Working capital (excluding debt) on June 30, 2007 increased to $20.6 million (December 31, 2006 - $7.6 million). The working capital (excluding debt) ratio of 3.3:1 (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	June 30, 2007	December 31, 2006
Total Liabilities	**66,139**	76,174
Current liabilities (excluding debt and bank indebtedness)[1]	**8,385**	8,570
Funded debt (including current portion)[2]	**57,754**	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 June 30, 2007 was $57.8 million compared to $67.6 million on December 31, 2006. After deducting cash on June 30, 2007 of $10.3 million (December 31, 2006 - $1.1 million) from funded debt, net funded debt decreases to $47.5 million (December 31, 2006 - $66.5 million).

As at June 30, 2007, $0.5 million was drawn on the revolving loan facility resulting in an additional availability of $24.5 million to be drawn on the facility. As at June 30, 2007, $55.5 million was drawn on the revolving term loan facility resulting in excess availability on the facility of $29.5 million.

In addition to the above facilities, the Trust also has approximately $1.0 million of long-term debt and $0.1 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 quarter was 6.6%.

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	June 30, 2007	December 31, 2006
Unitholders' equity	**166,085**	147,007

On December 31, 2006, the Trust had 27,713,077 units outstanding. During the six months ended June 30, 2007, the Trust issued the following units:

- On February 28, 2007, 101,351 trust units for total consideration of $0.6 million 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. This amount was accrued to unitholders' equity in December 2006.
- On April 26, 2007 2,304,294 trust units for total consideration of $12.0 million were issued to the vendors of Kodiak Coil Tubing Limited Partnership ("Kodiak") as additional consideration with respect to the acquisition of Kodiak which Essential acquired on March 31, 2006. This amount was accrued to unitholders' equity in December 2006.
- On June 13, 2007, the Trust completed an equity offering by way of a short-form prospectus and issued 5,149,254 trust units for net proceeds of $32.6 million. Costs associated with this transaction amounted to $1.9 million.

The Trust had 2,577,386 unit options outstanding at June 30, 2007 and August 7, 2007.

FUNDS FROM OPERATIONS AND DISTRIBUTIONS TO UNITHOLDERS

	For the three months ended		For the six months ended	
$ thousands	**June 30, 2007**	**June 30, 2006**	**June 30, 2007**	**June 30, 2006**
Cash provided by operating activities	**7,069**	6,777	**15,960**	11,606
Change in non-cash working capital	**(6,073)**	(2,339)	**(5,510)**	(112)
Funds from operations	**996**	4,438	**10,450**	11,494
Required principal repayments	**(199)**	(196)	**(415)**	(495)
Distributions paid to Avenir	**-**	(5,015)	**-**	(7,890)
Maintenance capital expenditures	**(746)**	(875)	**(1,585)**	(1,750)
Funds retained for growth	**-**	-	**-**	-
Funds shortfall	**7,876**	3,901	**6,394**	894
Distributions declared to Essential unitholders	**7,927**	2,253	**14,844**	2,253

Funds From Operations

Funds from operations for the quarter was $1.0 million (Q2 2006 - $4.4 million), down $3.4 million or 78% from the prior period.

This decrease is a direct result of lower than expected revenues due to a prolonged spring break-up and wet weather conditions throughout the quarter which affected Essential's ability to move heavy equipment into the oil and gas fields. Operating, G&A and interest expenses included a reasonable amount of fixed costs that could not be avoided resulting in the lower funds from operations compared to Q2 2006.

Required principal repayments on debt of $0.2 million (Q2 2006 - $0.2 million) is expected to remain relatively constant throughout 2007.

Annual maintenance capital expenditures are approximately $3.5 million and will vary from quarter to quarter.

Funds retained for growth are not committed and will vary over time as funds are available.

Funds shortfall for the quarter was $7.9 million (Q2 2006 - $3.9 million), up $4.0 million or 102% from the prior period. As the second quarter is normally the weakest quarter for financial results of all four quarters due to spring break-up and wet weather, such funds shortfall is expected and taken into consideration as a seasonal fluctuation when determining distributions to Essential unitholders on a monthly and annualized basis. Such funds shortfall in the second quarter is historically covered by funds from operations in the first, third and fourth quarters of the year and from available credit facilities and equity financings.

Distributions To Unitholders

The Trust declared distributions to unitholders of $7.9 million in the quarter (Q2 2006 - $2.3 million), up $5.0 million or 224% from the prior period. The increase is due to a full quarter of distributions in Q2 2007 compared to just one month of distributions in Q2 2006. The Manager of the Trust anticipates declaring a monthly cash distribution 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 June 30, 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 June 30, 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 June 30, 2007, approximately 32% was due from two companies (19% and 13% respectively) (December 31, 2006 – 24% was due from 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 cashflow risk.

RELATED PARTY TRANSACTIONS

The Trust rents land, buildings from officers of the trust which are included in operating expenses. The expense totaled $0.1 million for the quarter ended June 30, 2007 (Q2 2006 - $0.1 million). These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the respective parties, and were recorded at the exchange amount.

OFF-BALANCE SHEET ITEMS

The Trust has no off-balance sheet items as at June 30, 2007.

SUBSEQUENT EVENTS

On July 3, 2007 the Trust acquired all of the assets and business of two private companies for aggregate cash consideration of $11.9 million. The funds required were drawn from the net proceeds of the $32.6 million equity financing which closed on June 13, 2007. The two companies are:

- Blue-Vac Vacuum Truck Service ("Blue-Vac") – Blue-Vac operates 13 vacuum trucks and three sour gas scrubber units from Taber, Alberta. Blue-Vac will be integrated with Essential's Jacar operation which is also based in Taber, Alberta.

- Canadian Coil Tubing Inc. ("CCT") – CCT operates four coil tubing units from Strathmore, Alberta. CCT will be integrated with Essential's Kodiak operation and will result in Essential operating a total of 25 coil tubing units across southern Alberta and southwest Saskatchewan.

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 three months ended		For the six months ended	
$ thousands, except ratios	**June 30, 2007**	**June 30, 2006**	**June 30, 2007**	**June 30, 2006**
EBITDAC[1]				
Net (loss) income	**(4,440)**	1,651	**508**	4,714
Stock-based compensation	**466**	98	**796**	98
Depreciation and amortization	**4,298**	2,680	**8,471**	6,265
Interest and bank charges	**1,435**	466	**2,734**	778
Future income taxes	**633**	-	**633**	-
Non-controlling interest	**-**	3	**-**	411
EBITDAC[1]	**2,392**	4,898	**13,142**	12,266
Funds From Operations				
Cash provided by operating activities	**7,069**	6,777	**15,960**	11,606
Change in non-cash working capital	**(6,073)**	(2,339)	**(5,510)**	(112)
Funds from operations	**996**	4,438	**10,450**	11,494

EBITDAC and funds from operations 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 and funds from operations should not be construed as alternatives to net (loss) income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

[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 (loss) 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.

TAXATION OF INCOME TRUSTS

On March 19, 2007, Bill C-52 Amendments, was enacted as legislation in Canada. Bill C-52 Amendments implement proposals originally announced on October 31, 2006 (as subsequently modified to take into account certain comments received in consultations and deliberations) relating to the taxation of certain distributions from certain trusts and partnerships. Bill C-52 Amendments apply commencing January 1, 2007 to all "specified investment flow-through" ("SIFT") trusts that begin to be publicly traded after October 2006 and January 1, 2011 for all SIFT trusts that were previously publicly traded, subject to the possibility that a SIFT that was already publicly traded before November 2006 may become subject to the new rules before January 1, 2011 if the trust experiences growth, other than "normal growth", before then. Bill C-52 Amendments incorporate guidelines with respect to what is meant by "normal growth".

The Trust will likely be characterized as a SIFT trust under Bill C-52 Amendments. As a result, commencing in January 2011 (provided that the Trust experiences only "normal growth" and no "undue expansion" before then) the Trust will be liable for tax at the "net corporate income tax rate" combined with the "provincial SIFT tax factor" (effectively, the federal general corporate tax rate plus 13% on account of provincial corporate tax) on all income payable to unitholders, which the Trust will not be able to deduct as a result of being characterized as a SIFT trust.

Pursuant to the October 31, 2006 Proposals, a SIFT trust will be prevented from deducting any part of the amounts payable to unitholders in respect of: (i) income (other than dividends that the Trust could, if it were a corporation, deduct under the Tax Act) from its non-portfolio properties; and (ii) taxable capital gains from its dispositions of non-portfolio properties. "Non-portfolio properties" include Canadian resource properties (if the total fair market value of the SIFT trust's Canadian resource properties and certain other types of property is greater than 50% of the total enterprise value of the SIFT trust itself) and investments in a "subject entity" (if the SIFT trust holds securities of the subject entity that have a fair market value greater than 10 percent of the subject entity's total enterprise value, or if the SIFT trust holds securities of the subject entity or its affiliates that have a total fair market value greater than 50% of the enterprise value of the SIFT trust). A subject entity will include corporations resident in Canada, trusts resident in Canada, and partnerships that are Canadian partnerships for purposes of the Tax Act. It is expected that the investment by the Trust in its material subsidiaries will be investments in a subject entity for these purposes.

As such, 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. Returns of capital generally are (and will continue to be) tax-deferred for unitholders who are resident in Canada for purposes of the Tax Act (and reduce such unitholder's adjusted cost base in the units for purposes of the Tax Act).

In June 2007 the Government of Canada enacted the above legislation imposing additional income taxes on the Trust for taxation years commencing January 1, 2011. The Trust is currently evaluating the new legislation and the Trust's organizational alternatives in order to maximize shareholder value.

Future income tax liabilities for Q2 2007 are $633 after considering the June 2007 enactment of new tax legislation. Until June 2007 the Trust had been tax effecting the reversal of taxable temporary differences at a nil tax rate on the assumption that the Trust would make sufficient tax deductible cash distributions to unitholders such that the Trust's taxable income would be $nil for the foreseeable future. The new legislation limits the tax deductibility of cash distributions such that income taxes may become payable in the future.

The Trust has estimated its future income taxes based on its best estimates of results of operations and tax pool claims and cash distributions in the future assuming no material change to the Trust's current organizational structure. As currently interpreted, Canadian GAAP does not permit the Trust's estimate of future income taxes to incorporate any assumptions related to a change in organizational structure until such structures are given legal effect.

The Trust's estimate of its future income taxes will vary as do the Trust's assumptions pertaining to the factors described above and such variations may be material.

Until 2011, the new legislation does not directly affect the Trust's funds from operations, and accordingly, the Trust's financial condition.

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

While Q2 2007 was a weak quarter due primarily to a prolonged spring break-up and wet weather conditions, Essential is currently experiencing a return to more normal and reasonable activity levels in July and August 2007. Strong global oil demand continues to keep oil prices strong which should result in continued steady levels of investment in drilling and production activities by oil producers resulting in steady activity levels for Essential's oil production services. Other than oil sands deposits, the Western Canadian Sedimentary Basin tends to be gas prone and it is natural gas prices which have a greater effect on determining levels of capital investment and oilfield activity. Continued strong natural gas production in North America coupled with higher imports of LNG has resulted in persistent high levels of natural gas storage in the United States. This in turn has caused lower natural gas prices in western Canada and these lower natural gas prices have had a slow down effect on drilling-related services in the Western Canadian Sedimentary Basin. While utilization of drilling-related services has decreased dramatically, production-related services, which Essential focuses on, have not yet experienced a substantial decline in activity levels. Management strives to continually improve utilization, control costs and evaluate new growth opportunities that would create value for Essential's unitholders.

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
BMO Bank of Montreal
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

<u>For further information:</u>

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Consolidated Financial Statements

Essential Energy Services Trust

June 30, 2007

Essential Energy Services Trust

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at,
($ in thousands)

	June 30, 2007 $	December 31, 2006 $
ASSETS ***[notes 4 and 5]***		
Current		
Cash	10,330	1,110
Accounts receivable and prepaid expenses *[note 8]*	17,290	24,214
Materials and supplies	1,836	1,782
	29,456	27,106
Property and equipment ***[note 5]***	98,378	96,741
Goodwill and intangibles	104,390	99,334
	232,224	223,181
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 4]*	500	10,940
Accounts payable and accrued liabilities	5,458	6,269
Distributions payable *[note 11]*	2,927	2,301
Current portion of capital lease obligations	132	235
Current portion of long-term debt *[note 5]*	1,985	11,347
	11,002	31,092
Capital lease obligations	-	17
Long-term debt ***[note 5]***	54,504	45,065
Future income tax liability ***[note 12]***	633	-
	66,139	76,174
Unitholders' equity		
Unitholders' capital *[note 6]*	192,041	159,423
Contributed surplus *[note 6]*	1,438	642
Accumulated deficit	(27,394)	(13,058)
	166,085	147,007
	232,224	223,181

See accompanying notes to the consolidated financial statements

Essential Energy Services Trust

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

($ in thousands)

	For the			
	Three months ended		Six months ended	
	June 30, 2007 $	June 30, 2006 $	June 30, 2007 $	June 30, 2006 $
REVENUE				
Energy services revenue	22,137	18,735	58,041	38,256
Loss on sale of property and equipment	(39)	(6)	(42)	(6)
	22,098	18,729	57,999	38,250
EXPENSES				
Operating expenses *[note 9]*	13,919	10,826	34,727	20,596
General and administrative	5,787	3,005	10,130	5,388
Stock-based compensation expense *[note 7]*	466	98	796	98
Interest on short-term debt and bank fees	487	446	818	709
Interest on long-term debt	948	20	1,916	69
Depreciation and amortization	4,298	2,680	8,471	6,265
	25,905	17,075	56,858	33,125
(Loss) income before income taxes and non-controlling interest	(3,807)	1,654	1,141	5,125
Income taxes *[note 12]*				
Future income taxes	633	-	633	-
(Loss) income before non-controlling interest	(4,440)	1,654	508	5,125
Non-controlling interest	-	(3)	-	(411)
Net (loss) income and comprehensive (loss) income for the period	(4,440)	1,651	508	4,714
Accumulated deficit, beginning of period	(15,027)	(2,505)	(13,058)	(2,693)
Distributions to Avenir Diversified Income Trust	-	(4,315)	-	(7,190)
Distributions to unitholders *[note 11]*	(7,927)	(2,253)	(14,844)	(2,253)
Accumulated deficit, end of period	(27,394)	(7,422)	(27,394)	(7,422)
Net (loss) income per unit *[note 6]*				
Basic	(0.15)	0.06	0.02	0.17
Diluted	(0.14)	0.06	0.02	0.17

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		Six months ended	
	June 30, 2007 $	June 30, 2006 $	June 30, 2007 $	June 30, 2006 $
OPERATING ACTIVITIES				
Net (loss) income for the period	(4,440)	1,651	508	4,714
Add non-cash items:				
Depreciation and amortization	4,298	2,680	8,471	6,265
Non-controlling interest	-	3	-	411
Future income taxes	633	-	633	-
Stock-based compensation expense	466	98	796	98
Loss on sale of property and equipment	39	6	42	6
	996	4,438	10,450	11,494
Change in non-cash working capital	6,073	2,339	5,510	112
Cash provided by operating activities	7,069	6,777	15,960	11,606
FINANCING ACTIVITIES				
Issuance of trust units, net of costs	32,618	-	32,618	-
Investment by Avenir Diversified Income Trust	-	-	-	14,279
Distributions to Avenir Diversified Income Trust	-	(5,015)	-	(7,890)
Distributions to unitholders	(7,307)	-	(14,218)	-
Cost of formation of Essential Energy Services Trust	-	(4,228)	-	(4,228)
Increase (decrease) in bank indebtedness	(13,500)	13,890	(10,440)	27,809
Repayments of capital lease obligations	(29)	(34)	(66)	(63)
Increase in long-term debt	-	65	500	65
Repayments of long-term debt	(206)	(1,200)	(423)	(4,022)
Change in non-cash working capital	-	(45)	-	-
Cash provided by financing activities	11,576	3,433	7,971	25,950
INVESTING ACTIVITIES				
Purchase of energy service businesses *[note 3]*	(10,540)	(657)	(10,540)	(13,674)
Purchase of property and equipment	(2,007)	(8,438)	(4,842)	(22,107)
Sale of property and equipment	111	213	271	549
Change in non-controlling interest	-	(418)	-	(524)
Change in non-cash working capital	400	(846)	400	(1,275)
Cash used in investing activities	(12,036)	(10,146)	(14,711)	(37,031)
Increase in cash during the period	6,609	64	9,220	525
Cash, beginning of period	3,721	3,231	1,110	2,770
Cash, end of period	10,330	3,295	10,330	3,295
Cash interest paid	1,144	287	2,312	488

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As at June 30, 2007 and for the three and six months ended June 30, 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.

Prior to Essential being formed the Energy Services Division was making distributions each month to it's parent, Avenir Diversified Income Trust.

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 Trust'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 summarized 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.

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 loses 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 Operations, 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 consolidated financial statements for periods prior to the adoption of this standard are not reversed and, therefore, those consolidated financial statements are not restated. The application of this standard did not have a material impact on the consolidated financial statements.

(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

2007

The Trust has completed two asset acquisitions during the first six months of 2007. These acquisitions have been accounted for from the date of closing using the purchase method of accounting. The following purchase price allocations for Anderson and Redneck have not been finalized and are subject to change.

Calculation of purchase price	**Redneck (a) $**	**Anderson (b) $**	**Other (c) $**	**Total $**
Cash consideration	4,450	5,900	190	10,540
Transaction costs	200	200	-	400
Total purchase price	4,650	6,100	190	10,940

Allocation of purchase price	**Redneck (a) $**	**Anderson (b) $**	**Other (c) $**	**Total $**
Non-cash working capital	-	250	-	250
Property and equipment	2,180	2,800	-	4,980
Goodwill/Intangible assets	2,470	3,050	190	5,710
Total purchase price	4,650	6,100	190	10,940

a) Redneck

On June 29, 2007 the Trust acquired all of the assets and business of Redneck Flushbys Ltd. ("Redneck") for total consideration of $4,650 consisting of cash of $4,450 and transaction costs of approximately $200. Redneck operates four rod rigs and one swab rig from Forestburg, Alberta and will be merged with Essential's Cardinal Well Services Partnership ("Cardinal").

b) Anderson

On June 29, 2007 the Trust acquired all of the assets and business of Anderson Well Servicing (1986) Ltd. ("Anderson") for total consideration of $6,100 consisting of cash of $5,900 and transaction costs of approximately $200. Anderson operates a fleet of eight hot oilers from

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

Grande Prairie, Alberta. The operations of Anderson is being merged with Essential's Cascade Services Partnership operation.

c) Other

Amount relates to the finalization of a prior year acquisition.

2006

The Trust completed a number of acquisitions during the first six months of 2006. These acquisitions have been accounted for using the purchase method of accounting. Results from the operations of 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 following indicates how the purchase price has been allocated.

Calculation of purchase price	**Classic (a) $**	**DRB-AV (b) $**	**Kodiak (c) $**	**Non-Controlling Interest (d) $**	**Total $**
Cash consideration	-	-	13,017	618	13,635
Bank overdraft	39	-	-	-	39
Essential Trust units issued	31,917	19,860	8,833	11,446	72,056
Transaction costs	300	-	400	-	700
Total purchase price	32,256	19,860	22,250	12,064	86,430

Allocation of purchase price	**Classic (a) $**	**DRB-AV (b) $**	**Kodiak (c) $**	**Non-controlling Interest (d) $**	**Total $**
Non-cash working capital	1,065	-	3,191	299	4,555
Property and equipment	16,192	7,966	9,226	-	33,384
Goodwill/Intangible assets	15,937	11,894	12,933	10,295	51,059
Long-term debt	(938)	-	(2,522)	-	(3,460)
Non-controlling interest	-	-	(578)	1,470	892
Total purchase price	32,256	19,860	22,250	12,064	86,430

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As at June 30, 2007 and for the three and six months ended June 30, 2007 and 2006

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

a) 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.

b) 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 four swab rigs, two hot oilers, two vacuum trucks, a 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.

c) 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 accrued a contingent cost of $12,027, which was settled in April 2007 with the issuance of 2,429,678 Essential trust units at $4.95 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

4. BANK INDEBTEDNESS

At June 30, 2007, the Trust has an extendible revolving loan facility with a syndicate of four Canadian chartered banks in the amount of $25,000 bearing interest at prime plus one-half of one percent per annum payable monthly. As at June 30, 2007, $500 (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 three and six months ended June 30, 2007 was 7.1% and 6.8%, respectively (year ended December 31, 2006 – 6.3%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

As at June 30, 2007 and for the three and six months ended June 30, 2007 and 2006

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

5. LONG-TERM DEBT

	June 30, 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	989	1,412
Less:		
Current portion	(1,985)	(11,347)
	54,504	45,065

On June 27, 2007 (effective May 31, 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 $85,000 or 60 percent of the 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 three and six months ended June 30, 2007 was 6.5 % and 6.7%, respectively (year ended December 31, 2006 – 6.7%). The facility expires on May 30, 2008 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 June 30, 2007 is $1,542 (December 31, 2006 – $10,694).

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.

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

6. UNITHOLDERS' CAPITAL

a) Unitholders' capital

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 (i)	**101,351**	-
Units issued April 25, 2007 to the vendors of Kodiak Coil Tubing Limited Partnership (ii)	**2,304,294**	-
Units issued on financing June 13, 2006 (iii)	**5,149,254**	**32,618**
Balance June 30, 2007	**35,267,976**	**192,041**

(i) 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 had previously been accrued to unitholders' capital in December, 2006.

(ii) On April 25, 2007, 2,304,294 trust units were issued 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.

(iii) On June 13, 2007, the Trust completed an equity offering by way of a short-form prospectus for total proceeds of $34,500 (net proceeds of $32,618 after deducting associated costs of $1,882).

b) Contributed surplus

	June 30, 2007	December 31, 2006
Contributed surplus, beginning of period	**642**	-
Stock-based compensation	**796**	642
Contributed surplus, end of period	**1,438**	642

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

c) Net income per unit

The Trust had basic weighted average number of trust units outstanding of 30,476,880 and 29,112,997 for the three and six months ended June 30, 2007, respectively (three and six months ended June 30, 2006 – 27,142,250). 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 and six months ended June 30, 2007, of 31,091,359 and 30,605,040, respectively (three and six months ended June 30, 2006 – 27,142,250).

The Trust had no dilutive options at June 30, 2007.

7. STOCK-BASED COMPENSATION

The following table summarizes the status and changes during the six months ended June 30, 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	(65,414)	10.00
Outstanding, June 30, 2007	2,577,386	8.04
Exercisable, June 30, 2007	436,623	10.00

The following table summarizes information about the unit options outstanding at June 30, 2007:

Grant date exercise price	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
10.00	1,295,186	3.92	436,790
8.64	90,000	4.17	-
5.87	1,192,200	4.75	-
	2,577,386	4.31	436,790

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

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-based 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 $466 and $796 for the three and six months ended June 30, 2007, respectively (three and six months ended June 30, 2006 - $98). 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). 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 Trust did not designate any of its financial assets as either held-to-maturity or available-for-sale at January 1, 2007. The carrying values of all financial instruments approximate their estimated fair values.

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 or embedded derivatives as defined under Section 3855.

c) Risks

Exposure to credit risk, and interest rate 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 trade accounts receivable as at June 30, 2007, approximately 32.2% was due from two companies 18.9 % and 13.3%, 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 cashflow risk. Management currently deems this risk to be minimal and has not attempted to mitigate this risk.

9. RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2007, the Trust leased land and buildings from an officer of the Trust which are included in operating expenses. The expense totaled $117 and $234, respectively (June 30, 2006 – $54 and $108, respectively). These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the respective parties, and were recorded at the exchange amount.

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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 polices. During the three and six months ended June 30, 2007 and 2006 there were no inter-segment transactions.

The following is selected financial information for each business segment:

	For the three months ended		For the six months ended	
	June 30, 2007 $	June 30, 2006 $	June 30, 2007 $	June 30, 2006 $
Revenue				
Rigs	9,338	8,841	25,274	14,712
Transport	12,760	9,888	32,725	23,538
	22,098	18,729	57,999	38,250

	For the three months ended		For the six months ended	
	June 30, 2007 $	June 30, 2006 $	June 30, 2007 $	June 30, 2006 $
Operating Expenses				
Rigs	5,915	4,618	14,891	7,719
Transport	8,004	6,208	19,836	12,877
	13,919	10,826	34,727	20,596

	For the three months ended		For the six months ended	
	June 30, 2007 $	June 30, 2006 $	June 30, 2007 $	June 30, 2006 $
Net (Loss) Income				
Rigs	(509)	1,444	3,150	1,921
Transport	626	1,213	4,515	4,262
Corporate	(4,557)	(1,006)	(7,157)	(1,469)
	(4,440)	1,651	508	4,714

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	As at June 30, 2007			
	Rigs $	Transport $	Corporate $	Total $
Selected balance sheet items				
Property and equipment	55,777	42,290	311	98,378
Goodwill/Intangibles	57,838	46,552	-	104,390
Total assets	123,770	101,048	7,406	232,224
Bank indebtedness	-	-	500	500
Long-term debt	-	989	55,500	56,489

	As at December 31, 2006			
	Rigs $	Transport $	Corporate $	Total $
Selected balance sheet items				
Property and equipment	55,400	41,087	254	96,741
Goodwill/Intangibles	55,485	43,849	-	99,334
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
April 30, 2007	May 15, 2007	0.083	2,500
May 31, 2007	June 15, 2007	0.083	2,500
June 30, 2007	July 16, 2007	0.083	2,927
Total		**0.498**	**14,844**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(All $ amounts expressed in thousands unless otherwise stated, except for per unit amounts)

12. INCOME TAX

In June 2007 the Government of Canada enacted new legislation imposing additional income taxes upon publicly traded income trusts, including Essential, effective January 1, 2011. Prior to June 2007, Trust estimated the future income tax on certain temporary differences between amounts recorded on its balance sheet for book and tax purposes at a nil effective tax rate. Under the legislation, the Trust now estimates the effective tax rate on the post 2010 reversal of these temporary differences to be 31.5%. Temporary differences reversing before 2011 will still give rise to nil future income taxes. Based on its assets and liabilities as at June 30, 2007, the Trust has estimated the amount of its temporary differences which were previously not subject to tax and has estimated the periods in which these differences will reverse. The Trust estimates that $2,009 net taxable temporary differences will reverse after January 1, 2011.

While the Trust believes it will be subject to additional tax under the new legislation, the estimated effective tax rate on temporary difference reversals after 2011 may change in future periods. As the legislation is new, future technical interpretations of the legislation could occur and could materially affect management's estimate of the future income tax liability. The amount and timing of reversals of temporary differences will also depend on the Trust's future operating results, acquisitions and dispositions of assets and liabilities, and distribution policy. A significant change in any of the preceding assumptions could materially affect the Trust's estimate of the future tax liability.

The difference between the accounting value and the income tax value of assets and liabilities, which compromise the future tax asset / (liability), are as follows:

	June 30, 2007 $
Share issuance costs	252
Goodwill/Intangible assets	(885)
Future tax asset (liability)	(633)

13. SUBSEQUENT EVENTS

On July 3, 2007 the Trust acquired all of the assets and business of two private companies for aggregate cash consideration of $11,932. The two companies are:

- Blue-Vac Vacuum Truck Service ("Blue-Vac") – Blue-Vac operates 13 vacuum trucks and three sour gas scrubber units from Taber in southern Alberta. Blue-Vac will be integrated with Essential's Jacar operations which are also based in Taber, Alberta.
- Canadian Coil Tubing Inc. ("CCT") – CCT operates four new coil tubing units from Strathmore, Alberta. CCT will be integrated with Essential's Kodiak Coil Tubing Limited Partnerships operations.

CORPORATE INFORMATION

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Chairman

Gary H. Dundas[1,2]

Dennis Balderston[1,3]

Jeffrey J. Scott[1,4]

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