ESSENTIAL energy services trust

Quarterly Report

Q2
Second Quarter Report
Three and Six Months Ended June 30, 2009

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Trust ("Essential" or the "Trust") is for the three and six month periods ended June 30, 2009.

This MD&A is an update to, and should be read in conjunction with the March 31, 2009 interim report, the Trust's 2008 Annual Report to Unitholders and the unaudited interim consolidated financial statements as at and for the three months ended June 30, 2009 to which readers are referred. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned annual MD&A. This MD&A was prepared effective August 11, 2009.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including expectations of future cash flow and earnings, expectations regarding the Trust's ability to access credit from its lenders, expectations regarding the expected synergies and savings from the merger with Builders, expectations with respect to the demand for and price of oil and natural gas including natural gas storage levels, expectations regarding the implementation of legislation, expectations regarding capital spending and cost savings measures, the sources of capital and uses of such capital, the services offered by the Trust and the relocation of these services to different geographic areas, expectations regarding the level of drilling and production activity in the Western Canadian Sedimentary Basin and expectations regarding the business, operations and revenues of the Trust in addition to general economic conditions. Although the Trust believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Trust can give no assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oilfield services sector (e.g. demand, pricing and terms for oilfield services; current and expected oil and gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety and environmental risks), integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Trust's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this MD&A are made as of the date hereof and the Trust undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

OVERVIEW OF ESSENTIAL

Based in Calgary, Essential is an open-end unincorporated, limited purpose investment trust. Essential provides oilfield services to oil and gas producers in western Canada related to the ongoing servicing of producing wells and new drilling activity.

The Trust's services are offered through two operating segments: Well Servicing and Wireline & Rentals. The Well Servicing segment provides production and completion services through its fleet of service rigs, rod rigs and coil tubing rigs. The Wireline & Rentals segment provides wireline and downhole tool sales, services and equipment rentals.

A third non-operating segment, Corporate, includes general and administrative costs and interest.

BASIS OF PRESENTATION

The following Management's Discussion and Analysis, and the consolidated financial statements as at and for the three and six months ended June 30, 2009 have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

SELECTED FINANCIAL INFORMATION

($ Thousands, except per unit amounts)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Revenue	15,974	25,145	58,172	40,191
Gross margin[1]	(888)	1,513	9,874	6,468
Gross margin as a percentage of revenue[1]	(6%)	6%	17%	16%
EBITDAS[1] from continuing operations	(3,400)	(1,651)	4,627	1,961
EBITDAS as a percentage of revenue[1]	(21%)	(7%)	8%	5%
Loss from continuing operations	(10,972)	(9,247)	(5,410)	(9,214)
Per unit – basic and diluted	$ (0.18)	$ (0.15)	$ (0.09)	$ (0.20)
Loss from discontinued operations	n/a	(5,177)	n/a	(2,497)
Per unit – basic and diluted	n/a	$ (0.09)	n/a	$ (0.05)
Net loss	(10,972)	(14,424)	(5,410)	(11,711)
Per unit – basic and diluted	$ (0.18)	$ (0.24)	$ (0.09)	$ (0.25)
Funds flow from (used in) continuing operations [1]	(3,983)	(3,041)	3,802	(112)
Per unit – basic and diluted	$ (0.07)	$ (0.05)	$ 0.06	$ 0.00
Funds flow from (used in) discontinued operations [1]	n/a	(2,690)	n/a	1,490
Per unit – basic and diluted	n/a	$ (0.05)	n/a	$ 0.03
Funds flow from (used in) operations [1]	(3,983)	(5,731)	3,802	1,378
Per unit – basic and diluted	$ (0.07)	$ (0.10)	$ 0.06	$ 0.03
Distributions to Unitholders	599	6,932	2,593	12,240
Per unit	$ 0.01	$ 0.12	$ 0.04	$ 0.26
Total assets (excluding assets held for sale)	163,599	217,048	163,599	217,048
Total long term debt	9,755	150,706	9,755	150,706
Unitholders' equity	147,500	167,340	147,500	167,340

The acquisition of Builders Energy Services Trust ("Builders") on April 4, 2008 and the subsequent disposition of the Transport division on July 2, 2008 resulted in the following changes:

- The financial results of Builders have been included in the consolidated financial statements and MD&A of the Trust since April 4, 2008.
- The financial results of the Transport division have been reclassified under the captions of Loss from discontinued operations and Funds flow from (used in) discontinued operations.

Additional Information

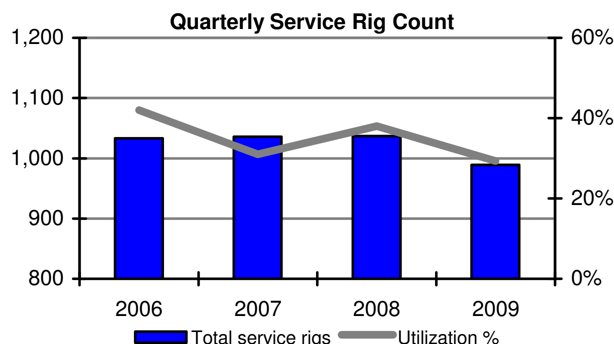
Additional information regarding Essential, including the 2008 Annual Report and the Annual Information Form for the year ended December 31, 2008, can be found on SEDAR at www.sedar.com.

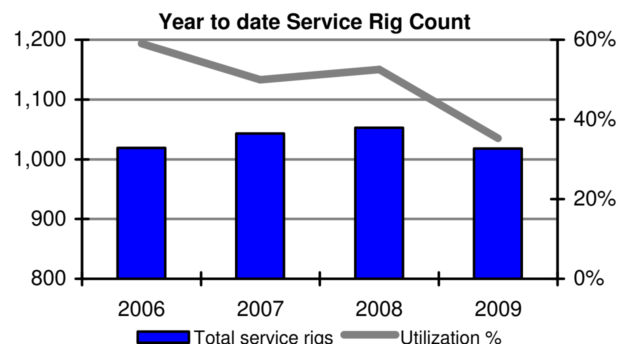
[1] Refer to "Non-GAAP Measures" section for further information.

OVERVIEW OF SECTOR ACTIVITY

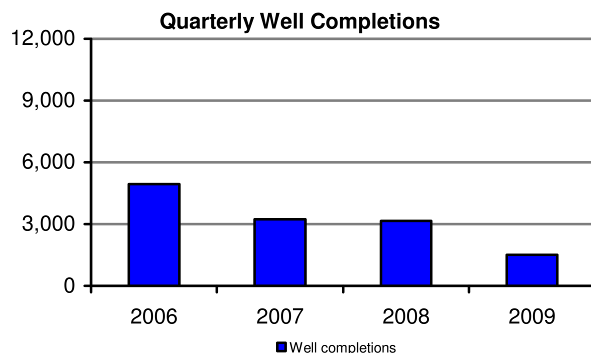
Second quarter activity levels are traditionally weak as a result of spring break-up and wet weather conditions that restrict the ability to move equipment. In 2009, activity levels were further impacted by the continued low natural gas prices throughout the quarter. As a result, exploration and production companies, who were already operating with reduced exploration budgets compared to prior years, further reduced their budgets and in some cases elected to shut in natural gas production rather than complete maintenance work to sustain production. Maintenance work on oil wells was not as severely curtailed during the quarter as average oil prices improved to US$60 per barrel in the second quarter from US$43 per barrel during the first quarter. The combination of these factors contributed to the lowest activity levels in the Western Canadian Sedimentary Basin ("WCSB") during the second quarter for nearly twenty years.

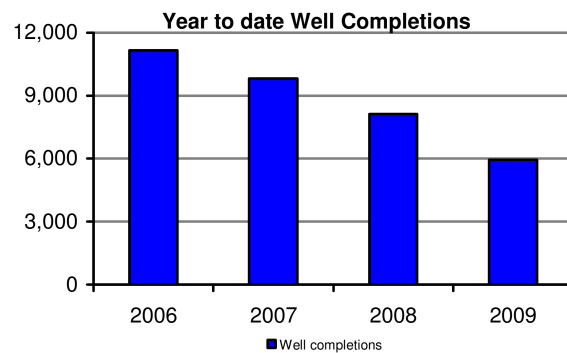
Drilling rig utilization rates, which act as a barometer for oilfield service activity, decreased to 11% in the second quarter of 2009 from 19% in the second quarter of 2008. The decline in activity has resulted in substantially lower utilization levels for service rigs in the current quarter than in recent years. A sharper decline in service rig utilization in comparison to drilling rig utilization is due to exploration and production companies undertaking limited drilling activities to assess production and preserve lease rights but then deferring completion activities and electing to leave wells shut in until gas prices improve. This practice should lead to a backlog of service rig work in the future but in the short term it has negatively impacted service rig utilization.





The continued decline in drilling activity is impacting expected activity levels for the remainder of the year. In October of 2008 the Canadian Association of Oilwell Drilling Contractors ("CAODC") estimated 14,325 wells to be drilled for 2009. CAODC subsequently decreased this estimate to 11,176 wells in February and further reduced it 8,787 wells in July, in total a 39% decrease from their original projection. According to the CAODC, actual wells drilled on a completion basis in the WCSB declined by 52%, to 1,504 wells in the second quarter of 2009 from 3,148 wells in the second quarter of 2008. Additionally, the shift from vertical drilling to more horizontal and directional drilling combined with low natural gas prices has reduced the need for some traditional well services.





The pricing pressure experienced by oilfield services companies during the first quarter was even more prevalent during the second quarter as the low activity levels and surplus equipment created intense competition to obtain work.

OVERVIEW OF RESULTS

The Trust focused on cost cutting efforts in the first quarter of 2009 in an effort to proactively manage costs heading into the second quarter. However, even with aggressive cost cutting, the Trust has not been immune to the overall decline in activity in the WCSB.

Notwithstanding the current operating environment, the Trust had success with its recently introduced multi-stage fracturing service through its downhole tools business and continued to have success with its coil-tubing operations in southeastern Saskatchewan.

Operational Highlights

- Revenue from continuing operations for the three and six months ended June 30, 2009 was $16.0 million and $58.2 million, respectively, compared to $25.1 million and $40.2 million, respectively, for the same periods ended June 30, 2008.

- Gross margin(1) and gross margin as a percentage of revenue(1) from continuing operations for the three months ended June 30, 2009 were $(0.9) million and (6)% respectively, compared to $1.5 million and 6% for the same period ended June 30, 2008. Gross margin(1) and gross margin as a percentage of revenue(1) from continuing operations for the six months ended June 30, 2009 were $9.9 million and 17% respectively, compared to $6.5 million and 16% for the same period ended June 30, 2008.

- EBITDAS(1) for the three and six months ended June 30, 2009 was $(3.4) million and $4.6 million, respectively, compared to $(1.7) million and $2.0 million, respectively, for the same periods ended June 30, 2008.

- As at June 30, 2009, the Trust had total long-term debt of $9.8 million compared to total long-term debt of $150.7 million as at June 30, 2008.

- The Trust's working capital in excess of (less than) long-term debt(1), as at June 30, 2009 was $7.7 million compared to $(116.7) million as at June 30, 2008.

The results for the six months ended June 30, 2009 are generally not comparable to the results for 2008 due to the increased size, scope and geographical reach of the operations from the Builders acquisition and the completion of the divestiture of the Transport division. After giving consideration to these two transactions, approximately one third of the current operations are included in the first three months of operations for the Trust in 2008.

RESULTS OF OPERATIONS

(Thousands, except per unit amounts)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Revenue	$ 15,974	$ 25,145	$ 58,172	$ 40,191
Operating expenses	16,862	23,632	48,298	33,723
Gross margin[1]	(888)	1,513	9,874	6,468
Gross margin as a percentage of revenue[1]	(6%)	6%	17%	16%
General and administrative expenses	2,512	3,164	5,247	4,507
EBITDAS[1]	(3,400)	(1,651)	4,627	1,961
EBITDAS as a percentage of revenue[1]	(21%)	(7%)	8%	5%
Unit-based compensation	291	144	679	716
Depreciation and amortization	5,001	5,146	9,904	7,470
Interest on long-term debt	583	1,390	825	2,073
Loss on disposal of assets	3,999	6	4,046	6
Loss from continuing operations before income taxes	(13,274)	(8,337)	(10,827)	(8,304)
Future income tax expense (recovery)	(2,302)	910	(5,417)	910
Loss from continuing operations	(10,972)	(9,247)	(5,410)	(9,214)
Loss from discontinued operations	-	(5,177)	-	(2,497)
Net loss	$ (10,972)	$ (14,424)	$ (5,410)	$ (11,711)
Loss per unit from continuing operations – basic and diluted	$ (0.18)	$ (0.15)	$ (0.09)	$ (0.20)
Loss per unit from discontinued operations – basic and diluted	$ 0.00	$ (0.09)	$ 0.00	$ (0.05)
Net loss per unit – basic and diluted	$ (0.18)	$ (0.24)	$ (0.09)	$ (0.25)

Certain comparative amounts have been reclassified to conform to the current period's presentation.

The changes in Results of Operations for the six months ended June 30, 2009 to the six months ended June 30, 2008 are primarily due to the acquisition of Builders which was completed on April 4, 2008 and the resulting increased size, nature and geographic reach of the Trust's equipment fleet and the addition of the Wireline & Rental operations.

Revenue

(Thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Revenue				
Well Servicing	$ 11,032	$ 18,569	$ 39,018	$ 33,615
Wireline & Rentals	4,942	6,576	19,154	6,576
	$ 15,974	$ 25,145	$ 58,172	$ 40,191

Revenue from continuing operations for the three and six months ended June 30, 2009 was $16.0 million and $58.2 million, respectively, compared to $25.1 million and $40.2 million, respectively, for the same period ended June 30, 2008.

Comparative fleet information is as follows:

	As at June 30, 2009	As at December 31, 2008	As at June 30, 2008
Well Servicing Equipment*:			
Service Rigs	51	53	55
Rod Rigs	23	27	26
Coil Tubing Rigs**	28	32	32
Wireline Equipment			
E-line Trucks	14	13	13
Slickline Trucks	6	7	7

* In addition to the fleet of service rigs, rod rigs and coil tubing rigs, Essential provides ancillary services through nitrogen pumpers, a cement & acid unit and other specialty equipment.
** A Class III Deep Coil Tubing Rig was put into service during the third quarter and is not included in the above count.

Well Servicing

Essential provides well completion and production/workover services across western Canada through its fleet of service rigs, rod rigs and coil tubing rigs. Well Servicing generated revenue of $11.0 million and $39.0 million, respectively, for the three and six months ended June 30, 2009, compared to $18.6 million and $33.6 million, respectively, for the same periods ended June 30, 2008.

Activity levels for Essential, and within the entire WCSB, continued to be impacted by low natural gas prices and reduced maintenance capital expenditures for exploration and production companies. Utilization during the second quarter was further impacted by spring break-up and the resulting inability to move equipment between well sites. The Trust continued to have success with its intermediate coil tubing rigs on the shale plays in the Bakken region given their effectiveness to work on directional wells. Additionally, the Trust's customer relationships, reputation of its businesses and customer mix have benefited Essential in these difficult times.

Comparative utilization of the well servicing fleet is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Essential Utilization				
Service Rigs	17%	29%	29%	47%
Rod Rigs	27%	47%	29%	50%
Coil Tubing Rigs	18%	23%	28%	36%

Essential's service rig utilization rate was lower than the industry averages for both the three and six month periods ended June 30, 2009. This differential is primarily a result of the lower activity in the Drayton Valley and Grande Prairie regions and reduced activity levels due to the Trust's ongoing efforts to preserve pricing levels in the current environment.

Wireline & Rentals

Essential offers both electric wireline ("e-line") and slickline services in addition to its downhole tool and equipment rental operations, through the Wireline & Rentals business segment. Wireline & Rentals generated revenue of $4.9 and $19.2 million, respectively, for the three and six months ended June 30, 2009, compared to $6.6 million for the three and six months ended June 30, 2008 (prior to the completion of the Builders transaction, the Trust did not operate a Wireline & Rentals segment).

Wireline & Rentals revenue in the second quarter of 2009 was down by 25% compared to 2008. This decline was predominately within the Trust's e-line business, where reduced activity in the shallow gas resource plays in Alberta and the competitive market for these services has resulted in extreme pricing pressure. The rental business is traditionally a strong portion of this segment, however low drilling rig utilization also reduced revenue in this area in 2009. The Trust was able to minimize the revenue declines within the rental operations and the slickline operations as a result of customer demand, nature of work and quality service.

During the quarter, the Trust had success with its recently introduced multi-stage fracturing service. Multi-stage fracturing refers to the use of specialized downhole tools to allow companies to isolate and fracture multiple zones within a single tool run. This enables companies to complete fracturing of horizontal wells, like those in the Bakken and Montney resource plays, in a more cost effective manner. Multi-stage fracturing is an extension of the Trust's downhole tools business and while a relatively small portion of the overall business in the quarter, this area represents a strong growth opportunity for the Trust.

Operating Expenses

	Three months ended June 30,		Six months ended June 30,	
(Thousands)	2009	2008	2009	2008
Operating expenses	$ 16,862	$ 23,632	$ 48,298	$ 33,723
As a % of revenue	106%	94%	83%	84%

Operating expenses were $16.9 million and $48.3 million for the three and six months ended June 30, 2009, compared to $23.6 million and $33.7 million for the same period in 2008.

Operating expenses during the second quarter are traditionally higher as a percent of revenue due to the decreased activity levels associated with spring break-up. Costs including repairs and maintenance, fuel and certain labour costs can increase and decrease in proportion to activity levels. Other operating costs, including costs associated with retaining key personnel, qualified equipment operators, maintaining service locations and insurance, are relatively fixed in nature and must be changed in steps in relation to a longer term industry outlook. During periods of decreased activity, operating costs as a percentage of revenue will increase due to the fixed nature of certain operating costs. The Trust has been proactive in managing its cost profile as surplus industry equipment and declining activity levels have eroded margins.

In order to preserve operating margins and remain competitive in future periods, the Trust implemented significant cost reduction measures in the first quarter including staff reductions, unpaid leaves of absence, wage rollbacks and the suspension of the Trust's short term incentive program. The Trust expects to realize approximately $5 million in operating expense savings in 2009 as a result of the cost reduction measures implemented to date.

General and Administrative Expenses

(Thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
General and administrative expenses	$ 2,512	$ 3,164	$ 5,247	$ 4,507
As a % of revenue	16%	13%	9%	11%

General and administrative expenses were $2.5 million and $5.2 million, respectively, for the three and six months ended June 30, 2009, compared to $3.2 million and $4.5 million, respectively, for the same periods in 2008. These costs are comprised of wages, professional fees, and other administrative costs incurred at the corporate and business unit level. For the three months ended June 30, 2009, general and administrative expenses reflect the cost savings realized from the successful integration of the Essential and Builders operations subsequent to the Builders acquisition in April 2008.

In response to the deterioration of utilization levels and market conditions, management implemented additional cost reduction measures in the first quarter in an effort to further reduce general and administrative costs. These measures include 10% voluntary salary rollbacks for the executive management team, suspension of the Trust's short term incentive and savings plan matching programs, employees agreeing to take unpaid leaves of absence and further headcount reductions. As a result of these initiatives, and other discretionary cost saving measures implemented since that time, the Trust expects to realize $4 million of general and administrative cost savings throughout 2009.

Unit-based Compensation Expense

The Trust recorded a non-cash expense related to unit-based compensation for the three and six months ended June 30, 2009 of $0.3 million and $0.7 million, respectively, compared to $0.1 million and $0.7 million for the same periods in 2008. The increase in the expense over the prior year is primarily due to forfeitures of options prior to vesting by departed employees in the prior year, which reduced the expense, and from additional grants in July and December 2008.

Depreciation and Amortization

(Thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Depreciation and amortization	$ 5,001	$ 5,146	$ 9,904	$ 7,470

Depreciation and amortization expense was $5.0 million and $9.9 million, respectively, for the three and six months ended June 30, 2009, compared to $5.1 million and $7.5 million, respectively, for the same periods in 2008. The increase in the six month period ended June 30 from 2008 to 2009 is due to the increase in the size and nature of the equipment fleet resulting from the acquisition of Builders.

Interest on Long-term Debt

(Thousands)		Three months ended June 30, 2009		2008		Six months ended June 30, 2009		2008
Interest on long-term debt	$	583	$	1,390	$	825	$	2,073
Average interest rate		2.7%		6.2%		2.8%		6.3%

Interest expense was $0.6 million and $0.8 million, respectively, for the three and six months ended June 30, 2009, compared to $1.4 million and $2.1 million, respectively, for the same periods in 2008. Interest expense for the three and six months ended June 30, 2009 also includes fees related to the Trust's renewal of its credit facility.

Interest on long-term debt has declined in the three and six month periods ending June 30, 2009 in comparison to the same periods in 2008, due to the significantly lower average long-term debt outstanding during the period combined with lower interest rates. The average long-term debt outstanding for the three and six months ended June 30, 2009 was $13.6 million and $19.1 million, respectively, in comparison to an average of $149.2 million and $111.3 million, respectively, for the same periods ended June 30, 2008. Essential's low debt levels continue to provide the Trust with a competitive advantage, not only because of available credit, but also due to reduced interest costs on an ongoing basis.

Income Taxes

(Thousands)		Three months ended June 30, 2009		2008		Six months ended June, 2009		2008
Future income tax expense (recovery)	$	(2,302)	$	910	$	(5,417)	$	910

Future income tax recovery was $2.3 million and $5.4 million, respectively, for the three and six months ended June 30, 2009, compared to future income tax expense of $0.9 million for the same periods in 2008.

In June 2007, the Government of Canada enacted legislation imposing additional income taxes on trusts for taxation years commencing January 1, 2011. The Trust is subject to income taxes based on the temporary differences expected to be in effect at January 1, 2011. Changes in the current period result from changes in these expectations.

The Trust does not anticipate current taxes prior to 2011 as its tax pools should be sufficient to shelter any taxable income during those periods.

In November 2008, the Government of Canada enacted legislation to permit a trust to convert to a corporation. The legislation proposes to reduce the administration and compliance associated with a conversion and to allow for the tax deferred conversion of a trust to a corporation.

FLEET CONTINUITY

As part of the 2009 capital program, the Trust has added one service rig and one e-line truck to its fleet in the first half of the year. Additionally one service rig was damaged by a third party as it was being returned from the job site and is no longer part of the Trust's fleet.

During the quarter the Trust completed a review of its equipment fleet to assess the operational use and condition of its asset base. As a result of this assessment, Management plans to sell certain pieces of equipment due to age, use or future business plans of the Trust. These assets represent a small portion of the Trust's entire equipment fleet and consist primarily of two service rigs, four coil tubing rigs, four rod rigs, one slickline truck and ancillary support equipment. The Trust plans to dispose of these assets and expects that the majority of these assets will be disposed of in a reasonable period of time for estimated

proceeds of $1.2 million. The net book value of these assets was $4.6 million which gave rise to a loss of $3.4 million that was recognized in the quarter.

	Service Rigs	Rod Rigs	Coil Tubing Rigs*	E-line Trucks	Slickline Trucks
Fleet – December 31, 2008	53	27	32	13	7
Fleet additions	1	-	-	1	-
Fleet reductions/rationalization	(3)	(4)	(4)	-	(1)
Fleet – June 30, 2009	51	23	28	14	6

* A Class III Deep Coil Tubing Rig was put into service during the third quarter and is not included in the above count.

SUMMARY OF QUARTERLY DATA

($Thousands, except per unit amounts)	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007	Sep 30, 2007
Revenue from continuing operations	15,974	42,198	43,842	43,891	25,145	15,046	11,930	12,992
Net earnings (loss)	(10,972)	5,562	(15,950)	8,400	(14,424)	2,713	(38,479)	1,767
Per unit – basic and diluted	(0.18)	0.09	(0.27)	0.14	(0.24)	0.08	(1.09)	0.05
Funds flow from (used) in Operations[(1)]	(3,983)	7,785	6,113	8,125	(5,361)	7,109	3,608	5,759
Per unit – basic and diluted	(0.07)	0.13	0.09	0.13	(0.10)	0.20	0.10	0.16
Distributions per unit	0.01	0.03	0.04	0.05	0.12	0.15	0.18	0.25

Quarterly data only incorporates the impact of the Builders acquisition for the quarters ended subsequent to March 31, 2008. Net earnings (loss) for the periods ended December 31, 2008 and December 31, 2007 include goodwill impairment charges of $17.9 million and $35.1 million, respectively.

FINANCIAL RESOURCES AND LIQUIDITY

On an annualized basis, the Trust finances its distributions through funds flow from operations[(1)]. The Trust reviews and establishes its distribution based on actual results to date, future expected funds flow from operations[(1)] and the Trust's ability to otherwise fund its capital requirements. Throughout 2008 and the first quarter of 2009, the board of directors of the Trust reviewed and approved the distribution level and paid distributions on a monthly basis. Essential began to pay a quarterly distribution commencing with the period from April 1, 2009 to June 30, 2009. The board will continue to review the distribution level and payment on a quarter-by-quarter basis.

Funds Flow from (used in) Operations[(1)]

(Thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash flow from operations	$ 11,858	$ 18,430	$ 15,871	$ 19,442
Less:				
Changes in non-cash operating working capital	(15,841)	(24,161)	(12,069)	(18,064)
Funds flow from (used in) operations	$ (3,983)	$ (5,731)	$ 3,802	$ 1,378
Per unit – basic and diluted	$ (0.07)	$ (0.10)	$ 0.06	$ 0.03

Funds flow from (used in) operations[1] was $(4.0) million and $3.8 million, respectively, for the three and six months ended June 30, 2009, compared to $(5.7) million and $1.4 million, respectively, for the same periods in 2008.

Working Capital

(Thousands)		June 30, 2009		June 30, 2008
Current assets, excluding assets held for sale	$	25,011	$	52,791
Current liabilities, excluding current portion of long-term debt and liabilities held for sale		(7,559)		(18,799)
Working capital	$	17,452	$	33,992
Working capital ratio		3.3:1		2.8:1

Working capital at June 30, 2009 was $17.5 million compared to $34.0 million at June 30, 2008. Working capital declined as a result of the disposition of Transport on July 2, 2008, and the reduced activity levels in the second quarter compared to the prior year.

Working Capital Net of Long-term Debt

(Thousands)		June 30, 2009		June 30, 2008
Working capital	$	17,452	$	33,992
Long-term debt, including the current portion of long-term debt		(9,755)		(150,706)
Working capital net of long-term debt	$	7,697	$	(116,714)

Working capital net of long-term debt at June 30, 2009 was a surplus of $7.7 million compared to a shortfall of $116.7 million at June 30, 2008. During 2008, the Trust significantly improved its financial position as a result of the Builders acquisition and applying the proceeds from the disposition of its Transport division to reduce its long-term debt.

Credit Facility

The Trust's credit agreement with its banking syndicate is comprised of an extendible revolving loan facility (the "Facility"). The Trust renewed its credit facility with the existing banking syndicate on May 30, 2009. At management's request, the facility size has been reduced from $140 million to $50 million to minimize standby and renewal fees. In addition, the Facility was amended to add a $25 million accordion feature that may be exercised at a future date, subject to certain terms and conditions.

Under the renewed agreement, the Facility is limited to the lesser of $50.0 million or the sum of 75% of the Trust's accounts receivables less specific items (the "Borrowing Base") and 60% of the Trust's carrying value of property and equipment less term debt. The Borrowing Base must be at least 20% of the Facility otherwise the Facility is reduced by the amount of any shortfall. At June 30, 2009, a maximum of $45.8 million was available to the Trust. The Facility has no required principal repayments until expiry and bears interest that fluctuates with the bank's prime rate plus a margin based on financial covenants. On August 11, 2009, $13.5 million of long-term debt was outstanding, an increase from $9.8 million due to the seasonality of receivable collections and delivery of the deep coil tubing rig in July 2009.

The Facility expires on May 30, 2010 and can be renewed, at the lender's option. If not renewed, debt repayments would be made monthly over a two year period, based on a three year amortization schedule.

As at June 30, 2009, all financial debt covenants were satisfied and all banking requirements were up to date. The Trust does not anticipate any financial resources or liquidity issues to restrict its future operating, investing or financing activities.

Equipment Expenditures

(Thousands)	Three months ended June 30, 2009	2008	Six months ended June 31, 2009	2008
Equipment expenditures				
Well Servicing	$ 1,659	$ 973	$ 3,633	$ 1,468
Wireline & Rentals	208	750	584	750
Corporate	153	(600)	423	270
	2,020	1,123	4,640	2,488
Less proceeds on disposal of property and equipment	(145)	(535)	(355)	(537)
Net equipment expenditures(1)	$ 1,875	$ 588	$ 4,285	$ 1,951

Net equipment expenditures(1) for the three and six months ended June 30, 2009 were $1.9 million and $4.3 million, respectively, compared to $0.6 million and $2.0 million, respectively, for the same periods ended June 30, 2008.

Essential classifies its equipment expenditures as growth capital and maintenance capital, which includes information systems, operational facilities and leasehold improvements. Comparative equipment expenditures are as follows:

(Thousands)	Three months ended June 30, 2009	2008	Six months ended June 30, 2009	2008
Equipment expenditures				
Growth capital	$ 1,035	$ 642	$ 2,599	$ 1,652
Maintenance capital	985	481	2,041	836
	$ 2,020	$ 1,123	$ 4,640	$ 2,488

The Trust expects to spend $8 million in capital in 2009, comprised of $5 million of growth capital and $3 million of net maintenance capital. Essential will continue to assess the appropriate level of capital spending relative to industry activity throughout 2009.

Trust Units

As at August 11, 2009, there were 59,852,965 Trust units and 4,865,455 Trust unit options outstanding (including 719,124 Essential Replacement Options issued in conjunction with the acquisition of Builders). Of the 4,865,455 Trust unit options, 1,800,636 were exercisable of which nil were “in-the-money”.

NORMAL COURSE ISSUER BID (“NCIB”)

On October 29, 2008 the Trust received approval from the Toronto Stock Exchange (“TSX”) to implement an NCIB commencing on October 31, 2008 and terminating on October 30, 2009. Purchases have been made at the discretion of management at prevailing market prices, through the facilities of the TSX. No units have been acquired and cancelled during the three and six months ended June 30, 2009. The NCIB continues until October 30, 2009 and the Trust intends to cancel any additional units acquired under the issuer bid.

DISCLOSURE CONTROLS AND PROCEDURES

The Trust’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide a reasonable assurance that: (i) material information relating to the Trust is made known to the Trust’s CEO and CFO by others, particularly during the period in which annual filings are being prepared; and (ii) information required to be disclosed by the Trust in its annual filings, interim filings or other reports filed or submitted

by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Trust reported on these as part of the 2008 reporting (please refer to the management discussion and analysis for the year ended December 31, 2008 available on SEDAR at www.sedar.com and on the Trust's website at www.essentialenergy.ca). There have been no significant 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 for external purposes in accordance with 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 2008 reporting (please refer to the management discussion and analysis for the year ended December 31, 2008 available on SEDAR at www.sedar.com and on the Trust's website at www.essentialenergy.ca). There have been no significant changes to the design of internal controls over financial reporting in the current period.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS"), for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Trust for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

Essential commenced its IFRS conversion project in 2008 by establishing a project plan and a project team. The project plan has been designed with some flexibility to be able to adapt to unexpected developments as new accounting developments are made by the AcSB and the International Accounting Standards Board. Updates will be provided to the audit committee on a quarterly basis.

The project plan consists of four phases: the impact assessment, design and planning, solution development and implementation. The Trust has completed the initial assessment phase which included a high level review of the major differences between current Canadian GAAP and IFRS, and an initial evaluation of IFRS 1 transition exemptions.

The Trust is now engaged in the design and planning phase. The design and planning phase involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase.

During the solution development and implementation phases, the Trust will quantify and evaluate the transitional and long-term options available to the Trust and implement the identified changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting.

The Trust continues to assess the financial reporting impacts of converting to IFRS and, at this time, the impact on future financial position and results of operations cannot be determined or estimated.

OUTLOOK

The decline in activity levels during the second quarter of 2009 was more severe than second quarter declines of recent years. Furthermore, the recovery in activity levels that generally occurs after break-up was not evidenced in the current year. In July, CAODC further reduced their forecast of wells drilled on a well completion basis by an additional 21% to 8,787 wells from 11,176 wells forecast in February.

The third quarter generally shows signs of improvement over the second quarter however low natural gas prices and reduced capital spending by exploration and production companies are expected to impede the level of improvement. The economic factors prevalent in the first half of the year are anticipated to continue to impact activity levels as customers continue to limit spending. This is evidenced by drilling rig utilization of 19% for the month of July which was less than half of the 2008 levels of 44%. The current oversupply of natural gas in North America combined with reduced demand, as evidenced by the current natural gas storage levels, will continue to put pressure on natural gas prices in the near term.

Production-related services, which make up more than 50% of Essential's services, are typically less affected during industry downturns, however low natural gas prices are anticipated to continue to negatively impact production-related services as exploration and production companies defer maintenance capital. Alberta continues to be impacted to a greater degree than other areas in the WCSB because of the numerous changes to the royalty program. As the government has recently extended a number of incentives and suggested they will be further reviewing the royalty program in the fall, there remains considerable uncertainty as to the stability of this program.

In the short term, management expects external market pressures and economic factors will continue to impact operating margins both in terms of increased pricing pressures and lower activity levels. The Trust will continue to manage costs prudently and take steps to preserve cash as necessary.

Given the outlook, the Trust anticipates further acquisition opportunities may begin to unfold as competitors encounter challenges within the current business environment. Management will continue to consider and evaluate such opportunities as they arise.

While the short-term outlook is discouraging, management continues to believe in the long-term fundamentals for natural gas and oil drilling and the demand for oilfield services in the WCSB. Over the longer term, the fundamentals still point to an increasing demand for natural gas and oil. The high production decline rates in the WCSB will, over time, require more drilling to maintain current production levels.

[1]Non-GAAP Measures

Throughout this MD&A, certain terms that are not specifically defined in Canadian Generally Accepted Accounting Principles ("GAAP") are used to analyze the operations. In addition to the primary measures of net earnings and net earnings per unit in accordance with GAAP, the Trust believes that certain measures not recognized under GAAP assist both the Trust and the reader in assessing performance and understanding the Trust's results. Each of these measures provides the reader with additional insight into the Trust's ability to fund future distributions, principal debt repayments and capital programs. These non-GAAP measures are not recognized measures under GAAP. As a result, the method of calculation may not be comparable with other companies or Trusts. These measures should not be considered alternatives to net earnings and net earnings per unit as calculated in accordance with GAAP.

Gross margin[2] – This measure is considered a primary indicator of operating performance as calculated by revenue less operating expenses.

Gross margin as a percentage of revenue[2] – This measure is considered a primary indicator of operating performance as calculated by gross margin divided by revenue.

EBITDAS[3] (Earnings before interest, income taxes, depreciation, amortization, non-controlling interest earnings, losses or gains on disposal of equipment, results of discontinued operations, impairment of goodwill and unit based compensation) – This measure is considered an indicator of the Trust's ability to generate funds flow in order to meet distributions, fund required working capital, service debt, pay current income taxes and fund capital programs.

EBITDAS as a percentage of revenue[3] – This measure is considered an indicator of the Trust's ability to generate funds flow as calculated by EBITDAS[3] divided by revenue.

Funds flow or funds flow from (used in) operations[4] – This measure is an indicator of the Trust's ability to generate funds flow[4] in order to fund distributions, working capital, principal debt repayments and capital programs. Funds flow or funds flow from operations is defined as cash flow from operations before changes in non-cash operating working capital. This measure is useful in assessing the Trust's operational cash flow as it provides cash generated in the period excluding the timing of non-cash operating working capital. This reflects the ability of the operations of the Trust to meet the above noted funding requirements.

Working capital in excess of long-term debt – This measure is considered an indicator of the financial strength of the Trust.

Growth capital – Growth capital is capital spending which is intended to result in incremental increases in revenue. Growth capital is considered to be a key measure as it represents the total expenditures on equipment expected to add incremental revenues and funds flow to the Trust.

Net maintenance capital – Equipment additions that are incurred in order to refurbish or replace previously acquired equipment less proceeds on the disposal of retired equipment. Such additions do not provide incremental increases in revenue. Net maintenance capital is a key component in understanding the sustainability of the Trust's business as cash resources retained within the Trust must be sufficient to meet net maintenance capital needs to replenish the assets for future cash generation.

Net equipment expenditures[5] – This measure is equipment expenditures less proceeds on the disposal of equipment. The Trust uses net equipment expenditures to assess net cash flows related to the financing of the Trust's oilfield services equipment.

[2] Gross margin and gross margin as a percentage of revenue are reconciled to the GAAP measures, revenue and operating costs, in the table "Results of Operations".

[3] EBITDAS and EBITDAS as a percentage of revenue are reconciled to the GAAP measure, loss from continuing operations before income taxes, in the table "Results of Operations".

[4] Funds flow is reconciled to the GAAP measure, cash flow from operations, in the table "Funds Flow from Operations".

[5] Net equipment expenditures is calculated from the GAAP measures, equipment expenditures and proceeds on disposal of equipment, in the table "Equipment Expenditures"

Consolidated Financial Statements

Essential Energy Services Trust

June 30, 2009

ESSENTIAL ENERGY SERVICES TRUST
CONSOLIDATED BALANCE SHEETS
(unaudited)

(Thousands)	As at June 30, 2009	As at December 31, 2008
Assets *(note 9)*		
Current assets		
Accounts receivable	$ 13,472	$ 33,140
Inventory *(note 5)*	9,443	8,570
Prepaid expenses and deposits	2,096	2,650
	25,011	44,360
Property and equipment *(note 6)*	132,201	142,464
Assets held for sale *(note 7)*	1,215	-
Intangible assets *(note 8)*	4,594	5,211
Future income tax asset *(note 13)*	1,793	-
	$ 164,814	$ 192,035
Liabilities		
Current liabilities		
Bank indebtedness	$ 730	$ 1,192
Accounts payable and accrued liabilities	6,230	13,972
Distributions payable *(note 12)*	599	898
Current portion of long-term debt *(note 9)*	276	3,468
	7,835	19,530
Long-term debt *(note 9)*	9,479	14,057
Future income tax liability *(note 13)*	-	3,624
	17,314	37,211
Commitments *(note 16)*		
Unitholders' Equity		
Unitholders' capital	265,573	265,573
Contributed surplus *(note 10)*	6,187	5,508
Accumulated deficit	(124,260)	(116,257)
	147,500	154,824
	$ 164,814	$ 192,035

See accompanying notes to unaudited interim consolidated financial statements

ESSENTIAL ENERGY SERVICES TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND ACCUMULATED DEFICIT
(unaudited)

(Thousands, except per unit amounts)	For the three months ended June 30, 2009	2008	For the six months ended June 30, 2009	2008
Revenue	$ 15,974	$ 25,145	$ 58,172	$ 40,191
Operating expenses	16,862	23,632	48,298	33,723
	(888)	1,513	9,874	6,468
Expenses				
General and administrative	2,512	3,164	5,247	4,507
Unit-based compensation *(note 11)*	291	144	679	716
Depreciation and amortization	5,001	5,146	9,904	7,470
Interest on long-term debt *(note 9)*	583	1,390	825	2,073
Loss on disposal of assets	3,999	6	4,046	6
Loss from continuing operations before income taxes	(13,274)	(8,337)	(10,827)	(8,304)
Income tax expense (recovery)				
Future *(note 13)*	(2,302)	910	(5,417)	910
Loss from continuing operations	(10,972)	(9,247)	(5,410)	(9,214)
Loss from discontinued operations *(note 14)*	-	(5,177)	-	(2,497)
Net loss and comprehensive loss	(10,972)	(14,424)	(5,410)	(11,711)
Accumulated deficit, beginning of period	(112,689)	(81,936)	(116,257)	(79,341)
Distributions to unitholders *(note 12)*	(599)	(6,932)	(2,593)	(12,240)
Accumulated deficit, end of period	$ (124,260)	$ (103,292)	$ (124,260)	$ (103,292)
Loss per unit from continuing operations *(note 15)*				
Basic and diluted	$ (0.18)	$ (0.15)	$ (0.09)	$ (0.20)
Loss per unit from discontinued operations *(note 15)*				
Basic and diluted	$ -	$ (0.09)	$ -	$ (0.05)
Net loss per unit *(note 15)*				
Basic and diluted	$ (0.18)	$ (0.24)	$ (0.09)	$ (0.25)

See accompanying notes to unaudited interim consolidated financial statements

ESSENTIAL ENERGY SERVICES TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(Thousands)	For the three months ended June 30, 2009	For the three months ended June 30, 2008	For the six months ended June 30, 2009	For the six months ended June 30, 2008
Operating activities:				
Loss from continuing operations	$ (10,972)	$ (9,247)	$ (5,410)	$ (9,214)
Items not affecting cash:				
Depreciation and amortization	5,001	5,146	9,904	7,470
Future income tax expense (recovery) *(note 13)*	(2,302)	910	(5,417)	910
Unit-based compensation *(note 11)*	291	144	679	716
Loss on disposal of assets	3,999	6	4,046	6
Funds flow from (used in) continuing operations	(3,983)	(3,041)	3,802	(112)
Funds flow from (used in) discontinued operations	-	(2,690)	-	1,490
	(3,983)	(5,731)	3,802	1,378
Changes in non-cash working capital	15,841	24,161	12,069	18,064
	11,858	18,430	15,871	19,442
Financing activities:				
Distributions paid	(198)	(7,810)	(2,892)	(13,099)
Increase (decrease) in operating line of credit	-	176	-	(13,145)
Increase (decrease) in long-term debt	(9,785)	(2,479)	(8,232)	14,038
Changes in non-cash working capital	-	(19)	-	-
	(9,983)	(10,132)	(11,124)	(12,206)
Investing activities:				
Property and equipment	(2,020)	(1,123)	(4,640)	(2,488)
Proceeds on disposal of equipment	145	535	355	537
(Increase) decrease in assets held for sale	-	(524)	-	1,983
Business acquisitions	-	(7,268)	-	(7,268)
Changes in non-cash working capital	-	82	(462)	-
	(1,875)	(8,298)	(4,747)	(7,236)
Change in cash, beginning and end of period	$ -	$ -	$ -	$ -
Supplementary cash flow information:				
Interest paid	$ 179	$ 1,125	$ 441	$ 2,320

See accompanying notes to unaudited interim consolidated financial statements

1. Nature of the Organization

Essential Energy Services Trust (“Essential” or the “Trust”) is a publicly traded open-ended unincorporated investment trust governed by the laws of the province of Alberta. Essential is listed on the Toronto Stock Exchange and trades under the symbol ESN.UN.

2. Summary of Significant Accounting Policies

The unaudited interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles and in a manner consistent with the accounting policies in the audited consolidated financial statements of the Trust for the year ended December 31, 2008 except as noted below. These unaudited interim consolidated financial statements do not include all disclosures provided in the December 31, 2008 financial statements and should be read in conjunction with the Trust’s annual consolidated financial statements for the year ended December 31, 2008. Certain information has been condensed or omitted although the Trust believes that the disclosures are adequate to make the information presented not misleading.

3. Adoption of New Accounting Policies

During the six months ended June 30, 2009, Essential adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”): Handbook section 3064 “Goodwill and Intangible Assets” and EIC 173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”.

Goodwill and Intangible Assets
This section establishes the standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. This standard has been adopted effective January 1, 2009. Essential has assessed the impact of this standard and noted no impact to its intangible assets.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
This EIC impacts the application of Section 3855 “Financial Instruments – Recognition and Measurement”. This EIC outlines the inclusion of an entity’s credit risk and the credit risk of counterparties in the determination of fair value of financial assets and liabilities. The treatment outlined in this EIC is to be applied retroactively without restatement effective January 20, 2009. This standard has been adopted effective January 20, 2009. The Trust has assessed the impact of this standard and noted no impact to its financial statements.

4. Future Accounting Policies

The following new accounting standards issued by the CICA are not yet effective but are applicable to the Trust’s future reporting periods.

International Financial Reporting Standards (“IFRS”)
In February 2008, the Accounting Standards Board (“AcSB’) confirmed that all Canadian publicly accountable enterprises will be required to adopt IFRS for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

CICA Handbook Sections 1582 – Business Combinations; 1601 – Consolidated Financial Statements; and 1602 – Non-controlling Interest
These standards are to be adopted prospectively for fiscal years beginning on or after January 1, 2011 and early adoption is permitted. These standards provide the Canadian equivalent to IFRS standards.

5. Inventory

	As at June 30, 2009	As at December 31, 2008
Downhole service tools	$ 7,563	$ 6,644
Coil tubing and wireline products	1,880	1,926
	$ 9,443	$ 8,570

Inventory expensed through operating expenses for the three and six months ended June 30, 2009 was $1.0 million and $2.9 million, respectively.

6. Property and equipment

As at June 30, 2009	Cost	Accumulated Depreciation	Net Book Value
Service rigs and equipment	$ 132,518	$ 31,755	$ 100,763
Oilfield equipment	29,864	6,060	23,804
Vehicles	5,751	1,940	3,811
Other	5,204	1,381	3,823
	$ 173,337	$ 41,136	$ 132,201

As at December 31, 2008	Cost	Accumulated Depreciation	Net Book Value
Service rigs and equipment	$ 142,560	$ 29,495	$ 113,065
Oilfield equipment	24,469	3,491	20,978
Vehicles	5,488	1,409	4,079
Other	5,235	893	4,342
	$ 177,752	$ 35,288	$ 142,464

7. Assets held for sale

During the quarter the Trust completed a review of its equipment fleet to assess the operational use and condition of its asset base. As a result of this assessment, Management plans to sell certain pieces of equipment due to age, use or future business plans of the Trust. The Trust plans to dispose of these assets and expects that the majority of these assets will be disposed of in a reasonable period of time for estimated proceeds of $1.2 million. The net book value of these assets was $4.6 million which gave rise to a loss of $3.4 million that was recognized in the quarter.

8. Intangible Assets

As at June 30, 2009	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 5,464	$ 1,890	$ 3,574
Management service contracts	1,847	1,489	358
Favourable leases	576	163	413
Trade names	428	179	249
	$ 8,315	$ 3,721	$ 4,594

As at December 31, 2008	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 5,464	$ 1,661	$ 3,803
Management service contracts	1,847	1,238	609
Favourable leases	576	98	478
Trade names	428	107	321
	$ 8,315	$ 3,104	$ 5,211

9. Long-term Debt

	As at June 30, 2009	As at December 31, 2008
Term loan	$ 9,750	$ 17,450
Capital leases	5	75
	9,755	17,525
Less: current portion of long-term debt	(276)	(3,468)
	$ 9,479	$ 14,057

The Trust's credit agreement with its banking syndicate is comprised of an extendible revolving loan facility (the "Facility") limited to the lesser of $50.0 million or the sum of 75% of the Trust's accounts receivables less specific items (the "Borrowing Base") and 60% of the Trust's carrying value of property and equipment less Term Debt as defined in the Facility agreement. The Borrowing Base must be at least 20% of the Facility; otherwise the Facility is reduced by the amount of any shortfall. In addition, the Facility includes a $25 million accordion feature that may be exercised at a future date, subject to certain terms and conditions. The Facility has no required principal repayments until expiry and bears interest that fluctuates with the bank's prime rate plus a margin based on financial covenants.

As at June 30, 2009, all financial debt covenants were satisfied and all banking requirements were up to date. A maximum of $45.8 million was available to the Trust as at June 30, 2009.

The average effective interest rate on borrowings under the Facility for the three and six months ended June 30, 2009 was 2.7% and 2.8%, respectively (2008 – 6.2% and 6.3%, respectively). The Trust renewed its facility and costs associated with this renewal have been included in interest expense during the current quarter.

The Facility expires on May 30, 2010 and can be renewed, at the lender's option for an additional 364-day period. If not renewed, debt repayments would be made monthly over a two year period, based on a three year amortization schedule.

10. Contributed Surplus

	As at June 30, 2009	As at December 31, 2008
Balance, beginning of period	$ 5,508	$ 2,480
Unit-based compensation	679	1,588
Normal course issuer bid	-	1,440
Balance, end of period	$ 6,187	$ 5,508

11. Trust Unit Options and Unit-based Compensation

	Trust Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	4,758	$ 4.01
Issued	45	0.90
Forfeitures	(320)	5.73
Outstanding, end of period	4,483	$ 3.86
Exercisable, end of period	1,266	$ 8.01

The Trust recorded unit-based compensation expense in respect of the Option Plan of $0.3 million and $0.7 million for the three and six months ended June 30, 2009 (2008 - $0.1 and $0.7 million respectively) with a corresponding increase to contributed surplus.

The fair value of Trust unit options issued during the period was estimated using the Black-Scholes option pricing model using the following underlying assumptions:

Risk-free Interest Rate	2.01% - 2.57%
Expected Volatility	75.0%
Expected Term	5.0 years
Distribution yield	0%
Fair value per option issued	$0.49 - $0.56

12. Accumulated Distributions and Distributions Payable

	As at and for the six months ended June 30, 2009
Accumulated distributions, beginning of period	$ 63,694
Distributions declared and paid in the period	1,994
Distributions declared and payable	599
Accumulated distributions for the period	2,593
Accumulated distributions, end of period	$ 66,287

Distributions are recorded as increases to Unitholders' accumulated deficit upon declaration of the distribution.

13. Income Taxes

The Trust is subject to income taxes for Specified Investment Flow-Through Trusts ("SIFT") based on the temporary differences expected to exist at January 1, 2011. Changes in the current period result from changes in these expectations.

Income tax expense differs from the amount computed by applying the Canadian statutory rates on income before income taxes as follows:

	For the three months ended June 30, 2009	2008	For the six months ended June 30, 2009	2008
Loss before income taxes	$ (13,274)	$ (8,337)	$(10,827)	$ (8,304)
Effective tax rate	0%	0%	0%	0%
Expected income tax expense	$ -	$ -	$ -	$ -
Increase (decrease) resulting from:				
Effective tax law changes and future tax rate reductions	(2,302)	910	(5,417)	910
Future income tax expense (recovery)	$ (2,302)	$ 910	$ (5,417)	$ 910

The future income tax liability consists of:

	As at June 30, 2009	As at December 31, 2008
Tangible assets	$ (1,630)	$ (8,117)
Net operating losses	1,708	2,015
Goodwill/ Intangible assets	2,322	3,134
Trust unit issuance costs	471	372
Valuation allowance	(134)	(250)
Other	(944)	(778)
Future income tax asset (liability)	$ 1,793	$ (3,624)

14. Discontinued Operations

On July 2, 2008, the Trust completed the sale of the assets of its Transport segment. Earnings from discontinued operations related to the Transport segment are as follows:

	For the three months ended June 30, 2009	2008	For the six months ended June 30, 2009	2008
Revenue	$ -	$ 17,861	$ -	$ 38,681
Expenses				
Operating	-	16,155	-	28,995
General and administrative	-	3,607	-	6,700
Interest on long term debt	-	789	-	1,496
Depreciation and amortization	-	2,501	-	4,374
Gain on disposal of assets	-	-	-	(373)
Earnings before income taxes	-	(5,191)	-	(2,511)
Future income tax recovery	-	(14)	-	(14)
Loss from discontinued operations	$ -	$ (5,177)	$ -	$ (2,497)

15. Per Unit Amounts

The weighted average number of units outstanding for the three and six months ended June 30, 2009 was 59,852,965 (2008 – 59,460,563 and 47,426,451, respectively). For the three and six months ended June 30, 2009 and 2008, options convertible to units are not included in the per unit calculation as their effect is anti-dilutive.

16. Commitments

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

	Amount
For the year ended:	
2009	$ 2,151
2010	4,074
2011	3,195
2012	2,229
2013	1,321
Thereafter	1,687
	$ 14,657

17. Financial Instruments

a) Designation and valuation of financial instruments

Essential has classified its accounts receivable as receivables. Bank indebtedness, accounts payable and accrued liabilities, long-term debt and capital leases are classified as other financial liabilities. The carrying values of accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their estimated fair values due to their short terms to maturity.

The fair value of a financial instrument is the amount that would be agreed to in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. Fair value can be determined by reference to prices in active markets to which the Trust has access. In the absence of active markets, the Trust determines fair value based on market or by reference to other similar products.

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 and due to the relative short term to maturity.

b) Risks

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

(i) Credit risk

As at June 30, 2009, accounts receivable are aged as follows: 53% - current; 20% - 31-60 days; 6% - 61-90 days; and 21% - over 90 days (2008 - 60% - current; 17% - 31-60 days; 8% - 61-90 days; and 15% - over 90 days). The Trust utilizes an allowance for doubtful accounts, based on specific receivables, to record potential credit losses associated with its trade receivables. As at June 30, 2009, the Trust's allowance for doubtful accounts is $0.8 million and for the six months then ended had a bad debt expense of $0.2 million. As at June 30, 2009, approximately 33% of the total accounts receivable balance was due from five companies.

(ii) Interest rate risk

With respect to interest rate risk, if interest rates on the floating instrument were to change by 1%, it is estimated that annual net earnings would change by $0.1 million assuming all other variables remain the same.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Trust manages liquidity risk by forecasting cash flows to identify financing requirements, by maintaining committed credit facilities, and by maintaining access to additional financing at competitive rates through capital markets and highly rated financial institutions. The Trust believes that it has access to sufficient capital through internally generated cash flows and to undrawn committed borrowing facilities to meet current spending forecasts.

18. Seasonality of Operations

The Trust's operations are carried out in western Canada. The oilfield service industry's ability to move heavy equipment in exploration and production areas is dependent on weather conditions. With the onset of spring, melting snow together with frost coming out of the ground renders many roadways incapable of supporting heavy equipment until sufficient time has passed for them to dry out. In addition, certain areas in Canada are typically only accessible during winter months, when the surface is frozen enough to support the heavy equipment. As a result, the activity levels of the Trust are directly impacted by this seasonality, whereby activity is traditionally higher in the first and fourth quarters of the year and lower in the second and third quarters.

19. Segmented Information

The Trust has two operating segments, Well Servicing and Wireline & Rentals, and a non-operating segment, Corporate.

a) Well Servicing

The Well Servicing segment provides well completion and production/workover services in northeastern British Columbia, southeastern Saskatchewan and throughout Alberta. The Well Servicing segment is comprised of a fleet of service rigs, coil tubing and nitrogen pumpers and rod rigs.

b) Wireline & Rentals

The Wireline & Rentals segment is comprised of wireline services, downhole tools, and equipment rentals. The Wireline & Rentals segment includes a fleet of wireline units, including electric line and slickline, and a variety of downhole tools and drilling-related rental equipment.

Selected financial information by operating segment and Corporate is as follows:

	As at and for the three months ended June 30, 2009			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 11,032	$ 4,942	$ -	$ 15,974
Loss from continuing operations before income taxes	$ (8,384)	$ (2,189)	$ (2,701)	$ (13,274)
Depreciation and amortization	$ 3,387	$ 1,457	$ 157	$ 5,001
Total assets	$ 117,466	$ 41,089	$ 5,044	$ 163,599
Assets held for sale	$ 1,215	$ -	$ -	$ 1,215
Equipment expenditures	$ 1,659	$ 208	$ 153	$ 2,020

	As at and for the three months ended June 30, 2008			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 18,569	$ 6,576	$ -	$ 25,145
Loss from continuing operations before income taxes	$ (3,260)	$ (252)	$ (4,825)	$ (8,337)
Depreciation and amortization	$ 4,173	$ 781	$ 192	$ 5,146
Total assets (excluding assets held for sale)	$ 153,861	$ 43,104	$ 20,083	$ 217,048
Equipment expenditures	$ 973	$ 750	$ (600)	$ 1,123

	As at and for the six months ended June 30, 2009			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 39,018	$ 19,154	$ -	$ 58,172
Earnings (loss) from continuing operations before income taxes	$ (5,469)	$ 444	$ (5,802)	$ (10,827)
Depreciation and amortization	$ 6,734	$ 2,857	$ 313	$ 9,904
Total assets	$ 117,466	$ 41,089	$ 5,044	$ 163,599
Assets held for sale	$ 1,215	$ -	$ -	$ 1,215
Equipment expenditures	$ 3,633	$ 584	$ 423	$ 4,640

	As at and for the six months ended June 30, 2008			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 33,615	$ 6,576	$ -	$ 40,191
Loss from continuing operations before income taxes	$ (935)	$ (252)	$ (7,117)	$ (8,304)
Depreciation and amortization	$ 6,467	$ 781	$ 222	$ 7,470
Total assets (excluding assets held for sale)	$ 153,861	$ 43,104	$ 20,083	$ 217,048
Equipment expenditures	$ 1,468	$ 750	$ 270	$ 2,488

20. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current period’s presentation.

CORPORATE INFORMATION

Directors

James A. Banister[2,3], Chairman

Garnet K. Amundson

Michael J. Black[2]

Verne G. Johnson[1,3]

Nicholas G. Kirton[1,2]

Jeffrey J. Scott[1,3]

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

Auditors

Ernst & Young LLP

Bankers

National Bank of Canada

Toronto Dominion Bank

Bank of Montreal

Canadian Western Bank

Legal Counsel

Heenan Blaikie LLP

Transfer Agent

Olympia Trust Company

Management

Garnet K. Amundson
President & Chief Executive Officer

Jeff B. Newman
Chief Financial Officer & VP, Finance

Kevin W. Job
VP, Operations

Don A. K. Webster
VP, Operations

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