ESSENTIAL
energy services trust

Quarterly Report

Q3
Third Quarter Report
Three and Nine months Ended September 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 nine month periods ended September 30, 2009.

This MD&A is an update to, and should be read in conjunction with the March 31, 2009 and June 30, 2009 interim reports, the Trust's 2008 Annual Report to Unitholders and the unaudited interim consolidated financial statements as at and for the three and nine months ended September 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 November 10, 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 as to the benefits and anticipated timing of the conversion to a corporation (the "Conversion"), plans of the Trust on completion of the Conversion and the effect thereof, expectations regarding the implementation of legislation, expectations regarding capital spending and cost saving 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 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 Energy Services Trust, expectations with respect to the demand for and price of oil and natural gas including natural gas storage levels, 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, risks associated with the potential inability to obtain required consents for the Conversion, including unit holder approval and court approval, failure to realize the benefits of the Conversion, stock market volatility and the inability to access sufficient capital from external and internal sources and the inability to pay dividends. 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 MD&A, and the consolidated financial statements as at and for the three and nine months ended September 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 September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Revenue	23,442	43,891	81,614	84,082
Gross margin[1]	2,841	11,238	12,715	17,706
Gross margin as a percentage of revenue[1]	12%	26%	16%	21%
EBITDAS[1] from continuing operations	808	8,621	5,435	10,582
EBITDAS as a percentage of revenue[1]	3%	20%	7%	13%
Earnings (loss) from continuing operations	(2,661)	456	(8,071)	(8,758)
Per unit – basic and diluted	$ (0.04)	$ 0.01	$ (0.13)	$ (0.17)
Earnings from discontinued operations	n/a	7,944	n/a	5,447
Per unit – basic and diluted	n/a	$ 0.13	n/a	$ 0.10
Net earnings (loss)	(2,661)	8,400	(8,071)	(3,311)
Per unit – basic and diluted	$ (0.04)	$ 0.14	$ (0.13)	$ (0.07)
Funds flow from continuing operations [1]	615	8,122	4,417	8,010
Per unit – basic and diluted	$ 0.01	$ 0.13	$ 0.07	$ 0.13
Funds flow from discontinued operations [1]	n/a	n/a	n/a	1,490
Per unit – basic and diluted	n/a	n/a	n/a	$ 0.03
Funds flow from operations [1]	615	8,122	4,417	9,500
Per unit – basic and diluted	$ 0.01	$ 0.13	$ 0.07	$ 0.16
Distributions to Unitholders	598	2,712	3,191	14,952
Per unit	$ 0.01	$ 0.05	$ 0.05	$ 0.29
Total assets (excluding assets held for sale)	167,574	215,556	167,574	215,556
Total long term debt	14,302	22,063	14,302	22,063
Unitholders' equity	144,506	173,540	144,506	173,540

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:

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

- 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 discontinued operations.

Additional Information

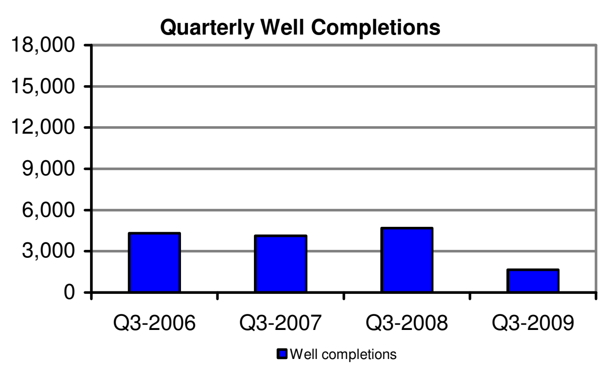
Additional information regarding Essential, including the 2008 Annual Report and the Annual Information Form for the year ended December 31, 2008, can be found on SEDAR at www.sedar.com.

OVERVIEW OF SECTOR ACTIVITY

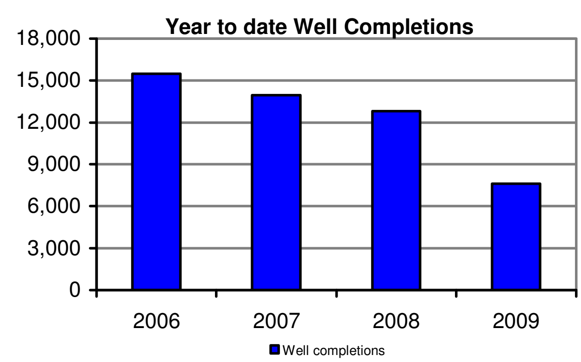
Third quarter activity levels traditionally show significant improvement over second quarter activity levels as a result of improved weather conditions and the commencement of summer exploration and production programs. However in 2009, companies curtailed their summer exploration programs as a result of poor natural gas prices and higher than expected natural gas storage levels. In addition to reduced exploration activities, some companies also elected to defer production work on existing natural gas wells and even shut in natural gas production during the quarter. Maintenance work on oil wells was not impacted to the same degree as oil prices stabilized during the quarter in comparison to prior months. The combination of these factors contributed to activity levels in the Western Canada Sedimentary Basin ("WCSB") remaining at or near twenty year lows.

Year over year drilling rig utilization rates, which act as a barometer for oilfield service activity, decreased to 21% in the third quarter of 2009 from 48% in the third quarter of 2008. This continued low level of drilling rig activity has resulted in lower utilization levels for service rigs in the last several quarters compared to recent years. Service rig utilization continues to experience a sharper decline in comparison to drilling rig utilization as exploration and production companies undertake limited drilling activities to assess production and preserve lease rights but defer completion activities and elect to leave wells shut in until gas prices improve. This practice may lead to a backlog of service rig work in the future but in the short term it has negatively impacted service rig utilization.

The decline in drilling activity levels to date in 2009, has negatively impacted expected activity levels for the remainder of the year. According to the Canadian Association of Oilwell Drilling Contractors ("CAODC"), actual wells drilled on a completion basis in the WCSB declined by 64%, to 1,667 wells in the third quarter of 2009 from 4,683 wells in the third 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.



Source: Canadian Association of Oilwell Drilling Contractors



Source: Canadian Association of Oilwell Drilling Contractors

Oilfield service companies have experienced a continuous erosion of prices throughout 2009 with this being particularly prominent in the third quarter. This trend is anticipated to continue throughout the fourth quarter as low activity levels and surplus equipment continue to create intense competition to obtain work.

OVERVIEW OF RESULTS

Overall declines in activity levels across the WCSB, and ongoing competitive pricing pressures, continued to impact most of the Trust's operations. In response to these market conditions, the Trust continued with ongoing cost cutting measures.

Revenue from outside of Alberta, which averaged 23% in the third quarter 2009, compared to an average of 16% for the first half of the year, continues to become a larger component of the Trusts operating profile. The success of the Trust's downhole tool operation and the coil tubing rigs, operating in the Bakken region, were both key drivers behind this non-Alberta revenue growth.

Operational Highlights

- Revenue from continuing operations for the three and nine months ended September 30, 2009 was $23.4 million and $81.6 million, respectively, compared to $43.9 million and $84.1 million, respectively, for the same periods ended September 30, 2008.

- Gross margin(1) and gross margin as a percentage of revenue(1) from continuing operations for the three months ended September 30, 2009 were $2.8 million and 12% respectively, compared to $11.2 million and 26% for the same period ended September 30, 2008. Gross margin(1) and gross margin as a percentage of revenue(1) from continuing operations for the nine months ended September 30, 2009 were $12.7 million and 16% respectively, compared to $17.7 million and 21% for the same period ended September 30, 2008.

- EBITDAS(1) for the three and nine months ended September 30, 2009 was $0.8 million and $5.4 million, respectively, compared to $8.6 million and $10.6 million, respectively, for the same periods ended September 30, 2008.

- As at September 30, 2009, the Trust had total long-term debt of $14.3 million compared to total long-term debt of $22.1 million as at September 30, 2008.

- The Trust's working capital in excess of long-term debt(1), as at September 30, 2009 was $5.2 million compared to $13.8 million as at September 30, 2008.

The results for the nine months ended September 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, only about one third of the current operations of the Trust are included in the first three months of operations of the Trust's comparative financial information in 2008.

RESULTS OF OPERATIONS

(Thousands, except per unit amounts)	Three months ended September 30, 2009	2008	Nine months ended September 30, 2009	2008
Revenue	$ 23,442	$ 43,891	$ 81,614	$ 84,082
Operating expenses	20,601	32,653	68,899	66,376
Gross margin[1]	2,841	11,238	12,715	17,706
Gross margin as a percentage of revenue[1]	12%	26%	16%	21%
General and administrative expenses	2,033	2,617	7,280	7,124
EBITDAS[1]	808	8,621	5,435	10,582
EBITDAS as a percentage of revenue[1]	3%	20%	7%	13%
Unit-based compensation	265	512	944	1,228
Depreciation and amortization	4,986	5,115	14,890	12,585
Interest on long-term debt	193	499	1,018	2,572
Loss on disposal of assets	11	191	4,057	197
Earnings (loss) from continuing operations before income taxes	(4,647)	2,304	(15,474)	(6,000)
Future income tax expense (recovery)	(1,986)	1,848	(7,403)	2,758
Earnings (loss) from continuing operations	(2,661)	456	(8,071)	(8,758)
Earnings from discontinued operations	-	7,944	-	5,447
Net earnings (loss)	$ (2,661)	$ 8,400	$ (8,071)	$ (3,311)
Earnings (loss) per unit from continuing operations – basic and diluted	$ (0.04)	$ 0.01	$ (0.13)	$ (0.17)
Earnings (loss) per unit from discontinued operations – basic and diluted	$ -	$ 0.13	$ -	$ 0.10
Net earnings (loss) per unit – basic and diluted	$ (0.04)	$ 0.14	$ (0.13)	$ (0.07)

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

The changes in Results of Operations for the nine months ended September 30, 2009 to the nine months ended September 30, 2008 are primarily due to the acquisition of Builders which was completed on April 4, 2008. The resulting increased size, nature and geographic reach of the Trust’s equipment fleet and the addition of the Wireline & Rental operations have resulted in nine month business performance that appears similar to the prior year in spite of the significant declines in activity levels in the current year.

Revenue

(Thousands)	Three months ended September 30, 2009	2008	Nine months ended September 30, 2009	2008
Revenue				
Well Servicing	$ 13,159	$ 31,221	$ 52,220	$ 64,836
Wireline & Rentals	10,283	12,670	29,394	19,246
	$ 23,442	$ 43,891	$ 81,614	$ 84,082

Revenue from continuing operations for the three and nine months ended September 30, 2009 was $23.4 million and $81.6 million, respectively, compared to $43.9 million and $84.1 million, respectively, for the same period ended September 30, 2008.

Comparative fleet information is as follows:

	As at September 30, 2009	As at December 31, 2008	As at September 30, 2008
Well Servicing Equipment*:			
Service Rigs	51	53	55
Rod Rigs	23	27	26
Coil Tubing Rigs	29	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.

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 $13.2 million and $52.2 million, respectively, for the three and nine months ended September 30, 2009, compared to $31.2 million and $64.8 million, respectively, for the same periods ended September 30, 2008.

Activity levels for Essential, and within the entire WCSB, continued to be impacted by reduced vertical conventional drilling, especially in Alberta where the majority of the Trust's operations exist. Low natural gas prices and reduced well maintenance expenditures by exploration and production companies continue to be the predominant factor behind the low activity levels.

The higher activity levels on the shale plays in the Bakken region continue to provide the Trust with opportunities with its coil tubing rigs given their ability to work on horizontal wells. The Trust has had success redirecting its coil tubing fleet into Saskatchewan and B.C. where activity levels have been less impacted by the current downturn. In addition, the Trust further increased the service and depth capacity of its coil tubing fleet with the successful introduction of a deep coil tubing rig during the quarter. Capable of reaching depths up to 5,100 meters and accommodating coil tubing up to 2 inches in diameter, the deep coil tubing rig is ideally suited to work in the deep horizontal wells generally found in the Bakken and Montney resource plays.

Comparative utilization of the well servicing fleet is as follows:

	Three months ended September 30, 2009	2008	Nine months ended September 30, 2009	2008
Essential Utilization				
Service Rigs	19%	52%	23%	48%
Rod Rigs	33%	46%	35%	50%
Coil Tubing Rigs	31%	40%	26%	38%

Faced with declining activity levels, pricing and cost structures, the Trust elected to accept lower utilization in certain situations rather than work at prices that were uneconomic. While this strategy has preserved the productive capacity and life expectancy of the Trust's equipment fleet, in the near term this decision can negatively impact utilization and financial performance of the service rigs. In the Trust's northern Alberta and B.C. service rig operations, where the Trust has approximately 50% of its service rig fleet, the impact of this decision was further compounded by the fact that activity levels were further reduced due to natural gas pipelines operating at or near maximum capacity.

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 $10.3 million and $29.4 million, respectively, for the three and nine months ended September 30, 2009, compared to $12.7 million and $19.2 million, respectively for the three and nine months ended September 30, 2008 (prior to the completion of the Builders transaction, the Trust did not operate a Wireline & Rentals segment). The Trust was able to minimize the revenue declines within this segment by expanding product lines and through the nature of the work and the quality of services provided to its clients.

The Trust's tool operations continued to be a focused area of growth for this business segment in the quarter. The multi-stage fracturing service, which is becoming a meaningful contributor to revenue and cash flow of the Trust, continues to represent a strong growth opportunity. The growth in the tool operations has helped offset the decline in the Trust's tubular and pipe rentals business which primarily offers products for conventional oil and gas drilling activity.

The Trust's e-line business showed signs of improvement in activity and EBITDAS[(1)] during the third quarter in comparison to recent quarters as a result of significant cost cutting and successful sales initiatives, but revenue is still lower than the prior year. During the quarter, the e-line business benefitted from offering bundled service projects to some of the Trust's larger customers in an effort to improve recent activity levels. These bundled service projects provide the Trust with an opportunity to improve the activity levels of multiple business units. Reduced activity in the shallow natural gas plays in Alberta has resulted in a very competitive market for stand-alone e-line services.

Operating Expenses

(Thousands)	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Operating expenses	$ 20,601	$ 32,653	$ 68,899	$ 66,376
As a % of revenue	88%	74%	84%	79%

Operating expenses were $20.6 million and $68.9 million for the three and nine months ended September 30, 2009, compared to $32.7 million and $66.4 million for the same periods in 2008.

Operating costs as a percentage of revenue are higher than in the prior year as a result of decreased activity. Costs including repairs and maintenance, fuel and certain labour costs fluctuate 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 costs each quarter based on current and anticipated activity. Surplus industry equipment and declining activity levels have increased price competition and 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 continues to implement these cost reductions in an effort to further improve the cost structure heading into the fourth quarter. The Trust expects to realize approximately $6 million in operating cost savings in 2009 as a result of the cost reduction measures implemented to date.

General and Administrative Expenses

(Thousands)	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
General and administrative expenses	$ 2,033	$ 2,617	$ 7,280	$ 7,124
As a % of revenue	9%	6%	9%	8%

General and administrative expenses were $2.0 million and $7.3 million, respectively, for the three and nine months ended September 30, 2009, compared to $2.6 million and $7.1 million, respectively, for the same periods in 2008. These costs are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and business unit level. For the three months ended September 30, 2009, general and administrative expenses also reflect the recovery of certain accounts receivable amounts previously written off as uncollectible.

In response to the deterioration of utilization levels and market conditions, management implemented additional cost reduction measures in early 2009 in an effort to reduce general and administrative costs. These measures included a 10% voluntary salary rollback for the executive management team, suspension of the Trust's short term incentive and savings plan matching programs, certain employees agreeing to take unpaid leaves of absence and 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 nine months ended September 30, 2009 of $0.3 million and $0.9 million, respectively, compared to $0.5 million and $1.2 million for the same periods in 2008. The decrease over the prior year expense is primarily due to forfeitures of options by departed employees and new grants being issued at lower fair values than expiring grants.

Depreciation and Amortization

(Thousands)	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Depreciation and amortization	$ 4,986	$ 5,115	$ 14,890	$ 12,585

Depreciation and amortization expense was $5.0 million and $14.9 million, respectively, for the three and nine months ended September 30, 2009, compared to $5.1 million and $12.6 million, respectively, for the same periods in 2008. The increase in the nine month period ended September 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 September 30, 2009		2008		Nine months ended September 30, 2009		2008
Interest on long-term debt	$	193	$	499	$	1,018	$	2,572
Average interest rate		3.7%		6.2%		3.2%		6.2%

Interest expense was $0.2 million and $1.0 million, respectively, for the three and nine months ended September 30, 2009, compared to $0.5 million and $2.6 million, respectively, for the same periods in 2008. Interest expense for the nine months ended September 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 nine month periods ending September 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 nine months ended September 30, 2009 was $13.3 million and $19.1 million, respectively, in comparison to an average of $24.5 million and $82.3 million, respectively, for the same periods ended September 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 September 30, 2009		2008		Nine months ended June, 2009		2008
Future income tax expense (recovery)	$	(1,986)	$	1,848	$	(7,403)	$	2,758

Future income tax recovery was $2.0 million and $7.4 million, respectively, for the three and nine months ended September 30, 2009, compared to future income tax expense of $1.8 million and $2.8 million, respectively 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.

SUMMARY OF QUARTERLY DATA

($Thousands, except per unit amounts)	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007
Revenue from continuing operations	23,442	15,974	42,198	43,842	43,891	25,145	15,046	11,930
Net earnings (loss)	(2,661)	(10,972)	5,562	(15,950)	8,400	(14,424)	2,713	(38,479)
Per unit – basic and diluted	(0.04)	(0.18)	0.09	(0.27)	0.14	(0.24)	0.08	(1.09)
Funds flow from (used) in Operations[1]	615	(3,983)	7,785	6,113	8,122	(5,361)	7,109	3,608
Per unit – basic and diluted	0.01	(0.07)	0.13	0.09	0.13	(0.10)	0.20	0.10
Distributions per unit	0.01	0.01	0.03	0.04	0.05	0.12	0.15	0.18

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. For the three month periods ended June 30, 2009 and September 30, 2009 the Trust paid quarterly distributions.

Funds Flow from Operations[1]

(Thousands)	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Cash flow from operations	$ (1,032)	$ 6,173	$ 14,839	$ 25,615
Less:				
Non-cash operating working capital increase (decrease)	1,647	1,949	(10,422)	(16,115)
Funds flow from operations	$ 615	$ 8,122	$ 4,417	$ 9,500
Per unit – basic and diluted	$ 0.01	$ 0.14	$ 0.07	$ 0.18

Funds flow from operations[1] was $0.6 million and $4.4 million, respectively, for the three and nine months ended September 30, 2009, compared to $8.1 million and $9.5 million, respectively, for the same periods in 2008.

Working Capital

(Thousands)	September 30, 2009	September 30, 2008
Current assets	$ 28,264	$ 51,363
Current liabilities, excluding current portion of long-term debt	(8,766)	(15,515)
Working capital	$ 19,498	$ 35,848
Working capital ratio	3.2:1	3.3:1

Working capital at September 30, 2009 was $19.5 million compared to $35.9 million at September 30, 2008. Working capital declined as a result of the disposition of the Transport division on July 2, 2008, and the reduced activity levels throughout 2009 compared to the prior year.

Working Capital Net of Long-term Debt

(Thousands)		September 30, 2009		September 30, 2008
Working capital	$	19,498	$	35,848
Long-term debt, including the current portion of long-term debt		(14,302)		(22,063)
Working capital net of long-term debt	$	5,196	$	13,785

Working capital exceeded long-term debt at September 30, 2009 by $5.2 million compared to $13.8 million at September 30, 2008. The decline in activity levels in recent quarters compared to the prior year has reduced the Trust's working capital and consequently reduced the Trust's working capital net of 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 was reduced at the time of renewal in May 2009 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 agreement, the Facility is limited to the lesser of $50 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 September 30, 2009, a maximum of $49.6 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 or bankers' acceptance rate plus a margin based on financial covenants. On November 10, 2009, $16.8 million of long-term debt was outstanding.

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

As at September 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

		Three months ended September 30,				Nine months ended September 30,		
(Thousands)		2009		2008		2009		2008
Equipment expenditures								
Well Servicing	$	1,761	$	2,622	$	5,394	$	4,090
Wireline & Rentals		582		1,319		1,166		2,069
Corporate		227		202		650		472
		2,570		4,143		7,210		6,631
Less proceeds on disposal of property and equipment		(52)		(363)		(407)		(900)
Net equipment expenditures[1]	$	2,518	$	3,780	$	6,803	$	5,731

Net equipment expenditures[1] for the three and nine months ended September 30, 2009 were $2.5 million and $6.8 million, respectively, compared to $3.8 million and $5.7 million, respectively, for the same periods ended September 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 September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Equipment expenditures				
Growth capital	$ 2,119	$ 1,942	$ 4,718	$ 3,594
Maintenance capital	451	2,201	2,492	3,037
	$ 2,570	$ 4,143	$ 7,210	$ 6,631

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.

Trust Units

As at November 10, 2009, there were 59,852,965 Trust units and 4,797,037 Trust unit options outstanding (including 712,874 Essential Replacement Options issued in conjunction with the acquisition of Builders). Of the 4,797,037 Trust unit options, 1,741,595 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 were 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 nine months ended September 30, 2009.

The NCIB expired on October 30, 2009, and the Trust has elected not to renew the NCIB at this time.

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 are 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 first nine months of 2009 have been a test of resilience for the Trust and the Canadian energy services industry as a whole. Depressed natural gas prices, uncertainty with respect to the Alberta royalty regime and the worldwide credit crisis, which negatively impacted the industry in the first part of 2009, caused exploration and production companies to significantly curtail their capital programs. Throughout the latter part of the third quarter and into the fourth quarter, oil prices appear to have stabilized, natural gas prices have shown signs of improvement and exploration and production companies are once again raising equity in the capital markets. These factors are all positive indicators of an improved business environment as companies commence their winter drilling programs. However, competitive pricing pressure within the oilfield services sector, uncertainty over the timing and extent of customer capital programs and longer term commodity price uncertainty are expected to continue to adversely impact revenue and earnings compared to prior years.

CAODC's 2010 forecast of wells drilled on a well completion basis of 8,523 wells is a nominal increase from the 8,278 wells anticipated in 2009. The first half of 2010 may see activity levels similar to the first half of 2009 as winter access only drilling programs continue and exploration and production companies look to complete their work before the end of the first quarter. However, competitive pricing pressure in the WCSB is expected to continue to negatively impact revenue compared to prior years until the excess productive capacity that exists within the sector can be moderated through improved activity levels, the retirement of excess equipment, or redeployment to other operating jurisdictions. Signs of improvement in market conditions are expected to include improved and stabilized natural gas prices, a reduction in natural gas storage levels and clarity in the long term, competitive royalty and regulatory structure in Alberta.

The Trust's successful entrance into new markets, including the expansion of its multi-stage fracturing service and introduction of increased depth and capacity within its coil tubing operations, in addition to ongoing efforts to diversify its business efforts outside of Alberta, reinforce the Trust's commitment to remain competitive during these difficult times. The Trust will continue to manage costs prudently and take steps to preserve cash as necessary and create a solid foundation for industry recovery.

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.

CONVERSION TO CORPORATION

The Trust announced its intention to convert to a growth-oriented corporation (the "Conversion") pursuant to a Plan of Arrangement under the Business Corporations Act (Alberta). The Trust anticipates seeking approval from unitholders in conjunction with the 2010 annual general meeting and expects to complete the Conversion prior to April 30, 2010.

On October 31, 2006, the Minister of Finance announced the Specified Investment Flow Through Trust ("SIFT") income and distribution tax which effectively eliminated public income trusts. Additional income taxes will be imposed on trusts for taxation years commencing January 1, 2011. Legislation provides for conversion on a tax-free basis, as long as conversion occurs prior to 2013.

The Board of Directors believes it is the right time to proceed with a Conversion for the following reasons:

- Conversion removes the uncertainty of when Essential will convert to a corporation. Essential believes this is important for future attraction and retention of investors.
- Access to capital for income trusts may become limited as January 2011 nears.
- The Trust anticipates efficiencies and cost savings from presenting the Conversion to the unitholders in conjunction with the annual general meeting as there will only be one proxy circular and one mailing to unitholders.
- Conversion removes the restriction on the level of ownership by non-residents.
- Conversion can occur on a tax-free basis.
- Conversion removes the growth threshold imposed by the SIFT legislation.

The Conversion will be subject to required regulatory approvals and to unitholder approval. Further details about the precise timing and mechanics of the Conversion can be anticipated in the first quarter of 2010.

ELIMINATION OF THE DISTRIBUTION

In light of the prolonged downturn in the oilfield services sector, the Trust's decision to convert to a growth-oriented corporation and the uncertain outlook into 2010, Essential has eliminated the distribution effective immediately. This is aligned with the Trust's objective to preserve its Balance Sheet and have more cash available to maintain the working capacity of the current fleet.

Essential does not intend to pay a dividend after the Conversion.

[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.

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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

September 30, 2009

ESSENTIAL ENERGY SERVICES TRUST
CONSOLIDATED BALANCE SHEETS
(unaudited)

(Thousands)		As at September 30, 2009		As at December 31, 2008
Assets *(note 9)*				
Current assets				
Accounts receivable	$	17,502	$	33,140
Inventory *(note 5)*		8,811		8,570
Prepaid expenses and deposits		1,951		2,650
		28,264		44,360
Property and equipment *(note 6)*		130,051		142,464
Assets held for sale *(note 7)*		1,215		-
Intangible assets *(note 8)*		4,265		5,211
Future income tax asset *(note 13)*		3,779		-
	$	167,574	$	192,035
Liabilities				
Current liabilities				
Bank indebtedness	$	332	$	1,192
Accounts payable and accrued liabilities		7,836		13,972
Distributions payable *(note 12)*		598		898
Current portion of long-term debt *(note 9)*		1,591		3,468
		10,357		19,530
Long-term debt *(note 9)*		12,711		14,057
Future income tax liability *(note 13)*		-		3,624
		23,068		37,211
Commitments *(note 15)*				
Unitholders' Equity				
Unitholders' capital		265,573		265,573
Contributed surplus *(note 10)*		6,452		5,508
Accumulated deficit		(127,519)		(116,257)
		144,506		154,824
	$	167,574	$	192,035

See accompanying notes to unaudited interim consolidated financial statements

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

(Thousands, except per unit amounts)	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Revenue	$ 23,442	$ 43,891	$ 81,614	$ 84,082
Operating expenses	20,601	32,653	68,899	66,376
	2,841	11,238	12,715	17,706
Expenses				
General and administrative	2,033	2,617	7,280	7,124
Unit-based compensation *(note 11)*	265	512	944	1,228
Depreciation and amortization	4,986	5,115	14,890	12,585
Interest on long-term debt *(note 9)*	193	499	1,018	2,572
Loss on disposal of assets	11	191	4,057	197
Earnings (loss) from continuing operations before income taxes	(4,647)	2,304	(15,474)	(6,000)
Income tax expense (recovery)				
Future *(note 13)*	(1,986)	1,848	(7,403)	2,758
Earnings (loss) from continuing operations	(2,661)	456	(8,071)	(8,758)
Loss from discontinued operations (net of tax)	-	-	-	(2,497)
Gain on sale of discontinued operations (net of tax)	-	7,944	-	7,944
Earnings from discontinued operations	-	7,944	-	5,447
Net earnings (loss) and comprehensive earnings (loss)	(2,661)	8,400	(8,071)	(3,311)
Accumulated deficit, beginning of period	(124,260)	(103,292)	(116,257)	(79,341)
Distributions to unitholders *(note 12)*	(598)	(2,712)	(3,191)	(14,952)
Accumulated deficit, end of period	$ (127,519)	$ (97,604)	$ (127,519)	$ (97,604)
Earnings (loss) per unit from continuing operations *(note 14)*				
Basic and diluted	$ (0.04)	$ 0.01	$ (0.13)	$ (0.17)
Earnings (loss) per unit from discontinued operations *(note 14)*				
Basic and diluted	$ -	$ 0.13	$ -	$ 0.10
Net earnings (loss) per unit *(note 14)*				
Basic and diluted	$ (0.04)	$ 0.14	$ (0.13)	$ (0.07)

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 September 30, 2009	2008	For the nine months ended September 30, 2009	2008
Operating activities:				
Earnings (loss) from continuing operations	$ (2,661)	$ 456	$ (8,071)	$ (8,758)
Items not affecting cash:				
Depreciation and amortization	4,986	5,115	14,890	12,585
Future income tax expense (recovery) *(note 13)*	(1,986)	1,848	(7,403)	2,758
Unit-based compensation *(note 11)*	265	512	944	1,228
Loss on disposal of assets	11	191	4,057	197
Funds flow from continuing operations	615	8,122	4,417	8,010
Funds flow from discontinued operations	-	-	-	1,490
	615	8,122	4,417	9,500
Changes in non-cash working capital	(1,647)	(1,949)	10,422	16,115
	(1,032)	6,173	14,839	25,615
Financing activities:				
Distributions paid	(599)	(2,712)	(3,491)	(15,811)
Increase (decrease) in operating line of credit	-	346	-	(12,799)
Increase (decrease) in long-term debt	4,149	(128,643)	(4,083)	(114,605)
	3,550	(131,009)	(7,574)	(143,215)
Investing activities:				
Property and equipment	(2,570)	(4,143)	(7,210)	(6,631)
Proceeds on disposal of equipment	52	363	407	900
Decrease in assets held for sale	-	-	-	1,983
Business acquisitions	-	(736)	-	(8,004)
Proceeds on disposal of discontinued operations	-	132,352	-	132,352
Changes in non-cash working capital	-	(3,000)	(462)	(3,000)
	(2,518)	124,836	(7,265)	117,600
Change in cash, beginning and end of period	$ -	$ -	$ -	$ -
Supplementary cash flow information:				
Interest paid	$ 213	$ 1,072	$ 654	$ 3,392

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 nine months ended September 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 was 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. The Trust has assessed the impact of this standard and noted no impact to its financial statements.

5. Inventory

	As at September 30, 2009	As at December 31, 2008
Downhole service tools	$ 7,245	$ 6,644
Coil tubing and wireline products	1,566	1,926
	$ 8,811	$ 8,570

Inventory expensed through operating expenses for the three and nine months ended September 30, 2009 was $3.6 million and $6.5 million, respectively.

6. Property and Equipment

As at September 30, 2009	Cost	Accumulated Depreciation	Net Book Value
Service rigs and equipment	$ 133,146	$ 34,611	$ 98,535
Oilfield equipment	29,922	7,289	22,633
Vehicles	5,873	2,256	3,617
Other	6,880	1,614	5,266
	$ 175,821	$ 45,770	$ 130,051

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 nine months ended September 30, 2009 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 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 nine months ended September 30, 2009.

8. Intangible Assets

As at September 30, 2009	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 5,464	$ 2,005	$ 3,459
Management service contracts	1,847	1,634	213
Favourable leases	576	196	380
Trade names	428	215	213
	$ 8,315	$ 4,050	$ 4,265

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 September 30, 2009	As at December 31, 2008
Term loan	$ 14,300	$ 17,450
Capital leases	2	75
	14,302	17,525
Less: current portion of long-term debt	(1,591)	(3,468)
	$ 12,711	$ 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 or bankers' acceptance rate plus a margin based on financial covenants.

As at September 30, 2009, all financial debt covenants were satisfied and all banking requirements were up to date. A maximum of $49.6 million was available to the Trust as at September 30, 2009.

The average effective interest rate on borrowings under the Facility for the three and nine months ended September 30, 2009 was 3.7% and 3.2%, respectively (2008 – 6.2% for both periods).

The Facility expires on May 30, 2010 and can be renewed upon request by the Trust, at the syndicate'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 September 30, 2009	As at December 31, 2008
Balance, beginning of period	$ 5,508	$ 2,480
Unit-based compensation	944	1,588
Normal course issuer bid	-	1,440
Balance, end of period	$ 6,452	$ 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	557	1.02
Forfeitures	(508)	5.33
Outstanding, end of period	4,807	$ 3.52
Exercisable, end of period	1,745	$ 6.33

The Trust recorded unit-based compensation expense in respect of the Option Plan of $0.3 million and $0.9 million for the three and nine months ended September 30, 2009 (2008 - $0.5 and $1.2 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% - 2.66%
Expected Volatility	75% - 108%
Expected Term	5.0 years
Distribution yield	0%
Fair value per option issued	$0.49 - $0.76

12. Accumulated Distributions and Distributions Payable

	As at and for the nine months ended September 30, 2009
Accumulated distributions, beginning of period	$ 63,694
Distributions declared and paid in the period	2,593
Distributions declared and payable	598
Accumulated distributions for the period	3,191
Accumulated distributions, end of period	$ 66,885

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 September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Loss from continuing operations before income taxes	$ (4,647)	$ 2,304	$(15,474)	$ (6,000)
Effective tax rate	0%	0%	0%	0%
Expected income tax expense	$ -	$ -	$ -	$ -
Increase (decrease) resulting from:				
Changes in temporary differences	(1,986)	1,848	(7,403)	2,758
Future income tax expense (recovery)	$ (1,986)	$ 1,848	$ (7,403)	$ 2,758

The future income tax asset (liability) consists of temporary differences between the carrying values for accounting versus tax:

	As at September 30, 2009	As at December 31, 2008
Tangible assets	$ 234	$ (8,117)
Net operating losses	2,464	2,015
Goodwill/ Intangible assets	2,513	3,134
Trust unit issuance costs	471	372
Valuation allowance	(959)	(250)
Other	(944)	(778)
Future income tax asset (liability)	$ 3,779	$ (3,624)

14. Per Unit Amounts

The weighted average number of units outstanding for the three and nine months ended September 30, 2009 was 59,852,965 (2008 – 60,272,865 and 51,739,845, respectively). For the three and nine months ended September 30, 2009 and 2008, options convertible to units are not included in the per unit calculation as their effect is anti-dilutive.

15. 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	$ 1,089
2010	4,173
2011	3,284
2012	2,315
2013	1,407
Thereafter	1,843
	$ 14,111

16. Financial Instruments

a) Designation and valuation of financial instruments

Essential has classified its accounts receivable as loans and 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 September 30, 2009, accounts receivable are aged as follows: 50% - current; 32% - 31-60 days; 10% - 61-90 days; and 8% - over 90 days (2008 - 59% - current; 19% - 31-60 days; 12% - 61-90 days; and 10% - 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 September 30, 2009, the Trust's allowance for doubtful accounts is $1.0 million and for the nine months then ended had a bad debt expense of $0.3 million. As at September 30, 2009, approximately 34% of the total accounts receivable balance was due from five companies.

(ii) 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.

17. 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.

18. 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 September 30, 2009			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 13,159	$ 10,283	$ -	$ 23,442
Earnings (loss) from continuing operations before income taxes	$ (3,035)	$ 526	$ (2,138)	$ (4,647)
Depreciation and amortization	$ 3,339	$ 1,475	$ 172	$ 4,986
Total assets	$ 117,059	$ 43,873	$ 6,642	$ 167,574
Assets held for sale	$ 1,215	$ -	$ -	$ 1,215
Equipment expenditures	$ 1,761	$ 582	$ 227	$ 2,570

	As at and for the three months ended September 30, 2008			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 31,221	$ 12,670	$ -	$ 43,891
Earnings (loss) from continuing operations before income taxes	$ 4,791	$ 1,474	$ (3,961)	$ 2,304
Depreciation and amortization	$ 2,930	$ 2,006	$ 179	$ 5,115
Total assets (excluding assets held for sale)	$ 160,480	$ 45,321	$ 9,755	$ 215,556
Equipment expenditures	$ 2,622	$ 1,319	$ 202	$ 4,143

	As at and for the nine months ended September 30, 2009			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 52,220	$ 29,394	$ -	$ 81,614
Earnings (loss) from continuing operations before income taxes	$ (8,493)	$ 960	$ (7,941)	$ (15,474)
Depreciation and amortization	$ 10,073	$ 4,332	$ 485	$ 14,890
Total assets	$ 117,059	$ 43,873	$ 6,642	$ 167,574
Assets held for sale	$ 1,215	$ -	$ -	$ 1,215
Equipment expenditures	$ 5,394	$ 1,166	$ 650	$ 7,210

	As at and for the nine months ended September 30, 2008			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 64,836	$ 19,246	$ -	$ 84,082
Earnings (loss) from continuing operations before income taxes	$ 3,856	$ 1,222	$ (11,078)	$ (6,000)
Depreciation and amortization	$ 9,397	$ 2,787	$ 401	$ 12,585
Total assets (excluding assets held for sale)	$ 160,480	$ 45,321	$ 9,755	$ 215,556
Equipment expenditures	$ 4,090	$ 2,069	$ 472	$ 6,631

19. Comparative Amounts

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

20. Subsequent Events

On November 10, 2009, the Trust announced its intention to convert to a growth-oriented energy services corporation (the "Conversion") pursuant to a Plan of Arrangement under the Business Corporations Act (Alberta). The Trust anticipates seeking approval from unitholders in conjunction with the 2010 annual general meeting and expects to complete the Conversion prior to April 30, 2010.

On November 10, 2009, the Trust, in light of the prolonged downturn in the oilfield services sector and the uncertain outlook into 2010, announced the elimination of distribution payments.

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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