ESSENTIAL
energy services trust

FINANCIAL REPORT

For the year ended December 31, 2009

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Dear Fellow Unitholders,

There is no question that 2009 was a very difficult year in the oilfield services sector. As I write this letter, in March 2010, I believe that the worst is behind us. However, until there is fundamental improvement in both the price of and market for natural gas, I do not anticipate a rapid return to the hectic pace of 2005 and 2006. I am very pleased that Essential not only survived the worst of the downturn but emerges as a financially strong company with many exciting opportunities on the horizon.

2009 In Review

The global economic crisis greatly impacted the demand and therefore the price for oil and natural gas. Low commodity prices and limited access to capital constrained spending budgets of our customers. This directly reduced the demand for oilfield services for both drilling related and production related activity. There was too much equipment in the Western Canadian Sedimentary Basin ("WCSB") for the level of activity, resulting in extreme pricing pressure for oilfield services.

Alberta was incrementally impacted by the royalty changes and the resulting "anywhere but Alberta" mentality as many producers and service companies sought opportunity in B.C., Saskatchewan and outside of North America as they awaited clarity on the royalty review. With the vast majority of Essential's operations being in Alberta, this hit us very hard.

The slowdown hit the sector in mid-February when activity was abruptly curtailed before the weather induced spring breakup occurred. We called this "economic breakup". Sector utilization rates fell to near 20 year lows and generally speaking, activity remained slow until November when a number of influences including oil price stability, improving natural gas prices, Alberta short term royalty incentives, lower service pricing and increased access to capital by our customers had a positive impact on activity.

While service rig and wireline activity was particularly impacted by the slowdown, notably in the second and third quarters, we were pleased with the success of our new multi-stage fracturing service, the introduction of our deep coil tubing rig and the ongoing success of our coil tubing operations in Saskatchewan.

Essential's Decisive Response

Throughout the year, Essential said it would take steps to manage costs prudently and preserve cash as necessary to create a foundation for industry recovery. I believe we have succeeded in this effort. We began the year with a strong balance sheet and we finished the year with a strong balance sheet.

Aggressive and proactive cost reduction initiatives which we undertook were broad and deep. Throughout the year we saved $10 million in operating and general and administrative costs. Considering our 2009 EBITDAS was $10 million, this was significant. Our employees were greatly impacted and I am very proud of the steps they took to reduce costs through a variety of efforts including salary reductions, reduced work weeks, improved operating efficiencies and other difficult cost saving steps. These actions had a meaningful and direct impact on the bottom line.

I will not ignore the impact on our unitholders as Essential made the difficult decision to eliminate the distribution in November 2009. I continue to believe this was the right decision for the long-term success of our company.

Capital spending in the year was modest and we focused on new service offerings in areas of increased demand including deep coil tubing and multi-stage fracturing services. The excess equipment in the WCSB motivated us to rationalize our fleet and we permanently parked a number of older service, coil and rod rigs. We were early with this decision, but I believe more equipment in the industry needs to be parked or redeployed out of the WCSB to see service pricing improve in a meaningful way.

Where Do We Go From Here?

There are a number of indications that activity has bottomed and the sector is emerging from the downturn. Activity levels to-date in 2010 are higher than activity levels in the first quarter of 2009, however, pricing for services are lower than a year ago and that will impact margins for many services**.**

But is the downturn really over? The spending ability of our customers has increased, oil prices are significantly higher than a year ago and natural gas prices are ahead of where they were a year ago. However, the industry will continue to keep a close eye on natural gas storage levels which are currently around the 5-year average. There is also a feeling of hope in Alberta as the government is expected to complete their royalty competitiveness review shortly and many are optimistic the decisions will stimulate activity in the province.

Any optimism for 2010 must be kept in perspective as the various industry projections for well counts, while generally ahead of 2009, are still far behind the number of wells drilled in 2005 to 2008. We are hopeful that looking beyond 2010, the sector may approach those levels again.

For Essential, utilization levels in January and February have been relatively good, particularly for service rigs and multi-stage fracturing, but again, pricing is lower that it was a year ago. Activity in March is uncertain at this time as weather is warming and the province of Alberta began implementing roadbans on March 1 across the southern half of the province.

Essential continues to respond to notable changes in the industry including the shift from conventional vertical drilling to horizontal and directional drilling as well as the increased interest in the Cardium and Viking plays in Alberta. Our service rigs, coil tubing rigs and multi-stage fracturing services are capable of working on horizontal and directional wells and many of our customers are becoming active in the Cardium and Viking plays.

Over the last year we have determined it is in the best interest of the company to look beyond our traditional geographic boundaries and we are considering expansion opportunities into Colombia and/or Mexico. We recently hired a Director of Business Development for Latin America and discussions to date suggest there may be real opportunities to redeploy some of our equipment and expertise to this region.

Essential's initial capital spending program announced for 2010 is modest and is intended to preserve the operating capacity of the equipment fleet. Should activity levels and market conditions continue to improve, we will increase the capital program to take advantage of opportunities for future growth. Ideas we are monitoring include coil tubing equipment for deeper Alberta plays and modifications to portions of our fleet to be suitable for Latin American operations. Our balance sheet remained strong through the year and as industry activity increases, the flexibility that comes with our strong financial position becomes a true competitive advantage.

We are on track for the previously announced conversion to a growth-oriented corporation with the intention to have it completed by the end of April 2010, subject to unitholder and regulatory approval. Among the reasons to convert include removal of the uncertainty that exists in the income trust market today and possibly improved access to capital.

I look back at 2009 and feel a true sense of accomplishment and I look forward into 2010 with excitement as we are planning for a steady increase in activity starting later in the year. I take comfort in knowing that Essential has been able to and will continue to react positively to challenging and changing conditions.

Finally, I would like to express my gratitude to our customers, employees, investors and the Board – all of whom stayed with us and sacrificed much in 2009, so we can all enjoy what we think will be a more active and prosperous 2010 and beyond.

Sincerely,

Garnet K. Amundson
President & CEO
March 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Trust ("Essential" or the "Trust") for the year ended December 31, 2009 should be read in conjunction with the Trust's audited consolidated financial statements as at and for the years ended December 31, 2009 and 2008 and the notes contained therein. This MD&A was prepared effective March 10, 2010.

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 with respect to the demand for and price of oil and natural gas including natural gas storage levels, expectations regarding the level and type of drilling and production activity in the Western Canadian Sedimentary Basin, expectations regarding the timing of the Alberta government's competitiveness review and the effects therefrom 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 year ended December 31, 2009 have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") except where otherwise indicated.

SELECTED FINANCIAL INFORMATION

	Three months ended December 31,				Year ended December 31,			
($ Thousands, except per unit amounts)		**2009**		2008		**2009**		2008
Revenue		**30,108**		43,842		**111,722**		127,924
Gross margin(1)		**6,764**		12,086		**19,479**		29,792
Gross margin as a percentage of revenue(1)		**22%**		28%		**17%**		23%
EBITDAS(1) from continuing operations		**4,586**		8,219		**10,021**		18,801
EBITDAS as a percentage of revenue(1)		**15%**		19%		**9%**		15%
Loss from continuing operations		**(1,409)**		(14,685)		**(9,480)**		(23,443)
Per unit – basic and diluted	**$**	**(0.02)**	$	(0.25)	**$**	**(0.16)**	$	(0.44)
Earnings (loss) from discontinued operations		**n/a**		(1,265)		**n/a**		4,182
Per unit – basic and diluted		**n/a**	$	(0.02)		**n/a**	$	0.08
Net loss		**(1,409)**		(15,950)		**(9,480)**		(19,261)
Per unit – basic and diluted	**$**	**(0.02)**	$	(0.27)	**$**	**(0.16)**	$	(0.36)
Funds flow from operations (1)		**4,374**		6,113		**8,791**		15,987
Per unit – basic and diluted	**$**	**0.07**	$	0.09	**$**	**0.15**	$	0.30
Distributions to Unitholders		**-**		2,703		**3,191**		17,655
Per unit	**$**	**-**	$	0.04	**$**	**0.05**	$	0.33
Total assets		**169,380**		192,035		**169,380**		192,035
Total long term debt		**16,600**		17,525		**16,600**		17,525
Unitholders' equity		**143,367**		154,824		**143,367**		154,824

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

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:

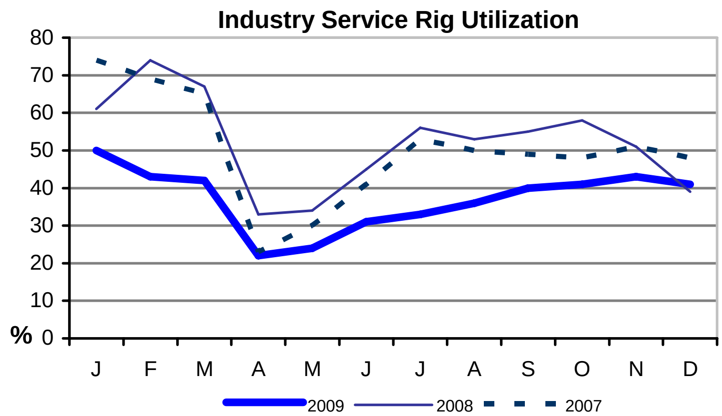
- The financial results of Builders have been included in the consolidated financial statements and MD&A of the Trust since April 4, 2008.
- The financial results of the Transport division have been reclassified under the caption of "Earnings (loss) from discontinued operations".

Additional Information

Additional information regarding Essential, including the 2009 interim reports, 2008 Annual Report and the Annual Information Form for the year ended December 31, 2009, can be found on SEDAR at www.sedar.com.

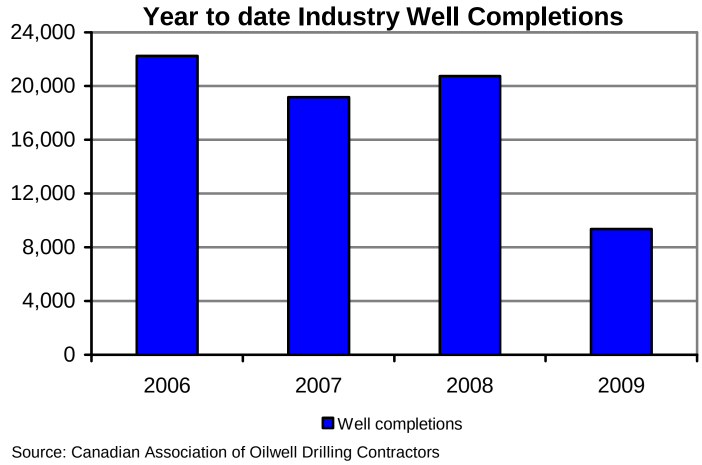
OVERVIEW OF SECTOR ACTIVITY

2009 was a test of resilience for the Canadian energy services sector as the downturn was far more pronounced than previous downturns due to decreased demand for oilfield services combined with the significant build up of equipment in the Western Canada Sedimentary Basin ("WCSB") over the last few years. Service rig utilization within the WCSB peaked in early February and the following months saw utilization fall to near 20 year lows as depressed commodity prices, higher than expected natural gas storage levels, uncertainty with respect to the Alberta royalty regime and the reduced availability of credit caused exploration and production companies to reduce or defer exploration programs, production work and in some cases shut in natural gas production. Sector activity levels towards the end of the year began to improve as natural gas prices improved, oil prices stabilized and the renewed availability of credit resulted in exploration and production companies reinstating some of their drilling and completion programs.



Source: Canadian Association of Oilwell Drilling Contractors

Service rig utilization experienced a sharper decline in comparison to drilling rig utilization as some exploration and production companies undertook limited drilling activities to assess production and preserve lease rights but deferred completion activities and elected to leave wells shut in until natural gas prices improved. This resulted in a significant decline in well completions in 2009 compared to recent years. While this may lead to a backlog of service rig work in the future, in the short term it has negatively impacted service rig utilization.



Oilfield service companies experienced an erosion of prices throughout most of 2009 as a result of declining activity, extensive competition and surplus equipment. In the latter part of 2009 prices stabilized due to improving activity levels.

OVERVIEW OF 2009 RESULTS

Throughout 2009, the Trust focused on cost cutting measures to mitigate the impact of reduced activity levels and competitive pricing pressures. However, even with aggressive cost cutting, the Trust has been adversely impacted by the overall decline in activity in the WCSB.

Notwithstanding these difficult operating conditions, the Trust experienced service growth success through the addition of a deep coil tubing rig and multi-stage fracturing services. These services expanded the Trust's capability within the Bakken, Montney and other resource plays.

As a result of improved activity levels, Essential's fourth quarter results exceeded management's expectations. Exploration and production companies began their winter drilling programs in November and the programs extended through to the end of December, benefiting all of Essential's service lines. This improved activity created labour challenges that the Trust was able to overcome through the steps taken earlier in the year that enabled the Trust to retain quality personnel. In spite of the improvements in utilization during the quarter, competitive market conditions continued to adversely impact pricing and margins.

Financial Highlights

- Revenue from continuing operations for the year ended December 31, 2009 was $111.7 million, compared to $127.9 million for the year ended December 31, 2008.

- Gross margin(1) and gross margin as a percentage of revenue(1) for the year ended December 31, 2009 were $19.5 million and 17% respectively, compared to $29.8 million and 23% for the same period ended December 31, 2008.

- EBITDAS(1) for the year ended December 31, 2009 was $10.0 million, compared to $18.8 million for the year ended December 31, 2008.

- As at December 31, 2009, the Trust had total long-term debt of $16.6 million compared to total long-term debt of $17.5 million as at December 31, 2008. Long-term debt net of cash as at December 31, 2009 was $15.5 million.

- The Trust's working capital in excess of long-term debt[1], as at December 31, 2009 was $9.0 million compared to $10.8 million as at December 31, 2008.

The operating results for the year ended December 31, 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 December 31, **2009**	Three months ended December 31, 2008	Year ended December 31, **2009**	Year ended December 31, 2008
Revenue	**$ 30,108**	$ 43,842	**$ 111,722**	$ 127,924
Operating expenses	**23,344**	31,756	**92,243**	98,132
Gross margin[1]	**6,764**	12,086	**19,479**	29,792
Gross margin as a percentage of revenue[1]	**22%**	28%	**17%**	23%
General and administrative expenses	**2,178**	3,867	**9,458**	10,991
EBITDAS[1]	**4,586**	8,219	**10,021**	18,801
EBITDAS as a percentage of revenue[1]	**15%**	19%	**9%**	15%
Unit-based compensation	**270**	361	**1,214**	1,588
Depreciation and amortization	**5,266**	4,842	**20,156**	17,427
Interest on long-term debt	**212**	289	**1,230**	2,861
Loss on disposal of assets	**50**	412	**4,107**	610
Earnings (loss) from continuing operations before impairment of goodwill and income taxes	**(1,212)**	2,315	**(16,686)**	(3,685)
Impairment of goodwill	**-**	17,902	**-**	17,902
Loss from continuing operations before income taxes	**(1,212)**	(15,587)	**(16,686)**	(21,587)
Future income tax expense (recovery)	**197**	(902)	**(7,206)**	1,856
Loss from continuing operations	**(1,409)**	(14,685)	**(9,480)**	(23,443)
Earnings (loss) from discontinued operations	**-**	(1,265)	**-**	4,182
Net loss	**$ (1,409)**	$ (15,950)	**$ (9,480)**	$ (19,261)
Net loss per unit – basic and diluted	**$ (0.02)**	$ (0.27)	**$ (0.16)**	$ (0.36)

Revenue

(Thousands)	Three months ended December 31, 2009	2008	Year ended December 31, 2009	2008
Revenue				
Well Servicing	**$ 20,195**	$ 31,135	**$ 72,415**	$ 95,970
Wireline & Rentals	**9,913**	12,707	**39,307**	31,954
	$ 30,108	$ 43,842	**$ 111,722**	$ 127,924

Revenue for the year ended December 31, 2009 was $111.7 million, compared to $127.9 million for the same period in 2008. Revenue for the three months ended December 31, 2009 was $30.1 million, compared to $43.8 million for the same period in 2008.

Comparative fleet information is as follows:

	As at December 31, 2009	2008
Well Servicing Equipment*:		
Service Rigs	**51**	53
Rod Rigs	**23**	27
Coil Tubing Rigs**	**29**	32
Wireline Equipment:		
E-line Trucks	**14**	13
Slickline Trucks	**6**	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.
** An intermediate Coil Tubing Rig was acquired and put into service in the first quarter of 2010 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 $72.4 million for the year ended December 31, 2009, compared to $96.0 million for the same period in 2008. Well Servicing generated revenue of $20.2 million for the three months ended December 31, 2009, compared to $31.1 million for the same period in 2008.

Activity levels for Essential, and within the entire WCSB, were impacted during 2009 by reduced vertical conventional drilling, especially in Alberta where the majority of the Trust's services operate. Low commodity prices and reduced drilling, completions and well maintenance expenditures by exploration and production companies were the predominant factors behind the low activity levels during the year. Surplus industry equipment and declining activity levels have increased price competition and eroded margins during the year.

Comparative utilization of the well servicing fleet is as follows:

	Three months ended December 31, 2009	2008	Year ended December 31, 2009	2008
Essential Utilization				
Service Rigs	**34%**	47%	**27%**	48%
Rod Rigs	**35%**	42%	**32%**	48%
Coil Tubing Rigs	**37%**	51%	**32%**	41%

Service rig utilization was well below historical levels throughout 2009. Low commodity prices and adverse credit markets caused many exploration and production companies to curtail their capital programs before the end of the first quarter of 2009 leading to an earlier decline in activity levels. During the summer months, faced with declining activity levels and pricing pressure, the Trust elected to accept lower utilization in certain situations rather than work at prices that were uneconomic. By the end of the fourth quarter, the Trust saw an improvement in activity levels for service rigs as improved natural gas prices and increased availability of credit enabled exploration and production companies to increase drilling and completion activities.

Higher activity levels on the shale plays in the Bakken region provided the Trust opportunities for coil tubing rigs given their ability to work on horizontal wells. The Trust had success redirecting some of its coil tubing fleet into Saskatchewan and B.C. where activity levels were less impacted by the downturn. In addition, the Trust increased the service and depth capacity of its coil tubing fleet with the introduction of a deep coil tubing rig during the latter half of the third quarter. Capable of reaching depths up to 3,750 meters while accommodating coil tubing up to 2" in diameter and depths up to 5,100 meters while using smaller diameter coil tubing, the deep coil tubing rig is ideally suited to work in the deep horizontal wells, generally found in the Bakken and Montney resource plays, as well as in the deeper Alberta plays. Activity levels for Essential's coil tubing rigs remained strong during the fourth quarter as shale gas activity continued to be the focus of many exploration and production companies.

While utilization and revenue levels in the fourth quarter were down in comparison to the prior year, declines were less severe than anticipated. The fourth quarter started off slowly, continuing the trend of low activity levels experienced during the third quarter, but improved as the quarter progressed as exploration and production companies began their winter drilling programs in November and continued activity through to the end of December. Essential was able to overcome the labour challenges created from the improved activity levels through the steps that were taken in the earlier part of the year that enabled the Trust to retain quality personnel in this difficult labour market.

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 $39.3 million for the year ended December 31, 2009, compared to $32.0 million for the same period in 2008 (prior to the completion of the Builders transaction in April 2008, the Trust did not operate a Wireline & Rentals segment). Wireline & Rentals generated revenue of $9.9 million for the three months ended December 31, 2009, compared to $12.7 million for the same period in 2008.

Within Essential's Wireline & Rentals segment, the downhole tool operations were a focused area of growth in 2009. During the year, the Trust expanded its service offerings and introduced multi-stage fracturing service which enables companies to stimulate horizontal wells, like those in the Bakken and Montney resource plays, in a more cost effective manner. The growth in the tool operations helped offset the decline in the Trust's tubular and pipe rentals business, which primarily offers products related to conventional oil and gas drilling activity. The growth in the tool operations also helped offset declines in the Trust's e-line business, where reduced activity in the shallow gas plays in Alberta and the competitive market for these services, because of a surplus of equipment in this service line, resulted in extreme pricing pressure.

Through the fourth quarter, the downhole tool operations continued to be a stabilizing presence in this segment while results for the e-line business continued to be impacted by extremely competitive market conditions. Activity in the Trust's tubular and pipe rental business, while lower than the prior year, improved over recent quarters as a result of the increased drilling and completion work during the quarter.

Operating Expenses

(Thousands)		Three months ended December 31, **2009**		2008		Year ended December 31, **2009**		2008
Operating expenses	**$**	**23,344**	$	31,756	**$**	**92,243**	$	98,132
As a % of revenue		**78%**		72%		**83%**		77%

Operating expenses were $92.2 million for the year ended December 31, 2009, compared to $98.1 million for the same period in 2008. Operating expenses were $23.3 million for the three months ended December 31, 2009, compared to $31.8 million for the same period in 2008.

Operating 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 was proactive in managing its costs during the year based on current and anticipated activity. During the first three months of 2009, the Trust implemented significant cost reduction measures including staff reductions, unpaid leaves of absence, wage rollbacks and the suspension of the Trust's short term incentive program in order to preserve operating margins and remain competitive in future periods. The Trust implemented further cost reductions throughout the year in an effort to continue to improve its cost structure. The Trust realized approximately $6 million in operating cost savings in 2009 as a result of the cost reduction measures implemented throughout the year.

General and Administrative Expenses

(Thousands)		Three months ended December 31, 2009		2008		Year ended December 31, 2009		2008
General and administrative expenses	**$**	**2,178**	$	3,867	**$**	**9,458**	$	10,991
As a % of revenue		**7%**		9%		**8%**		9%

General and administrative expenses were $9.5 million for the year ended December 31, 2009, compared to $11.0 million for the same period in 2008. General and administrative expenses were $2.2 million for the three months ended December 31, 2009, compared to $3.9 million for the same period in 2008. These costs are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and business unit level.

In response to the deterioration of utilization levels and market conditions, management implemented 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 plan and savings plan 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 realized approximately $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 year ended December 31, 2009 of $1.2 million, compared to $1.6 million for the same period in 2008. The Trust recorded a non-cash expense related to unit-based compensation for the three months ended December 31, 2009 of $0.3 million, compared to $0.4 million for the same period 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 forfeited grants.

Depreciation and Amortization

(Thousands)	Three months ended December 31, **2009**	Three months ended December 31, 2008	Year ended December 31, **2009**	Year ended December 31, 2008
Depreciation and amortization	**$ 5,266**	$ 4,842	**$ 20,156**	$ 17,427

Depreciation and amortization expense was $20.2 million for the year ended December 31, 2009, compared to $17.4 million for the same period in 2008. Depreciation and amortization expense was $5.3 million for the three months ended December 31, 2009, compared to $4.8 million for the same period in 2008. The increase in the yearly depreciation 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 December 31, **2009**	Three months ended December 31, 2008	Year ended December 31, **2009**	Year ended December 31, 2008
Interest on long-term debt	**$ 212**	$ 289	**$ 1,230**	$ 2,861
Average interest rate	**3.6%**	4.1%	**3.3%**	5.7%

Interest expense was $1.2 million for the year ended December 31, 2009, compared to $2.9 million for the same period in 2008. Interest expense was $0.2 million for the three months ended December 31, 2009, compared to $0.3 million for the same period in 2008. Interest expense for the year ended December 31, 2009 includes fees related to the renewal of the Trust's credit facility.

Interest on long-term debt has declined in the three months and year ended December 31, 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 months and year ended December 31, 2009 was $16.3 million and $15.4 million, respectively, in comparison to an average of $20.7 million and $66.9 million, respectively, for the same periods ended December 31, 2008. Essential's low debt continues 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 December 31, **2009**	2008	Year ended December 31, **2009**	2008
Future income tax expense (recovery)	**$ 197**	$ (902)	**$ (7,206)**	$ 1,856

Future income tax recovery was $7.2 million for the year ended December 31, 2009, compared to future income tax expense of $1.9 million for the same period in 2008. Future income tax expense was $0.2 million for the three months ended December 31, 2009, compared to future income tax recovery of $0.9 million for the same period 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. In November 2009, the Trust announced its intention to convert to a growth-oriented corporation prior to April 30, 2010 pursuant to a Plan of Arrangement under the Business Corporations Act (Alberta).

Impairment of Goodwill

(Thousands)	Three months ended December 31, **2009**	2008	Year ended December 31, **2009**	2008
Impairment of goodwill	**$ -**	$ 17,902	**$ -**	$ 17,902

Impairment of goodwill for the three months and year ended December 31, 2009 was $nil, compared to $17.9 million for the same periods ended December 31, 2008. Following the recognition of the impairment on goodwill in 2008, the Trust no longer has any goodwill recorded on its Balance Sheet.

SUMMARY OF QUARTERLY DATA

($Thousands, except per unit amounts)	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008	Mar 31, 2008
Revenue from continuing operations	30,108	23,442	15,974	42,198	43,842	43,891	25,145	15,046
Net earnings (loss)	(1,409)	(2,661)	(10,972)	5,562	(15,950)	8,400	(14,424)	2,713
Per unit – basic and diluted	(0.02)	(0.04)	(0.18)	0.09	(0.27)	0.14	(0.24)	0.08
Funds flow from (used) in Operations[(1)]	4,374	615	(3,983)	7,785	6,113	8,122	(5,361)	7,109
Per unit – basic and diluted	0.07	0.01	(0.07)	0.13	0.09	0.13	(0.10)	0.20
Distributions per unit	-	0.01	0.01	0.03	0.04	0.05	0.12	0.15

Quarterly data only incorporates the impact of the Builders acquisition for the quarters ended subsequent to March 31, 2008. Net earnings (loss) for the period ended December 31, 2008 includes a goodwill impairment charge of $17.9 million.

FINANCIAL RESOURCES AND LIQUIDITY

In light of the prolonged downturn in the oilfield services sector, and in order to preserve its balance sheet, the Trust announced in November 2009 the elimination of its distribution and its plans to convert to a growth-oriented corporation, pursuant to a Plan of Arrangement under the Business Corporations Act (Alberta), by April 30, 2010. This decision will enable the Trust to redirect future expected funds flow from operations to maintaining the working capacity of its fleet and to pursue future growth initiatives. Prior to the elimination of the distribution, the Board of Directors of the Trust reviewed and approved the distribution level and paid distributions on a monthly basis for 2008 and the first quarter of 2009 and on a quarterly basis for the second and third quarters of 2009.

Funds Flow from Operations(1)

(Thousands)	Three months ended December 31, **2009**	Three months ended December 31, 2008	Year ended December 31, **2009**	Year ended December 31, 2008
Cash flow from operations	**$ 269**	$ 11,568	**$ 15,108**	$ 37,183
Less: Non-cash operating working capital increase (decrease)	**4,105**	(5,455)	**(6,317)**	(21,196)
Funds flow from operations	**$ 4,374**	$ 6,113	**$ 8,791**	$ 15,987
Per unit – basic and diluted	**$ 0.07**	$ 0.10	**$ 0.15**	$ 0.30

Funds flow from operations(1) was \$8.8 million for the year ended December 31, 2009, compared to \$16.0 million for the same period in 2008. Funds flow from operations(1) was \$4.4 million for the three months ended December 31, 2009, compared to \$6.1 million for the same period in 2008.

Working Capital

(Thousands)	**December 31, 2009**	December 31, 2008
Current assets	**$ 35,026**	$ 44,360
Current liabilities, excluding current portion of long-term debt	**(9,413)**	(16,062)
Working capital	**$ 25,613**	$ 28,298
Working capital ratio	3.7:1	2.8:1

Working capital at December 31, 2009 was \$25.6 million compared to \$28.3 million at December 31, 2008. Working capital declined as a result of reduced activity levels in 2009 compared to the prior year.

Working Capital Net of Long-term Debt

(Thousands)	**December 31, 2009**	December 31, 2008
Working capital	**$ 25,613**	$ 28,298
Long-term debt, including the current portion of long-term debt	**(16,600)**	(17,525)
Working capital net of long-term debt	**$ 9,013**	$ 10,773

Working capital exceeded long-term debt at December 31, 2009 by $9.0 million compared to $10.8 million at December 31, 2008. Notwithstanding the sharp decline in activity levels in 2009, the Trust was able to preserve a strong working capital position through proactive cash flow management initiatives during the year.

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 December 31, 2009, a maximum of $50 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 March 10, 2010, $17.4 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 December 31, 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 December 31, **2009**	2008	Year ended December 31, **2009**	2008
Equipment expenditures				
Well Servicing	**$ 247**	$ 3,726	**$ 5,641**	$ 7,816
Wireline & Rentals	**204**	3,220	**1,370**	5,289
Corporate	**172**	392	**822**	864
	623	7,338	**7,833**	13,969
Less proceeds on disposal of property and equipment	**(66)**	(719)	**(473)**	(1,619)
Net equipment expenditures[1]	**$ 557**	$ 6,619	**$ 7,360**	$ 12,350

Net equipment expenditures[1] for the year ended December 31, 2009 were $7.4 million compared to $12.4 million for the same period ended December 31, 2008. Net equipment expenditures[1] for the three months ended December 31, 2009 were $0.6 million compared to $6.6 million for the same period ended December 31, 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 December 31, **2009**	2008	Year ended December 31, **2009**	2008
Equipment expenditures				
Growth capital	**$ 176**	$ 5,214	**$ 4,894**	$ 8,808
Maintenance capital	**447**	2,124	**2,939**	5,161
	$ 623	$ 7,338	**$ 7,833**	$ 13,969

In light of current industry conditions and the outlook for 2010, the Trust has established a conservative 2010 capital spending budget of $6.2 million comprised of $1.8 million of growth capital and $4.4 million of net maintenance capital.

Essential will continue to assess the appropriate level of capital spending relative to industry activity and opportunities throughout 2010.

Trust Units

As at March 10, 2010, there were 59,852,965 Trust units and 5,263,416 Trust unit options outstanding (including 293,083 Essential Replacement Options issued in conjunction with the acquisition of Builders). Of the 5,263,416 Trust unit options, 1,742,317 were exercisable of which 412,324 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. The Trust acquired and cancelled no units during the year ended December 31, 2009 (2008 - 419,000 units at a cost of $0.4 million with $1.4 million transferred to contributed surplus upon the share cancellations).

The NCIB expired on October 30, 2009, and the Trust did not renew it.

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 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. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Trust's disclosure controls and procedures at the financial year end of the Trust and have concluded that the Trust's disclosure controls and procedures are effective at the financial year end of the Trust for the foregoing purposes.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

During the year, the Trust's management under the supervision of and with the participation of its CEO and CFO completed an assessment on the design and effectiveness of internal control over financial reporting. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated

Framework. The assessment includes a risk-based evaluation and documentation and testing of key processes. All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that disclosures and financial information is accurate and complete.

Through management's assessment of the design and effectiveness of internal controls over financial reporting, no material weaknesses were found. The broad scope of senior management's oversight and strong entity level controls are expected to compensate for any non-material control weaknesses. In addition, non-material control weaknesses identified are mitigated by the active involvement of senior management in all the affairs of the Trust; open lines of communication within the Trust and its divisions; the present levels of activities and transactions within the Trust being readily transparent; the thorough review of the Trust's financial statements by management; and the existence of a whistle-blower policy.

The Trust's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the Trust's annual filings for the year ended December 31, 2009, that the Trust's internal control over financial reporting, as defined in National Instrument 52-109, are operating effectively and are suitably designed to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of financial statements together with the other financial information for external purposes in accordance with Canadian GAAP.

CRITICAL ACCOUNTING ESTIMATES

Preparation of consolidated financial statements requires that the Trust make assumptions regarding accounting estimates for certain amounts contained within the consolidated financial statements. The Trust's significant accounting estimates include net realizable value of inventory; depreciation of property and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; estimated intangible assets; goodwill impairment; estimated fair value calculations of unit based compensation; estimates used in the determination of current and future tax provisions; and estimating bad debts on accounts receivable. In light of the current economic conditions, the Trust believes it has been conservative in its assumptions regarding accounting estimates. The Trust believes that each of the assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

Provision for Doubtful Accounts Receivable

The Trust performs periodic credit evaluations of its customers and grants credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. The history of bad debt losses of the trust has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the energy industry, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

Depreciation and Amortization

The equipment of the Trust is depreciated based upon its estimated useful lives and salvage values. For intangible assets, the amortization policies selected are intended to amortize the assets over their expected lives or contracted terms. The Trust reviews its historical experience with similar assets to help ensure that these depreciation and amortization rates are appropriate. However, the actual useful life of the assets may differ from the original estimate due to factors such as technological obsolescence and maintenance activity.

Impairment of Long-lived Assets

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

Unit-based Compensation

Unit-based compensation is provided in respect of the unit option plan. The expense is calculated using the fair value method based upon the Black-Scholes model. In order to establish fair value the Trust uses estimates and assumptions to determine risk-free interest rate, expected term, anticipated volatility and distribution yield.

Fair Value of Assets and Liabilities Acquired in Business Combinations

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment acquired, the Trust may rely on independent third party valuations.

ACCOUNTING POLICIES

During the year ended December 31, 2009, Essential adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook Section 3064 "Goodwill and Intangible Assets", Handbook Section 3862 "Financial Instruments — Disclosures" 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.

Financial Instruments — Disclosures

This section outlines the criteria under which the fair value of financial instruments is recognized and measured. In June 2009, the CICA issued amendments to Section 3862. The standard expands disclosure requirements regarding the reliability of the inputs used in the measurement of financial instruments. The section has also been amended to require disclosure of the three levels of fair value hierarchy for the recognized financial instruments as well as additional liquidity disclosures. Adoption of this standard did not have an impact on the financial position or the results of operations of the Trust except for additional disclosure.

Recent accounting pronouncements

The following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") are not yet effective but are applicable to the Trust's future reporting periods.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests
In January 2009, as part of the convergence of Canadian GAAP with IFRS, the AcSB issued Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling interests. 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.

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.

The two key elements of the project plan are: financial statement compliance with IFRS and the business impact resulting from the conversion to IFRS. Financial statement compliance with IFRS consists of four phases as discussed in the following table. The business impact element of the project will ensure that companies consider, on a timely basis, the implication of any prospective change in accounting standards on other areas of the business. This includes, but is not limited to, information system infrastructure and processes, business agreements and financing arrangements, key metrics and the control environment.

Essential commenced its IFRS conversion project in 2008. 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 has also completed the design and planning phase which included in depth research of the specific differences between current Canadian GAAP and IFRS, transitional options available and identification of potential implications on the existing policies and processes.

Financial Statement Compliance with IFRS	Milestones/Deadlines
• Impact assessment phase - Initial identification of the major differences between current Canadian GAAP and IFRS standards and assessment of the impact of these differences in terms of the complexity of implementation and prospective timelines.	Completed
• Design and planning phase - Research specific differences between the standards, long-term and transitional options available and prospective changes to the IFRS standards prior to 2011. Identify potential implications on accounting policies and processes, business management, information systems, control environment and educational requirements. Develop a formal plan to meet project objectives.	Completed
• Solution development phase - Quantify and evaluate transitional and long-term options available and select the most appropriate policies.	In progress
• Implementation phase - Integrate solutions into the underlying financial processes and systems.	In progress

The conversion project has been driven by the finance group with input from all other functional areas, including but not limited to: operations, investor relations, tax and compliance and information technology. The use of staff from all functional area to assess IFRS accounting policy options assists in generating appropriate recommendations and identifying the business implications throughout the project. 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 ("IASB") to ensure that Essential is fully compliant on adoption of IFRS. Updates have been provided to the audit committee on a quarterly basis.

The transition to IFRS requires the Trust to apply IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") which details the requirements for preparing IFRS-compliant financial statements in the first reporting period after the date of transition (January 1, 2010). IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application of IFRS. Based on management's analysis of the various accounting policy choices available, the IFRS 1 elections relevant to Essential are as follows:

- Business Combinations – IFRS 1 would allow Essential to use the standards for business combinations under IFRS 3 on a prospective basis rather than re-stating all past business combinations.
- Leases – IFRS 1 would allow Essential to elect to apply the rules for leases under IFRS 17 on a prospective basis from the date of transition rather than reassessing all previous leases to determine if they would be considered finance leases under IFRS.
- Property, Plant and Equipment ("PP&E") – IFRS 1 would allow Essential to elect to have the fair value or revaluation amount as the deemed cost of PP&E at the date of transition. In accordance with IFRS 1, Essential may elect to measure certain items of PP&E at their fair values at the date of transition and is in the process of analyzing the data to determine the impact on opening retained earnings. Any fair value adjustments and changes to the assessment of the related useful lives of the individual components of PP&E could impact the depreciation charges subsequent to the date of transition.
- Share-Based Payments – IFRS 1 allows an exemption to IFRS 2, "Share-Based Payments" for equity instruments granted on or before November 2, 2002 or which vested before the transition date to IFRS.

The application of IFRS1 is anticipated to impact certain balances of Essential's opening consolidated balance sheet under IFRS. The Trust is in the process of analyzing the data and cannot quantify the magnitude of adjustments at this time.

At this time, Essential has identified several differences arising from the adoption of IFRS that may impact the financial statements:

- Presentation of financial information – IFRS requires the presentation of expenses recognized in profit or loss using a classification based on either their nature or their function within the entity. Essential uses a blended classification methodology in its current income statement that will have to be changed to comply with IFRS.
- Impairment of PP&E assets – Under IFRS, impairment of PP&E is calculated at a more granular level than what is currently required under Canadian GAAP. Additionally the assessment of impairment under IFRS is completed using a discounted cash flow method in comparison to the undiscounted cash flow method used under Canadian GAAP.
- Share-Based Payments – Under IFRS, awards that vest in installments over the life of the grant are required to be treated as separate grants which will result in a variance in the expense calculation associated with these grants.

The impact of the differences noted above is not quantifiable at this time and will be further assessed as the Trust continues its IFRS conversion. Additionally, the areas impacted by IFRS discussed above should not be regarded as a comprehensive list of changes that will result from the transition to IFRS. Essential continues to monitor the development of standards, which are expected to change prior to 2011.

During the solution development and implementation phases, the Trust will quantify and further 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 procedures and internal controls over financial reporting.

RISKS AND UNCERTAINTIES

General

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

Service Industry Conditions

The oil and gas services sector is highly reliant on the levels of capital expenditures made by oil and natural gas companies. Exploration and production companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels and access to capital. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for Essential's services. A significant, prolonged decline in commodity prices could have a material adverse effect on the oilfield services sector, results of operations and financial condition. The price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and international, national and regional economic conditions are factors over which Essential has little or no control. A prolonged decline in commodity prices and field activity or significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, could reduce profitability and could adversely affect Essential's cash flow. Essential cannot predict the impact of future economic conditions and there is no assurance that the operations of Essential will continue to be profitable.

Seasonality of Operations

In the WCSB, the level of activity in the oilfield services sector is influenced by seasonal weather patterns. Spring breakup during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in restrictions in the level of oilfield services. The duration of this period has a direct impact on the level of Essential's activities. Spring breakup typically occurs earlier in the year in southern regions than it does in the northern regions. The timing and duration of spring breakup are dependent on weather patterns but generally begins in March and continues into April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, Essential may not be able to access certain well sites and its operating results and financial condition may be adversely affected.

The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can have a material adverse effect on Essential's business, financial condition, results of operations and cash flows.

Alberta Royalties

In Alberta, the Crown royalty rates on conventional oil and natural gas fluctuate, depending on when a well was drilled, well depth, well production volume and the price of oil and natural gas. On October 25, 2007 the Alberta Government introduced a new royalty regime which became effective on January 1, 2009 and is applicable to all existing conventional oil and natural gas wells in Alberta. The new royalty regime assesses the applicable royalty rate on a well by well basis using a sliding scale which takes into account the price of oil and/or natural gas and the well's production volumes.

On November 19, 2008 and November 24, 2008 the Alberta Government announced details of an optional five-year transitional royalty program ("Transitional Program"). The Transitional Program applies to conventional oil and natural gas wells drilled to measured depths between 1,000 to 3,500 meters between November 19, 2008 and January 1, 2014. For each well, the producer can make a one time election to produce the well under the old royalty regime or the new royalty regime. As of January 1, 2014 all production subject to the Transitional Program will revert to the new royalty regime.

In March 2009, the Alberta Government announced additional incentives and in June 2009 announced a competitiveness review of the royalty program. The results of the competitiveness review are expected to be released in 2010.

Essential believes the new royalty regime in Alberta had a negative impact on the exploration and production activity among oil and natural gas companies operating in Alberta. As Essential provides services and equipment to such companies, it is believed that the new royalty regime reduced the demand for the services and equipment provided by Essential. It is not possible at this time to determine the timing and impact of the competitiveness review which the government has indicated will be released in 2010.

Other risk factors

For additional information that could impact the Trust's business, see "Risk Factors" in the Trust's Annual Information Form which is available on SEDAR at www.sedar.com.

OUTLOOK

There are a number of indications that the cycle has bottomed and the oilfield services sector is emerging from the downturn. Activity levels to-date in 2010 are higher than activity levels in the first quarter of 2009 as the spending of the exploration and production companies has increased. Oil prices have stabilized and are significantly higher than a year ago and natural gas prices are ahead of where they were a year ago. However, the industry will continue to monitor natural gas storage levels which are currently around the 5-year average. There is also a feeling of hope in Alberta as the government is expected to complete their competitiveness review shortly and many are optimistic the decisions will stimulate activity in the province later in 2010.

Any optimism for 2010 must be kept in perspective as the various industry projections for well counts, while generally ahead of 2009, are still far behind the number of wells drilled in the recent past. In addition, pricing for services are lower than a year ago, impacting margins for many services.

In 2009 there were notable changes in the WCSB oil and natural gas industry which are expected to continue into 2010 including a shift from conventional vertical drilling to horizontal and directional drilling and increased interest in the Cardium and Viking plays in Alberta. Essential has been able to respond to these changes as its service rigs, coil tubing rigs and multi-stage fracturing services are capable of working on horizontal and directional wells and many of Essential's customers are becoming active in the Cardium and Viking plays.

Through the experience of the recent downturn, management and the Board has determined it is in the best interest of Essential to look beyond its traditional geographic boundaries and Essential is investigating expansion opportunities in Colombia. The Trust recently hired a Director of Business Development for Latin America and preliminary discussions suggest there may be opportunities to redeploy some of Essential's equipment and expertise to this region.

The initial capital spending program announced for 2010 is modest and is intended to preserve the operating capacity of the equipment fleet. If activity levels, market conditions and opportunities continue to improve the capital program will be increased to take advantage of opportunities for future growth. Possible areas of growth include coil tubing equipment for deeper Alberta plays and modifications to portions of the fleet to be suitable for Latin American operations. The Trust's balance sheet remained strong through 2009 and as industry activity increases, the flexibility that comes with Essential's financial position becomes a competitive advantage.

Essential is working towards the previously announced conversion to a growth-oriented corporation. Management intends to have it completed by the end of April 2010, subject to unitholder and regulatory approval. Removal of the uncertainty that exists in the income trust market today, with the looming January 2011 deadline before tax changes, and possible improved access to capital are among the reasons to convert.

In the past year Essential has proven its ability to take necessary measures to deal with challenging conditions. If activity does not continue to improve as anticipated, Essential will continue to benefit from the extensive cost reduction measures taken in 2009. If activity does increase later in the year, the skilled work force, equipment fleet and strong balance sheet should enable Essential to quickly respond to opportunities that may develop.

[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"

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to consolidated financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles ("GAAP") appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Essential Energy Services Trust's (the "Trust") financial results prepared in accordance with Canadian GAAP. The MD&A compares the audited financial results for the twelve months ended December 31, 2009 to December 31, 2008.

Management has established and maintains an accounting and reporting system supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout the Annual Report is consistent with the consolidated financial statements.

Ernst & Young LLP, an independent firm of chartered accountants, has been engaged, as approved by a vote of unitholders at Essential Energy Services Trust's most recent annual general meeting, as external auditors of the Trust. The Auditors' Report to the Unitholders, which describes the scope of their examination and expresses their opinion, is presented on the corresponding page.

The Audit Committee of the Board of Directors, whose members are independent of management, meets to review the consolidated financial statements with management and the auditors, and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors has approved the consolidated financial statements.

Signed "Garnet K. Amundson"	*Signed "Jeff B. Newman"*
GARNET K. AMUNDSON President and Chief Executive Officer	JEFF B. NEWMAN Vice President, Finance and Chief Financial Officer

March 10, 2010

AUDITORS' REPORT

To the Unitholders of
Essential Energy Services Trust

We have audited the consolidated balance sheets of **Essential Energy Services Trust** as at December 31, 2009 and 2008, and the consolidated statements of operations, comprehensive loss and accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **Essential Energy Services Trust** as at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Calgary, Alberta
March 10, 2010

ESSENTIAL ENERGY SERVICES TRUST
CONSOLIDATED BALANCE SHEETS

(Thousands)		**As at December 31, 2009**		As at December 31, 2008
Assets *(note 10)*				
Current assets				
Cash	**$**	**1,080**	$	-
Accounts receivable		**22,855**		33,140
Inventory *(note 5)*		**9,194**		8,570
Prepaid expenses and deposits		**1,897**		2,650
		35,026		44,360
Property and equipment *(note 6)*		**125,704**		142,464
Assets held for sale *(note 7)*		**1,215**		-
Intangible assets *(note 8)*		**3,853**		5,211
Future income tax asset *(note 15)*		**3,582**		-
	$	**169,380**	$	192,035
Liabilities				
Current liabilities				
Bank indebtedness	**$**	**-**	$	1,192
Accounts payable and accrued liabilities		**9,413**		13,972
Distributions payable *(note 14)*		**-**		898
Current portion of long-term debt *(note 10)*		**3,228**		3,468
		12,641		19,530
Long-term debt *(note 10)*		**13,372**		14,057
Future income tax liability *(note 15)*		**-**		3,624
		26,013		37,211
Commitments *(note 17)*				
Unitholders' Equity				
Unitholders' capital *(note 11)*		**265,573**		265,573
Contributed surplus *(note 12)*		**6,722**		5,508
Accumulated deficit		**(128,928)**		(116,257)
		143,367		154,824
	$	**169,380**	$	192,035

See accompanying notes to consolidated financial statements

On behalf of the Board:

Signed "Garnet K. Amundson"

Garnet K. Amundson
Director

Signed "James A. Banister"

James A. Banister
Director

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

(Thousands, except per unit amounts)	For the years ended December 31, **2009**	2008
Revenue	**$ 111,722**	$ 127,924
Operating expenses	**92,243**	98,132
	19,479	29,792
Expenses		
General and administrative	**9,458**	10,991
Unit-based compensation *(note 13)*	**1,214**	1,588
Depreciation and amortization *(notes 6 & 8)*	**20,156**	17,427
Interest on long-term debt *(note 10)*	**1,230**	2,861
Loss on disposal of assets	**4,107**	610
Loss from continuing operations before impairment of goodwill and income taxes	**(16,686)**	(3,685)
Impairment of goodwill *(note 9)*	**-**	17,902
Loss from continuing operations before income taxes	**(16,686)**	(21,587)
Income tax expense (recovery)		
Future *(note 15)*	**(7,206)**	1,856
Loss from continuing operations	**(9,480)**	(23,443)
Loss from discontinued operations - net of tax *(note 19)*	**-**	(4,373)
Gain on sale of discontinued operations - net of tax *(note 19)*	**-**	8,555
Earnings from discontinued operations	**-**	4,182
Net loss and comprehensive loss	**(9,480)**	(19,261)
Accumulated deficit, beginning of year	**(116,257)**	(79,341)
Distributions to unitholders *(note 14)*	**(3,191)**	(17,655)
Accumulated deficit, end of year	**$ (128,928)**	$ (116,257)
Loss per unit from continuing operations *(note 16)*		
Basic and diluted	**$ (0.16)**	$ (0.44)
Earnings per unit from discontinued operations *(note 16)*		
Basic and diluted	**$ -**	$ 0.08
Net loss per unit *(note 16)*		
Basic and diluted	**$ (0.16)**	$ (0.36)

See accompanying notes to consolidated financial statements

ESSENTIAL ENERGY SERVICES TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)	For the years ended December 31, **2009**	2008
Operating activities:		
Loss from continuing operations	**$ (9,480)**	$ (23,443)
Items not affecting cash:		
Depreciation and amortization *(notes 6 & 8)*	**20,156**	17,427
Future income tax expense (recovery) *(note 15)*	**(7,206)**	1,856
Unit-based compensation *(note 13)*	**1,214**	1,588
Impairment of goodwill *(note 9)*	**-**	17,902
Loss on disposal of assets	**4,107**	610
Funds flow from continuing operations	**8,791**	15,940
Funds flow from discontinued operations	**-**	47
	8,791	15,987
Changes in non-cash working capital	**6,317**	21,196
	15,108	37,183
Financing activities:		
Units repurchased for cancellation *(note 11 (iii))*	**-**	(423)
Distributions paid	**(4,089)**	(18,521)
Decrease in operating line of credit	**-**	(13,216)
Decrease in long-term debt	**(2,117)**	(119,143)
	(6,206)	(151,303)
Investing activities:		
Property and equipment	**(7,833)**	(13,969)
Proceeds on disposal of equipment	**473**	1,619
Decrease in assets held for sale	**-**	1,983
Business acquisitions *(note 18)*	**-**	(8,004)
Proceeds on disposal of discontinued operations *(note 19)*	**-**	133,029
Changes in non-cash working capital	**(462)**	(538)
	(7,822)	114,120
Change in cash	**1,080**	-
Cash, beginning of the year	**-**	-
Cash, end of the year	**$ 1,080**	$ -
Supplementary cash flow information:		
Interest paid	**$ 861**	$ 4,293

See accompanying notes to consolidated financial statements

ESSENTIAL ENERGY SERVICES TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2009 and 2008
(All tabular amounts in thousands unless otherwise stated, except for per unit amounts)

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

a) Basis of presentation

The consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the Trust's accounting policies summarized below.

b) Principles of consolidation

The consolidated financial statements include the accounts of the Trust and its subsidiaries. All subsidiaries are directly or indirectly wholly-owned and their operations are fully reflected in the consolidated financial statements. All intercompany transactions have been eliminated.

c) Financial instruments

Financial instruments are reviewed to determine whether they should be categorized as held for trading, available for sale, held to maturity, loans and receivables or other. Those financial instruments categorized as held for trading or available for sale would be subsequently measured at their fair value at each reporting period. Subsequent measurement of gains or losses for held for trading financial instruments would be recognized in net earnings (loss) while those categorized as available for sale would be recognized in comprehensive income (loss). Those financial instruments categorized as held to maturity, loans and receivables or other would be initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. As new financial instruments are acquired an evaluation of management's intent and the nature of the item is performed to determine the correct financial instrument categorization and subsequent measurement of any gains or losses.

d) Property and equipment

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

Well servicing rigs and equipment	10%
Oilfield equipment	15%
Vehicles	30%
Other	Ranging from 10% - 33%

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

Property and equipment are subject to impairment tests in accordance with the accounting policy on impairment of long-lived assets (note 2(h)).

e) Inventory

Inventory consists of downhole service tools, coil tubing and wireline products held for sale that are stated at the lower of cost, determined on a specific or average cost basis, and estimated net realizable value.

f) Capital lease obligations

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

g) Intangible assets

Intangible assets are comprised of the values attributable to customer relationships, trade names, favourable leases and management service contracts from acquired businesses and are amortized on a straight-line basis. Amortization of intangible assets is included in amortization expense. Intangible assets are being amortized over their expected lives as follows:

Customer relationships	5 -10 years
Management service contracts	5 years
Trade names	3 years
Favourable leases	5 years

Intangible assets are subject to impairment tests in accordance with the accounting policy on impairment of long-lived assets (note 2(h)).

h) Impairment of long-lived assets

Essential's long-lived assets include property and equipment and intangible assets with finite useful lives. Management assesses the carrying value of long-lived assets whenever events or changes in circumstances indicate impairment. When an indication of impairment is present, a test for recoverability is carried out by comparing the carrying value of the asset to the sum of the undiscounted cash flows expected to result from its use and eventual disposal. If the carrying amount is greater than the undiscounted cash flows, the carrying value is compared to the estimated fair value. If the carrying value exceeds its fair value, the asset would be considered impaired and an impairment loss would be recorded as the excess of the carrying value of the assets over their fair value, measured by either market value, if applicable, or estimated by calculating the present value of expected cash flows from the assets.

i) Goodwill

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

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

j) Income taxes

The Trust follows the liability method to account for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the carrying value and the tax basis of the assets and the tax rates expected to be in effect when the differences are expected to reverse. Changes to these balances are recognized in net earnings in the period in which they occur. The amount of any future income tax assets recognized is limited to the amount that is more likely than not to be realized.

The Trust is a taxable entity under the Canadian Income Tax Act and is taxable only on income that is not distributed or distributable to the Unitholders. Income tax obligations relating to distributions from the Trust are the obligations of the Unitholders.

k) Revenue recognition

Revenue for oilfield services and rentals is recognized in the period rendered. Revenue for downhole tools is recognized when title passes to the customer and the customer assumes risks and rewards of ownership. Revenue is only recognized when collectability is reasonably assured.

l) Unit-based compensation

Options to purchase Trust units granted under the Unit Option Plan are described further in Note 13 of these consolidated financial statements. At the time of issuance, the Trust uses the Black-Scholes options pricing model to determine the fair value of the options grant. The fair value is recorded as unit-based compensation in the consolidated statement of operations over the vesting period of the options, with a corresponding increase in contributed surplus. Forfeitures of unvested options are recorded as a reduction of unit-based compensation in the period of forfeiture.

m) Per unit amounts

Per unit amounts are calculated using the weighted average number of Trust units outstanding during the year. Diluted per unit amounts reflect the dilutive effect of unit options outstanding. Diluted earnings per unit is calculated using the treasury stock method whereby outstanding unit options are only dilutive if, and to the extent that, the exercise price of the unit options is less than the market price of the Trust's units. The treasury stock method assumes that any proceeds obtained on exercise of unit options would be used to purchase Trust units at the average market price during the year. The weighted average number of Trust units outstanding is then adjusted by this change.

n) Measurement uncertainty

The determination of many assets and liabilities is dependent upon future events and the preparation of financial statements necessarily involves the use of estimates and approximations based on information available as of the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and revenues and expenses for the period reported. The most significant of these are the estimates used for depreciation and amortization, intangible assets, impairment of goodwill, unit-based compensation and purchase price allocations related to acquisitions. The effect on the consolidated financial statements of changes in such estimates in future years could be material.

3. ADOPTION OF NEW ACCOUNTING POLICIES

During the year ended December 31, 2009, Essential adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”): Handbook Section 3064 “Goodwill and Intangible Assets”, Handbook Section 3862 “Financial Instruments — Disclosures” 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 consolidated financial statements.

Financial Instruments — Disclosures

This section outlines the criteria under which the fair value of financial instruments is recognized and measured. In June 2009, the CICA issued amendments to Section 3862. The standard expands disclosure requirements regarding the reliability of the inputs used in the measurement of financial instruments. The section has also been amended to require disclosure of the three levels of fair value hierarchy for the recognized financial instruments as well as additional liquidity disclosures. The amendments outlined in this standard apply to annual financial statements relating to fiscal years ending after September 30, 2009. This standard has been adopted effective December 31, 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.

There may be significant changes arising from the differences between the Trust’s current accounting policies and its accounting policies under IFRS. Based on the work completed to date, management has determined that IFRS may have a significant impact on the Trust’s accounting for property and equipment and unit based compensation. In addition, the Trust also anticipates that its policies with respect to financial statement presentation, lease accounting and various other items will change as a result of adopting IFRS. The areas impacted by IFRS discussed above should not be regarded as a comprehensive list of changes that will result from the transition to IFRS.

The impact of IFRS on the Consolidated Financial Statements is not quantifiable at this time.

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 consolidated financial statements.

5. INVENTORY

	As at December 31, 2009	As at December 31, 2008
Downhole service tools	**$ 7,848**	$ 6,644
Coil tubing and wireline products	**1,346**	1,926
	$ 9,194	$ 8,570

Inventory is valued at the lower of cost and estimated net realizable value. For the years ended December 31, 2009 and December 31, 2008 inventory expensed through operating expenses was $9.8 million and $3.9 million, respectively. Amounts recorded in operating expenses to write down inventory to net realizable value was $nil for the year ended December 31, 2009 compared to $0.4 million for the year ended December 31, 2008.

6. PROPERTY AND EQUIPMENT

As at December 31, 2009	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Well servicing rigs and equipment	**$ 132,873**	**$ 37,543**	**$ 95,330**
Oilfield equipment	**30,414**	**8,518**	**21,896**
Vehicles	**5,866**	**2,547**	**3,319**
Other	**7,113**	**1,954**	**5,159**
	$ 176,266	**$ 50,562**	**$ 125,704**

As at December 31, 2008	Cost	Accumulated Depreciation	Net Book Value
Well servicing 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

Depreciation expense for the year ended December 31, 2009 was $18.8 million (2008 - $15.9 million).

Included in service rigs and equipment and oilfield equipment is $1.1 million (2008 - $7.1 million) of assets under construction which are not depreciated until put into use.

7. ASSETS HELD FOR SALE

During the year ended December 31, 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 during the year and included on the Consolidated Statement of Operations under the caption “Loss on disposal of assets”.

8. INTANGIBLE ASSETS

As at December 31, 2009	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**$ 5,464**	**$ 2,118**	**$ 3,346**
Favourable leases	**576**	**228**	**348**
Trade names	**382**	**223**	**159**
	$ 6,422	**$ 2,569**	**$ 3,853**

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

Amortization expense for the year ended December 31, 2009 was $1.4 million (2008 - $1.5 million).

9. GOODWILL

	For the years ended December 31, **2009**	2008
Balance, beginning of the year	**$ -**	$ 17,902
Goodwill impairment	**-**	(17,902)
Balance, end of the year	**$ -**	$ -

The Trust completed its annual goodwill impairment test as of December 31, 2008 by comparing the carrying amount of the Well Servicing reporting unit to its estimated fair value. Based on these estimates, the Trust determined that there were indications of impairment in the Well Servicing reporting unit as the carrying value exceeded its estimated fair value.

As a result of the indications of impairment in the Well Servicing reporting unit, the estimated fair value of goodwill was compared to its carrying value. The result of this comparison indicated the fair value of goodwill was $nil, and accordingly management recorded goodwill impairment in the Well Servicing reporting unit of $17.9 million as at December 31, 2008. Subsequent to the recognition of this impairment on goodwill, the Trust no longer has any goodwill recorded on its consolidated balance sheet.

10. LONG-TERM DEBT

	As at December 31, 2009	As at December 31, 2008
Term loan	**$ 16,600**	$ 17,525
Less: current portion of long-term debt	**(3,228)**	(3,468)
	$ 13,372	$ 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.

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 and is collateralized by a general security agreement over all assets. If not renewed, debt repayments would be made monthly over a two year period, based on a three year amortization schedule.

As at December 31, 2009, all financial debt covenants were satisfied and all banking requirements were up to date. A maximum of $50 million was available to the Trust as at December 31, 2009.

The average effective interest rate on borrowings under the Facility for the year ended December 31, 2009 was 3.3% (2008 – 5.7%).

11. UNITHOLDERS' CAPITAL

Authorized

Authorized capital consists of an unlimited number of Trust units, without par value, and an unlimited number of Special Voting Units, without par value. No Special Voting Units have been issued to date. Each unit is transferable and represents an equal and undivided beneficial interest in any distributions from the Trust whether of earnings, net capital gains or other amounts, and in the net assets of the Trust in the event of termination or wind-up. All units are redeemable at the demand of the unitholder.

Issued

	Number of Units		Amount
Balance, December 31, 2007	35,268	$	192,041
Units issued on a private transport acquisition (i)	365		1,325
Units issued on Builders acquisition (ii)	24,640		74,070
Unit buybacks (iii)	(420)		(1,863)
Balance, December 31, 2008 and 2009	59,853	$	265,573

(i) On March 1, 2008, the Trust issued 365,064 units at $3.63 per unit to the vendors of a private transport company (note 18).

(ii) On April 4, 2008, the Trust issued 24,639,825 units at $2.99 per unit to the unitholders of Builders (note 18).

(iii) On October 29, 2008 the Trust received approval from the Toronto Stock Exchange ("TSX") to implement a Normal Course Issuer Bid ("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. As at December 31, 2008, a total of 419,900 units were acquired and cancelled under the NCIB at a cost of $422,833 and a total of $1,440,301 was transferred to contributed surplus upon the share cancellations. The NCIB continued until October 30, 2009 but was not renewed at that time.

12. CONTRIBUTED SURPLUS

		As at December 31, 2009		As at December 31, 2008
Balance, beginning of year	**$**	**5,508**	$	2,480
Unit-based compensation *(note 13)*		**1,214**		1,588
Normal course issuer bid *(note 11 (iii))*		**-**		1,440
Balance, end of year	**$**	**6,722**	$	5,508

13. TRUST UNIT OPTIONS AND UNIT-BASED COMPENSATION

The Trust has an Option Plan under which certain key personnel of the Trust are eligible to receive Trust unit options to acquire Trust units, with terms not to exceed five years from the date of the grant. The exercise price is not less than the weighted-average price of the units for the five trading days immediately prior to the grant date. Under the Option Plan, vesting periods are determined by the Board of Directors of the Trust at the time of the grant. For options granted, one-third of the options are exercisable on each anniversary date from the date of the original grant.

The maximum number of Trust unit options issuable under the Option Plan may not exceed 10% of the sum of the Trust's outstanding Trust units, which at December 31, 2009 totaled 5,985,297 (2008 – 5,985,297) Trust unit options.

	For the years ended December 31, 2009		2008	
	Trust Unit Options	**Weighted Average Exercise Price**	Trust Unit Options	Weighted Average Exercise Price
Outstanding, beginning of year	**4,758**	**$ 4.01**	2,494	$ 7.82
Issued	**557**	**1.02**	4,707	3.81
Forfeitures	**(578)**	**5.38**	(2,443)	7.77
Outstanding, end of year	**4,737**	**$ 3.49**	4,758	$ 4.01
Exercisable, end of year	**2,147**	**$ 5.25**	1,147	$ 7.75

The Trust recorded unit-based compensation expense in respect of the Option Plan of $1.2 million for the year ended December 31, 2009 (2008 - $1.6 million) with a corresponding increase to contributed surplus.

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

	For the years ended December 31, **2009**	2008
Risk-free interest rate	**2.01% – 2.66%**	2.15% – 3.42%
Expected volatility	**74%**	52.6% – 63.6%
Expected term	**5 years**	1.8 – 5 years
Distribution yield	**nil**	nil

The following tables summarize information about the Trust unit options outstanding as at December 31, 2009 and 2008:

As at December 31, 2009

Exercise Prices	**Trust Unit Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Fair Value of Trust Unit Options (per unit)**	**Number of options exercisable**
$0.84 – $1.50	**1,769**	**4.13**	**$0.68**	**412**
$1.51 – $4.00	**1,744**	**3.49**	**$1.25**	**616**
$4.01 – $15.54	**1,224**	**1.13**	**$1.61**	**1,119**
	4,737	**3.12**	**$1.13**	**2,147**

As at December 31, 2008

Exercise Prices	Trust Unit Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Fair Value of Trust Unit Options (per unit)	Number of options exercisable
$1.06 – $1.50	1,310	4.94	$0.74	-
$1.51 – $4.00	1,881	4.49	$1.25	34
$4.01 – $15.54	1,567	2.16	$1.69	1,113
	4,758	3.85	$1.26	1,147

14. ACCUMULATED DISTRIBUTIONS AND DISTRIBUTIONS PAYABLE

During 2008 and the first quarter of 2009, the Trust declared monthly distributions to Unitholders of record as at the close of business on each Distribution Record Date. For the three month periods ended June 30, 2009 and September 30, 2009 the Trust paid quarterly distributions. The Trust eliminated its distributions during the three months ended December 31, 2009. Distributions are recorded as reductions of Unitholders' equity upon declaration of the distribution.

	For the years ended December 31, **2009**	2008
Accumulated distributions, beginning of the year	**$ 63,694**	$ 46,039
Distributions declared and paid in the year	**3,191**	16,757
Distributions declared and payable	**-**	898
Accumulated distributions for the year	**3,191**	17,655
Accumulated distributions, end of year	**$ 66,885**	$ 63,694

15. 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 years ended December 31, **2009**	2008
Loss from continuing operations before income taxes	**$ (16,686)**	$ (21,587)
Effective tax rate	**0%**	0%
Expected income tax expense	**$ -**	$ -
Increase (decrease) resulting from:		
Changes in temporary differences	**(7,909)**	1,606
Valuation allowance	**703**	250
Future income tax expense (recovery)	**$ (7,206)**	$ 1,856

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

	As at December 31, 2009	As at December 31, 2008
Tangible assets	**$ (657)**	$ (8,117)
Net operating losses	**3,008**	2,015
Goodwill/ Intangible assets	**2,657**	3,134
Trust unit issuance costs	**471**	372
Valuation allowance	**(953)**	(250)
Other	**(944)**	(778)
Future income tax asset (liability)	**$ 3,582**	$ (3,624)

As at December 31, 2009, the Trust has non-capital losses totaling $12.0M (2008 - $7.2M). These losses, which can be used to reduce future taxable income, expire as follows: $0.2M in 2026, $7.3M in 2027, $2.4M in 2028 and $2.1M in 2029. Included in the future income tax asset is $3.0M (2008 - $2.0M) related to these losses against which a valuation allowance of $1.0M (2008 – $0.3M) was recorded.

16. PER UNIT AMOUNTS

The weighted average number of units outstanding for the year ended December 31, 2009 was 59,852,965 (2008 – 53,859,084). For the year ended December 31, 2009 and 2008, options convertible to units are not included in the per unit calculation as their effect is anti-dilutive.

17. 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:		
2010	$	4,601
2011		3,415
2012		2,365
2013		1,443
2014		687
Thereafter		1,178
	$	13,689

18. ACQUISITIONS

2008

a) Builders Energy Services Trust

On January 31, 2008, Essential entered into an agreement (the “Agreement”) with Builders Energy Services Trust (“Builders”) to merge the two trusts. The closing date of the transaction was on April 4, 2008 (the “Closing Date”). Each Builders unit was exchanged for 1.25 trust units of Essential (“Essential Units”) resulting in the issuance of 24,639,825 Essential Units. The market value of the Essential Units issued was determined based on the weighted average trading value of the Essential Units for the three day trading periods immediately prior to and immediately after the date of the Agreement. In addition to the Essential Units issued, certain Builders options were exchanged for replacement options providing the holder with the right to acquire 1.25 Essential Units for each Builders option exercised (“Essential Replacement Options”) resulting in the issuance of 1,214,208 Essential Replacement Options. The fair value of the Essential Replacement Options issued was determined based on the market values and historical volatility of Essential Units, the remaining contractual life of the Essential Replacement Options and the market risk-free interest rates as of the date of the Agreement (see note 13).

The Agreement has been accounted for by the purchase method with the results of Builders being included in the Trust’s consolidated financial statements from the Closing Date. The purchase price has been allocated to Builders’ net assets acquired and liabilities as shown in the table below.

	Amount
Calculation of purchase price:	
Essential trust units issued	$ 73,673
Fair value of Essential replacement options	397
Transaction costs	6,136
	$ 80,206

	Amount
Allocation of purchase price:	
Bank indebtedness	$ (1,868)
Net working capital	34,792
Property and equipment	124,188
Intangible assets	2,761
Long-term debt including current portion	(79,667)
	$ 80,206

b) Other

On March 1, 2008 the Trust acquired all of the assets and business of a private transport company ("A&B") for total consideration of $1.4 million, including transaction costs of $50,000 and the issuance of 365,064 Essential Units at $3.63 per unit. These assets were sold with Essential's Transport business segment on July 2, 2008 (note 19).

19. DISCONTINUED OPERATIONS

On July 2, 2008, the Trust completed the sale of the assets of its Transport segment for proceeds of $135 million (less assumed debt and transaction costs) and applied the proceeds received from this transaction against its long-term debt.

Earnings (loss) from discontinued operations related to the Transport segment are as follows:

	For the year ended December 31, 2008
Revenue	$ 38,472
Expenses	
Operating	30,590
General and administrative	6,396
Interest and bank charges	1,496
Depreciation and amortization	4,377
Loss before income taxes	(4,387)
Future income tax recovery	(14)
Loss from discontinued operations	$ (4,373)

Interest and bank charges have been allocated to discontinued operations based on the net asset value of the discontinued operations relative to the total net asset value of the Trust for the year ended December 31, 2008.

The gain on sale of discontinued operations was based on proceeds of $135 million (comprised of $133.9 million in cash and assumed debt of $1.1 million) less $0.9 million transaction costs. The net book value of assets that were sold was $124.8 million, resulting in a gain of $9.3 million ($8.6 million net of tax).

20. CAPITAL DISCLOSURE

The Trust considers its capital structure to include unitholders' equity, long-term debt and working capital. The Trust makes adjustments to its capital structure based on changes in economic conditions and the Trust's planned requirements. The Trust has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to unitholders, and making adjustments to its capital expenditure program. The Trust is subject to externally imposed capital requirements associated with its debt facility, including financial covenants that incorporate funded debt, EBITDA (as defined by the Facility agreement) and total capitalization. As at December 31, 2009, the Trust is in good standing with respect to these covenants.

21. 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 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 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 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 December 31, 2009, accounts receivable are aged as follows: 47% - current; 36% - 31-60 days; 9% - 61-90 days; and 8% - over 90 days (2008 - 40% - current; 35% - 31-60 days; 16% - 61-90 days; and 9% - 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 December 31, 2009, the Trust's allowance for doubtful accounts is $0.7 million (2008 - $0.6 million) and for the year then ended had a bad debt expense of $0.1 million (2008 - $0.4 million). As at December 31, 2009, approximately 21% of the total accounts receivable balance was due from five companies (2008 – 28%).

(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.

22. 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 rigs 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 year ended December 31, 2009			
	Well Servicing	**Wireline & Rentals**	**Corporate**	**Consolidated**
Revenue	**$ 72,415**	**$ 39,307**	**$ -**	**$ 111,722**
Earnings (loss) from continuing operations before income taxes	**$ (8,239)**	**$ 1,716**	**$ (10,163)**	**$ (16,686)**
Depreciation and amortization	**$ 13,579**	**$ 5,829**	**$ 748**	**$ 20,156**
Total assets	**$ 119,444**	**$ 43,410**	**$ 6,526**	**$ 169,380**
Assets held for sale	**$ 1,215**	**$ -**	**$ -**	**$ 1,215**
Equipment expenditures	**$ 5,641**	**$ 1,370**	**$ 822**	**$ 7,833**

	As at and for the year ended December 31, 2008			
	Well Servicing	Wireline & Rentals	Corporate	Consolidated
Revenue	$ 95,970	$ 31,954	$ -	$ 127,924
Earnings (loss) from continuing operations before income taxes	$ (10,780)	$ 3,693	$ (14,500)	$ (21,587)
Depreciation and amortization	$ 12,622	$ 4,205	$ 600	$ 17,427
Total assets	$ 138,453	$ 47,387	$ 6,195	$ 192,035
Equipment expenditures	$ 7,816	$ 5,289	$ 864	$ 13,969

23. COMPARATIVE AMOUNTS

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

24. SUBSEQUENT EVENT

The Trust anticipates seeking approval from its unitholders, in conjunction with its 2010 annual general meeting, to complete the conversion to an energy services corporation (the "Conversion"). The Trust expects to complete the Conversion prior to April 30, 2010 pursuant to a Plan of Arrangement under the Business Corporations Act (Alberta).

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

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

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

Stock Exchange Listing

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