

Second Quarter Report

This report contains “forward-looking information and statements”. For a full discussion of the forward-looking information and statements and the inherent risks and uncertainties, see “Reader Advisory”.

This report contains Non-GAAP measures and an explanation of their purpose and usefulness can be found under “Non-GAAP Measures”.

SIGNIFICANT TRANSACTIONS

Essential has recently completed two significant transactions which have added significant complexity to the presentation of the financial results. On April 4, 2008 Essential completed a strategic combination with Builders Energy Services Trust (“Builders”) under which the previous unitholders of Builders received, for each outstanding trust unit of Builders held by them, 1.25 trust units of Essential. On July 2, 2008 the Trust completed the sale of substantially all of the assets of its Transport division for proceeds of \$135 million and applied the proceeds from this transaction against long-term debt. As a result, to better understand the combined, continuing Essential operations and its performance over the past six months, readers are referred to the section below entitled “Selected Combined Financial Information”.

SELECTED COMBINED FINANCIAL INFORMATION Essential and Builders Combined As Of January 1, 2008

In accordance with Canadian Generally Accepted Accounting Principles (“GAAP”), the reporting in the Financial Statements and Management’s Discussion and Analysis represents Essential’s stand-alone activities for January 1, 2008 to April 3, 2008. The results do not include Builders’ operating or financial results for this period. Management has provided combined results for Builders and Essential assuming the combination occurred as of January 1, 2008 in the section below to assist the reader in understanding the new entity on a combined basis. The financial results of the Transport segment (which include the historical transport operations of the Trust plus the transport operations acquired as part of the Builders transaction) have been segregated in aggregate under the line titled “Loss from discontinued operations before income taxes” below. The financial results for Essential are unaudited but have been reviewed by the Trust’s auditors, which is consistent with preceding quarterly reports. The financial results for Builders for January 1, 2008 to April 3, 2008 are unaudited and have not been reviewed by the Trust’s auditors.

Essential and Builders Combined As Of January 1, 2008

(\$ Thousands)	Six months ended June 30, 2008
Revenue	81,335
Gross margin ⁽¹⁾	20,207
Gross margin as a percentage of revenue ⁽¹⁾	25%
General and administrative expense	8,127
General and administrative expense as a percentage of revenue	10%
EBITDAS ⁽¹⁾	12,080
EBITDAS as a percentage of revenue ⁽¹⁾	15%
Loss from continuing operations before income taxes	(2,667)
Loss from discontinued operations before income taxes	(2,687)
Loss before income taxes	(5,354)

NON-GAAP MEASURES⁽¹⁾

Throughout this news release, 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 – This measure is considered a primary indicator of operating performance as calculated by revenue less operating expenses.

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

EBITDAS (Earnings before interest, income taxes, depreciation, amortization, non-controlling interest earnings, losses or gains on disposal of equipment, 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 – This measure is considered an indicator of the Trust's ability to generate funds flow as calculated by EBITDAS divided by revenue.

READER ADVISORY

This report 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 report contains forward-looking statements including expectations of future cash flow and earnings, expectations with respect to the price of oil and natural gas, expectations regarding the implementation of legislation, expectations regarding capital spending, the sources of capital and uses of such capital and expectations regarding the level of drilling and production activity in the Western Canadian Sedimentary Basin. 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 rates; pipeline and transportation capacity; weather, health, safety and environmental risks), integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Trust's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this report 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.

ESSENTIAL ENERGY SERVICES TRUST MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED JUNE 30, 2008

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Trust ("Essential" or the "Trust") is for the three months and six months ended June 30, 2008.

This MD&A is an update to, and should be read in conjunction with, the March 31, 2008 interim report and the annual consolidated financial statements and MD&A included in the Trust's 2007 Annual Report to Unitholders and the attached financial statements as at and for the three and six months ended June 30, 2008, to which readers are referred. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned interim report or annual MD&A. This MD&A was prepared effective August 14, 2008.

Forward-Looking Statements

This MD&A may contain 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 may contain forward-looking statements including expectations of future cash flow and earnings, expectations with respect to the price of oil and natural gas, expectations regarding the implementation of legislation, expectations regarding capital spending, the sources of capital and uses of such capital and expectations regarding the level of drilling and production activity in the Western Canadian Sedimentary Basin. 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 rates; pipeline and transportation capacity; weather, health, safety and environmental risks), integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Trust's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this MD&A are made as of the date hereof and the Trust undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

OVERVIEW OF ESSENTIAL

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

After giving effect to the two transactions discussed below, 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, coil tubing and nitrogen units and rod/ flush-by rigs and swabbing units. The Wireline & Rentals segment provides wireline, downhole tools sales and services and equipment rentals

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

MERGER WITH BUILDERS ENERGY SERVICES TRUST

On April 4, 2008 Essential completed a strategic combination with Builders Energy Services Trust ("Builders") pursuant to a plan of arrangement under the Business Corporations Act (Alberta) (the "Transaction"). Pursuant to the Transaction, the previous unitholders of Builders received, for each outstanding trust unit of Builders held by them, 1.25 trust units of Essential resulting in the issuance of 24,639,825 Essential Units and 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. Estimated total consideration for Builders was \$79.5 million, including acquisition costs.

DISPOSITION OF TRANSPORT DIVISION

On July 2, 2008, the Trust completed the sale of substantially all of the assets of its Transport division for cash proceeds of \$135 million and applied the proceeds from this transaction against its long term debt. At August 14, 2008 Essential had approximately \$25 million of debt outstanding.

BASIS OF PRESENTATION

The following Management's Discussion and Analysis, and the consolidated financial statements as at and for the three and six months ended June 30, 2008 has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The completion of the two transactions noted above has resulted in various changes to how the financial information for the current year and comparative periods are presented:

- The financial results of the merger with Builders have been included in the consolidated financial statements and MD&A of the Trust since April 4, 2008. Segmented financial information has been provided for the two ongoing reporting segments of the Trust (Well Servicing and Wireline & Rentals).
- The financial results of the Transport segment (which include the historical transport activities of the Trust plus the transport activities acquired as part of the Builders acquisition) have been segregated on the Balance Sheets, Statements of Operations and the Statements of Cash Flow. The assets and liabilities associated with the Transport segment have been reclassified on the Balance Sheets under the captions of Assets Held for Sale and Liabilities Held for Sale, respectively. Operating results and cash flows for the Transport segment have been reclassified on the Statements of Operations and Statements of Cash Flows under the captions of Earnings (loss) from Discontinued Operations and Funds from (used in) Discontinued Operations, respectively.

SELECTED FINANCIAL INFORMATION

(\$ Thousands, except per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2008	2007 (restated)	2008 (restated)	2007 (restated)
Revenue	25,145	9,339	40,191	25,274
Gross margin ⁽¹⁾	1,513	1,856	6,468	7,855
EBITDAS ⁽¹⁾	(1,657)	(319)	1,955	4,481
Loss from continuing operations	(9,247)	(3,810)	(9,214)	(2,170)
Per unit – basic	\$ (0.15)	\$ (0.13)	\$ (0.20)	\$ (0.07)
Per unit – diluted	\$ (0.15)	\$ (0.13)	\$ (0.20)	\$ (0.07)
Earnings (loss) from discontinued operations	(5,177)	(630)	(2,497)	2,678
Per unit – basic	\$ (0.09)	\$ (0.02)	\$ (0.05)	\$ 0.09
Per unit – diluted	\$ (0.09)	\$ (0.02)	\$ (0.05)	\$ 0.09
Net earnings (loss)	(14,424)	(4,440)	(11,711)	508
Per unit – basic	\$ (0.24)	\$ (0.15)	\$ (0.25)	\$ 0.02
Per unit – diluted	\$ (0.24)	\$ (0.15)	\$ (0.25)	\$ 0.02
Funds flow from (used in) operations	(5,734)	996	1,375	10,450
Per unit – basic	\$ (0.10)	\$ 0.03	\$ 0.03	\$ 0.36
Per unit – diluted	\$ (0.10)	\$ 0.03	\$ 0.03	\$ 0.34
Cash distributions to Unitholders	6,932	7,927	12,240	14,844
Per unit – diluted	\$ 0.12	\$ 0.25	\$ 0.26	\$ 0.50
Total Assets	339,592	232,224	339,592	232,224
Total Long Term Debt	150,706	56,489	150,706	56,489
Unitholders' equity	167,340	166,085	167,340	166,085

Additional Information

Additional information regarding Essential, including the March 31, 2008 interim report, the 2007 Annual Report and the Annual Information Form, can be found on SEDAR at www.sedar.com.

OVERVIEW OF SECTOR ACTIVITY

The outlook for the Canadian oilfield services industry continued to show signs of improvement throughout the second quarter. Industry fundamentals including commodity prices, U.S. gas storage levels and a reduction in liquefied natural gas (“LNG”) imports during the quarter all combined to improve confidence in the oil and gas industry in western Canada and provides a renewed sense of optimism with respect to activity levels in future periods.

Activity levels during the second quarter reflect drilling programs that were largely established in late 2007 and early 2008 when oil and gas producers were dealing with ongoing uncertainty with respect to the Alberta royalty structure and industry fundamentals were not as positive as they are today. Combined with reduced access to job sites due to spring break-up conditions and continued wet weather throughout most of the quarter, drilling rig utilization rates in the Western Canadian Sedimentary Basin (“WCSB”) averaged 19% for the second quarter, only marginally better than the 17% recorded during the second quarter of 2007. Drilling rig utilization rates act as a barometer for oilfield service activity.

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

Despite the numerous producers that have recently announced expansions to their 2008 capital programs, activity levels in the WCSB were 13% lower in 2008 during the first half of the year relative to 2007, reflecting significantly lower activity levels in the first quarter of 2008 relative to the first quarter of 2007.

OVERVIEW OF SECOND QUARTER RESULTS

Although industry fundamentals continued to improve throughout the quarter, the extended spring break-up and ongoing wet weather conditions experienced during much of the quarter contributed to seasonally lower utilization rates for Essential. Compared to the second quarter of 2007, the financial performance of the Trust from continuing operations showed significant revenue growth during the quarter due to the completion of the Builders merger on April 4, 2008. However, this revenue growth is only included in the operations of the Trust during the second quarter, as the operating results related to the Builders acquisition are only reflected in the financial results of Essential from April 4, 2008 to June 30, 2008. As such, the financial results do not reflect the first quarter 2008 financial performance of Builders, which by the nature and location of the acquired businesses is significantly stronger than demonstrated during the second quarter.

- Revenue from continuing operations for the three and six month periods ended June 30, 2008 was \$25.1 million and \$40.2 million, respectively, compared to \$9.3 million and \$25.3 million for the same periods ended June 30, 2007.
- Gross margin⁽¹⁾ from continuing operations for the three and six month periods ended June 30, 2008 was \$1.5 million and \$6.5 million, respectively, compared to \$1.9 million and \$7.9 million for the same periods ended June 30, 2007.
- Loss from continuing operations for the three and six month periods ended June 30, 2008 was \$9.2 million for both periods, compared to \$3.8 million and \$2.2 million for the same periods ended June 30, 2007.
- Funds flow from (used in) operations⁽¹⁾ for the three and six month periods ended June 30, 2008 was \$(5.7) million and \$1.4 million, respectively, compared to \$1.0 million and \$10.5 million for the same periods ended June 30, 2007.

RESULTS OF OPERATIONS

(Thousands, except per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2008	2007 (restated)	2008 (restated)	2007 (restated)
Revenue	\$ 25,145	\$ 9,339	\$ 40,191	\$ 25,274
Operating expenses	23,632	7,483	33,723	17,419
Gross margin ⁽¹⁾	1,513	1,856	6,468	7,855
Gross margin as a percentage of revenue ⁽¹⁾	6%	20%	16%	31%
General and administrative expenses	3,170	2,175	4,513	3,374
EBITDAS ⁽¹⁾	(1,657)	(319)	1,955	4,481
EBITDAS as a percentage of revenue ⁽¹⁾	(7%)	(3%)	5%	18%
Unit-based compensation	144	466	716	796
Depreciation and amortization	5,146	2,236	7,470	4,380
Interest on long-term debt	1,390	762	2,073	1,448
Loss from continuing operations before income taxes	(8,337)	(3,783)	(8,304)	(2,143)
Future income tax expense	910	27	910	27
Earnings (loss) from continuing operations	(9,247)	(3,810)	(9,214)	(2,170)
Earnings (loss) from discontinued operations	(5,177)	(630)	(2,497)	2,678
Net earnings (loss)	\$ (14,424)	\$ (4,440)	\$ (11,711)	\$ 508
Net earnings (loss) per unit – basic	\$ (0.24)	\$ (0.15)	\$ (0.25)	\$ 0.02
Net earnings (loss) per unit – diluted	\$ (0.24)	\$ (0.15)	\$ (0.25)	\$ 0.02

Revenue

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenue				
Well Servicing	\$ 18,569	\$ 9,339	\$ 33,615	\$ 25,274
Wireline & Rentals	6,576	-	6,576	-
	\$ 25,145	\$ 9,339	\$ 40,191	\$ 25,274

Revenue from continuing operations for the three and six month periods ended June 30, 2008 was \$25.1 million and \$40.2 million, respectively, compared to \$9.3 million and \$25.3 million for the same periods ended June 30, 2007. The period over period increase from 2007 to 2008 is due to the completion of the Builders transaction.

Well Servicing

Well Servicing generated revenue of \$18.6 million and \$33.6 million for the three and six month periods ending June 30, 2008, respectively, compared to \$9.3 million and \$25.3 million for the same periods ended June 30, 2007.

The period over period increase from 2007 to 2008 is due to the completion of the Builders transaction and the resultant increased size and geographic reach of the Trust's equipment fleet. Comparative fleet information as at June 30, 2008 and 2007 is as follows:

	2008	2007
Well Servicing Equipment:		
Service Rigs	55	15
Flush-by/ Rod/ Swabbing Rigs	26	24
Coil Tubing Units	32	21
Nitrogen Units	7	-

Wireline & Rentals

Wireline & Rentals generated revenue of \$6.6 million for the three and six month periods ending June 30, 2008, respectively. Prior to the completion of the Builders transaction, the Trust did not operate a Wireline & Rentals segment.

Operating Expenses

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Operating expenses	\$ 23,632	\$ 7,483	\$ 33,723	\$ 17,419
As a % of revenue	94%	80%	84%	69%

Operating expenses from continuing operations for the three and six month periods ending June 30, 2008 were \$23.6 million and \$33.7 million, respectively, compared to \$7.5 million and \$17.4 million for the same periods ended June 30, 2007. The period over period increase from 2007 to 2008 is due to the completion of the Builders transaction and the resultant increased size and nature of the Trust's operations. As a percentage of revenue⁽¹⁾, operating costs have increased during the three and six month periods ended June 30, 2008 in comparison to the same periods in 2007. This increase is due to an increase in direct input costs, such as labour and fuel costs, in addition to the indirect impact of lower utilization rates on a year to date basis compared to 2007. In comparison, the reduction of utilization rates and operating margins that the industry experienced over the past twelve months did not significantly impact activity levels until after the end of the first quarter of 2007. As a result, the performance of the Trust during the first six months of 2007 was positively impacted by higher activity levels and operating margins in the first quarter of 2007 in comparison to 2008.

Throughout all of its field operations, Essential maintains a scaleable cost infrastructure wherever possible. However, costs associated with retaining key field personnel, qualified equipment operators, maintaining service locations and insurance are relatively fixed in nature. Costs of this nature change incrementally in relation to a longer term industry outlook. Periods of decreased activity, such as the reduced activity levels experienced in the first and second quarters of 2008, results in operating costs as a percentage of revenue⁽¹⁾ being higher.

General and Administrative Expenses

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
General and administrative expenses	\$ 3,170	\$ 2,175	\$ 4,513	\$ 3,374
As a % of revenue	13%	23%	11%	13%

General and administrative expenses from continuing operations for the three and six month periods ending June 30, 2008 were \$3.2 million and \$4.5 million, respectively, compared to \$2.2 million and \$3.4 million for the same periods ended June 30, 2007. General and administrative expenses as a percentage of revenue⁽¹⁾ were 13% and 11% for the three and six month periods ended June 30, 2008, respectively and 23% and 13% for the same periods in 2007, respectively.

The period over period increase from 2007 to 2008 is due to the completion of the Builders transaction and the addition of businesses to the pre-existing operations of the Trust (excluding business operations of both entities associated with the discontinued operations) and the incremental general and administrative costs related thereto. Subsequent to the completion of the Builders transaction, management has undertaken several integration initiatives intended to reduce general and administrative expenditures wherever possible. As a result, the Trust will exit the second quarter 2008 with a streamlined cost structure that will benefit future periods.

Unit-based Compensation Expense

Unit-based compensation for the three and six month periods ended June 30, 2008 was \$0.1 million and \$0.7 million, respectively, compared to \$0.5 million and \$0.8 million for the same period in 2007.

On August 14, 2008 there were 4,317,729 options outstanding (including 1,090,119 Essential Replacement Options issued in conjunction with the acquisition of Builders).

Depreciation and Amortization

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Depreciation and amortization expense	\$ 5,146	\$ 2,236	\$ 7,470	\$ 4,380

Depreciation and amortization expense from continuing operations for the three and six month periods ending June 30, 2008 were \$5.1 million and \$7.5 million, respectively, compared to \$2.2 million and \$4.4 million for the same periods ended June 30, 2007. The period over period increase from 2007 to 2008 is a result of the completion of the Builders transaction and the resultant increased size and nature of the equipment fleet.

Interest on Long-term Debt

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Interest expense on long term debt	\$ 1,390	\$ 762	\$ 2,073	\$ 1,448

Interest on long-term debt from continuing operations for the three and six months ended June 30, 2008 has increased primarily as a result of a higher average term acquisition loan outstanding throughout the period and the incremental debt added in conjunction with the completion of the Builders transaction. Interest rates on the Trust's term acquisition loan facility averaged 6.2% for the second quarter of 2008, compared with 6.5% in 2007. For the six months ended June 30, 2008, interest rates on the Trust's term acquisition loan facility averaged 6.3% for 2008 compared with 6.7% for 2007.

Income Taxes

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Future income tax expense	\$ 910	\$ 27	\$ 910	\$ 27

In June 2007, the Government of Canada enacted legislation imposing additional income taxes on trusts for taxation years commencing January 1, 2011. During the three and six months ended June 30, 2008, the Trust recognized \$0.9 million in future tax expense from continuing operations. The future tax expense results from reduced tax deductions associated with lower distributions announced in the quarter.

In June 2008, the Government of Canada released draft legislation to permit a trust to convert to a corporation. The draft 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. The legislation is expected to be finalized and enacted before the end of 2008.

SUMMARY OF QUARTERLY DATA

(\$Thousands, except per unit amounts)	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sep. 30, 2007	Jun. 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sep. 30, 2006
Revenue from continuing operations	25,145	15,046	11,929	12,994	9,339	15,936	15,904	14,431
Net earnings (loss)	(14,424)	2,713	(38,479)	1,767	(4,440)	4,948	5,650	2,421
Per-unit – basic	(0.24)	0.08	(1.09)	0.05	(0.15)	0.18	0.20	0.09
Per-unit – diluted	(0.24)	0.08	(1.09)	0.05	(0.15)	0.16	0.19	0.09
Funds flow from Operations ⁽¹⁾	(5,734)	7,109	3,791	5,760	996	9,454	9,434	6,293
Per-unit – basic	(0.10)	0.20	0.11	0.16	0.03	0.34	0.34	0.23
Per-unit – diluted	(0.10)	0.20	0.11	0.16	0.03	0.31	0.32	0.23
Distributions per unit	0.12	0.15	0.18	0.25	0.25	0.25	0.25	0.25

The second quarters of 2008 and 2007 were impacted by the annual spring break-up, which leaves many secondary roads temporarily incapable of supporting the weight of equipment and results in restrictions in the level of oilfield service activity. As a result of the seasonality of operations, funds flow from operations⁽¹⁾ in the first quarter of each year has been substantially more than the distributions declared, which is expected. This excess funds flow from operations⁽¹⁾ was used to partially finance the distributions in the second quarter. Quarterly data only incorporates the impact of the Builders acquisition for the quarter ended June 30, 2008.

FINANCIAL RESOURCES AND LIQUIDITY

On an annualized basis, the Trust expects to finance its distributions through funds flow from operations⁽¹⁾. Overall, the Trust establishes its distribution level based on actual results to date and future expected funds flow from operations⁽¹⁾. On June 5, 2008, the Trust reduced its distribution to \$0.18 per annum, effective with the June 2008 distribution payable on July 15, 2008, with the intent of reducing the distribution to a sustainable level while at the same time enabling the Trust to manage its debt levels and maintain the productive capacity of its equipment fleet in a cost effective manner.

During the three months ended June 30, 2008, funds flow from operations⁽¹⁾ were \$(5.7) million. The negative funds flow from operations⁽¹⁾ was funded from funds flow from operations⁽¹⁾ generated in previous quarters. The change in non-cash working capital, mainly comprised of an increase in accounts receivable, related to increased activity levels during the quarter, in combination with net equipment expenditures⁽¹⁾, were financed mainly through the Trust's credit facility.

Funds Flow from (used in) Operations⁽¹⁾

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Cash flow from operations	\$ 17,925	\$ 7,069	\$ 18,937	\$ 15,960
Less:				
Changes in non-cash operating working capital	(23,659)	(6,073)	(17,562)	(5,510)
Funds flow from (used in) operations	(5,734)	\$ 996	1,375	\$ 10,450
Per unit - basic	\$ (0.10)	\$ 0.03	\$ 0.03	\$ 0.36
Per unit - diluted	\$ (0.10)	\$ 0.03	\$ 0.03	\$ 0.34

Funds flow from (used in) operations⁽¹⁾ for the three and six month periods ended June 30, 2008 was \$(5.7) million and \$1.4 million, respectively, compared to \$1.0 million and \$10.5 million for the same periods in 2007. The period over period decrease is attributed to weaker industry conditions resulting in reduced activity levels and lower margins.

Equipment Expenditures

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Equipment expenditures				
Well Servicing	\$ 565	\$ 550	\$ 1,060	\$ 2,449
Wireline & Rentals	750	-	750	-
Corporate	(600)	84	270	84
	715	634	2,080	2,533
Less proceeds on disposal of property and equipment	(230)	(66)	(232)	(107)
Net equipment expenditures	\$ 485	\$ 568	\$ 1,848	\$ 2,426

Net equipment expenditures⁽¹⁾ for the three and six month periods ended June 30, 2008 were \$0.5 million and \$1.8 million compared to \$0.6 million and \$2.4 million for the same periods in 2007. The current year-to-date net equipment expenditures⁽¹⁾ is comprised of \$0.5 million in growth capital⁽¹⁾, \$1.0 million in net maintenance capital⁽¹⁾ and \$0.3 million for information systems, operational facilities and leasehold improvements.

Trust Units

During the six months ended June 30, 2008 the following transactions occurred:

- 365,064 Trust units were issued as consideration for the acquisition of the assets and business of A&B Hot Oil Services (1993) Ltd.
- 24,639,825 Trust units were issued to acquire Builders Energy Services Trust.

As at August 14, 2008, there were 60,272,865 Trust units and 4,317,729 Trust unit options outstanding (including 1,090,119 Essential Replacement Options issued in conjunction with the acquisition of Builders). Of the 4,317,729 Trust unit options, 1,828,217 were exercisable of which nil were "in-the-money".

Credit Facility

On April 4, 2008, concurrent with the strategic combination with Builders, the Trust amended its credit agreement with its banking syndicate comprised of an extendible revolving loan facility (the "Facility"). Under this agreement, the Facility is limited to the lesser of \$160.0 million or the sum of 75% of the Trust's accounts receivables less specific items (the "Borrowing Base") and 60% of the Trust's carrying value of property and equipment less Term Debt. The Borrowing Base must be at least 20% of the Facility otherwise the Facility is reduced by the amount of any shortfall. The Facility has no required principal repayments until expiry and bears interest that fluctuates with the bank's prime rate. Effective June 30, 2008, coincident with the disposition of Transport assets, the maximum availability of the facility was reduced from \$160.0 million to \$140.0 million of which a maximum of \$105 million was available to the Trust as at June 30, 2008.

The Facility expires on May 31, 2009 and can be renewed, at the lenders' option, for an additional 364-day period. If not renewed, the loan is repayable in equal monthly installments over a three-year period.

The existing facility is sufficient to meet the Trust's obligations for the remainder of the year.

As at June 30, 2008, 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.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Trust reported on these as part of the 2007 reporting (please refer to the audited consolidated financial statements for the year ended December 31, 2007 available on SEDAR at www.sedar.com and on our website at www.essentialenergy.ca) and there have been no significant changes to disclosure controls in the current period.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The Trust reported on these as part of the 2007 reporting (please refer to the audited consolidated financial statements for the year ended December 31, 2007 available on SEDAR at www.sedar.com

and on our website at www.essentialenergy.ca) and there have been no significant changes to the design of internal controls over financial reporting in the current period.

CAPITAL SPENDING INCREASE

In preparation for the anticipated increase in customer activity, Essential has announced a \$14 million increase in capital. The program will be executed by an increase of \$11 million being spent in 2008 and the remaining \$3 million being spent in 2009 to complete the projects. This will increase the capital spending budget for 2008 from \$9 million to \$20 million. The incremental spending will include \$8 million for growth capital⁽¹⁾ and \$3 million for net maintenance capital⁽¹⁾. The growth capital⁽¹⁾ will be utilized to build two new heavy single service rigs, acquire one deep coil tubing unit, one sour service electric wireline unit and accompanying equipment, one slickline unit and additional pipe for the rentals business.

The two new service rigs will increase Essential's fleet to 57 service rigs. Essential is building heavy single rigs that can be deployed throughout the WCSB, depending on demand. Currently, Essential's utilization is highest in southeast Alberta for customers involved primarily in shallow natural gas activity in that region.

The deep coil tubing unit will be based in Grande Prairie and will be deployed in northeast British Columbia where deep unconventional gas requires coil tubing units with depth capability of 3,000 to 4,500 meters. This deep unit will expand the capabilities of Essential's current fleet of intermediate and shallow units.

In addition to the sour service electric wireline unit, capital will be used to acquire a fishing unit, logging tools and a deep log swabbing unit. These will enhance Essential's capability to become a full service wireline company.

The capital spending increase will be funded with operating cash flow and the existing credit facility.

OUTLOOK

Essential enters the second half of 2008 as a fundamentally improved entity. Completion of the merger with Builders on April 4, 2008, closing of the disposition of the assets of the Transport division on July 2, 2008 and enhanced financial flexibility by reducing both the long term debt and distribution level were all significant events. Completion of these events has positioned Essential to take advantage of a stronger Canadian drilling and well servicing market as there has been meaningful improvement in the outlook indicators for the remainder of 2008 and 2009. As a result of integration and cost-cutting measures, Essential exits the second quarter of 2008 with a streamlined cost structure that will be beneficial in the coming quarters.

The outlook for Canadian drilling-related businesses and well servicing has improved compared to the beginning of 2008. The long term forward outlooks for crude oil and natural gas commodity prices have significantly improved since that time. Natural gas storage levels in the United States are at the five year average and below the same period in the prior year. This change in storage level is due in large part to lower imports of LNG over the past several months, and to a lesser extent, reduced Canadian natural gas imports to the United States as a result of lower Canadian production. Largely in response to improved commodity prices, some Canadian producers have recently responded by announcing increases to their 2008 capital programs. Both the Petroleum Services Association of Canada and the Canadian Association of Oilwell Drilling Contractors have increased their well count estimates for the WCSB for 2008, relative to their original forecasts.

As a result of the Transport disposition, Essential has tightened its operational focus to emphasize the higher margin services of well servicing, wireline, downhole tools and rentals. With 55 service rigs, Essential has the sixth largest fleet in western Canada with rigs located in the active hubs of Fort St. John, Brooks, Grande Prairie, Slave Lake, Drayton Valley and Medicine Hat. Essential has a significant fleet of coil tubing and nitrogen operations that are well positioned in central and southern

Alberta to take advantage of the anticipated increase in natural gas drilling and production activity by our customers in those regions. In addition, the newly merged Essential operates rod rigs, wireline, downhole tool and rentals businesses, each with an established market presence and history of profitability, all of which will benefit from the anticipated increase in natural gas drilling, completions and well servicing activities by our customers in later 2008 and 2009.

In preparation for the anticipated increase in customer activity, Essential has announced a \$14 million increase in capital spending in 2008 and early 2009. This increase is in response to strategic opportunities in geographic areas where Essential is experiencing high utilization and to expand the breadth of current service offerings.

On August 14, 2008, Essential had \$25 million drawn on its \$140 million credit facility, of which a maximum of \$105 million was available to the Trust at June 30, 2008. This provides the Trust with significant financial flexibility for future growth opportunities.

With the steps taken to focus operations, expand geographically and strengthen the balance sheet, Essential is in a favorable position to take advantage of the optimism surrounding the oil and gas services sector in western Canada during the latter half of 2008 and into the future.

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, 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⁽⁴⁾ – This measure is considered an indicator of the Trust’s ability to generate funds flow as calculated by EBITDAS⁽²⁾ 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 flow⁵ 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.

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 our oilfield services equipment.

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

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

⁴ Funds flow is reconciled to the GAAP measure, cash flow from operations, in the table “Funds Flow from Operations”.

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

Consolidated Financial Statements

Essential Energy Services Trust

June 30, 2008

ESSENTIAL ENERGY SERVICES TRUST
CONSOLIDATED BALANCE SHEETS
(unaudited)

<i>(Thousands)</i>	As at June 30, 2008	As at December 31, 2007 <i>(restated note 5)</i>
Assets <i>(note 7)</i>		
Current assets		
Accounts receivable	\$ 40,669	\$ 22,206
Inventory	8,822	1,970
Prepaid expenses and deposits	3,300	683
Assets held for sale <i>(note 5)</i>	122,544	91,849
	<hr/> 175,335	<hr/> 116,708
Property and equipment <i>(note 6)</i>	141,310	57,861
Intangible assets	5,045	4,233
Goodwill	17,902	17,902
	<hr/> \$ 339,592	<hr/> \$ 196,704
Liabilities		
Current liabilities		
Bank indebtedness	\$ 1,262	\$ 1,092
Operating line of credit	-	13,316
Accounts payable and accrued liabilities	16,633	7,175
Distributions payable <i>(note 11)</i>	904	1,763
Current portion of long-term debt <i>(note 7)</i>	131,566	11,084
Liabilities held for sale <i>(note 5)</i>	847	187
	<hr/> 151,212	<hr/> 34,617
Long-term debt <i>(note 7)</i>	19,140	45,917
Future income tax liability <i>(note 13)</i>	1,900	990
	<hr/> 172,252	<hr/> 81,524
Commitments <i>(note 14)</i>		
Unitholders' Equity		
Unitholders' capital <i>(note 8)</i>	267,436	192,041
Contributed surplus <i>(note 9)</i>	3,196	2,480
Accumulated deficit	(103,292)	(79,341)
	<hr/> 167,340	<hr/> 115,180
	<hr/> \$ 339,592	<hr/> \$ 196,704

See accompanying notes to unaudited consolidated interim financial statements

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

<i>(Thousands, except per unit amounts)</i>	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
		<i>(restated note 5)</i>	<i>(restated note 5)</i>	<i>(restated note 5)</i>
Revenue	\$ 25,145	\$ 9,339	\$ 40,191	\$ 25,274
Operating expenses <i>(note 16)</i>	23,632	7,483	33,723	17,419
Expenses	1,513	1,856	6,468	7,855
General and administrative	3,170	2,175	4,513	3,374
Unit-based compensation <i>(note 10)</i>	144	466	716	796
Depreciation and amortization	5,146	2,236	7,470	4,380
Interest on long-term debt	1,390	762	2,073	1,448
Loss from continuing operations before income taxes	(8,337)	(3,783)	(8,304)	(2,143)
Income tax expense				
Future <i>(note 13)</i>	910	27	910	27
Loss from continuing operations	(9,247)	(3,810)	(9,214)	(2,170)
Earnings (loss) from discontinued operations <i>(note 5)</i>	(5,177)	(630)	(2,497)	2,678
Net earnings (loss) and comprehensive earnings (loss) for the period	(14,424)	(4,440)	(11,711)	508
Accumulated deficit, beginning of period	(81,936)	(15,027)	(79,341)	(13,058)
Distributions to unitholders <i>(note 11)</i>	(6,932)	(7,927)	(12,240)	(14,844)
Accumulated deficit, end of period	\$ (103,292)	\$ (27,394)	\$ (103,292)	\$ (27,394)
Loss per unit from continuing operations <i>(note 12)</i>				
Basic	\$ (0.15)	\$ (0.13)	\$ (0.20)	\$ (0.07)
Diluted	\$ (0.15)	\$ (0.13)	\$ (0.20)	\$ (0.07)
Earnings (loss) per unit from discontinued operations <i>(note 12)</i>				
Basic	\$ (0.09)	\$ (0.02)	\$ (0.05)	\$ 0.09
Diluted	\$ (0.09)	\$ (0.02)	\$ (0.05)	\$ 0.09
Net earnings (loss) per unit <i>(note 12)</i>				
Basic	\$ (0.24)	\$ (0.15)	\$ (0.25)	\$ 0.02
Diluted	\$ (0.24)	\$ (0.15)	\$ (0.25)	\$ 0.02

See accompanying notes to unaudited consolidated interim financial statements

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

<i>(Thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
		<i>(restated note 5)</i>	<i>(restated note 5)</i>	<i>(restated note 5)</i>
Operating activities:				
Loss from continuing operations	\$ (9,247)	\$ (3,810)	\$ (9,214)	\$ (2,170)
Items not affecting cash:				
Depreciation and amortization	5,146	2,236	7,470	4,380
Future income tax expense <i>(note 13)</i>	910	27	910	27
Unit-based compensation <i>(note 10)</i>	144	466	716	796
Loss on disposal of equipment	3	39	3	42
Funds from (used in) continuing operations	(3,044)	(1,042)	(115)	3,075
Funds from (used in) discontinued operations	(2,690)	2,038	1,490	7,375
	(5,734)	996	1,375	10,450
Changes in non-cash operating working capital	23,659	6,073	17,562	5,510
	17,925	7,069	18,937	15,960
Financing activities:				
Issue of Trust units, net of issue costs	-	32,618	-	32,618
Distributions paid	(7,810)	(7,307)	(13,099)	(14,218)
Increase (repayment) of operating line of credit	174	(13,500)	(13,147)	(10,440)
Increase in long-term debt	-	-	14,442	500
Repayment of long-term debt	(2,075)	(206)	-	(423)
Repayments of capital lease obligations	-	(29)	-	(66)
Changes in non-cash financing working capital	(19)	-	-	-
	(9,730)	11,576	(11,804)	7,971
Investing activities:				
Property and equipment	(715)	(634)	(2,080)	(2,533)
Business acquisitions	(7,268)	(4,450)	(7,268)	(4,450)
Proceeds on disposal of equipment	230	66	232	107
(Increase) decrease in assets held for sale	(524)	(7,418)	1,983	(8,235)
Changes in non-cash investing working capital	82	400	-	400
	(8,195)	(12,036)	(7,133)	(14,711)
Increase in cash	-	6,609	-	9,220
Cash, beginning of period	-	3,721	-	1,110
Cash, end of period	\$ -	\$ 10,330	\$ -	\$ 10,330
Supplementary cash flow information:				
Interest paid	\$ 1,125	\$ 1,144	\$ 2,320	\$ 2,312

See accompanying notes to unaudited consolidated interim financial statements

ESSENTIAL ENERGY SERVICES TRUST
NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the periods ended June 30, 2008 and 2007

(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 an open-ended unincorporated investment trust governed by the laws of the province of Alberta and created pursuant to a deed of trust dated April 4, 2006 between Olympia Trust Company and Avenir Diversified Income Trust ("Avenir").

Pursuant to Section 193 of the Business Corporations Act (Alberta), under a Plan of Arrangement entered into by the Trust, Avenir Diversified Income Trust, Avenir Operating Trust, Avenir Operating Corp., Essential Production Services Exchange Corp., and Essential Energy Services Corp., effective May 31, 2006 the Energy Services Division of Avenir (the "Energy Services Division") was transferred to the Trust. Essential began publicly trading on the Toronto Stock Exchange on May 31, 2006.

Operations are located in Western Canada and provide oilfield services to crude oil and natural gas exploration and production customers. The ability to operate the equipment in oil and gas fields in Canada is dependent on weather conditions, whereby thawing in the spring renders many secondary roads incapable of supporting heavy equipment until the ground is dry. In addition, activity in more northern regions of Canada is accessible only in winter months where the ground is frozen enough to support the equipment. As a result of this seasonality, the Trust's activity is traditionally higher in the first and fourth quarters of the year and lower in the second and third quarters.

2. Significant Accounting Policies

The unaudited interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles and in a manner consistent with the accounting policies in the audited consolidated financial statements of the Trust for the year ended December 31, 2007, except as noted below. Certain information has been condensed or omitted although the Trust believes that the disclosures are adequate to make the information presented not misleading.

3. Adoption of New Accounting Policy

On January 1, 2008, Essential adopted several new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook section 1400 "General Standards of Financial Statement Presentation", section 1535 "Capital Disclosures", section 3031 "Inventories", section 3862 "Financial Instruments – Disclosures", and section 3863 "Financial Instruments – Presentation". The Trust adopted these standards retroactively without restatement.

General Standards of Financial Statement Presentation

Section 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have an impact on the Trust's financial statements.

Capital Disclosures

Section 1535 establishes standards for disclosing information regarding an entity's capital and how it is managed. The section specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Trust's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future distributions and development of the business. Future adjustments to the capital

management strategy may be necessary depending on changes in future economic conditions. The Trust manages its capital structure through increases or decreases in funded debt, unitholders' equity and distributions.

The Trust considers its capital structure to include unitholder equity and funded debt. The Trust is subject to externally imposed capital requirements associated with its debt facility, including financial covenants that incorporate funded debt, EBITDA and total capitalization. As at June 30, 2008, the Trust is in good standing with respect to these covenants.

Financial Instruments – Disclosures and Presentation

Sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation" which revises and enhances financial instruments disclosure requirements and leaves unchanged its presentation requirements. The objective of section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments for the Trust's financial position and performance. The section also requires increased disclosure on the nature and extent of risks arising from financial instruments that the Trust is exposed to during the reporting period and the balance sheet date and how the Trust is managing those risks. The purpose of section 3863 is to enhance the financial statement users' understanding of the significance of financial instruments to the Trust's financial position, performance and cash flows.

Inventories

Section 3031 requires inventories to be measured at the lower of cost or net realizable value and the reversal of previously recorded writedowns to realizable value when the circumstances that caused the writedown no longer exist. This new standard did not have a material impact on the Trust's financial statements for the period ended June 30, 2008.

4. Acquisitions

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. Under the terms of the Agreement, the combination was accomplished through a Plan of Arrangement (the "Arrangement") under the Business Corporations Act (Alberta). The Arrangement received customary stock exchange, court and regulatory approval as well as approval by 98% of Builders' unitholders voting in person or by proxy at the Builders' unitholder meeting, held on April 3, 2008, and became effective on April 4, 2008 (the "effective date"). Each Builders unit was exchanged for 1.25 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 10)

The Arrangement has been accounted for by the purchase method with the results of Builders being included in the Trust's financial statements from the effective date. The purchase price has been allocated to Builders' net assets acquired and liabilities as shown in the table below. These preliminary fair value determinations are based on management estimates and are subject to change.

	Amount
Calculation of purchase price:	
Essential trust units issued	\$ 73,673
Fair value of Essential replacement options	397
Transaction costs	5,400
	<u>\$ 79,470</u>

	Amount
Allocation of purchase price:	
Net working capital	\$ 33,896
Property and equipment	123,452
Intangibles	1,789
Long-term debt including current portion	(79,667)
	<u>\$ 79,470</u>

b) A&B

On March 1, 2008 the Trust acquired all of the assets and business of A & B Hot Oil Services (1993) Ltd. ("A&B") for total consideration of \$1,375 consisting of estimated transaction costs of \$50 and the issuance of 365,064 Trust Units at \$3.63 per unit. A&B operates 3 hot oilers, 3 pressure trucks and a heating unit. The assets formed part of Essential's Transport business segment (note 5). The acquisition has been accounted for from the date of closing using the purchase method of accounting. The following indicates how the purchase price for A&B has been allocated:

	Amount
Calculation of purchase price:	
Essential trust units issued	\$ 1,325
Transaction costs	50
	<u>\$ 1,375</u>

	Amount
Allocation of purchase price:	
Property and equipment	\$ 1,375
	<u>\$ 1,375</u>

5. Assets Held For Sale and Discontinued Operations

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

The following table represents the balances that have been reclassified on the balance sheet as assets held for sale:

	As at June 30, 2008	As at December 31, 2007
Current assets held for sale:		
Property and equipment	\$ 70,723	\$ 39,945
Intangibles	9,643	9,726
Goodwill	42,178	42,178
	<u>\$ 122,544</u>	<u>\$ 91,849</u>

	As at June 30, 2008	As at December 31, 2007
Current liabilities held for sale:		
Accounts payable	\$ 250	\$ -
Long-term debt	1,070	646
Future income taxes	(473)	(459)
	<u>\$ 847</u>	<u>\$ 187</u>

All of the above balances have been classified as current on the balance sheet due to the fact that the transaction closed on July 2, 2008.

The results of operations related to the assets and liabilities held for sale are as follows:

<i>(Thousands, except per unit amounts)</i>	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 17,861	\$ 12,759	\$ 38,681	\$ 32,724
Expenses				
Operating	16,155	8,154	28,995	20,063
General and administrative	3,607	1,889	6,327	4,000
Interest and bank charges	789	678	1,496	1,286
Depreciation and amortization	2,501	2,062	4,374	4,091
Earnings (loss) before income taxes	(5,191)	(24)	(2,511)	3,284
Future income tax expense (recovery)	(14)	606	(14)	606
Earnings (loss) from discontinued operations (net of income taxes)	<u>\$ (5,177)</u>	<u>\$ (630)</u>	<u>\$ (2,497)</u>	<u>\$ 2,678</u>
Net earnings (loss) per unit from discontinued operations:				
Basic	\$ (0.09)	\$ (0.02)	\$ (0.05)	\$ 0.09
Diluted	\$ (0.09)	\$ (0.02)	\$ (0.05)	\$ 0.09

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 three and six month periods ended June 30, 2008, and 2007.

6. Property and Equipment

As at June 30, 2008	Cost	Accumulated Depreciation	Net Book Value
Service rigs and equipment	\$ 136,247	\$ 23,671	\$ 112,576
Oilfield services equipment	23,431	1,063	22,368
Vehicles and automotive	5,357	1,116	4,241
Other	2,334	209	2,125
	<u>\$ 167,369</u>	<u>\$ 26,059</u>	<u>\$ 141,310</u>

As at December 31, 2007	Cost	Accumulated Depreciation	Net Book Value
Service rigs and equipment	\$ 72,376	\$ 17,584	\$ 54,792
Oilfield services equipment	1,315	297	1,018
Vehicles and automotive	1,883	715	1,168
Other	1,053	170	883
	<u>\$ 76,627</u>	<u>\$ 18,766</u>	<u>\$ 57,861</u>

7. Long-term Debt

	June 30, 2008	December 31, 2007
Term acquisition loan	\$ 150,550	\$ 57,000
Term debt and capital leases	156	1
	<u>150,706</u>	<u>57,001</u>
Less: current portion of long-term debt	(131,566)	(11,084)
	<u>\$ 19,140</u>	<u>\$ 45,917</u>

On April 4, 2008, concurrent with the strategic combination with Builders, the Trust amended its credit agreement with its banking syndicate comprised of an extendible revolving loan facility (the "Facility"). Under this agreement, the Facility is limited to the lesser of \$160.0 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. The Facility has no required principal repayments until expiry and bears interest that fluctuates with the bank's prime rate. Effective June 30, 2008, coincident with the imminent disposition of Transport assets, the capacity of the Facility was reduced from \$160.0 million to \$140.0 million of which a maximum of \$105.0 million was available to the Trust as at June 30, 2008.

The Facility expires on May 31, 2009 and can be renewed, at the lenders' option, for an additional 364-day period and is collateralized by a general security agreement over all assets. If not renewed, the loan is repayable in equal monthly installments over a three-year period.

As at June 30, 2008, all financial debt covenants were satisfied and all banking requirements were up to date.

In conjunction with the sale of the assets of the Transport segment, of the total proceeds received, \$130.9 was used to pay down the term debt facility and accordingly, at June 30, 2008, this amount has been classified within the current portion of long-term debt (\$11.1 million at December 31, 2007).

The existing facility is sufficient to meet the Trust's obligations for the remainder of the year.

The average effective interest rate on borrowings under the facility for the three and six months ended June 30, 2008 were 6.2% and 6.3%, respectively (June 30, 2007 – 6.5% and 6.7%, respectively).

8. Unitholders' Capital

	As at June 30, 2008	
	Units	Amount
Balance, January 1, 2008	35,268	\$ 192,041
Units issued on A&B acquisition (i)	365	1,325
Units issued on Builders acquisition (ii)	24,640	74,070
Balance, June 30, 2008	60,273	\$ 267,436

- (i) On March 1, 2008, the Trust issued 365,064 units at \$3.63 per unit to the vendors of A&B (see note 4).
- (ii) On April 4, 2008, the Trust issued 24,639,825 units at \$2.99 per unit to the unitholders of Builders (see note 4).

9. Contributed Surplus

	As at June 30, 2008	
Balance, January 1, 2008	\$	2,480
Unit-based compensation		716
Balance, June 30, 2008	\$	3,196

10. Unit-based Compensation

Trust unit options

	Trust Unit Options	Weighted Average Exercise Price
Outstanding, January 1, 2008	2,494	\$ 7.82
Issued	1,518	7.60
Forfeitures	673	8.08
Outstanding, June 30, 2008	3,339	\$ 7.70
Exercisable, June 30, 2008	2,136	\$ 7.62

The Trust recorded unit-based compensation expense in respect of the Option Plan of \$0.1 million and \$0.7 million for the three and six months ended June 30, 2008, respectively (2007 - \$0.5 million and \$0.8 million, respectively) with a corresponding increase to contributed surplus. The amount of unit-based compensation expense has been reduced approximately \$0.3 million for Trust unit options forfeited during the period prior to vesting.

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

Risk-free Interest Rate	2.75%
Expected Volatility	49.5%
Expected Term	1.8 – 4.7 years
Distribution yield	0%

11. Accumulated Distributions and Distributions Payable

	Six months ended June 30, 2008
Accumulated distributions, beginning of period	\$ 46,039
Distributions declared and paid	11,336
Distributions declared and payable	904
Accumulated distributions, for the period	12,240
Accumulated distributions, end of period	\$ 58,279

12. Net Earnings (Loss) Per Unit

The weighted average number of units outstanding for the three and six month periods ending June 30, 2008 were 59,460,563 and 47,426,451 respectively, compared to 30,476,880 and 30,605,040 for the same periods in 2007. For the three and six months ended June 30, 2008 and the three month period ended June 30, 2007, options convertible to units are not included in the denominator as their effect is anti-dilutive.

13. Income Tax

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Loss from continuing operations before income taxes	\$ (8,337)	\$ (3,783)	\$ (8,304)	\$ (2,143)
Effective tax rate	0 %	0 %	0 %	0 %
	-	-	-	-
Impact of tax rate adjustments	910	27	910	27
Provision for income taxes	\$ 910	\$ 27	\$ 910	\$ 27

The future income tax liability consists of:

	June 30, 2008	December 31, 2007
Tangible assets	\$ (5,933)	\$ -
Net operating losses	2,417	-
Goodwill/ Intangible assets	1,339	(385)
Trust unit issuance costs	277	289
Valuation allowance	-	(894)
Future income tax liability	\$ (1,900)	\$ (990)

14. 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:	
2008	\$ 3,953
2009	3,790
2010	3,327
2011	2,574
2012	1,636
Thereafter	2,232
	\$ 17,512

15. Financial Instruments

a) Designation and valuation of financial instruments

Essential has classified its cash as held for trading. Accounts receivable are classified as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities, distributions payable, and long-term debt are classified as other financial liabilities. The Trust did not designate any of its financial assets as either held-to-maturity or available-for-sale at January 1, 2008. The carrying values of all financial instruments approximate their estimated fair values due to their terms.

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

b) Risks

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

(i) Credit risk

The Trust's accounts receivable are exposed to credit risk. Although a substantial portion of trade receivables is dependent upon the strength of the Canadian oil and gas industry, management considers credit risk to be minimal as a significant portion of the balances are with large oil and gas companies with whom the Trust has lengthy relationships, and without any significant incidence of default. Management routinely assesses the financial strength of customers, and monitors the exposure for credit losses. As at June 30, 2008 accounts receivable are aged as follows: 60% - current; 17% - 31-60 days; 8% - 61-90 days; and 15% - over 90 days. The Trust utilizes an allowance for doubtful accounts, based on specific receivables, to record potential credit losses associated with its trade receivables.

Of the Trust's trade accounts receivable as at June 30, 2008, approximately 12.5% was due from two companies, 8.3% and 4.2%, respectively (June 30, 2007 – 18.9% and 13.3%, respectively).

(ii) Interest rate risk

The Trust is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair value of its financial instruments. The Trust's primary debt facility has a floating interest rate that will fluctuate based on prevailing market conditions. Net income is sensitive to changes in interest rates on this instrument. Given the amount of debt employed, the Trust's strategy is to manage interest rate risk within the current framework. Taking into account the proceeds received from the sale of the assets of the Transport segment (note 5), if interest rates on the floating instrument were to change by 1%, it is estimated that annual net income would change by \$0.2 million.

(iii) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Trust believes that it has access to sufficient capital through internally generated cash flows and external equity sources, and to undrawn committed borrowing facilities to meet current spending forecasts.

16. Related Party Transactions

During the three and six months ended June 30, 2008, the Trust leased land and buildings from an officer of the Trust which are included in operating expenses. The expense totaled \$117 and \$234, respectively (2007 – \$117 and \$234, respectively). These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the respective parties, and were recorded at the exchange amount.

17. Seasonality of Operations

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

18. Segmented Information

As a result of the Builders acquisition and the subsequent disposition of the transport segment, as discussed in note 5, the Trust has redefined its operating segments. As a result, the Trust has two operating segments: Well Servicing and Wireline & Rentals, and a non-operating segment, Corporate.

i. Well Servicing:

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

ii. Wireline & Rentals

The Wireline & Rentals segment is comprised of below ground oilfield services and equipment rentals. The Trust offers wireline and downhole tools and equipment sales and rentals throughout Alberta. The Wireline and Rentals segment is comprised of a fleet of wireline units, including electric and slickline and a variety of downhole tools and drilling-related rental equipment.

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

As at and for the three months ended June 30, 2008					
	Well Servicing	Wireline & Rentals	Corporate	Discontinued Operations	Consolidated
Revenue	\$ 18,569	\$ 6,576	\$ -	\$ -	\$ 25,145
Earnings (loss) before income taxes	\$ (3,260)	\$ (252)	\$ (4,825)	\$ -	\$ (8,337)
Total assets	\$ 153,861	\$ 43,104	\$ 2,968	\$ 139,659	\$ 339,592
Equipment expenditures	\$ 565	\$ 750	\$ (600)	\$ -	\$ 715

As at and for the three months ended June 30, 2007					
	Well Servicing	Wireline & Rentals	Corporate	Discontinued Operations	Consolidated
Revenue	\$ 9,339	\$ -	\$ -	\$ -	\$ 9,339
Earnings (loss) before income taxes	\$ (508)	\$ -	\$ (3,275)	\$ -	\$ (3,783)
Total assets	\$ 123,770	\$ -	\$ 7,406	\$ 101,048	\$ 232,224
Equipment expenditures	\$ 550	\$ -	\$ 84	\$ -	\$ 634

As at and for the six months ended June 30, 2008					
	Well Servicing	Wireline & Rentals	Corporate	Discontinued Operations	Consolidated
Revenue	\$ 33,615	\$ 6,576	\$ -	\$ -	\$ 40,191
Earnings (loss) before income taxes	\$ (935)	\$ (252)	\$ (7,117)	\$ -	\$ (8,304)
Total assets	\$ 153,861	\$ 43,104	\$ 2,968	\$ 139,659	\$ 339,592
Equipment expenditures	\$ 1,060	\$ 750	\$ 270	\$ -	\$ 2,080

As at and for the six months ended June 30, 2007					
	Well Servicing	Wireline & Rentals	Corporate	Discontinued Operations	Consolidated
Revenue	\$ 25,274	\$ -	\$ -	\$ -	\$ 25,274
Earnings (loss) before income taxes	\$ 3,150	\$ -	\$ (5,293)	\$ -	\$ (2,143)
Total assets	\$ 123,770	\$ -	\$ 7,406	\$ 101,048	\$ 232,224
Equipment expenditures	\$ 2,449	\$ -	\$ 84	\$ -	\$ 2,533

19. Comparative Amounts

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

20. Subsequent Event

On July 2, 2008, the Trust completed the sale of the assets of its Transport segment for proceeds of \$135 million.

C O R P O R A T E I N F O R M A T I O N

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Dennis B. Balderston^{1,2}

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2. Compensation & Governance Committee

3. Health, Safety & Environment Committee

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Bankers

National Bank of Canada

Toronto Dominion Bank

Bank of Montreal

Canadian Western Bank

Legal Counsel

Heenan Blaikie LLP

Transfer Agent

Olympia Trust Company

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