Canadian Energy
SERVICES L.P.

Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2009

Consolidated Balance Sheets (unaudited)
(stated in thousands of dollars)

	As at	
	June 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash	**2,093**	-
Accounts receivable	**14,447**	47,286
Financial derivative asset (note 13c)	**38**	-
Inventory (note 3)	**8,871**	10,903
Prepaid expenses	**414**	441
	25,863	58,630
Property and equipment (note 4)	**12,182**	12,519
Intangible assets (note 5)	**3,548**	4,199
Goodwill	**49,913**	49,913
	91,506	125,261
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 6)	**-**	12,702
Accounts payable and accrued liabilities	**9,715**	25,578
Earn-out payable (note 12)	**2,000**	2,000
Distributions payable	**882**	1,225
Current portion of long-term debt (note 7)	**1,027**	1,300
	13,624	42,805
Long-term debt (note 7)	**2,888**	3,474
Future income tax liability	**2,159**	2,004
	18,671	48,283
Unitholders' equity		
Class A Units (note 8)	**105,623**	84,352
Subordinated Class B Units (note 8)	**-**	21,514
Contributed surplus (note 10)	**1,980**	1,531
Deficit	**(34,768)**	(30,419)
	72,835	76,978
	91,506	125,261

Commitments (note 12)

APPROVED ON BEHALF OF THE BOARD:

"Thomas J. Simons"	*"D. Michael Stewart"*
Thomas J. Simons	D. Michael Stewart
President & Chief Executive Officer and Director	*Director & Chairman, Audit Committee*

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations, Comprehensive Earnings (Loss) and Deficit (unaudited)
(stated in thousands of dollars except per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
		(Note 18)		(Note 18)
Revenue	**12,634**	14,560	**42,932**	42,834
Cost of sales	**9,212**	11,001	**31,465**	30,306
Gross margin	**3,422**	3,559	**11,467**	12,528
Expenses				
Selling, general, and administrative expenses	**3,477**	2,971	**7,902**	6,062
Amortization	**883**	452	**1,760**	775
Unit-based compensation (note 9)	**160**	1,053	**556**	1,096
Interest expense	**49**	97	**192**	246
Foreign exchange (gain) loss	**2**	22	**(67)**	48
Unrealized financial derivative gain (note 13c)	**(38)**	-	**(38)**	-
Loss on disposal of assets	**46**	4	**67**	8
	4,579	4,599	**10,372**	8,235
Net earnings (loss) before taxes	**(1,157)**	(1,040)	**1,095**	4,293
Future income tax expense	**57**	15	**155**	66
Net earnings (loss) and comprehensive earnings (loss)	**(1,214)**	(1,055)	**940**	4,227
Deficit, beginning of period	**(30,907)**	(32,646)	**(30,419)**	(35,699)
Unitholders' distributions declared (note 11)	**(2,647)**	(2,371)	**(5,289)**	(4,600)
Deficit, end of period	**(34,768)**	(36,072)	**(34,768)**	(36,072)
Net earnings (loss) per unit (note 8c)				
Basic and diluted	**(0.11)**	(0.11)	**0.08**	0.44

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flow (unaudited)
(stated in thousands of dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
		(Note 18)		(Note 18)
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net earnings (loss) for the period	**(1,214)**	(1,055)	**940**	4,227
Items not involving cash:				
Amortization	**883**	452	**1,760**	775
Unit-based compensation	**160**	1,053	**556**	1,096
Future income tax expense	**57**	15	**155**	66
Loss on disposal of assets	**46**	4	**67**	8
Unrealized foreign exchange (gain) loss	**5**	5	**(64)**	19
Unrealized financial derivative gain	**(38)**	-	**(38)**	-
Change in non-cash operating working capital (note 15)	**11,453**	4,942	**18,901**	(1,286)
	11,352	5,416	**22,277**	4,905
FINANCING ACTIVITIES:				
Repayment of long-term debt	**(485)**	(251)	**(962)**	(1,345)
Issuance of long-term debt	**-**	-	**-**	2,550
Issuance of Class A Units, net of issuance costs	**-**	11,904	**-**	11,904
Decrease in bank indebtedness	**(5,585)**	(6,276)	**(12,702)**	(4,548)
Distributions to unitholders	**(2,986)**	(2,230)	**(5,632)**	(4,459)
	(9,056)	3,147	**(19,296)**	4,102
INVESTING ACTIVITIES:				
Investment in property and equipment	**(489)**	(692)	**(1,356)**	(1,086)
Investment in intangible assets	**(10)**	(19)	**(42)**	(27)
Acquisition of Clear Environmental Solutions	**-**	(7,529)	**-**	(7,529)
Proceeds on disposal of fixed assets	**213**	10	**398**	34
Change in non-cash investing working capital (note 15)	**83**	(90)	**112**	(156)
	(203)	(8,320)	**(888)**	(8,764)
CHANGE IN CASH	**2,093**	243	**2,093**	243
Cash, beginning of period	**-**	-	**-**	-
Cash, end of period	**2,093**	243	**2,093**	243
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Interest paid	**62**	87	**247**	217
Taxes paid	**-**	-	**-**	-

The accompanying notes are an integral part of these consolidated financial statements.

1. The Partnership

Canadian Energy Services L.P. (the "Partnership") is a limited partnership formed on January 13, 2006, pursuant to the *Limited Partnerships Act* (Ontario). The Partnership designs and implements drilling fluid systems for the oil and natural gas industry, in particular relating to drilling medium to deep vertical and directional wells and horizontal wells in the Western Canadian Sedimentary Basin and the United States through its subsidiary AES Drilling Fluids, LLC. The Western Canadian oil and natural gas drilling season is affected by weather. The industry is generally more active during the winter months of November through March, as the movement of heavy equipment is easier over the frozen ground. Wet weather in the spring and summer can hamper the movement of drilling rigs which has a direct impact upon generating revenue. Conversely, a longer colder winter as well as a dry spring and summer can strengthen drilling activity.

2. Basis of Presentation and Significant Accounting Policies

These unaudited interim consolidated financial statements have been prepared by management of the Partnership in accordance with Canadian generally accepted accounting principles ("GAAP") following the same accounting principles and methods of computation as the Partnership's audited financial statements for the year ended December 31, 2008, except as noted below. These unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2008.

Goodwill and Intangible Assets

In January 2009, the Partnership adopted CICA Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. There has been no impact to the Partnership as a result of the initial adoption of these standards.

Derivative Financial Instruments

Derivative financial instruments are used by the Partnership to manage its exposure to market risk associated with currency fluctuations. The Partnership's policy is not to utilize derivative financial instruments for speculative or trading purposes. These derivative instruments are classified as held for trading. These derivative instruments are recorded at fair values in which the fair value of the instruments is recorded on the consolidated balance sheet as either an asset or liability with changes in fair value recognized in the consolidated statement of operations. Realized gains and losses from financial derivatives are recognized as they occur. Unrealized gains and losses are recognized in the consolidated statement of operations at each respective reporting period. The fair value of these transactions is based upon the estimated amounts that would have been paid to or received from counter parties to settle the transactions outstanding with reference to the estimated forward prices as of the date of the consolidated balance sheet.

Future Accounting Pronouncements

Business Combinations

In January 2009, the Accounting Standards Board ("AcSB") issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This standard applies prospectively to business combinations for which the acquisition date is after the beginning of the first annual reporting period on or after January 2011 with earlier application permitted.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the AcSB issued Sections 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests, which replace existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning after January 2011 with earlier application permitted.

International Financial Reporting Standards (IFRS)
On February 13, 2008, the AcSB confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards (IFRS) will replace Canada's current Generally Accepted Accounting Principles for all publicly accountable profit oriented enterprises.

3. Inventory
The cost of inventory expensed in cost of sales for the three and six month periods ended June 30, 2009 was $5,916 and $20,214 respectively (2008 - $6,238 and $18,586 respectively).

4. Property and Equipment
Property and equipment are comprised of the following balances:

	As at June 30, 2009			As at December 31, 2008		
$000's	**Cost**	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Trucks	**4,090**	**(807)**	**3,283**	3,842	(511)	3,331
Vehicles	**3,343**	**(1,185)**	**2,158**	4,052	(1,166)	2,886
Buildings	**3,350**	**(341)**	**3,009**	2,650	(186)	2,464
Field equipment	**1,794**	**(593)**	**1,201**	1,983	(456)	1,527
Land	**989**	**-**	**989**	981	-	981
Computer equipment and software	**968**	**(486)**	**482**	898	(350)	548
Tanks	**893**	**(69)**	**824**	505	(44)	461
Furniture and fixtures	**299**	**(116)**	**183**	364	(89)	275
Leasehold improvements	**69**	**(16)**	**53**	54	(8)	46
	15,795	**(3,613)**	**12,182**	15,329	(2,810)	12,519

5. Intangible Assets
Intangible assets are comprised of the following balances:

	As at June 30, 2009			As at December 31, 2008		
$000's	**Cost**	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Customer relationships	**4,100**	**(740)**	**3,360**	4,100	(408)	3,692
Technology	**-**	**-**	**-**	600	(250)	350
Patents	**214**	**(26)**	**188**	172	(15)	157
	4,314	**(766)**	**3,548**	4,872	(673)	4,199

As outlined further in note 8, in conjunction with the repurchase of 50,000 Class A Units, the Partnership returned the technology used in designing certain drilling fluid systems ("Drilling Fluid Technology") which had been acquired in June of 2008.

6. Bank Indebtedness
The Partnership has a revolving demand loan with a commercial bank permitting it to borrow up to $30,000, subject to the value of certain accounts receivable and inventory. At June 30, 2009, the maximum available draw on the facility was $9,900 (December 31, 2008 - $20,000). Amounts drawn on the facility incur interest at the bank's prime rate plus 1.25%. The facility is secured by a general security agreement creating a first priority security interest in all personal property of Canadian Energy

Services Inc., the general partner of the Partnership (the "General Partner") and its subsidiaries, an unlimited corporate guarantee of the indebtedness of the Partnership given by the General Partner and the Partnership's subsidiaries, and a demand collateral mortgage on the Partnership's Edson, Alberta property. At June 30, 2009, the Partnership had a total net draw of $Nil (December 31, 2008 - $12,702) on the facility.

7. Long-Term Debt
The Partnership has long-term debt as follows:

$000's	**June 30, 2009**	December 31, 2008
Vehicle financing loans	**1,548**	2,258
Committed loan facility	**2,367**	2,516
Demand loan facility	**-**	-
	3,915	4,774
Less current portion of long-term debt	**(1,027)**	(1,300)
Long-term debt	**2,888**	3,474

The Partnership has a non-revolving committed loan with a commercial bank for $1,614. At June 30, 2009, a total of $1,604 remained outstanding (December 31, 2008 - $1,653). The loan is repayable in fixed monthly principal payments of $10 plus interest at the bank's prime rate plus 1.40%. The loan has an initial term of five years, with the bank reserving the right to extend the term of the loan by two additional five year periods at its discretion.

The Partnership has a second non-revolving committed loan for $798. At June 30, 2009, a total of $763 remained outstanding (December 31, 2008 - $863). The loan is repayable over five years in fixed monthly principal payments of $17 plus interest at the bank's prime rate of interest plus 1.40%.

The Partnership has also established a non-revolving demand loan facility for $2,000. At June 30, 2009, a total of $Nil had been drawn on the facility (December 31, 2008 - $Nil). Any draws made on the facility are repayable in forty-eight equal monthly instalments plus interest at the bank's prime rate of interest plus 1.40%.

These long-term debt facilities are secured by the same general security agreement as the revolving demand loan creating a first priority security interest in all personal property of the General Partner, the Partnership and its subsidiaries, an unlimited corporate guarantee of the indebtedness of the Partnership given by the General Partner and the Partnership's subsidiaries, and a demand collateral mortgage on the Partnership's Edson, Alberta property.

Vehicle financing loans are secured by each related vehicle and incur interest at rates ranging from 0% to 13% and have terms ranging from October 2009 to December 2012.

Scheduled principal payments at June 30, 2009 are as follows:

$000's	
2009 - 6 Months	**544**
2010	**1,031**
2011	**717**
2012	**364**
2013	**1,259**
Total	**3,915**

8. Unitholders' Equity
a) Authorized
The Partnership is authorized to issue an unlimited number of Class A Units and Subordinated Class B Units.

b) Issued and outstanding
A summary of the changes to unitholders' equity for the period is presented below:

	Six Months Ended June 30, 2009		Year Ended December 31, 2008	
Class A Units *($000's except units)*	**Number of Units**	**Amount**	Number of Units	Amount
Balance, beginning of period	**9,018,315**	**84,352**	7,229,460	66,959
Equity issue, net of share issue costs and tax	**-**	**-**	1,234,200	11,868
Consideration for acquired business	**-**	**-**	380,488	3,900
Consideration for acquisition of intangible asset	**-**	**-**	75,000	600
Issued pursuant to Unit Bonus Plan	**20,500**	**224**	75,500	810
Issued pursuant to Unit Option Plan	**-**	**-**	23,475	215
Issued pursuant to Distribution Rights Plan	**-**	**-**	192	-
Units repurchased	**(50,000)**	**(467)**	-	-
Conversion of Subordinated Class B Units	**2,151,486**	**21,514**	-	-
Balance, end of period	**11,140,301**	**105,623**	9,018,315	84,352

	Six Months Ended June 30, 2009		Year Ended December 31, 2008	
Subordinated Class B Units	**Number of Units**	**Amount**	Number of Units	Amount
Balance, beginning of period	**2,151,486**	**21,514**	2,151,486	21,514
Conversion of Subordinated Class B Units	**(2,151,486)**	**(21,514)**	-	-
Balance, end of period	**-**	**-**	2,151,486	21,514

On January 9, 2009, the Partnership repurchased for cancellation 50,000 Class A Units for total aggregate consideration of $1.00 which had previously been held in escrow as a result of the previous acquisition of the Drilling Fluid Technology in June of 2008. In conjunction with this transaction, the Drilling Fluid Technology previously acquired has been returned. For accounting purposes, the value of the shares repurchased was computed as $7.00 per unit for a total of $350 representing the deemed fair value of the Drilling Fluid Technology which was returned.

On March 1, 2009, the subordination period relating to the Subordinated Class B Units expired pursuant to the terms of the Amended and Restated Limited Partnership Agreement dated March 2, 2006. Following the end of the subordination agreement, the Subordinated Class B Units could be exchanged, on a one for one basis, for Class A Units. On March 11, 2009, 1,075,743 Subordinated Class B Units were exchanged for an equivalent number of Class A Units. On April 14, 2009, the remaining 1,075,743 Subordinated Class B Units were exchanged for an equivalent number of Class A Units.

c) Earnings (loss) per unit
Basic earnings per unit are based on the income attributable to unitholders for the period divided by the weighted average number of Class A Units and Subordinated Class B Units outstanding during the period. The diluted earnings per unit are based on the weighted average number of Class A Units and Subordinated Class B Units outstanding during the period plus the effects of dilutive unit equivalents. This method requires that the dilutive effect of outstanding unit options, bonus units, and distribution rights issued should be calculated using the treasury stock method. This treasury stock method assumes that all unit equivalents have been exercised and that the funds obtained thereby were used to purchase units of the Partnership at the average trading price of the Class A Units during the period.

For the current and prior three month periods ended June 30, due to the quarterly net loss, diluted earnings per unit is equal to basic earnings per unit due to the anti-dilutive impact of dilutive securities on earnings per unit. In calculating the basic and diluted earnings per unit for the respective three and six month periods ended June 30, the weighted average number of units used in the calculation is shown in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000's, except unit and per unit amounts	**2009**	2008	**2009**	2008
Net earnings (loss) and comprehensive earnings (loss)	**(1,214)**	(1,055)	**940**	4,227
Weighted average number of units outstanding:				
Basic units outstanding	**11,140,301**	9,822,070	**11,132,318**	9,602,727
Effect of dilutive securities	**-**	-	**56,171**	41,290
Diluted units outstanding	**11,140,301**	9,822,070	**11,188,489**	9,644,017
Net earnings (loss) per unit (basic and diluted)	**($0.11)**	($0.11)	**$0.08**	$0.44

9. Unit-Based Compensation

As at June 30, 2009, a total of 1,114,030 Class A Units were reserved for issuance under the Unit Option Plan, the Distribution Rights Plan, and the Unit Bonus Plan of which 291,356 Class A Units remain available for grant.

a) Partnership Unit Option Plan

The Partnership may provide incentives to the employees, officers, and directors of the General Partner, and certain service providers by issuing options to acquire Class A Units under the Partnership's Unit Option Plan. Options granted generally vest as to one-third on each of the first, second, and third anniversary dates of the grant, or such other vesting schedule as determined by the Board of Directors, and expire no later than five years after the grant. A summary of changes to the unit options granted under the Unit Option Plan is presented below:

	Six Months Ended June 30, 2009		Year Ended December 31, 2008	
	Options	**Average Exercise Price**	Options	Average Exercise Price
Balance, beginning of period	**725,500**	**$9.08**	695,000	$8.78
Granted during the period	**85,000**	**6.38**	158,500	10.27
Exercised during the period	**-**	**-**	(23,475)	7.92
Forfeited during the period	**(82,500)**	**9.70**	(104,525)	9.15
Balance, end of period	**728,000**	**$8.69**	725,500	$9.08
Exercisable options, end of period	**526,500**	**$9.04**	377,505	$9.07

The following table summarizes information about the Unit Options outstanding at June 30, 2009:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Options	Weighted average exercise price	Weighted average term remaining in years	Options	Weighted average exercise price
$5.53 - $8.00	329,500	$7.03	2.72	207,833	$7.37
$8.01 - $11.31	398,500	10.07	2.39	318,667	10.13
	728,000	$8.69	2.54	526,500	$9.04

The fair value of the unit options granted during the three and six month periods ended June 30, 2009 was $81 and $266 respectively. For the three and six month periods ended June 30, 2009, unit-based compensation expense of $160 and $489 respectively (2008 - $221 and $264 respectively) was recorded relating to the Partnership's Unit Option Plan. The compensation costs for unit options granted during the period were calculated using the Black-Scholes option pricing model using the following assumptions:

	Six Months Ended June 30, 2009	Year Ended December 31, 2008
Risk-free interest rate	**1.85% - 1.89%**	2.98% - 4.50%
Expected life of options	**5 years**	5 years
Dividend yield	**Nil**	Nil
Expected volatility	**55% - 56%**	49% - 56%
Weighted average fair value per unit	**$3.13**	$4.87

b) Partnership Distribution Rights Plan
The Partnership's Distribution Rights Plan provides long-term incentive to directors, officers, employees, and service providers of the Partnership who are providing services to the Partnership, the General Partner, or their affiliates through the issuance of Distribution Rights which are redeemable for Class A Units on the basis of distributions paid by the Partnership, thereby reflecting the total returns to holders of Class A Units. Under the Distribution Rights Plan, Class A Units are accumulated in the notional accounts of Distribution Rights holders. A summary of the changes to the Class A Units accumulated under the Distribution Rights Plan is presented below:

Class A Units Accumulated From Distribution Rights	**Six Months Ended June 30, 2009**	Year Ended December 31, 2008
Balance, beginning of period	**46,812**	-
Granted during the period	**57,111**	51,290
Redeemed during the period	**-**	(192)
Forfeited during the period	**(9,249)**	(4,286)
Balance, end of period	**94,674**	46,812

c) Partnership Unit Bonus Plan
The Partnership's Unit Bonus Plan is used to provide additional compensation, in lieu of cash bonuses, to the employees, officers, and certain service providers of the Partnership, subsidiaries of the Partnership, or the General Partner through the issuance of up to an aggregate maximum of 125,000 Class A Units. During the three month period ended June 30, 2009, 20,500 of Class A Units that were previously contingently issued under the Unit Bonus Plan were issued. As of June 30, 2009, a total of 96,000 Bonus Units have been issued pursuant to the Unit Bonus Plan. During the three and six month periods ended June 30, 2009, the Partnership has recognized $Nil and $67 respectively of unit-based compensation expense (2008 - $832 and $832 respectively) relating to the Unit Bonus Plan.

10. Contributed Surplus

The following table reconciles the Partnership's contributed surplus:

$000's	**June 30, 2009**	December 31, 2008
Contributed surplus, beginning of period	**1,531**	273
Unit-based compensation	**556**	1,287
Units repurchased at less than carrying value	**117**	-
Units issued pursuant to Unit Bonus Plan	**(224)**	-
Exercise of unit options	**-**	(29)
Contributed surplus, end of period	**1,980**	1,531

11. Cash Distributions
The Partnership has declared distributions to holders of Class A Units and Subordinated Class B Units for the period ended June 30, 2009 as follows:

$000's except per unit amounts	**Distribution Record Date**	**Distribution Payment Date**	**Per Class A Unit**	**Per Class B Unit**	**Total**
Jan 1 - 31	Jan 31	Feb 15	0.0792	-	**710**
Feb 1 - 28	Feb 28	Mar 15	0.0792	-	**710**
Jan 1 - Feb 28	Feb 28	Apr 15	-	0.1584	**426**
Mar 1 - 31	Mar 31	Apr 15	0.0792	0.0792	**796**
Apr 1 - 30	Apr 30	May 15	0.0792	-	**882**
May 1 - 31	May 31	Jun 15	0.0792	-	**882**
Jun 1 - 30	Jun 30	Jul 15	0.0792	-	**882**
Total distributions declared during the period			0.4752	0.2376	**5,289**

As noted in note 8b, on March 1, 2009, the subordination period relating to the Subordinated Class B Units expired pursuant to the terms of the Amended and Restated Limited Partnership Agreement. Following this, distributions to Subordinated Class B Units were made on a monthly basis. Effective April 11, 2009, all outstanding Subordinated Class B Units had been converted to Class A Units.

12. Commitments & Earn-Out Payable
The Partnership has commitments with payments due as follows:

$000's	**2009 - 6 Months**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Office rent	418	713	717	422	49	-	**2,319**
Vehicle operating leases	27	31	15	13	-	-	**86**
Total	445	744	732	435	49	-	**2,405**

The Partnership is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation will not have a material adverse impact on the Partnership's financial position or results of operations and therefore the commitment table does not include any commitments for outstanding litigation and potential claims.

In connection with the acquisition of the business assets of Clear Environmental Solutions Inc. on June 12, 2008, the Partnership will be required to pay consideration pursuant to the earn-out payment of $2,000 payable through the issuance of Class A Units. The consideration payable under the agreement was determined by subtracting $2,400 from the net income from operations before management bonuses and investment income of the Partnership attributable to the business and assets acquired in connection with the acquisition for the twelve month period ending June 30, 2009 and multiplying the result by a four times multiple. The payment will be satisfied by the issuance of Class A Units to the vendor no later than 60 days following the end of June 30, 2009. The Class A Units will be issued at a price equal to the weighted average trading price of the Class A Units for the ten trading days preceding the earn-out payment date. At June 30, 2009, the Partnership had recorded an accrual relating to the liability of $2,000 (December 31, 2008 - $2,000) for the earn-out payment which has been achieved by Clear.

13. Financial Instruments and Risk Management
The classification of financial instruments remains consistent at June 30, 2009 with those at December 31, 2008. The carrying values of financial liabilities where interest is charged based on a variable rate are equal to fair value. The carrying value of long-term debt where interest is charged at a fixed rate is not significantly different than fair value. The carrying values of all other financial instruments approximate their fair value due to the relatively short period to maturity of the instruments.

a) Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations to the Partnership. The Partnership manages credit risk by assessing the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accounts receivable includes balances from a large number of customers operating primarily in the oil and natural gas industry. Accordingly, the Partnership views the credit risks on these amounts as normal for the industry. An analysis of accounts receivable which are past due but not impaired is as follows:

	As at	
$000's	**June 30, 2009**	December 31, 2008
Past due 61-90 days	**510**	3,450
Past due 91-120 days	**1,196**	1,491
Past 120 days	**485**	318
Total past due	**2,191**	5,259

The Partnership reduces an account receivable to its estimated recoverable amount as soon as it is known to be not collectible in full. If it is expected that further losses will be incurred, an allowance for doubtful accounts is recorded. As at June 30, 2009, the Partnership had recorded a provision of $349 (December 31, 2008 - $428) relating to accounts receivable which may not be collectible.

b) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Partnership is exposed to interest rate risk as result of funds borrowed at floating interest rates. The Partnership manages this risk by monitoring interest rate trends and forecasted economic conditions. As of June 30, 2009, the Partnership had not entered into any interest rate derivatives to manage its exposure to fluctuations in interest rates.

A 50 basis point increase or decrease is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower, and all other variables were held constant, the Partnership's net earnings would be approximately $6 and $21 lower/higher for the three and six month periods ended June 30, 2009.

c) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Partnership's foreign currency risk arises from balances denominated in foreign currencies and on the translation of its foreign operations. The Partnership uses the US Dollar as its functional currency for the operations of AES Drillings Fluids, LLC. Gains and/or losses resulting from foreign exchange variances are included in earnings. The Partnership manages foreign currency risk by monitoring exchange rate trends and forecasted economic conditions and, as appropriate, through the use of financial derivatives. A 1% increase or decrease is used when reporting foreign currency risk internally and represents management's assessment of the reasonable change in foreign exchange rates. For the three and six month period ended June 30, 2009, a 1% increase/decrease in the Canadian dollar vis-à-vis the US dollar is estimated to increase/decrease earnings of the Partnership by $15 and $30 respectively.

At June 30, 2009, the Partnership had entered into the following foreign exchange US dollar forward purchase contracts to manage its exposure to upcoming US dollar denominated purchases.

Period	Notional Balance	Contract Type	Settlement	Average C$/US$ Exchange Rate
July 2009	US$154,000	Deliverable Forward	Physical Purchase	$1.1011
August 2009	US$603,200	Deliverable Forward	Physical Purchase	$1.1149
Total	US$757,200			$1.1121

The fair value of these transactions is based upon the estimated amounts that would have been paid to or received from counter parties in order to settle the transactions outstanding with reference to the estimated forward prices as of the date of the consolidated balance sheet. The contracts are transacted with counter parties with whom management has assessed credit risk and due to their short term nature, management has determined that no adjustment for credit risk or liquidity risk is required in determining the estimated settlement price. The actual amounts realized will be based on the settlement prices at the time of settlement and may differ from these estimates. The Partnership has not designated any of these financial contracts as hedges and has therefore recorded the unrealized gains and losses on these contracts in the balance sheet as assets or liabilities with changes in their fair value recorded in net earnings for the period. For the three and six month periods ended June 30, 2009, the Partnership recorded an unrealized gain of $38 and $38 respectively (2008 - $Nil and $Nil respectively) relating to its foreign currency derivative contracts. The fair value of these risk management assets at June 30, 2009 was $38 (December 31, 2008 – asset of $Nil). During the three and six month periods ended June 30, 2009, a 1% increase/decrease in the Canadian dollar vis-à-vis the US dollar is estimated to decrease / increase earnings of the Partnership by $9 and $9 respectively as a result of the change in fair value of these contracts.

d) Commodity price risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. The Partnership's is exposed both directly and indirectly to changes in underlying commodity prices, namely crude oil and natural gas. The prices of these commodities are significantly impacted by world economic events which impact the supply and demand of crude oil and natural gas. The Partnership is primarily impacted to the effects of changes in the prices of crude oil and natural gas which impact overall drilling activity which in turn impacts the overall demand for the Partnership's products and services. In addition, through its operations, the Partnership purchases various chemicals and oil based products and is directly exposed to changes in the prices of these items. As of June 30, 2009, the Partnership had not entered into any commodity derivatives to manage its exposure to fluctuations in commodity prices.

e) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they become due and describes the Partnership's ability to access cash. The Partnership requires sufficient cash resources to finance operations, fund capital expenditures, repay debt, fund the Partnership's cash distributions, and settle other liabilities of the Partnership as they come due. The Partnership manages liquidity risk by maintaining a revolving demand loan facility and through management of its operational cash flows. The following table details the remaining contractual maturities of the Partnership's financial liabilities:

	Payments Due By Period [1]					
$000's	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	9,715	-	-	-	-	**9,715**
Distributions payable [2]	882	-	-	-	-	**882**
Contingency payable [3]	2,000	-	-	-	-	**2,000**
Long-term debt at fixed interest rates [4]	212	607	663	66	-	**1,548**
Long-term debt at floating interest rates [4]	79	238	633	1,417	-	**2,367**
Office and vehicle operating leases	222	594	738	850	-	**2,405**
Total	13,110	1,439	2,034	2,333	-	**18,917**

(1) Payments denominated in foreign currencies have been translated at the respective June 30, 2009 exchange rate
(2) Distributions declared as of June 30, 2009
(3) To be satisfied through the issuance of Class A units
(4) Long-term debt information reflects principal payments and excludes interest portion

14. Capital Management

The Partnership considers capital to include unitholders' equity, long-term debt (including current portion), cash, and bank indebtedness. The Partnership's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain and grow the business while incurring an acceptable level of risk and providing unitholders with targeted distributions.

Management of the Partnership sets the amount of capital in proportion to risk, and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Partnership may adjust the level of distributions paid to unitholders, return capital to unitholders, issue new units, dispose of assets, repay debt, or issue new debt.

In addition to monitoring the externally imposed capital requirements, as detailed below, the Partnership manages capital by analyzing working capital levels, payout ratio, forecasted cash flows, and general economic conditions. Payout ratio is calculated as distributions declared as a percentage of cash flow from operations before changes in non-cash operating working capital. The Partnership has the following externally imposed capital requirements pursuant to the revolving demand facility agreement:

- The quarterly debt to equity ratio must not exceed 2.50 to 1.00. The ratio of debt to equity is calculated as total liabilities per the financial statements, less future income taxes and net of any cash credit balances, divided by total unitholders' equity per the financial statements, less any intangible assets including goodwill.
- The quarterly current assets to current liabilities ratio must not be less than 1.25 to 1.00. The ratio of current assets to liabilities is calculated as total current assets per the financial statements divided by current liabilities per the financial statements less current portion of long-term debt.
- The Partnership's annual debt service coverage ratio must not be less than 1.25 to 1.00. The debt service coverage ratio is calculated as net earnings for the period, before interest expense, future income tax expense, unit-based compensation, and amortization divided by the sum of all interest and principal payments for the period.

If the Partnership does not meet any one of these requirements, it is considered to be in default of the agreement and is restricted from making any distributions to unitholders without the prior written consent of the commercial bank. As at June 30, 2009, the Partnership has met all of the requirements under this agreement.

15. Supplemental Information

The changes in non-cash working capital were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000's	**2009**	2008	**2009**	2008
Operating activities				
Decrease (increase) in current assets				
Accounts receivable	**17,858**	9,858	**32,839**	2,084
Inventory	**(166)**	(1,466)	**2,032**	(2,649)
Prepaid expenses	**(4)**	(48)	**27**	(154)
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	**(6,235)**	(3,402)	**(15,997)**	(567)
	11,453	4,942	**18,901**	(1,286)
Investing activities				
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	**83**	(90)	**112**	(156)
	83	(90)	**112**	(156)

16. Segmented Information

The Partnership has two reportable segments as determined by management, which are the Drilling Fluids segment and the Environmental Services segment. The Drilling Fluids segment designs and implements drilling fluid systems for the oil and natural gas industry in the Western Canadian Sedimentary Basin and in the United States through its subsidiary AES Drilling Fluids, LLC. The Environmental Services segment is comprised of the Partnership's environmental division, Clear. The Environmental Services segment provides environmental and drilling fluids waste disposal services mostly to oil and gas producers active in the shallow natural gas producing areas of Alberta as well as to Alberta's oil sands. Selected summary financial information relating to the operational segments is as follows:

	Three Months Ended June 30, 2009			**Six Months Ended June 30, 2009**		
$000's	Drilling Fluids	Environmental Services (1)	**Total**	Drilling Fluids	Environmental Services (1)	**Total**
Revenue	11,646	988	**12,634**	38,103	4,829	**42,932**
Gross margin	2,981	441	**3,422**	9,698	1,769	**11,467**
Amortization	870	13	**883**	1,732	28	**1,760**
Interest expense	49	-	**49**	192	-	**192**
Net earnings (loss) before taxes	(1,112)	(45)	**(1,157)**	397	698	**1,095**
Total assets	75,528	15,978	**91,506**	75,528	15,978	**91,506**
Capital expenditures	489	-	**489**	1,354	2	**1,356**

	Three Months Ended June 30, 2008			Six Months Ended June 30, 2008		
$000's	Drilling Fluids	Environmental Services (1)	Total	Drilling Fluids	Environmental Services (1)	Total
Revenue	14,026	534	14,560	42,300	534	42,834
Gross margin	3,363	196	3,559	12,332	196	12,528
Amortization	448	4	452	771	4	775
Interest expense	97	-	97	246	-	246
Net earnings (loss) before taxes	(1,153)	113	(1,040)	4,180	113	4,293
Total assets	78,362	13,154	91,516	78,362	13,154	91,516
Capital expenditures	692	-	692	1,086	-	1,086

(1) The Environmental Services segment is comprised of the Partnership's environmental division which was acquired on June 12, 2008 and as such comparative figures for 2008 represent the shortened period.

Geographical information relating to the Partnership's activities is as follows:

	Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
$000's	**2009**	2008	**2009**	2008
Canada	**11,502**	13,433	**40,784**	40,996
United States (1)	**1,132**	1,127	**2,148**	1,838
Total	**12,634**	14,560	**42,932**	42,834

(1) AES Drilling Fluids, LLC commenced operations in 2008.

	Long-Term Assets (2)	
$000's	**June 30, 2009**	December 31, 2008
Canada	**64,241**	64,957
United States	**1,402**	1,674
Total	**65,643**	66,631

(2) Includes: Property, plant, and equipment, goodwill, and intangible assets

17. Economic Dependence
For the three and six month periods ended June 30, 2009, one customer accounted for 16.2% and 16.2% respectively (2008 – 12.4% and 11.6% respectively) of the Partnership's total revenue.

18. Comparative Figures
Certain of the prior year figures have been reclassified to conform to the current year's presentation.

Partnership Information

BOARD OF DIRECTORS
Kyle D. Kitagawa[1]
Chairman

Colin D. Boyer[1,2]

John M. Hooks[2]

D. Michael G. Stewart[1]

Thomas J. Simons

Rodney L. Carpenter

[1] Member of the Audit Committee
[2] Member of the Governance and Compensation Committee

OFFICERS
Thomas J. Simons
President & Chief Executive Officer

Craig F. Nieboer
Chief Financial Officer

Kenneth E. Zinger
Chief Operating Officer

Kenneth D. Zandee
Vice President, Marketing

Scott R. Cochlan
Corporate Secretary

AUDITORS
Deloitte & Touche LLP
Chartered Accountants, Calgary, AB

BANKERS
HSBC Bank Canada, Calgary, AB

SOLICITORS
Blakes, Cassels & Graydon LLP, Calgary, AB

REGISTRAR & TRANSFER AGENT
Computershare Investor Services Inc.
Calgary, AB and Toronto, ON

STOCK EXCHANGE LISTING
The Toronto Stock Exchange
Trading Symbol: CEU.UN

CORPORATE OFFICE
Suite 300 Energy Plaza, East Tower
311 – 6th Avenue SW
Calgary, AB T2P 3H2
Phone: 403-269-2800
Toll Free: 1-888-785-6695
Fax: 403-266-5708

DIVISIONS
Clear Environmental Solutions
440, 840 - 6th Avenue SW
Calgary, AB T2P 3E5
Phone: 403-263-5953
Fax: 403-229-1306

EQUAL Transport
18029 - Highway 10 East
Edson, AB T7E 1V6
Phone: 780-728-0067
Fax: 780-728-0068

Moose Mountain Mud
Box 32, Highway 9 South
Carlyle, SK S0C 0R0
Phone: 306-453-4411
Fax: 306-453-4401

US OPERATIONS
AES Drilling Fluids, LLC
1625 Broadway, Suite 1480
Denver, CO 80202
Phone: 303-820-2800
Fax: 303-820-2801

www.CanadianEnergyServices.com