ESSENTIAL ENERGY SERVICES

Q2 Report ● Six Months Ended June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the three and six months ended June 30, 2017.

This MD&A should be read in conjunction with Essential's June 30, 2017 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A included in Essential's 2016 Financial Report to Shareholders for the financial year ended December 31, 2016. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned annual MD&A. Readers should carefully read the sections regarding "Forward-Looking Statements and Information" and "Non-IFRS Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective August 9, 2017 and was approved and authorized for issuance by the Board of Directors of the Company (the "Board") on August 9, 2017.

Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares trade on the Toronto Stock Exchange ("TSX") under the symbol ESN. Additional information regarding Essential can be found under Essential's profile on SEDAR at www.sedar.com or the Company's website at www.essentialenergy.ca.

SELECTED INFORMATION

(in thousands of dollars except per share, percentages, hours and fleet data)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Revenue	**$ 27,645**	$ 11,915	**$ 83,895**	$ 38,471
Gross margin	**1,484**	(1,578)	**15,878**	(260)
Gross margin %	**5%**	(13%)	**19%**	(1%)
EBITDAS[1] from continuing operations	**(1,291)**	(4,224)	**8,915**	(6,426)
Net loss from continuing operations	**(5,005)**	(7,159)	**(1,525)**	(49,537)
Per share – basic and diluted	**(0.04)**	(0.06)	**(0.01)**	(0.39)
Net loss	**(5,005)**	(7,486)	**(1,855)**	(61,404)
Per share – basic and diluted	**(0.04)**	(0.06)	**(0.01)**	(0.49)
Operating hours				
Coil tubing rigs	**7,039**	3,848	**23,459**	13,525
Pumpers	**9,529**	4,336	**28,182**	14,554

	As at June 30, **2017**	2016
Total assets[i]	**$ 208,337**	$ 238,450
Long-term debt	**13,337**	26,894
Equipment fleet[ii]		
Coil tubing rigs	**31**	26
Pumpers	**31**	30

(i) Total assets as at June 30, 2016 include the service rig business which was sold in December 2016.
(ii) Fleet data represents the number of units at the end of the period.

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

HIGHLIGHTS

Essential's revenue for the second quarter 2017 was $27.6 million, a significant increase from 2016 as stronger customer demand contributed to increases for both Essential Coil Well Service ("ECWS") and Tryton. EBITDAS[(1)] was negative $1.3 million, a $2.9 million improvement from the second quarter 2016. The higher revenue was partially offset by incremental repairs and maintenance costs incurred by ECWS to ready equipment for the second half of 2017. While the financial results were better than the prior year period, they are still reflective of the second quarter being seasonally slow due to spring break-up.

Key operating highlights include:

- Operating hours in ECWS were the highest for a second quarter since 2014. The Generation III coil tubing rigs continued to be in high demand with operating hours increasing 344% compared to the prior year period.
- Tryton reported increased revenue in all service lines compared to the prior year period and demand was particularly strong for the Canadian Multi-Stage Fracturing System® ("MSFS®").

For the six months ended June 30, 2017 Essential reported revenue of $83.9 million, a 118% improvement from the first six months of 2016. EBITDAS[(1)] was $8.9 million, $15.3 million higher than the prior year period.

Essential continues to have a strong balance sheet with debt outstanding at June 30, 2017 of $13.3 million and $12.3 million outstanding at August 9, 2017. The Company's funded debt[(1)] to bank EBITDA[(1)] was 0.57x at June 30, 2017.

Essential increased its capital forecast from $16 million to $23 million. The additional capital is for the purchase of two quintuplex fluid pumpers and additional rental drill pipe. Customer well programs are focused on complex long-reach horizontal wells requiring higher capacity fluid pumpers to support the deeper coil tubing rigs.

OVERVIEW OF ESSENTIAL

Essential safely provides completion, production and abandonment services to exploration and production ("E&P") companies primarily in western Canada. Services are offered through coil tubing, fluid and nitrogen pumping, and the sale and rental of downhole tools and equipment.

Essential Coil Well Service

Coil Tubing Rigs – Essential operates the largest coil tubing fleet in Canada. Coil tubing rigs provide completion, stimulation and work-over services on long-reach horizontal and vertical wells. Essential's coil tubing rigs are equipped to work with coil tubing ranging from 1 ½ inches to 2 ⅞ inches in diameter. The rigs have a depth capacity of up to 7,900 meters using 2 ⅜ inch coil. Essential's coil tubing fleet is primarily comprised of Generation II, III and IV coil tubing rigs, which are differentiated by capability to service wells with varying depths and well pressures. The varied limit, capacity and coil diameter of Essential's coil tubing fleet make this equipment ideally suited to work in all facets of a customer's horizontal well completion and work-over program.

Coil tubing rigs are typically used in the completion and stimulation of a horizontal well in the following areas:

- Pre-Fracturing – Coil tubing is used to complete pre-fracturing confirmation runs and/or place the tools used to isolate a portion of the wellbore during fracture stimulation.
- Fracturing – Dependent on the design of the customer's fracturing program, coil tubing can be used to frac-thru-coil, complete annular fracturing, convey and actuate sliding-sleeve tool assemblies or perform tubing conveyed plug-and-perf operations in the well.
- Post-Fracturing – Once the fracturing has been completed, coil tubing is used to complete post-fracturing confirmation runs, clean-outs and mill-outs/drill-outs of ball & seat systems. Coil tubing can also be used for work-overs and to convey third party instrumentation and evaluation tools to confirm the results of the fracture treatment.

Pumpers – Coil tubing rigs are supported by a fleet of fluid and nitrogen pumpers. Fluid pumpers are used to maintain downhole circulation, provide ancillary acid/solvent treatments and inject friction reducers and other chemicals into the wellbore. Fluid pumpers also perform stand-alone pump-down work independent of the coil tubing fleet. Nitrogen pumpers are used to pump inert nitrogen gas into the wellbore for stimulation or work-over operations and to purge the coil tubing of fluids once the coil tubing work has been completed.

Tryton

Essential's Tryton segment provides production and completion tools and rentals for horizontal and vertical wells. Operations for this segment are well-placed geographically across the Western Canadian Sedimentary Basin ("WCSB") and in the U.S.

Essential provides a wide range of downhole tools and rental services for completion, production and abandonment of oil and natural gas wells, including:

- Tryton MSFS® – Tryton MSFS® tools are used for horizontal well completions, allowing producers to isolate and fracture intervals of the horizontal section of a well separately and continuously.
- Conventional Tools – Includes conventional packers, tubing anchors, bridge plugs, cement retainers and related accessories that are used in completion, production and abandonment operations.
- Rentals – The rental business offers a broad range of oilfield equipment, including specialty drill pipe, blowout preventers, specialty equipment for steam-assisted gravity drainage wells, and various other tools and handling equipment.

Patent Litigation

On October 23, 2013, Packers Plus Energy Services Inc. ("Packers Plus") filed a Statement of Claim in Canada's Federal Court (the "Court") against Essential alleging that certain products and methods associated with the Tryton MSFS® infringe on a patent issued to Packers Plus (the "Packers Plus Claim"). Packers Plus subsequently limited its infringement allegations to just certain method claims in the patent.

Essential believes the Packers Plus Claim is without merit and filed a Statement of Defence and Counterclaim on November 22, 2013. The Statement of Defence denies infringement and the Counterclaim pleads further that the patent is invalid because the methodology and equipment claimed in the patent were in use in the oil and natural gas industry prior to the patent's effective filing date of November 19, 2001 or represent nothing more than obvious variations over what was already known in the industry at the time. This position is supported by the existence of similar products, articles and other patents prior to the effective filing date of the patent.

The trial was completed in March 2017. There were two parts to the trial:

- Validity – The validity portion of the trial focused on whether or not the patent is valid. Given the fact that Packers Plus has asserted infringement of the same patent against Essential and three other defendants, Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc., and all of the defendants filed counterclaims seeking a declaration that the patent is invalid, the Court directed that the counterclaims be consolidated into a single trial (the "Joint Validity Trial"). During the Joint Validity Trial the four defendants asserted their common position that the patent is invalid.
- Infringement – The infringement portion of the trial focused on whether or not Essential has infringed the Packers Plus patent. The infringement portions of the Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc. trials were not consolidated with the infringement portion of the Essential case since each infringement action, by its nature, deals with tools, designs and business activities specific to each company.

The Court is expected to render its decision on both validity and infringement prior to October 2017. In order for Essential to be found liable for damages, the Court must find that the Packers Plus patent is both valid and infringed. If the patent is found to be valid and it is determined that Essential has infringed, a separate trial will be required to quantify damages (the "Quantification of Damages Trial").

Prior to commencement of the validity and infringement trials, the Court scheduled dates for the Quantification of Damages Trial for Essential and similar trials for each of the other three defendants, in case such trials are required. The fact that the Quantification of Damages Trial has been scheduled does not foreshadow an unfavourable Court decision on patent validity or infringement. Essential's potential Quantification of Damages Trial, if required, is scheduled to commence in January 2018. The Quantification of Damages Trial will only be required if Essential receives an unfavorable decision in both its validity and infringement trials.

If the Quantification of Damages Trial is required, the trial will focus on the damages that Packers Plus alleges that it suffered as a result of sales of the Tryton MSFS® system or, alternatively, the profits that Essential earned from such system. In determining Packers Plus' damages or Essential's profits, the Court will also hear evidence relating to the ability of Packers Plus to complete the work performed by Essential, the duty of Packers Plus to mitigate its losses and Essential's ability to sell alternative, non-infringing, products.

Essential continues to believe that the case is without merit. If Essential were to receive an unfavorable decision in both the validity and infringement trials, it will appeal such a decision. Factoring in the appeal process and the time to complete the Quantification of Damages Trial, the implications for Essential may not be known for up to two more years.

The Packers Plus Claim targets only the Tryton MSFS® ball & seat system, which Essential commenced using in 2009. It does not target past or future operations of Essential's conventional tools, other Tryton MSFS® tools or the rentals service line.

RESULTS OF OPERATIONS

(in thousands of dollars, except per share amounts)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Revenue	**$ 27,645**	$ 11,915	**$ 83,895**	$ 38,471
Operating expenses	**26,161**	13,493	**68,017**	38,731
Gross margin	**1,484**	(1,578)	**15,878**	(260)
General and administrative expenses	**2,775**	2,646	**6,963**	6,166
EBITDAS[(1)] from continuing operations	**(1,291)**	(4,224)	**8,915**	(6,426)
Depreciation and amortization	**3,881**	3,832	**7,882**	9,768
Share-based compensation	**679**	188	**2,223**	715
Impairment loss	**-**	-	**-**	45,838
Other expense	**195**	510	**170**	1,329
Finance costs	**390**	381	**737**	668
Loss before income tax from continuing operations	**(6,436)**	(9,135)	**(2,097)**	(64,744)
Current income tax recovery	**(1,059)**	(1,272)	**(547)**	(5,464)
Deferred income tax recovery	**(372)**	(704)	**(25)**	(9,743)
Income tax recovery	**(1,431)**	(1,976)	**(572)**	(15,207)
Net loss from continuing operations	**$ (5,005)**	$ (7,159)	**$ (1,525)**	$ (49,537)
Net loss from discontinued operations	**-**	(327)	**(330)**	(11,867)
Net loss	**$ (5,005)**	$ (7,486)	**$ (1,855)**	$ (61,404)
Net loss from continuing operations per share Basic and diluted	**$ (0.04)**	$ (0.06)	**$ (0.01)**	$ (0.39)
Net loss per share Basic and diluted	**$ (0.04)**	$ (0.06)	**$ (0.01)**	$ (0.49)

COMPARATIVE FIGURES

The sale of Essential's service rig business in December 2016 was reported as a discontinued operation, with the three and six months ended June 30, 2016 comparative figures restated to this same basis of accounting and disclosure.

SEGMENT RESULTS – *ESSENTIAL COIL WELL SERVICE*

(in thousands of dollars, except percentages, hours and fleet data)	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Revenue	**$ 14,569**	$ 6,422	**$ 43,288**	$ 22,178
Operating expenses	**14,904**	7,463	**36,258**	21,638
Gross margin	**$ (335)**	$ (1,041)	**$ 7,030**	$ 540
Gross margin %	**(2%)**	(16%)	**16%**	2%
Operating hours				
Coil tubing rigs	**7,039**	3,848	**23,459**	13,525
Pumpers	**9,529**	4,336	**28,182**	14,554
Equipment fleet (i)				
Coil tubing rigs (ii)	**31**	26	**31**	26
Fluid pumpers (ii)(iii)	**20**	18	**20**	18
Nitrogen pumpers(ii)	**11**	12	**11**	12

(i) Fleet data represents the number of units at the end of the period.

(ii) During the fourth quarter 2016, Essential acquired four Generation III coil tubing rigs, three quintuplex fluid pumpers and one nitrogen pumper.

(iii) During the second quarter 2017, Essential retired one single fluid pumper.

ECWS revenue was $14.6 million, a 127% increase compared to the three months ended June 30, 2016, due to improved activity by key customers. Prior to the second quarter, which is typically slow due to spring breakup conditions, ECWS strategically positioned equipment on customer locations allowing some work to continue into April. Activity slowed in May due to wet weather, but picked up in mid-June.

Essential’s coil tubing and pumping operating hours for the three months ended June 30, 2017 increased 83% and 120% respectively, compared to the same period in 2016. Essential’s Generation III coil tubing rigs, twin triplex and quintuplex fluid pumpers continued to experience strong demand, particularly in the Montney region of the WCSB, meeting customer requirements for long-reach horizontal wells.

Pricing during the second quarter 2017 was consistent with the first quarter 2017 and improved compared to the second quarter 2016. For the three months ended June 30, 2017, Essential did not offer discounts that are typical during spring breakup. Revenue per hour can fluctuate from period to period due to the mix of work. While revenue per hour remains below 2014, first quarter increases helped offset rising operating costs, including labour and repairs and maintenance expenses, which had been reduced in prior years as part of cost reduction initiatives.

Second quarter 2017 gross margin as a percentage of revenue improved from the second quarter 2016 as fixed costs comprised a smaller proportion of revenue. While gross margin benefited from increased completion activity, ECWS incurred incremental costs for repairs and maintenance to ready equipment for the second half of 2017. In comparison, in the second quarter 2016, slow industry activity and cost control measures resulted in only nominal repairs and maintenance spending.

On a year-to-date basis, ECWS revenue was $43.3 million, $21.1 million higher than the prior period due to higher oilfield service activity. Gross margin as a percentage of revenue for the six months ended June 30, 2017 was 16%, a significant improvement over the prior period. Gross margin improvement was due to increased revenue, reduced variable costs due to operating efficiencies associated with close proximity of well locations and pad work, and fixed costs comprising a smaller percentage of a larger revenue base.

SEGMENT RESULTS - *TRYTON*

(in thousands of dollars, except percentages)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Revenue	**$ 13,076**	$ 5,583	**$ 40,607**	$ 16,472
Operating expenses	**10,736**	5,472	**30,791**	15,185
Gross margin	**$ 2,340**	$ 111	**$ 9,816**	$ 1,287
Gross margin %	**18%**	2%	**24%**	8%
Tryton revenue – % of revenue				
Tryton MSFS®	**42%**	15%	**53%**	32%
Conventional Tools & Rentals	**58%**	85%	**47%**	68%

Tryton second quarter 2017 revenue was $13.1 million, a 134% increase from the same period in 2016 with each service line experiencing higher activity. Canadian MSFS® was particularly strong due to demand, primarily in the Montney region, for completion of long-reach horizontal wells. Conventional tools activity was also significantly higher than the prior year period due to increased maintenance work on producing wells and abandonment work. Pricing remained consistent with the first quarter 2017 as market competitiveness limited the ability to implement price increases.

On a year-to-date basis, Tryton revenue increased $24.1 million compared to the prior year period due to increased activity. A significant portion of the year-over-year increase is attributed to MSFS® revenue due to strong demand by key customers for their horizontal drilling and completion programs.

Gross margin improved for the three and six months ended June 30, 2017 compared to the same prior year periods, as fixed costs represented a smaller portion of a greater revenue base.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
General and administrative expenses	**$ 2,775**	$ 2,646	**$ 6,963**	$ 6,166

General and administrative expenses ("G&A") are comprised of wages, professional fees, office rent expense and other corporate and operational administrative costs. G&A for the six months ended June 30, 2017 increased compared to the same period in 2016 primarily due to higher legal fees related to the Packers Plus lawsuit.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Depreciation and amortization expense	**$ 3,881**	$ 3,832	**$ 7,882**	$ 9,768

Depreciation and amortization for the six months ended June 30, 2017 was lower than the same period in 2016 due to a one-time depreciation charge related to a change in estimate that reduced certain assets' expected lives and an impairment loss recognized on ECWS equipment and intangible assets, both in the first quarter 2016.

SHARE-BASED COMPENSATION

(in thousands of dollars)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Share-based compensation expense	**$ 679**	$ 188	**$ 2,223**	$ 715

For the three and six months ended June 30, 2017, share-based compensation was higher than the same prior year period due to the issuance of Deferred Share Units and Restricted Share Units.

OTHER EXPENSE

(in thousands of dollars)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
(Gain) loss on disposal of assets	**$ (115)**	$ 514	**$ (270)**	$ 577
Foreign exchange loss (gain)	**337**	(33)	**459**	716
Other (income) expense	**(27)**	29	**(19)**	36
Other expense	**$ 195**	$ 510	**$ 170**	$ 1,329

The strengthening of the Canadian dollar in relation to the U.S. dollar during the three and six months ended June 30, 2017 resulted in foreign exchange losses.

IMPAIRMENT LOSS

(in thousands of dollars)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Impairment loss	**$ -**	$ -	**$ -**	$ 45,838

International Financial Reporting Standards ("IFRS") requires the Company to assess the carrying value of assets in the cash generating units when there are impairment indicators. The Company recognized an impairment charge in the first quarter of 2016 of $45.8 million: $28.5 million on ECWS equipment and $17.3 million on intangible assets.

FINANCE COSTS

(in thousands of dollars)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Finance costs	**$ 390**	$ 381	**$ 737**	$ 668

For the six months ended June 30, 2017, finance costs increased over the same period in 2016 due to a higher interest rate on the Company's revolving credit facility.

INCOME TAXES

(in thousands of dollars)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Current income tax recovery	**$ (1,059)**	$ (1,272)	**$ (547)**	$ (5,464)
Deferred income tax recovery	**(372)**	(704)	**(25)**	(9,743)
Income tax recovery	**$ (1,431)**	$ (1,976)	**$ (572)**	$ (15,207)

For the three and six months ended June 30, 2017, current income tax recovery relates to incurring a loss before income tax. Deferred income tax recovery in the first quarter 2016 was due to the tax effect on the impairment loss.

DISCONTINUED OPERATIONS

In December 2016, Essential sold its service rig business, including all service rigs, ancillary equipment and transfer of employees. The results of operations have been restated to present discontinued operations separately from continuing operations for the three and six months ended June 30, 2016.

For the six months ended June 30, 2017, expenses from discontinued operations primarily related to incremental reclamation costs on leased properties occupied by Essential until the end of the first quarter 2017. Net loss from discontinued operations was as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars)	**2017**	2016	**2017**	2016
Revenue	**$ -**	$ 3,093	**$ -**	$ 7,452
Expenses	**-**	3,345	**451**	8,033
Depreciation and amortization	**-**	706	**-**	1,655
Impairment loss	**-**	-	**-**	15,814
Loss before income tax	**-**	(958)	**(451)**	(18,050)
Income tax recovery	**-**	631	**121**	6,183
Net loss from discontinued operations	**$ -**	$ (327)	**$ (330)**	$ (11,867)

FINANCIAL RESOURCES AND LIQUIDITY

OPERATING CASH FLOW BEFORE CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars, except per share amounts)	**2017**	2016	**2017**	2016
Net cash provided by operating activities	**$ 11,699**	$ 3,219	**$ 9,464**	$ 2,609
Less changes in non-cash working capital(1)	**12,646**	5,913	**2,125**	4,092
Operating cash flow before changes in non-cash operating working capital(1)	**$ (947)**	$ (2,694)	**$ 7,339**	$ (1,483)
Per share – basic and diluted	**$ (0.01)**	$ (0.02)	**$ 0.05**	$ (0.01)

WORKING CAPITAL

(in thousands of dollars, except ratios)	**As at June 30, 2017**	As at December 31, 2016
Current assets	**$ 63,444**	$ 66,413
Current liabilities	**(18,348)**	(20,613)
Working capital (1)	**$ 45,096**	$ 45,800
Working capital ratio	**3.5:1**	3.2:1

Working capital is comprised primarily of accounts receivable and inventory. The accounts receivable portion typically grows through the first, third and fourth quarters of the year when activity is greater. Inventory, comprised primarily of Tryton tools, coil tubing products and supplies, does not fluctuate directly with changes in activity. Essential uses its revolving credit facility ("Credit Facility") to meet the variable nature of its working capital needs for the cost of carrying inventory and customer accounts receivable. Collection periods for accounts receivable are typically longer than payment cycles to vendors and employees. In periods of higher activity, debt initially tends to increase and in periods of lower activity, debt initially declines.

CREDIT FACILITY

Essential's Credit Facility is comprised of a $40 million revolving term loan facility with a $20 million accordion feature available at the lender's consent. The Credit Facility was renewed on June 15, 2016 and matures on May 31, 2019. It is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. To the extent the Credit Facility is not renewed, the balance becomes immediately due and payable on the maturity date. At June 30, 2017, the maximum of $40 million under the Credit Facility was available to Essential.

The Credit Facility includes an equity cure provision where proceeds from equity offerings may be applied to the calculation of Bank EBITDA(1) in the funded debt(1) to Bank EBITDA(1) covenant and the fixed charge coverage(1) covenant. In October 2016, Essential received gross proceeds of $10.4 million for 16,019,883 shares issued at $0.65 per share from an equity offering that the Company applied as an equity cure to its fourth quarter 2016 Bank EBITDA(1) calculation under the Credit Facility. Due to the trailing 12 month nature of the covenants, the proceeds from the equity offering increase Bank EBITDA(1) for the first, second and third quarter 2017 covenants as well.

In addition to the equity cure, the Credit Facility contains a number of terms and conditions, including:

- financial covenants:

Quarter Ending	Funded Debt(1) to Capitalization	Funded Debt(1) to Bank EBITDA(1)(i)	Fixed Charge Coverage Ratio(1)(i)
June 30, 2017	≤ 50%	≤ 5.25x	≥ 1.25x
September 30, 2017	≤ 50%	≤ 4.75x	≥ 1.25x
December 31, 2017	≤ 50%	≤ 4.25x	≥ 1.25x
March 31, 2018	≤ 50%	≤ 3.50x	≥ 1.25x
June 30, 2018	≤ 50%	≤ 3.50x	≥ 1.25x
September 30, 2018	≤ 50%	≤ 3.25x	≥ 1.25x
December 31, 2018	≤ 50%	≤ 3.00x	≥ 1.25x
March 31, 2019	≤ 50%	≤ 3.00x	≥ 1.25x

(i) Calculated on a trailing 12 month basis.

- a monthly borrowing base when funded debt(1) to Bank EBITDA(1) (excluding the equity cure) is greater than 2.00x; and
- restrictions on dividends and acquisitions when funded debt(1) to Bank EBITDA(1) (excluding the equity cure) is greater than 3.00x.

As at June 30, 2017 all financial debt covenants and banking requirements under the Credit Facility were satisfied.

	Covenant Threshold	**As at June 30, 2017**
Funded debt(1) to capitalization	≤ 50%	**7%**
Funded debt(1) to Bank EBITDA(1)	≤ 5.25x	**0.57x**
Fixed charge coverage ratio(1)	≥ 1.25x	**17.8x**

Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities. On August 9, 2017, Essential had $12.3 million of debt outstanding.

EQUIPMENT EXPENDITURES

(in thousands of dollars)		Three months ended June 30, **2017**		2016		Six months ended June 30, **2017**		2016
Essential Coil Well Service	**$**	**4,071**	$	2,828	**$**	**8,359**	$	6,034
Tryton		**317**		1,282		**1,831**		1,369
Corporate		**203**		4		**238**		34
Total equipment expenditures		**4,591**		4,114		**10,428**		7,437
Less proceeds on disposal of property and equipment		**(309)**		(1,135)		**(615)**		(1,546)
Net equipment expenditures(1)	**$**	**4,282**	$	2,979	**$**	**9,813**	$	5,891

Essential classifies its equipment expenditures as growth capital(1) and maintenance capital(1):

(in thousands of dollars)		Three months ended June 30, **2017**		2016		Six months ended June 30, **2017**		2016
Growth capital(1)	**$**	**2,492**	$	3,099	**$**	**6,346**	$	5,299
Maintenance capital(1)		**2,099**		1,015		**4,082**		2,138
Total equipment expenditures	**$**	**4,591**	$	4,114	**$**	**10,428**	$	7,437

Essential's 2017 capital forecast increased from $16 million to $23 million and is comprised of $12 million of growth capital and $11 million of maintenance capital. The $6 million increase in growth capital consists of two new quintuplex fluid pumpers and additional rental drill pipe. The fluid pumpers will support Essential's deep coil tubing fleet working on long-reach horizontal wells where greater pumping capacity is required due to the depths and pressures of these wells. The new pumpers are expected to be available for service in early 2018.

SHARE CAPITAL

As at August 9, 2017, there were 141,856,813 common shares and 6,588,249 share options outstanding. Of the 6,588,249 share options, 3,122,408 were exercisable of which 493,333 were "in-the-money".

COMMITMENTS

Operating leases

Essential has entered into operating leases for office and shop premises that provide for minimum annual lease payments, as follows:

(in thousands of dollars)		Amount
2017 (for the six months ending December 31)	$	2,704
2018		4,914
2019		4,638
2020		4,090
2021		3,505
Thereafter		6,432
As at June 30, 2017	$	26,283

DISCLOSURE CONTROLS AND PROCEDURES

The Company's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO, particularly during the period in which annual, interim or other reports are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Essential reported on disclosure controls and procedures as part of its 2016 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2016, which is available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to disclosure controls and procedures in the current period.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's CEO and CFO are responsible for designing, or causing to be designed under their supervision, ICFR related to the Company, including its consolidated subsidiaries.

Essential reported on ICFR as part of its 2016 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2016, which is available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to ICFR in the current period that have materially affected, or are reasonably likely to affect, the Company's ICFR.

OUTLOOK

To date, Essential has seen improved year-over-year results in 2017 compared to 2016. July activity for ECWS and Tryton was much better than July 2016 as customers continued to invest in completions work. While recent commodity price volatility has put into question the timing and extent of an industry recovery, at this point, Essential expects steady activity for the third quarter of 2017. Due to commodity price uncertainty, Essential does not have a clear outlook on fourth quarter 2017 activity. It will be contingent on commodity prices and customer capital programs.

Service pricing is relatively unchanged from the first quarter 2017. Essential expects pricing discussions with customers to continue but with recent commodity price volatility, the window for increases may be closing. Essential believes in the long-term, higher pricing is required to achieve reasonable margins given increases in labour and repairs and maintenance costs.

ECWS continued with its recruiting program in the second quarter but has slowed the program in the third quarter. Activity in the third and fourth quarters will determine the number of incremental employees required.

Essential increased its capital forecast to $23 million, consisting of $12 million for growth capital and $11 million maintenance capital. The growth capital consists of two quintuplex pumpers, pumping support equipment, the cost to recertify and upgrade the coil tubing rigs and pumping equipment acquired in 2016 and rental drill pipe assets. $10 million of the forecasted capital was spent in the first half of 2017.

Essential continues to have a strong balance sheet and believes it is well-positioned as the western Canadian oil and gas industry continues to recover. Debt was $13.3 million at June 30, 2017 and funded debt(1) to bank EBITDA(1) was 0.57x at June 30, 2017.

SUMMARY OF QUARTERLY DATA

Essential operates primarily in western Canada, where activity is directly impacted by seasonality. Activity is traditionally higher in the first, third and fourth quarters of the year and lower in the second quarter. With the onset of spring, melting snow and thawing ground frost renders many roadways incapable of supporting heavy equipment. In addition, certain areas in Canada are typically only accessible during the winter months.

The industry downturn disrupted typical historic oilfield services seasonal and quarterly patterns in western Canada as E&P companies' spending decisions were driven by constrained cash flow in addition to weather and access issues.

The following table provides the Company's quarterly information for the past eight quarters. The sale of the service rig business in December 2016 was reported as a discontinued operation with prior periods restated to this same basis of accounting and disclosure.

(in thousands of dollars, except per share amounts, percentages, hours and fleet data)	**June 30, 2017**	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	**Jun 30, 2016**	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015
Essential Coil Well Service	**14,569**	28,719	17,564	13,896	**6,422**	15,756	23,833	24,432
Tryton	**13,076**	27,531	15,655	12,256	**5,583**	10,889	11,278	15,919
Inter-segment eliminations	**-**	-	(176)	(139)	**(90)**	(89)	(147)	(209)
Total revenue	**27,645**	56,250	33,043	26,013	**11,915**	26,556	34,964	40,142
Gross margin	**1,484**	14,394	4,148	3,899	**(1,578)**	1,318	5,952	10,121
Gross margin %	**5%**	26%	13%	15%	**(13)%**	5%	17%	25%
EBITDAS[(1)] from continuing operations	**(1,291)**	10,206	(4,161)	1,418	**(4,224)**	(2,202)	3,366	6,956
Bank EBITDA[(1)]	**(1,272)**	10,224	11,541	1,418	**(4,208)**	(469)	3,510	6,994
Continuing operations								
Net (loss) income [(i)]	**(5,005)**	3,480	(9,832)	(3,253)	**(7,159)**	(42,378)	(14,739)	3,843
Per share – basic and diluted	**(0.04)**	0.02	(0.07)	(0.03)	**(0.06)**	(0.34)	(0.12)	0.03
Net (loss) income [(i)]	**(5,005)**	3,150	(25,411)	(3,814)	**(7,486)**	(53,918)	(18,082)	2,996
Per share – basic and diluted	**(0.04)**	0.02	(0.18)	(0.03)	**(0.06)**	(0.43)	(0.14)	0.02
Total assets	**208,337**	227,646	209,270	242,781	**238,450**	246,713	317,244	346,564
Long-term debt	**13,337**	18,169	11,250	31,781	**26,894**	27,053	25,543	34,738
Utilization [(ii)]								
Coil tubing rigs	**28%**	69%	46%	32%	**16%**	34%	48%	49%
Pumpers	**34%**	72%	48%	38%	**16%**	37%	55%	57%
Operating hours								
Coil tubing rigs	**7,039**	16,420	11,119	7,662	**3,848**	9,677	13,817	13,493
Pumpers	**9,529**	18,653	12,341	10,127	**4,336**	10,218	15,049	15,747
Equipment fleet [(iii)]								
Coil tubing rigs [(iv)]	**31**	31	31	26	**26**	32	31	30
Fluid pumpers [(iv)(v)]	**20**	21	21	18	**18**	18	18	18
Nitrogen pumpers [(iv)]	**11**	11	11	10	**12**	12	12	12
Tryton - % of revenue								
Tryton MSFS®	**42%**	59%	53%	45%	**15%**	40%	24%	40%
Conventional Tools & Rentals	**58%**	41%	47%	55%	**85%**	60%	76%	60%

(i) The quarter ended March 31, 2016 includes an impairment loss of $45.8 million.
(ii) Utilization is calculated using a 10 hour day.
(iii) Fleet data represents the number of units at the end of the period.
(iv) During the fourth quarter 2016, Essential acquired four Generation III coil tubing rigs, three quintuplex fluid pumpers and one nitrogen pumper.
(v) During the second quarter 2017, Essential retired one single fluid pumper.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of material factors, assumptions, risks and uncertainties, many of which are beyond the control of the Company.

Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "continues", "projects", "forecasts", "potential", "budget" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. This MD&A contains forward-looking statements, pertaining to, among other things, the following: the impact of Essential's financial resources or liquidity on its future operating, investing and financing activities; Essential's capital forecast and in-service timing; new equipment; industry recovery and activity; Essential's activity; pricing discussions; pricing impact on Essential; Essential's competitive position and outlook; the implications of Essential's strong balance sheet; the Packers Plus Claim; the Company's belief that the Packers Plus Energy Services Inc. claim is without merit and the length of time it will take to resolve the claim; the timing and process with regard to the Quantification of Damages Trial; and the amount expected to be paid for Essential's "other commitments".

Although the Company believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements are made, undue reliance should not be placed on the forward-looking statements because the Company can give no assurances that such statements and information will prove to be correct and such statements are not guarantees of future performance. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual performance and results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: known and unknown risks, including those set forth in the Company's Annual Information Form (a copy of which can be found under Essential's profile on SEDAR at www.sedar.com); the risks associated with the oilfield services sector (e.g. demand, pricing and terms for oilfield services; current and expected oil and natural gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety and environmental risks); integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties, incentive programs and environmental regulations; stock market volatility and the inability to access sufficient capital from external and internal sources; the ability of the Company's subsidiaries to enforce legal rights in foreign jurisdictions; general economic, market or business conditions; global economic events; changes to Essential's financial position and cash flow; the availability of qualified personnel, management or other key inputs; currency exchange fluctuations; changes in political and security stability; risks and uncertainty related to distribution and pipeline constraints; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue importance or reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive.

Statements, including forward-looking statements, contained in this MD&A are made as of the date they are given and the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with applicable securities regulatory authorities and may be accessed under Essential's profile on SEDAR at www.sedar.com.

[1]Non-IFRS Measures

Throughout this MD&A, certain terms that are not specifically defined in IFRS are used to analyze Essential's operations. In addition to the primary measures of net income (loss) and net income (loss) per share in accordance with IFRS, Essential believes that certain measures not recognized under IFRS assist both Essential and the reader in assessing performance and understanding Essential's results. Each of these measures provides the reader with additional insight into Essential's ability to fund principal debt repayments and capital programs. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net income (loss) and net income (loss) per share as calculated in accordance with IFRS.

Bank EBITDA – Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS from continuing operations, including the equity cure, excluding onerous lease contract expense and severance costs.

Capitalization – Capitalization is defined in Essential's Credit Facility as the aggregate of its Funded Debt and equity.

EBITDAS (Earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal of equipment, write-down of assets, impairment loss, foreign exchange gains or losses, and share-based compensation, which includes both equity-settled and cash-settled transactions) – These adjustments are relevant as they provide another measure which is considered an indicator of Essential's results from its principal business activities.

The following table reconciles Bank EBITDA, EBITDAS from continuing operations, and EBITDA from continuing operations, to the IFRS measure, net loss from continuing operations:

	Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars)	**2017**	2016	**2017**	2016
Bank EBITDA	**$ (1,272)**	$ (4,208)	**$ 8,952**	$ (4,677)
Severance costs	**19**	16	**37**	1,749
EBITDAS from continuing operations	**$ (1,291)**	$ (4,224)	**$ 8,915**	$ (6,426)
Share-based compensation	**679**	188	**2,223**	715
Other (income) expense	**195**	510	**170**	1,329
EBITDA from continuing operations	**$ (2,165)**	$ (4,922)	**$ 6,522**	$ (8,470)
Depreciation and amortization	**3,881**	3,832	**7,882**	9,768
Impairment loss	**-**	-	**-**	45,838
Finance costs	**390**	381	**737**	668
Loss before income tax from continuing operations	**$ (6,436)**	$ (9,135)	**$ (2,097)**	$ (64,744)
Total income tax recovery	**(1,431)**	(1,976)	**(572)**	(15,207)
Net loss from continuing operations	**$ (5,005)**	$ (7,159)	**$ (1,525)**	$ (49,537)

Fixed charge coverage ratio – This measure is generally defined in Essential's Credit Facility as the ratio of EBITDAS less cash tax expense to the sum of distributions, scheduled principal repayments and interest expense.

(in thousands of dollars, except ratios)	Trailing 12 months ended June 30, 2017
Bank EBITDA	**$ 21,911**
Less current income tax recovery	**(1,863)**
	$ 23,774
Finance costs	**$ 1,332**
Fixed charge coverage ratio	**17.8x**

Funded debt – Funded debt is generally defined in Essential's Credit Facility as long-term debt, including current portion of long-term debt plus deferred financing costs and bank indebtedness, net of cash.

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

Maintenance capital – Equipment additions that are incurred in order to refurbish, replace or extend the life of previously acquired equipment. Such additions do not provide incremental revenue.

Net equipment expenditures[i] – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to describe net cash outflows related to the financing of Essential's capital program.

Working capital – Working capital is calculated as current assets less current liabilities.

(i) Net equipment expenditures is calculated from the IFRS measures, total equipment expenditures less proceeds on disposal of property and equipment, in the table "Equipment Expenditures and Fleet Additions".

Unaudited Condensed Consolidated Interim Financial Statements

Essential Energy Services Ltd.

June 30, 2017

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(in thousands of dollars)		**As at June 30, 2017**		As at December 31, 2016
Assets				
Current				
Cash	**$**	**1,059**	$	143
Trade and other accounts receivable *(note 5)*		**24,409**		29,300
Inventories *(note 6)*		**30,791**		27,077
Income taxes receivable		**4,582**		8,119
Prepayments and deposits		**2,603**		1,774
		63,444		66,413
Non-current				
Property and equipment *(note 7)*		**139,606**		137,039
Intangible assets *(note 8)*		**1,725**		2,132
Goodwill		**3,562**		3,686
		144,893		142,857
Total assets	**$**	**208,337**	$	209,270
Liabilities				
Current				
Trade and other accounts payable *(note 9)*	**$**	**16,656**	$	19,312
Share based compensation *(note 15)*		**976**		689
Current portion of onerous lease contract *(note 11)*		**716**		612
		18,348		20,613
Non-current				
Long-term onerous lease contract *(note 11)*		**3,788**		4,142
Share based compensation *(note 15)*		**3,423**		2,179
Long-term debt *(note 12)*		**13,337**		11,250
Deferred tax liabilities		**7,427**		7,519
		27,975		25,090
Total liabilities		**46,323**		45,703
Commitments and contingencies *(note 17)*				
Equity				
Share capital *(note 13)*		**272,732**		272,732
Deficit		**(116,457)**		(114,602)
Other reserves *(note 14)*		**5,739**		5,437
Total equity		**162,014**		163,567
Total liabilities and equity	**$**	**208,337**	$	209,270

See accompanying notes to the unaudited condensed consolidated interim financial statements.

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(Unaudited)

(in thousands of dollars, except per share amounts)	For the three months ended June 30, **2017**	2016	For the six months ended June 30, **2017**	2016
Revenue	**$ 27,645**	$ 11,915	**$ 83,895**	$ 38,471
Operating expenses	**26,161**	13,493	**68,017**	38,731
Gross margin	**1,484**	(1,578)	**15,878**	(260)
General and administrative expense	**2,775**	2,646	**6,963**	6,166
Depreciation and amortization *(notes 7 and 8)*	**3,881**	3,832	**7,882**	9,768
Share based compensation *(note 15)*	**679**	188	**2,223**	715
Impairment loss *(notes 7 and 8)*	**-**	-	**-**	45,838
Other expenses	**195**	510	**170**	1,329
Operating loss from continuing operations	**(6,046)**	(8,754)	**(1,360)**	(64,076)
Finance costs	**390**	381	**737**	668
Loss before income taxes from continuing operations	**(6,436)**	(9,135)	**(2,097)**	(64,744)
Current income tax recovery	**(1,059)**	(1,272)	**(547)**	(5,464)
Deferred income tax recovery	**(372)**	(704)	**(25)**	(9,743)
Income tax recovery	**(1,431)**	(1,976)	**(572)**	(15,207)
Net loss from continuing operations	**(5,005)**	(7,159)	**(1,525)**	(49,537)
Loss from discontinued operations, net of tax *(note 4)*	**-**	(327)	**(330)**	(11,867)
Net loss	**(5,005)**	(7,486)	**(1,855)**	(61,404)
Unrealized foreign exchange gain (loss) from continuing operations *(note 14)*	**52**	(67)	**62**	(52)
Unrealized foreign exchange gain from discontinued operations *(note 14)*	**-**	63	**-**	-
Other comprehensive income (loss)	**52**	(4)	**62**	(52)
Comprehensive loss	**$ (4,953)**	$ (7,490)	**$ (1,793)**	$ (61,456)
Net loss per share from continuing operations *(note 16)*				
Basic and diluted	**$ (0.04)**	$ (0.06)	**$ (0.01)**	$ (0.39)
Net loss per share *(note 16)*				
Basic and diluted	**$ (0.04)**	$ (0.06)	**$ (0.01)**	$ (0.49)
Comprehensive loss per share *(note 16)*				
Basic and diluted	**$ (0.03)**	$ (0.06)	**$ (0.01)**	$ (0.49)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(in thousands of dollars)	For the six months ended June 30, **2017**	2016
Equity:		
Share capital		
Balance, January 1 and June 30 *(note 13)*	**$ 272,732**	$ 262,977
Deficit		
Balance, January 1	**$ (114,602)**	$ (23,595)
Net loss	**(1,855)**	(61,404)
Dividends *(note 10)*	**-**	(378)
Balance, June 30	**$ (116,457)**	$ (85,377)
Other reserves		
Balance, January 1	**$ 5,437**	$ 5,176
Other comprehensive income (loss) *(note 14)*	**62**	(52)
Equity-settled share based compensation *(note 14)*	**240**	192
Balance, June 30	**$ 5,739**	$ 5,316
Total equity	**$ 162,014**	$ 182,916

See accompanying notes to the unaudited condensed consolidated interim financial statements.

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands of dollars)	For the six months ended June 30, **2017**	2016
Operating activities:		
Net loss from continuing operations	**$ (1,525)**	$ (49,537)
Non-cash adjustments to reconcile net loss for the period to operating cash flow:		
Depreciation and amortization	**7,882**	9,768
Deferred income tax recovery	**(25)**	(9,743)
Share based compensation *(note 15)*	**240**	192
Provision for impairment of trade accounts receivable *(note 5)*	**300**	754
Finance costs	**737**	668
Impairment loss *(notes 7 and 8)*	**-**	45,838
(Gain) loss on disposal and write-down of assets	**(270)**	577
Operating cash flow before changes in non-cash operating working capital	**7,339**	(1,483)
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	**2,102**	12,277
Inventories	**(3,715)**	86
Income taxes receivable	**3,590**	(5,083)
Prepayments and deposits	**(836)**	220
Trade and other accounts payable	**(297)**	(3,558)
Onerous lease contract	**(250)**	-
Share based compensation	**1,531**	150
Net cash provided by operating activities from continuing operations	**9,464**	2,609
Investing activities:		
Purchase of property, equipment and intangible assets *(notes 7 and 8)*	**(10,428)**	(7,437)
Non-cash investing working capital in trade and other accounts payable	**(432)**	(85)
Proceeds on disposal of equipment	**615**	1,546
Net cash used in investing activities from continuing operations	**(10,245)**	(5,976)
Financing activities:		
Increase in long-term debt	**2,087**	1,351
Dividends paid *(note 10)*	**-**	(755)
Finance costs	**(737)**	(668)
Net cash provided by (used in) financing activities from continuing operations	**1,350**	(72)
Foreign exchange gain (loss) on cash held in a foreign currency	**13**	(54)
Net increase (decrease) in cash	**582**	(3,493)
Net increase in cash, discontinued operations *(note 4)*	**334**	2,937
Cash, beginning of period	**143**	1,042
Cash, end of period	**$ 1,059**	$ 486
Supplemental cash flow information		
Cash taxes received	$ (4,137)	$ (381)
Cash interest and standby fees paid	$ 693	$ 514

See accompanying notes to the unaudited condensed consolidated interim financial statements

1. AUTHORIZATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements ("Financial Statements") of Essential Energy Services Ltd. and its subsidiaries ("Essential" or the "Company") for the three and six months ended June 30, 2017 and 2016 were approved by the Board of Directors of Essential ("Board of Directors") on August 9, 2017.

Based in Calgary, Alberta, Essential provides oilfield services to oil and gas exploration and production companies primarily in western Canada. Essential is publicly traded, was incorporated under the *Business Corporations Act* (Alberta) and is listed under the symbol ESN on the Toronto Stock Exchange. The address of the registered office is 3400, 350 – 7 Avenue S.W., Calgary, Alberta, Canada, T2P 3N9.

2. SUMMARY OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements as at and for the three and six months ended June 30, 2017 were prepared in accordance with IAS 34 *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these Financial Statements as were followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2016. Accordingly, these Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

3. FUTURE ACCOUNTING STANDARDS

International Financial Reporting Standard ("IFRS") 15 *Revenue from Contracts with Customers* establishes a single revenue recognition and measurement framework to determine the timing and measurement of revenue from contracts with customers. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual periods beginning on or after January 1 2018, with early adoption permitted. The Company has created a plan, reviewed its various revenue streams and is currently in the process of a detailed analysis of each operating segment in order to determine the impact, if any, the adoption of IFRS 15 will have on its consolidated financial statements and the relevant disclosures. Essential does not expect the adoption of IFRS 15 to have a significant impact.

4. DISCONTINUED OPERATIONS

On December 16, 2016, Essential sold its service rig business for total consideration of $28.2 million. The service rig business has been reported as a discontinued operation in this reporting period with prior periods restated to this same basis of accounting and disclosure. Discontinued operations were previously classified in the Well Servicing segment, which has been renamed as Essential Coil Well Service following the service rig business disposal.

The comparative consolidated statement of net loss and comprehensive loss have been restated to present the discontinued operations separately from continuing operations.

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

The results of the service rig business were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Revenue	**$ -**	$ 3,093	**$ -**	$ 7,452
Expenses	**-**	3,345	**451**	8,033
Depreciation	**-**	706	**-**	1,655
Impairment loss	**-**	-	**-**	15,814
Loss before income tax	**-**	(958)	**(451)**	(18,050)
Income tax recovery	**-**	631	**121**	6,183
Net loss from discontinued operations, net of tax	**-**	(327)	**(330)**	(11,867)
Unrealized foreign exchange gain from discontinued operations	**-**	63	**-**	-
Comprehensive loss from discontinued operations	**$ -**	$ (264)	**$ (330)**	$ (11,867)
Net loss from discontinued operations per share, Basic and diluted	**$ -**	$ (0.00)	**$ (0.00)**	$ (0.10)

	For the six months ended June 30,	
	2017	2016
Net cash flows used in discontinued operations:		
Net cash provided by operating activities	**$ 334**	$ 3,035
Net cash used in investing activities	**-**	(92)
Foreign exchange loss on cash held in foreign currency	-	(6)
Net cash flows provided by discontinued operations	**$ 334**	$ 2,937

5. TRADE AND OTHER ACCOUNTS RECEIVABLE

	As at June 30, 2017	As at December 31, 2016
Trade receivables, net of provision	**$ 24,136**	$ 29,228
Other receivables	**273**	72
	$ 24,409	$ 29,300

Trade receivables are non-interest bearing and are shown net of a provision for impairment. Other receivables are non-interest bearing.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at June 30, 2017	As at December 31, 2016
Canadian dollar	**$ 23,121**	$ 28,619
U.S. dollar	**1,015**	609
	$ 24,136	$ 29,228

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

The aging analysis of trade receivables is as follows:

	As at June 30, 2017	As at December 31, 2016
< 31 days	**$ 12,908**	$ 13,866
31-60 days	**3,381**	10,289
61-90 days	**4,059**	3,888
>90 days	**3,788**	1,185
	$ 24,136	$ 29,228

Essential considers a trade receivable balance past due when it exceeds normal customer payment terms, which can range from net 30 days to greater than 90 days. The provision for impairment of receivables of $0.7 million (2016 – $0.5 million) is included in the amounts over 90 days old. The movements in the provision during the period were as follows:

	As at June 30, 2017	As at December 31, 2016
Balance, beginning of period	**$ 532**	$ 925
Provision for receivables impairment	**300**	682
Receivables written off against the provision	**(152)**	(1,075)
Balance, end of period	**$ 680**	$ 532

The provision for impairment of receivables has been included in operating expenses in the consolidated statements of net loss and comprehensive loss. Uncollectable amounts included in the provision are written off against the provision when there is no expectation of recovery.

6. INVENTORIES

	As at June 30, 2017	As at December 31, 2016
Tryton tools	**$ 21,231**	$ 18,028
Coil tubing and supplies	**9,560**	9,049
	$ 30,791	$ 27,077

Inventory charged through operating expenses in the consolidated interim statements of net loss and comprehensive loss for the three and six months ended June 30, 2017 was $7.3 million and $22.8 million (2016 – $2.6 million and $8.8 million), respectively.

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

7. PROPERTY AND EQUIPMENT

As at June 30, 2017	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Coil well service, rigs and equipment	**$ 158,842**	**$ 64,607**	**$ 94,235**
Oilfield equipment	**55,418**	**26,704**	**28,714**
Vehicles	**29,753**	**15,076**	**14,677**
Office and computer equipment	**3,674**	**3,104**	**570**
Land	**482**	**-**	**482**
Other	**4,721**	**3,793**	**928**
	$ 252,890	**$ 113,284**	**$ 139,606**

As at December 31, 2016	Cost	Accumulated Depreciation	Net Book Value
Coil well service, rigs and equipment	$ 151,414	$ 61,337	$ 90,077
Oilfield equipment	53,685	24,642	29,043
Vehicles	29,196	13,651	15,545
Office and computer equipment	3,674	2,935	739
Land	482	-	482
Other	4,721	3,568	1,153
	$ 243,172	$ 106,133	$ 137,039

Included in coil well service, rigs and equipment is $7.4 million (December 31, 2016 – $0.7 million) of assets under construction which will not be depreciated until put into use.

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Net book value, beginning of period	**$ 138,928**	$ 178,217	**$ 137,039**	$ 225,479
Additions	**4,521**	4,186	**10,323**	7,517
Disposals	**(194)**	(1,755)	**(345)**	(2,272)
Impairment loss	**-**	-	**-**	(44,291)
Depreciation	**(3,638)**	(4,293)	**(7,397)**	(10,044)
Currency translation adjustment	**(11)**	3	**(14)**	(31)
Net book value, end of period	**$ 139,606**	$ 176,358	**$ 139,606**	$ 176,358

8. INTANGIBLE ASSETS

As at June 30, 2017	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**$ 2,347**	**$ 1,727**	**$ 620**
Computer software	**5,642**	**4,694**	**948**
Non-compete agreement	**428**	**271**	**157**
	$ 8,417	**$ 6,692**	**$ 1,725**

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

As at December 31, 2016	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 38,554	$ 37,713	$ 841
Computer software	5,537	4,453	1,084
Non-compete agreement	443	236	207
	$ 44,534	$ 42,402	$ 2,132

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Net book value, beginning of period	**$ 1,916**	$ 2,800	**$ 2,132**	$ 21,347
Additions	**70**	28	**105**	59
Impairment loss	**-**	-	**-**	(17,361)
Amortization	**(243)**	(245)	**(485)**	(1,379)
Currency translation adjustment	**(18)**	1	**(27)**	(82)
Net book value, end of period	**$ 1,725**	2,584	**$ 1,725**	$ 2,584

9. TRADE AND OTHER ACCOUNTS PAYABLE

	As at June 30, 2017	As at December 31, 2016
Trade accounts payable	**$ 8,439**	$ 9,139
Accrued payables	**3,781**	4,632
Accrued payroll	**3,352**	3,983
Other	**1,084**	1,558
	$ 16,656	$ 19,312

The carrying amounts of trade accounts payable are denominated in the following currencies:

	As at June 30, 2017	As at December 31, 2016
Canadian dollar	**$ 7,750**	$ 8,728
U.S. dollar	**689**	411
	$ 8,439	$ 9,139

10. DIVIDENDS PAYABLE

During the prior period, Essential declared dividends to shareholders in accordance with the following schedule:

Record date	**Payment date**	**Total dividend**	**Amount per share**
2016			
March 31, 2016	April 15, 2016	$ 378	$ 0.003

In May 2016, the Board of Directors suspended the dividend.

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

11. ONEROUS LEASE CONTRACT

	As at June 30, 2017	As at December 31, 2016
Beginning of the year	**$ 4,754**	$ -
Liability recognized during the period	**-**	4,754
Liability released in the period	**(250)**	-
End of period	**$ 4,504**	$ 4,754
Current portion of onerous lease contract liability	**716**	612
Long-term portion of onerous lease liability	**$ 3,788**	$ 4,142

In 2016, Essential recognized an onerous lease contract liability related to a portion of its Calgary office space that is no longer used following staff reductions and the sale of the service rig business. The lease will expire in 2023. A portion of the lease had been sub-let until June 30, 2017, but was not renewed. The Company recognized the present value of the minimum future contractual payments as an onerous lease contract, net of expected rental income.

12. LONG-TERM DEBT

	As at June 30, 2017	As at December 31, 2016
Term loan	**$ 13,500**	$ 11,450
Deferred financing costs	**(163)**	(200)
Non-current portion of long-term debt	**$ 13,337**	$ 11,250

Essential's credit facility with its banking syndicate was renewed on June 15, 2016 and is comprised of a $40 million revolving term loan facility with a $20 million accordion feature available at the lender's consent (the "Credit Facility"). The Credit Facility matures on May 31, 2019, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. To the extent the Credit Facility is not renewed, the balance would be immediately due and payable on the maturity date. At June 30, 2017, the maximum of $40 million under the Credit Facility was available to Essential.

As at June 30, 2017, all financial debt covenants and all banking requirements under the Credit Facility were satisfied.

13. SHARE CAPITAL

Authorized

The authorized share capital of Essential consists of an unlimited number of common shares of Essential ("Common Shares") and preferred shares. Common Shares are without par value and are entitled to any dividend declared on this class of share. Preferred shares may be issued in one or more series, and the rights, privileges, restrictions and conditions of each series will be determined prior to issuance.

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

	Number of Common Shares (000's)	Amount
As at January 1, 2016	125,837	$ 262,977
Shares issued on equity raise, net of tax	16,020	9,755
As at December 31, 2016 and June 30, 2017	**141,857**	**$ 272,732**

14. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Loss	Total
As at January 1, 2016	$ 4,751	$ 425	$ 5,176
Share based compensation	340	-	340
Unrealized foreign exchange loss from continuing operations	-	(40)	(40)
Unrealized foreign exchange loss from discontinued operations	-	(39)	(39)
As at December 31, 2016	$ 5,091	$ 346	$ 5,437
Share based compensation	**240**	**-**	**240**
Unrealized foreign exchange gain from continuing operations	**-**	**62**	**62**
As at June 30, 2017	**$ 5,331**	**$ 408**	**$ 5,739**

15. SHARE BASED COMPENSATION

The Company offers the following share based compensation plans: Share Option Plan, Restricted Share Unit ("RSU") Plan and Deferred Share Unit ("DSU") Plan.

The maximum number of share options issuable under the Share Option Plan and RSUs issued prior to December 9, 2015 under the RSU Plan, together may not exceed 9% of the Company's outstanding Common Shares. RSUs granted after December 9, 2015 represent the right to receive a cash payment only, at the time of vesting, and as such, are not included in the maximum number of share options or RSUs allowed for issuance. As at June 30, 2017, the maximum number of share options and RSUs allowed for issuance was 12,767,114 (December 31, 2016 – 12,767,114).

Components of the Company's share based compensation expense are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Equity-settled share options	**$ 124**	$ 92	**$ 240**	$ 192
Restricted share units	**309**	67	**374**	437
Deferred share units	**246**	29	**1,609**	86
Total share based compensation expense	**$ 679**	$ 188	**$ 2,223**	$ 715

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

a) Share Option Plan

Under the Company's Share Option Plan, participants receive share options to acquire Common Shares, with terms not to exceed five years from the date of the grant. The exercise price is the weighted-average price of the Common Shares for the five trading days immediately prior to the grant date. Under the Share Option Plan, vesting periods are determined by the Board of Directors at the time of the grant. The share options currently outstanding vest over three years with one-third of the share options exercisable on each anniversary date from the date of the original grant.

	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Number of Options (000's)	**Weighted Average Exercise Price**	Number of Options (000's)	Weighted Average Exercise Price
Outstanding, beginning of period	**6,950**	**$ 1.42**	6,393	$ 1.91
Issued	**1,315**	**0.83**	2,841	0.57
Expired	**(1,387)**	**2.08**	(1,295)	2.12
Forfeited	**(290)**	**1.96**	(131)	2.00
Outstanding, end of period	**6,588**	**$ 1.14**	7,808	$ 1.39
Exercisable, end of period	**3,122**	**$ 1.55**	3,403	$ 2.05

The fair value of the share options issued for the six month the period was between $0.32 – $0.35 per option (2016 – $0.15 – $0.24), estimated using the Black-Scholes Option Pricing Model using the following underlying assumptions:

	2017	2016
Risk-free interest rate	**0.9 - 1.0%**	0.5 – 0.6%
Expected volatility	**48.8 – 50.1%**	43.9 – 49.0%
Expected term	**3.9 – 4.7 years**	3.2 – 4.7 years
Expected forfeiture rate	**8.2 - 16.1%**	7.0 – 15.8%
Dividend yield	**nil**	nil -2.3%

The expected term of the grant is determined based on the historical average life of grants issued. The risk-free interest rate is determined using the Canadian bond yield based on the expected term of the grant. The expected volatility is determined based on the change in the share price over the term of the grant. The expected forfeiture rate is calculated based on historical forfeitures of grants issued.

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

The following table summarizes information with respect to the share options outstanding as at June 30, 2017 and 2016:

Exercise Prices	Options Outstanding (000's)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (per option)	Number of Options Exercisable (000's)
As at June 30, 2017				
$0.55 – $1.00	**3,726**	**4.00**	**$ 0.66**	**804**
$1.01 – $2.00	**1,650**	**2.83**	**$ 1.20**	**1,106**
$2.01 – $2.90	**1,212**	**0.94**	**$ 2.52**	**1,212**
	6,588	**3.14**	**$ 1.14**	**3,122**
As at June 30, 2016				
$0.55 – $1.00	2,841	4.52	$ 0.57	-
$1.01 – $2.00	2,015	3.34	$ 1.20	685
$2.01 – $2.90	2,952	1.26	$ 2.30	2,718
	7,808	2.89	$ 1.39	3,403

b) Restricted Share Units

The Board of Directors is authorized to grant RSUs to participants under the RSU Plan. RSUs granted to a participant prior to December 9, 2015 represent a right to receive a cash payment or its equivalent in Common Shares at the time of vesting, at the option of the Company. RSUs granted to participants after December 9, 2015 represent the right to receive a cash payment at the time of vesting. The grants vest in three equal instalments; contain time vesting and/or performance vesting feature(s). The performance based criteria vest conditionally. Under the terms of the plan, when dividends are paid, RSUs are eligible for dividend equivalents, which are re-invested at each dividend record date. The associated liability related to the RSUs as at June 30, 2017 is $1.3 million (December 31, 2016 – $1.4 million) of which $1.0 million is due within one year (December 31, 2016 – $0.7 million).

The following table summarizes information with respect to RSUs outstanding:

	For the six months ended June 30,	
Number of RSUs (000's)	**2017**	2016
Outstanding, beginning of period	**3,826**	2,875
Issued (including dividend equivalents)	**2,660**	2,770
Vested	**(544)**	(680)
Forfeited	**(533)**	(331)
Outstanding, end of period	**5,409**	4,634

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

c) Deferred Share Units

The Board of Directors is authorized to grant DSUs to participants under the DSU Plan. A DSU gives the participant a right of redemption in the form of a lump sum cash payment when the participant ceases to be a director or employee of the Company. Under the terms of the plan, when dividends are paid, DSUs are eligible for dividend equivalents, which are re-invested at each dividend record date. The carrying amount of the liability as at June 30, 2017 is $3.1 million (December 31, 2016 – $1.5 million) of which nil is due within one year (December 31, 2016 – nil).

The following table summarizes information with respect to DSUs outstanding:

Number of DSUs (000's)	For the six months ended June 30, **2017**	2016
Outstanding, beginning of period	**3,270**	398
Issued (including dividend equivalents)	**1,855**	2,647
Outstanding, end of period	**5,125**	3,045

16. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net loss attributable to shareholders of Essential by the weighted average number of shares issued.

In calculating the diluted earnings per share, share options and equity-settled RSUs outstanding have been taken into account where the impact of these are dilutive. During periods of net loss, the dilutive effect on Common Shares from share options and RSUs are not used in calculating net loss per share as their effect is anti-dilutive.

	For the three months ended June 30,		For the six months ended June 30,	
(000's)	**2017**	2016	**2017**	2016
Basic and diluted	**141,857**	125,837	**141,857**	125,837

17. COMMITMENTS AND CONTINGENCIES

Operating leases

Essential has entered into operating leases for office and shop premises that provide for minimum annual lease payments, as follows:

	Amount
2017 (for the six months ending December 31)	$ 2,704
2018	4,914
2019	4,638
2020	4,090
2021	3,505
Thereafter	6,432
	$ 26,283

Contingencies

The Company, through the performance of its services and business arrangements, is sometimes named as a defendant in litigation. The outcome of such claims against the Company is not determinable at this time.

On October 23, 2013, Packers Plus Energy Services Inc. ("Packers Plus") filed a Statement of Claim in Canada's Federal Court (the "Court") against Essential alleging that certain products and methods associated with the Tryton MSFS® infringe on a patent issued to Packers Plus (the "Packers Plus Claim"). Packers Plus subsequently limited its infringement allegations to just certain method claims in the patent.

Essential believes the Packers Plus Claim is without merit and filed a Statement of Defence and Counterclaim on November 22, 2013. The Statement of Defence denies infringement and the Counterclaim pleads further that the patent is invalid because the methodology and equipment claimed in the patent were in use in the oil and natural gas industry prior to the patent's effective filing date of November 19, 2001 or represent nothing more than obvious variations over what was already known in the industry at the time. This position is supported by the existence of similar products, articles and other patents prior to the effective filing date of the patent.

The trial was completed in March 2017. There were two parts to the trial:

- Validity – The validity portion of the trial focused on whether or not the patent is valid. Given the fact that Packers Plus has asserted infringement of the same patent against Essential and three other defendants, Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc., and all of the defendants filed counterclaims seeking a declaration that the patent is invalid, the Court directed that the counterclaims be consolidated into a single trial (the "Joint Validity Trial"). During the Joint Validity Trial the four defendants asserted their common position that the patent is invalid.
- Infringement – The infringement portion of the trial focused on whether or not Essential has infringed the Packers Plus patent. The infringement portions of the Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc. trials were not consolidated with the infringement portion of the Essential case since each infringement action, by its nature, deals with tools, designs and business activities specific to each company.

The Court is expected to render its decision on both validity and infringement prior to October 2017. In order for Essential to be found liable for damages, the Court must find that the Packers Plus patent is both valid and infringed. If the patent is found to be valid and it is determined that Essential has infringed, a separate trial will be required to quantify damages (the "Quantification of Damages Trial").

Prior to commencement of the validity and infringement trials, the Court scheduled dates for the Quantification of Damages Trial for Essential and similar trials for each of the other three defendants, in case such trials are required. The fact that the Quantification of Damages Trial has been scheduled does not foreshadow an unfavourable Court decision on patent validity or infringement. Essential's potential Quantification of Damages Trial, if required, is scheduled to commence in January 2018. The Quantification of Damages Trial will only be required if Essential receives an unfavorable decision in both its validity and infringement trials.

If the Quantification of Damages Trial is required, the trial will focus on the damages that Packers Plus alleges that it suffered as a result of sales of the Tryton MSFS® system or, alternatively, the profits that Essential earned from such system. In determining Packers Plus' damages or Essential's profits, the Court will also hear evidence relating to the ability of Packers Plus to complete the work performed by Essential, the duty of Packers Plus to mitigate its losses and Essential's ability to sell alternative, non-infringing, products.

Essential continues to believe that the case is without merit. If Essential were to receive an unfavorable decision in both the validity and infringement trials, it will appeal such a decision. Factoring in the appeal process and the time to complete the Quantification of Damages Trial, the implications for Essential may not be known for up to two more years.

The Packers Plus Claim targets only the Tryton MSFS® ball & seat system, which Essential commenced using in 2009. It does not target past or future operations of Essential's conventional tools, other Tryton MSFS® tools or the rentals service line.

18. SEASONALITY OF OPERATIONS

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

The industry downturn disrupted typical historic oilfield services seasonal patterns in western Canada as exploration and production companies were driven by constrained cash flow in addition to weather and access issues.

19. SEGMENTED INFORMATION

Essential has two operating segments, Essential Coil Well Service and Tryton, and a non-operating segment, Corporate and Eliminations.

Essential has chosen to identify its reportable segments based on services offered. The basis of accounting for transactions between reportable segments is done at fair market value.

a) Essential Coil Well Service

The Essential Coil Well Service segment provides well completion, production and workover services throughout the Western Canadian Sedimentary Basin. The Essential Coil Well Service segment is comprised of a fleet of coil tubing rigs, fluid and nitrogen pumpers and ancillary equipment.

b) Tryton

The Tryton segment provides downhole tools and rental services in Canada and the United States.

c) Corporate and Eliminations

The Corporate and Eliminations segment is comprised of: i) corporate office and certain operational costs, which are managed on a group basis and are not allocated to the operating segments; and ii) eliminations, which includes transactions between segments which are eliminated upon consolidation. Loss before income taxes for the three and six months ended June 30, 2017 for the Corporate and Eliminations segment substantially represents corporate office and certain operational costs of $3.0 million and $7.3 million (June 30, 2016 - $2.8 million and $7.1 million), respectively, and foreign exchange loss/gain due to the movement of the Canadian dollar in relation to the U.S. dollar.

(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)

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

As at and for the three months ended June 30, 2017	**Essential Coil Well Service**	**Tryton**	**Corporate & Eliminations**	**Consolidated**
Revenue	**$ 14,569**	**$ 13,076**	**$ -**	**$ 27,645**
(Loss) income before income taxes from continuing operations	**$ (3,098)**	**$ 1,331**	**$ (4,669)**	**$ (6,436)**
Depreciation and amortization	**$ 2,576**	**$ 1,071**	**$ 234**	**$ 3,881**
Total assets	**$ 145,824**	**$ 61,123**	**$ 1,390**	**$ 208,337**
Total liabilities	**$ 16,086**	**$ 7,191**	**$ 23,046**	**$ 46,323**
Property, equipment and intangible asset expenditures	**$ 4,071**	**$ 317**	**$ 203**	**$ 4,591**

As at and for the three months ended June 30, 2016	Essential Coil Well Service	Tryton	Corporate & Eliminations	Consolidated
Revenue	$ 6,422	$ 5,583	$ (90)	$ 11,915
Loss before income taxes from continuing operations	$ (4,427)	$ (1,137)	$ (3,571)	$ (9,135)
Depreciation and amortization	$ 2,637	$ 905	$ 290	$ 3,832
Total assets[(1)]	$ 177,333	$ 52,193	$ 8,924	$ 238,450
Total liabilities[(1)]	$ 21,481	$ 4,088	$ 29,965	$ 55,534
Property, equipment and intangible asset expenditures	$ 2,828	$ 1,282	$ 4	$ 4,114

As at and for the six months ended June 30, 2017	**Essential Coil Well Service**	**Tryton**	**Corporate & Eliminations**	**Consolidated**
Revenue	**$ 43,288**	**$ 40,607**	**$ -**	**$ 83,895**
Income (loss) before income taxes from continuing operations	**$ 1,362**	**$ 7,479**	**$ (10,938)**	**$ (2,097)**
Depreciation and amortization	**$ 5,256**	**$ 2,145**	**$ 481**	**$ 7,882**
Property, equipment and intangible asset expenditures	**$ 8,359**	**$ 1,831**	**$ 238**	**$ 10,428**

As at and for the six months ended June 30, 2016	Essential Coil Well Service	Tryton	Corporate & Eliminations	Consolidated
Revenue	$ 22,178	$ 16,472	$ (179)	$ 38,471
Loss before income taxes from continuing operations	$ (53,697)	$ (1,584)	$ (9,463)	$ (64,744)
Depreciation and amortization	$ 7,279	$ 1,907	$ 582	$ 9,768
Impairment loss	$ 45,838	$ -	$ -	$ 45,838
Property, equipment and intangible asset expenditures	$ 6,034	$ 1,369	$ 34	$ 7,437

(1) Includes service rig business sold in December 2016, previously classified with Essential Coil Well Service as the Well Servicing Segment.

20. COMPARATIVE FIGURES

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

CORPORATE INFORMATION

Directors

James A. Banister, Chairman[2]

Garnet K. Amundson[3]

Michael J. Black[3]

Robert T. German[1, 3]

Nicholas G. Kirton[1, 2]

Robert B. Michaleski[1, 2]

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

Management

Garnet K. Amundson
President and Chief Executive Officer

Allan Mowbray
Vice President, Finance and Chief Financial Officer

Jeff B. Newman
Senior Vice President, Business Development

Karen Perasalo
Vice President, Investor Relations & Corporate Secretary

Stock Exchange Listing

TSX: ESN

Auditors

Ernst & Young LLP

Bankers

National Bank of Canada

The Toronto-Dominion Bank

HSBC Bank Canada

Canadian Western Bank

Calgary Office

Livingston Place West

1100, 250 2nd Street SW

Calgary, Alberta T2P 0C1

Phone: (403) 263-6778

Fax: (403) 263-6737

Email: service@essentialenergy.ca

Website: www.essentialenergy.ca

Legal Counsel

Fasken Martineau DuMoulin LLP

Transfer Agent

Computershare Trust Company of Canada