FIRST QUARTER REPORT 2011
THREE MONTHS ENDED MARCH 31, 2011

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First Quarter Report
Three Months Ended March 31, 2011

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the three months ended March 31, 2011. This MD&A is an update to and should be read in conjunction with Essential's March 31, 2011 unaudited condensed interim consolidated financial statements and the audited consolidated financial statements and MD&A included in Essential's 2010 Annual Report to Shareholders for the financial year ended December 31, 2010. 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. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective May 10, 2011.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including expectations regarding capital spending, expectations regarding the impact of recent equipment purchases, expectations regarding staffing, expectations regarding payment of income taxes, reporting under International Financial Reporting Standards, benefits from the proposed business Combination, including certain combined operational and financial information; the sources of capital and uses of such capital, the services offered by the Company and the relocation of some of these services to Colombia, expectations of the delivery of equipment to Colombia pursuant to the Company's joint venture in that jurisdiction, expectations regarding the customer demand for services and equipment in Colombia, expectations for the type of services to be provided in Colombia, expectations regarding the type and execution of contracts in Colombia, expectations regarding the timing of commencing operations in Colombia, expectations regarding the availability of skilled labour in Colombia, expectations of future cash flow and earnings, expectations regarding the Company's ability to access credit from its lenders, expectations with respect to the demand for and price of oil and natural gas including natural gas storage levels, expectations regarding the level and type of drilling and production activity in the Western Canadian Sedimentary Basin, expectations regarding production in Colombia and expectations regarding the business, operations and revenues of the Company in addition to general economic conditions.

Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that such statements and information will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oilfield services sector (e.g. demand, pricing and terms for oilfield services; current and expected oil and 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 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; the availability of qualified personnel, management or other key inputs; currency exchange fluctuations; changes in political and security stability; the ability of Essential Colombia to obtain government permits; risks associated with government regulations and environmental health and safety matters and other unforeseen conditions which could impact the use of equipment and services supplied by Essential and Essential Colombia; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) for each of Essential Energy Services Trust and the Company. The forward-looking statements and information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective, January 1, 2011, Essential began reporting its financial results in accordance with International Financial Reporting Standards ("IFRS"). Prior period comparative amounts, including the opening statement of financial position at January 1, 2010, have been restated to reflect results as if Essential had always prepared its financial statements using IFRS. Please see additional discussion regarding IFRS later in this MD&A.

COMBINATION WITH TECHNICOIL CORPORATION

On April 4, 2011, the Boards of Directors of Essential and Technicoil Corporation ("Technicoil") approved a definitive arrangement agreement (the "Agreement") providing for the combination of the two businesses (the "Combination"). The Agreement will be effected by way of a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta) whereby Technicoil shareholders will receive, for each Technicoil common share held, 0.7111 of a common share of Essential and $0.80 cash. Under the Arrangement, Essential will acquire all of the outstanding shares of Technicoil. Upon completion of the Combination, the current shareholders of Essential will own approximately 58% and the shareholders of Technicoil will own approximately 42% of the shares of Essential.

The proposed Combination of Essential and Technicoil is subject to approval by 66 2/3% of the Technicoil shareholders at Technicoil's annual and special meeting on May 30, 2011. The issuance of Essential shares required to complete the Combination is subject to approval by greater than 50% of the current shareholders of Essential at Essential's annual and special meeting on May 30, 2011.

After the Combination, Essential will expand its position as the predominant coil tubing and nitrogen well service provider in Canada. These services, in addition to Essential's sale and service of a full-range of downhole tools and rentals including its Tryton Multi-Stage Fracturing System ("Tryton MSFS"), are expected to enable Essential to improve its position in the Canadian oilfield services market for completions and workovers on horizontal wells. Essential remains the sixth largest service rig fleet operator in Canada after the Combination, increasing its fleet to 62 service rigs.

The reader is cautioned and advised that the MD&A of Essential for the three months ended March 31, 2011, does not incorporate the impact of the proposed Combination.

SELECTED FINANCIAL INFORMATION

	Three months ended March 31,	
($ Thousands, except per share amounts)	**2011**	2010
Revenue	**66,416**	46,220
Gross margin	**16,652**	13,380
Gross margin %[1]	**25%**	29%
EBITDA[1]	**13,401**	10,450
EBITDA %[1]	**20%**	23%
Funds flow from operations [1]	**13,440**	10,542
Per share – basic and diluted [1]	**$ 0.18**	$ 0.17
Net income attributable to shareholders of Essential	**6,248**	5,675
Per share – basic and diluted	**$ 0.09**	$ 0.09
Total assets	**191,046**	158,449
Total long-term debt	**7,392**	-
Equity attributable to shareholders of Essential	**156,814**	143,384

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

OVERVIEW OF ESSENTIAL

Canada

Based in Calgary, Essential is a growth-oriented corporation that provides oilfield services to oil and gas producers in western Canada for servicing producing wells and new drilling activity. Essential provides services through its two operating segments, Well Servicing and Downhole Services & Rentals. With 52 service rigs and 32 coil tubing rigs, Essential operates the sixth largest service rig fleet in Canada and the largest coil tubing well service fleet in Canada. Essential also sells and services a full-range of downhole tools including the Tryton MSFS, rents specialty tubular products and provides perforating and logging services.

Colombia

Essential intends to provide integrated services related to well servicing of producing wells and new drilling activity in Colombia. Essential shipped one double service rig, two coil tubing rigs, two nitrogen pumpers, three rod rigs, two wireline trucks and ancillary equipment to its operating base in Barrancabermeja, Colombia. Management has recently completed contract negotiations with Ecopetrol and expects work to commence later in the second quarter.

Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares of Essential trade on the Toronto Stock Exchange under the symbol ESN.

Additional information regarding Essential, including the 2010 interim reports, 2010 Annual Report and the Annual Information Form for the year ended December 31, 2010, can be found under Essential's profile on SEDAR at www.sedar.com.

BASIS OF PRESENTATION

The following MD&A and the unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2011 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First Time Adoption of International Financial Reporting Standards* as issued by the International Accounting Standards Board (IASB) except where otherwise indicated.

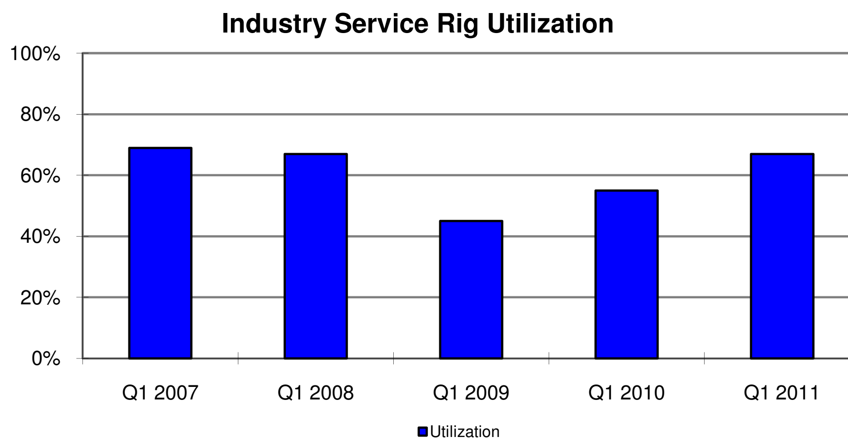
INDUSTRY OVERVIEW

Canada

Activity in the Canadian energy services sector during the first quarter of 2011 continued to build on a strong 2010. Exploration and production companies remained focused on oil and liquids-rich natural gas plays and Canadian activity levels increased as Canada political reinforced its position as a stable and reliable source for petroleum products. Additionally, as a result of an unusually long winter in the Western Canadian Sedimentary Basin ("WCSB"), exploration and production companies were able to continue their drilling programs to the end of the quarter. Service work related to conventional natural gas activity in the WCSB remained slow in the first quarter due to persistent low prices, high storage levels and continued development of shale-gas in the United States.

During the quarter, activity in the WCSB continued to be driven by horizontal wells which typically require more investment capital and increased rig time per well due to their depth and complexity compared to conventional vertical wells. This focus on horizontal wells continued to be a major contributor to improved utilization of deeper coil and multi-stage completion work.

Industry service rig utilization, which is an indicator of oilfield service activity in the WCSB, continued to improve over recent years and has returned to pre-2009 levels. The significant improvement in activity in the WCSB continues to create labour constraints and cost escalations throughout the energy services sector.



Source: Canadian Association of Oilwell Drilling Contractors

Colombia

Colombia is the third largest oil and gas producer in South America and its royalty structure supports further exploration and development activity. The Colombian government continues to target significant production increases over the next five years. These factors, combined with an improved security and business environment, make Colombia an attractive location for foreign investment. Currently, there are over 70 exploration and production companies, including 20 Canadian companies, operating in Colombia.

A significant portion of Colombia's anticipated production increase is expected to come from increasing production of current wells through extensive stimulation and workover programs. This is expected to increase the demand for oilfield services. Colombian producers, led by Colombia's national oil company Ecopetrol, are looking to generate operational efficiencies and cost savings through the use of improved technologies and oilfield service equipment that is currently in short supply.

OPERATING HIGHLIGHTS - ESSENTIAL

Canada

A resurgence of activity in the WCSB during the first quarter of 2011 resulted in Essential posting strong quarterly results. Essential's efforts to expand and deepen its coil tubing fleet during 2010 provided quarter over quarter growth compared to 2010. Additionally, the expansion of the Tryton MSFS continued to generate significant growth over prior periods. The Company's continued focus on oil and liquids-rich natural gas plays combined with the quality, location and versatility of its operations generated improved activity levels and operating results across both operating segments.

The Well Servicing segment continued to experience high activity levels, as high oil prices and an extended winter drilling season improved demand for Essential's services. The industry's focus on horizontal wells continued to increase activity, particularly with respect to the Company's deep and intermediate coil tubing fleet. Essential's service rig fleet also benefited from the extended winter drilling season as the cold temperatures in late March allowed the fleet to operate longer compared to recent years, before the onset of spring break-up.

The Downhole Services & Rentals segment continued to expand primarily due to the sustained growth of the Tryton downhole tools business. Downhole tool operations benefitted from increased horizontal well completion activity and increased demand for fracturing services, particularly with respect to the Tryton MSFS which continued its quarter over quarter growth. Additionally, demand for conventional downhole tools increased as activity in the Canadian energy services sector continued to improve.

Colombia

During the quarter, Essential shipped a second coil tubing rig and a second nitrogen pumper to Colombia. The equipment fleet in Colombia now includes one double service rig, two coil tubing rigs, two nitrogen pumpers, three rod rigs and two wireline trucks. The equipment was commissioned during the first quarter and is ready to commence operations. Essential incurred approximately $0.6 million in pre-operating costs during the first quarter, including commissioning costs and establishing operating facilities in Barrancabermeja.

Essential is in the process of negotiating two separate contracts with Ecopetrol S.A., the largest hydrocarbon producer in Colombia. The level of work generated under these contracts will be determined by the amount of work orders offered and accepted under the terms of the contracts. The scope and dollar value of work programs will be determined in upcoming months. Management expects to begin working in the second quarter. The extra time has been valuable to Essential as it completed the shop and yard facility in Barrancabermeja, established supplier relationships, completed fabrication and equipment testing and formalized health, safety and environmental programs and requirements.

With the recent activity increase in Canada, including high utilization of service rigs and strong demand for deep coil tubing rigs, Essential has decided to postpone shipping an additional single service rig and the new deep coil tubing rig to Colombia. As operations ramp up in Colombia, Essential will assess future equipment needs and possible fleet expansion.

FINANCIAL HIGHLIGHTS

- Revenue for the three months ended March 31, 2011 was $66.4 million compared to $46.2 million for the three months ended March 31, 2010.
- Gross margin[1] and gross margin %[1] for the three months ended March 31, 2011 were $16.7 million and 25%, respectively, compared to $13.4 million and 29%, respectively, for the three months ended March 31, 2010.
- EBITDAS[1] for the three months ended March 31, 2011 was $13.4 million compared to $10.5 million for the three months ended March 31, 2010.
- As at March 31, 2011, Essential had long-term debt of $7.4 million and a cash balance of $1.4 million compared to long-term debt of $nil and a bank overdraft of $0.2 million as at March 31, 2010.
- Essential had working capital of $46.1 million as at March 31, 2011 compared to $31.9 million as at March 31, 2010.

RESULTS OF OPERATIONS

(Thousands, except per share amounts)	Three months ended March 31, **2011**	2010
Revenue	**$ 66,416**	$ 46,220
Operating expenses	**49,764**	32,840
Gross margin	**16,652**	13,380
Gross margin %[1]	**25%**	29%
General and administrative expenses	**3,251**	2,930
EBITDA[1]	**13,401**	10,450
EBITDA %[1]	**20%**	23%
Depreciation and amortization	**3,508**	3,256
Share-based compensation	**305**	309
Equity taxes	**478**	-
Other (income) expense	**379**	(130)
Operating income	**8,731**	7,015
Finance costs	**120**	239
Income before income tax	**8,611**	6,776
Deferred income tax expense	**2,516**	1,101
Net income	**$ 6,095**	$ 5,675
Net income attributable to:		
Shareholders of Essential	**$ 6,248**	$ 5,675
Non-controlling interests	**(153)**	-
	$ 6,095	$ 5,675
Net income per share		
Basic and diluted, attributable to shareholders of Essential	**$ 0.09**	$ 0.09

Segment Results - ***Well Servicing***

Essential provides well completion and production/workover services across western Canada through its fleet of service rigs and coil tubing rigs. In addition, Essential provides services through a fleet of rod rigs, nitrogen pumpers, a cement & acid unit and other ancillary well servicing equipment. Well Servicing generated revenue of $40.2 million for the three months ended March 31, 2011, compared to $30.6 million for the same period in 2010.

(Thousands)	Three months ended March 31, **2011**	2010
Revenue		
Service rigs	**$ 23,873**	$ 19,336
Coil tubing rigs	**10,406**	5,680
Other	**5,931**	5,626
Total revenue	**40,210**	30,642
Operating expenses	**29,494**	20,902
Gross margin	**$ 10,716**	$ 9,740
Gross margin %(1)	**27%**	32%
Canada		
Service Rigs		
Number of rigs*	**52**	51
Number of operating hours	**28,710**	25,128
Utilization	**64%**	55%
Coil Tubing Rigs		
Number of rigs*	**32**	30
Number of operating hours	**11,607**	10,996
Utilization	**42%**	42%

*Fleet data represents the number of rigs at the end of the period in Essential's Canadian operations.

Activity during the quarter for service rigs and intermediate and deep coil tubing rigs increased due to continued demand to complete, service and maintain producing oil and liquids-rich natural gas wells. In addition, the number of operating days in the first quarter increased as prolonged cold temperatures allowed exploration and production companies to extend their winter drilling programs.

Service rig utilization was strong during the quarter as a result of the increase in oil-based and liquids-rich natural gas activity in the WCSB. The Company's operations in northern Alberta were particularly strong as an unusually cold winter drilling season enabled additional work in winter-only access areas and generated stronger demand for boilers and related ancillary equipment. The operations in southern Alberta were hampered by fluctuations in weather, which at times limited access to well sites. The higher cost of labour, fuel and supplies, combined with the reinstatement of compensation programs, resulted in reduced operating margins during the quarter. The Company will be re-evaluating its pricing to recover some of these higher costs prior to the commencement of the fall drilling season.

Revenue for the coil tubing operations significantly increased in the first quarter as a result of Essential's 2010 capital expenditure program which increased the size and depth capacity of its coil tubing fleet. During 2010, Essential added one deep coil tubing rig, two intermediate coil tubing rigs and three nitrogen pumpers and bulkers to its fleet through a combination of asset acquisitions, conversions of existing rigs and construction of new assets. The increased depth capacity of the coil tubing fleet expanded Essential's ability to meet the growing demand for intermediate and deep coil tubing rigs in the Bakken, Viking, Cardium and Alberta Montney resource plays. This work, in addition to Essential's continued use of two intermediate coil tubing rigs to perform nitrogen stimulation work on coalbed methane reservoirs in southern Alberta, has allowed Essential to substantially improve its average coil tubing pricing. In the first quarter of 2011, Essential converted a shallow coil tubing rig to intermediate depth and took delivery of a third deep coil rig in late March.

Segment Results - *Downhole Services & Rentals*

Essential provides downhole tools and equipment rentals and wireline services through the Downhole Services & Rentals business segment. Downhole Services & Rentals generated revenue of $26.2 million for the three months ended March 31, 2011, compared to $15.6 million for the same period in 2010.

(Thousands)	Three months ended March 31, **2011**	2010
Revenue		
Conventional downhole tools & rentals	**$ 12,822**	$ 9,089
Tryton MSFS	**9,223**	2,361
Downhole tools & rentals	**22,045**	11,450
Wireline services	**4,161**	4,128
Total revenue	**26,206**	15,578
Operating expenses	**18,436**	10,612
Gross margin	**$ 7,770**	$ 4,966
Gross margin %[1]	**30%**	32%

The downhole tools and rentals operations were the primary contributor to the dramatic increase in operating results in this segment over the prior year. Essential's tubular and pipe rentals business, which primarily offers products related to conventional oil and gas drilling, benefited from the improved drilling activity during the quarter. The results from the Tryton MSFS business continued to exceed management's expectations as the market for servicing horizontal wells continues to grow. Additionally, the conventional downhole tool business has improved as activity levels have increased. Essential continued to facilitate further expansion of this growing operation through increased inventory, improved supplier arrangements and hiring additional skilled personnel.

Revenue levels for wireline services remained consistent with the prior year. Essential sold its slickline assets at the end of the quarter.

General and Administrative

(Thousands)	Three months ended March 31, **2011**	2010
General and administrative expenses	**$ 3,251**	$ 2,930
As a % of revenue	**5%**	6%

General and administrative expenses were $3.3 million for the three months ended March 31, 2011, compared to $2.9 million for the same period in 2010. These costs are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and business unit level.

The increase in general and administrative costs in 2011 is due primarily to the reinstatement of certain compensation programs in the second half of 2010 which had been eliminated as part of the cost reduction measures taken in 2009. General and administrative costs continue to run at a consistent level as a percentage of revenue.

Share-based Compensation

(Thousands)	Three months ended March 31, **2011**	2010
Share-based compensation expense	**$ 305**	$ 309

Essential recorded a non-cash expense related to share-based compensation for the three months ended March 31, 2011 of $0.3 million, compared to $0.3 million for the same period in 2010.

Depreciation and Amortization

(Thousands)	Three months ended March 31, **2011**	2010
Depreciation and amortization expense	**$ 3,508**	$ 3,256

Depreciation and amortization expense was $3.5 million for the three months ended March 31, 2011, compared to $3.3 million for the same period in 2010. The increase in the first quarter of 2011 was due to capital expenditures made over the last year and an increase in service rig utilization.

Equity Taxes

(Thousands)	Three months ended March 31, **2011**	2010
Equity tax expense	**$ 478**	$ -

Equity tax for the current quarter of $0.5 million represents a Colombian tax of 6.0% on the balance sheet equity recorded in Essential's Colombia branch at January 1, 2011. The equity tax is assessed every four years. The tax for the four-year period from 2011 to 2014 is payable in eight semi-annual installments over the four-year period but is expensed in the first quarter of 2011.

Finance Costs

(Thousands)	Three months ended March 31, **2011**	2010
Bank borrowings	**$ 113**	$ 220
Lease financing	**7**	19
	$ 120	$ 239

Finance costs were $0.1 million for the three months ended March 31, 2011, compared to $0.2 million for the same period in 2010.

The Company had an average long-term debt outstanding during the three months ended March 31, 2011 of $3.9 million compared to an average long-term debt outstanding for the three months ended March 31, 2010 of $16.1 million. The decrease in finance costs from 2010 is primarily a result of the lower average long-term debt outstanding during the first quarter of 2011.

Income Taxes

(Thousands)	Three months ended March 31, 2011	2010
Deferred income tax expense (recovery)	$ 2,516	$ 1,101

Deferred income tax expense was $2.6 million for the three months ended March 31, 2011, compared to $1.1 million for the same period in 2010. The increase in the first quarter of 2011 was due to higher income than in the same period in 2010 and due to Essential being organized in a corporate structure in 2011 compared to a Trust structure in 2010.

SUMMARY OF QUARTERLY DATA

($Thousands, except per share amounts)	**Mar 31, 2011**	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010
Well servicing revenue:					
Service rigs	**20,334**	17,753	12,876	8,392	17,240
Coil tubing	**10,406**	9,214	7,035	4,026	5,680
Other	**9,470**	4,610	4,198	3,324	7,722
Total well servicing	**40,210**	31,577	24,109	15,742	30,642
Downhole services & rentals:					
Conventional downhole tools & rentals	**12,822**	10,485	8,537	5,037	9,089
Tryton MSFS	**9,223**	8,059	6,005	3,104	2,361
Downhole tools & rentals	**22,045**	18,544	14,542	8,141	11,450
Wireline	**4,161**	3,822	2,593	1,311	4,128
Total downhole services & rentals	**26,206**	22,366	17,135	9,452	15,578
Total Revenue	**66,416**	53,943	41,244	25,194	46,220
Gross margin[1]	**16,652**	14,636	10,186	3,150	13,380
Gross margin %[1]	**25%**	27%	25%	13%	29%
EBITDA[1]	**13,401**	11,290	7,248	417	10,450
EBITDA %[1]	**20%**	21%	18%	2%	23%
Net income (loss) attributable to shareholders of Essential	**6,248**	6,226	2,663	(2,466)	5,675
Per share – basic and diluted	**$0.09**	$0.09	$0.04	$(0.03)	$0.09
Total assets	**191,046**	173,771	160,797	153,488	158,449
Total long-term debt	**7,392**	396	471	696	875
Equity attributable to share holders of Essential	**156,814**	149,780	143,989	141,140	143,384
Utilization					
Service rigs	**64%**	51%	40%	26%	55%
Coil tubing rigs	**42%**	42%	42%	28%	42%
Equipment fleet *					
Canada					
Service rigs	**52**	51	51	51	51
Coil tubing rigs	**32**	32	32	32	30
Nitrogen pumpers and bulkers	**13**	14	14	14	11
Rod rigs	**20**	20	23	23	23
Wireline trucks	**12**	18	20	20	20
Colombia					
Service rigs	**1**	1	-	-	-
Coil tubing rigs	**2**	1	-	-	-
Nitrogen pumpers and bulkers	**3**	2	-	-	-
Rod rigs	**3**	3	-	-	-
Wireline trucks	**2**	2	-	-	-

* Fleet data represents the number of units at the end of the period.

During the past two years Essential improved its fleet through the acquisition of new equipment and ongoing modifications to the existing fleet. Acquisitions and modifications have focused on expanding the depth capacity of the coil tubing rigs. As a result of these efforts, Essential's equipment remains well suited to meet the changing needs of the WCSB market.

FINANCIAL RESOURCES AND LIQUIDITY

Funds Flow from Operations[1]

(Thousands)	Three months ended March 31, 2011	2010
Cash flow from operations	**$ (10)**	$ 2,688
Add:		
Changes in non-cash working capital	**13,450**	7,914
Funds flow from operations[1]	**$ 13,440**	$ 10,602
Per share – basic and diluted	**$ 0.18**	$ 0.17

Funds flow from operations[1] was $13.4 million for the three months ended March 31, 2011, compared to $10.6 million for the same period in 2010.

Working Capital

(Thousands)	**March 31, 2011**	March 31, 2010
Current assets	**$ 72,761**	$ 45,800
Current liabilities, excluding current portion of long-term debt	**(26,634)**	(13,879)
Working capital	**$ 46,127**	$ 31,921
Working capital ratio	**2.7:1**	3.3:1

Working capital at March 31, 2011 was $46.2 million compared to $31.9 million at March 31, 2010. The increase in working capital is a result of improved operating results over the prior year.

Credit Facility

Essential's Credit Facility (the "Credit Facility") with its banking syndicate is comprised of a $10 million revolving operating loan and a $40 million revolving term loan facility with a $25 million accordion feature. The $10 million revolving operating loan is limited to 75% of Essential's accounts receivable less specific items and the $40 million revolving term loan facility is limited to 60% of Essential's carrying value of property and equipment less certain indebtedness as defined in the Credit Facility agreement. At March 31, 2011, the maximum of $50 million was available to Essential.

Subsequent to March 31, 2011, Essential entered into a Letter of Commitment with a member of its banking syndicate to provide a $100 million underwritten credit facility. This credit facility will be used to fund the cash portion of the purchase price related to the Technicoil acquisition and provide the Company with additional credit capacity to fund the future capital expenditures and operating requirements of the combined entity.

As at March 31, 2011, all financial debt covenants were satisfied and all banking requirements were up to date. Essential does not anticipate any financial resource or liquidity issues to restrict its future operating, investing or financing activities. On May 10, 2011, Essential had long-term debt outstanding of $0.3 million.

Equipment Expenditures

(Thousands)	Three months ended March 31, **2011**	2010
Canada		
Well Servicing	**$ 4,969**	$ 890
Downhole Services & Rentals	**1,668**	281
Corporate	**76**	167
	6,713	1,338
Colombia		
Well Servicing	**1,289**	-
	1,289	-
Total equipment expenditures	**8,002**	1,338
Less proceeds on disposal of property and equipment	**(947)**	(339)
Net equipment expenditures[1]	**$ 7,055**	$ 999

Net equipment expenditures[1] for the three months ended March 31, 2011 were $7.1 million compared to $1.0 million for the same period in 2010. During the quarter capital expenditures related primarily to the completion of the third deep coil tubing rig, equipment modification costs for the Colombian expansion and continued improvements to the existing fleet. The increase in equipment expenditures over 2010 was in response to the improved industry activity levels and the addition of equipment better suited to service deeper horizontal well activity.

Essential classifies its equipment expenditures as growth capital[1], maintenance capital[1], and infrastructure capital[1]; the latter category includes information systems, operational facilities and leasehold improvements. Comparative equipment expenditures are as follows:

(Thousands)	Three months ended March 31, **2011**	2010
Canada		
Growth capital[1]	**$ 3,226**	$ 671
Maintenance capital[1]	**3,157**	500
Infrastructure capital[1]	**330**	167
	6,713	1,338
Colombia		
Growth capital[1]	**822**	-
Maintenance capital[1]	**467**	-
	1,289	-
	$ 8,002	$ 1,338

Significant improvement in activity levels result in substantially higher maintenance capital[1] as maintenance capital[1] expenditures tend to fluctuate based on activity levels. Management expects that at current levels of activity, maintenance capital[1] should be between $8 million to $9 million on an annual basis.

Essential intends to continue its existing 2011 capital spending program until the Combination with Technicoil is completed and will consider additional new capital expenditure opportunities with the combined entity.

Share Capital

As at May 10, 2011, there were 71,446,627 shares and 6,430,749 share options outstanding. Of the 6,430,749 share options, 2,747,366 were exercisable of which 1,153,645 were "in-the-money".

DISCLOSURE CONTROLS AND PROCEDURES

Essential's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide a reasonable assurance that: (i) material information relating to Essential is made known to Essential's CEO and CFO by others, particularly during the period in which annual filings are being prepared; and (ii) information required to be disclosed by Essential 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 these as part of the 2010 reporting (please refer to the management discussion and analysis for the year ended December 31, 2010 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 in the current period.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Essential reported on these as part of the 2010 reporting (please refer to the management discussion and analysis for the year ended December 31, 2010 available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca).

In conjunction with the adoption of IFRS, controls over the IFRS conversion project were monitored by management and no significant changes to the internal controls were required. Management has evaluated the impact of the conversion to IFRS on its accounting and financial reporting systems and has updated the systems, where necessary, to enable the reporting of historical Canadian GAAP information related to the initial IFRS adoption and for future periods to be reported under IFRS. Outside of these minor changes, there have been no significant changes to the design of internal controls over financial reporting in the current period.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Essential began reporting its financial results in accordance with IFRS on January 1, 2011, the changeover date set by the Canadian Accounting Standards Board (AcSB). IFRS compliant comparative financial information for one year from the changeover date is required including the conversion of the January 1, 2010 opening statement of financial position, the transition date for IFRS.

For the quarter ended March 31, 2010, Essential restated its operating results as if it had always prepared financial results in accordance with IFRS. As a result of componentization of the assets in accordance with IFRS, the resultant changes in depreciation policies and changes to the opening book value of property and equipment, depreciation expense for the first quarter of 2010 has decreased by $1.1 million over the amount previously reported. As a result of the reclassification of operating leases to finance leases, there were insignificant increases to depreciation and interest expense, offset by a reduction in operating expenses of $0.1 million. As a result of changes in the timing and valuation of share based compensation, there was a decrease of $0.1 million over the amount previously reported. These changes resulted in a reduction of deferred tax expense in the first quarter of 2011 of $0.8 million.

OUTLOOK

Essential anticipates 2011 activity in the WCSB will continue to be stronger than the prior year. With the expectation that oil prices will remain strong in 2011, the industry focus on oil and liquids-rich natural gas plays through horizontal well drilling, stimulation and completion technology is expected to continue.

Essential continues to be optimistic about its growth prospects in Colombia. Operations in Colombia have had a slower start than anticipated due to administrative delays in contract processing however, Essential continues to anticipate completion of contracts and commencement of Colombia operations in the second quarter of 2011.

The recently announced Combination between Essential and Technicoil will make Essential a larger and more competitive oilfield services company. Management anticipates the Combination will:

- strengthen Essential's competitive position as the largest provider of coil tubing well services in Canada and the sixth largest fleet of conventional service rigs in Canada;
- position Essential as a critical service provider of completions and workovers of oil and liquids-rich natural gas resource plays in western Canada. With an increasing number of wells being developed with horizontal well and multi-stage fracturing technology, Essential's coil tubing, downhole tools and multi-stage fracturing service are expected to be in high demand in the Canadian market;
- expand Essential's customer base and offer additional services to existing clients;
- provide an exciting and respected oilfield services employment platform to attract and retain experienced personnel;
- position Essential to capitalize on organic growth opportunities, complementary acquisitions within western Canada, and explore expansion into growing international markets, such as Colombia; and
- realize operating and cost efficiencies through the consolidation of certain operating and administrative functions.

With complementary business lines, contiguous geographic operating regions and shared operating and safety philosophies, management expects efficient integration of the two businesses. The Arrangement is expected to close on May 31, 2011. Management and the Board of Directors believe the Combination is in the best interest of Essential's shareholders.

At a time of industry optimism and increasing resource development activity, Essential is strategically positioned to provide oilfield services that are expected be in high demand in 2011.

[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 earnings and net earnings 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 earnings and net earnings per share as calculated in accordance with IFRS.

Gross margin %[2] – This measure is considered a primary indicator of operating performance as calculated by gross margin divided by revenue.

EBITDA[3] (Earnings before interest, income taxes, equity taxes, depreciation, amortization, non-controlling interest earnings, losses or gains on disposal of equipment and share based compensation) – This measure is considered an indicator of Essential's ability to generate funds flow in order to fund required working capital, service debt and fund capital programs.

EBITDA %[3] – This measure is considered an indicator of Essential's ability to generate funds flow as calculated by EBITDA[3] divided by revenue.

Funds flow or funds flow from operations[4] – This measure is an indicator of Essential's ability to generate funds flow[4] in order to fund working capital, principal debt repayments and capital programs. Funds flow or funds flow from operations is defined as cash flow from operations before changes in non-cash operating working capital. This measure is useful in assessing Essential's operational cash flow as it provides cash generated in the period excluding the timing of non-cash operating working capital. This reflects the ability of the operations of Essential to meet the above noted funding requirements.

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

Maintenance capital – Equipment additions that are incurred in order to refurbish or replace previously acquired equipment less proceeds on the disposal of retired equipment. Such additions do not provide incremental increases in revenue. Maintenance capital is a key component in understanding the sustainability of Essential's business as cash resources retained within Essential must be sufficient to meet maintenance capital needs to replenish the assets for future cash generation.

Infrastructure capital – Additions that are incurred in order to maintain the Company's business systems and operating facilities. Such additions do not provide incremental increases in revenue.

Net equipment expenditures[5] – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to assess net cash flows related to the financing of Essential's oilfield services equipment.

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[2] Gross margin % is reconciled to the IFRS measures, revenue and operating costs, in the table "Results of Operations".

[3] EBITDAS and EBITDAS % are reconciled to the IFRS measure, loss from continuing operations before income taxes, in the table "Results of Operations".

[4] Funds flow is reconciled to the IFRS measure, cash flow from operations, in the table "Funds Flow from Operations".

[5] Net equipment expenditures is calculated from the IFRS measures, equipment expenditures and proceeds on disposal of equipment, in the table "Equipment Expenditures".

Unaudited Condensed Interim Consolidated Financial Statements

Essential Energy Services Ltd.

March 31, 2011

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(unaudited)

(Thousands)	**As at March 31 2011**	As at December 31 2010	As at January 1 2010
		(Note 28)	*(Note 28)*
Assets *(note 10)*			
Current			
Cash	**$ 1,403**	$ 2,392	$ 1,080
Trade and other receivables *(note 5)*	**56,969**	40,160	22,899
Inventories *(note 6)*	**11,657**	10,587	9,194
Prepayments	**2,732**	2,677	1,853
	72,761	55,816	35,026
Non-current			
Property and equipment *(note 7)*	**112,884**	109,830	102,964
Intangible assets *(note 8)*	**2,920**	3,122	3,853
Assets held for sale	**-**	-	1,215
Deferred tax assets *(note 11)*	**2,481**	5,155	7,426
	118,285	118,107	115,458
Total assets	**$ 191,046**	$ 173,923	$ 150,484
Liabilities			
Current			
Trade and other payables *(note 9)*	**$ 26,516**	$ 23,444	$ 9,425
Current portion of long-term debt *(note 10)*	**2,187**	333	3,866
Current portion of equity taxes *(note 12)*	**119**	-	-
	28,822	23,777	13,291
Non-current			
Long-term debt *(note 10)*	**5,205**	63	13,735
Equity taxes *(note 12)*	**358**	-	-
Liability for share-based compensation	**-**	-	794
	5,563	63	14,529
Total liabilities	**34,385**	23,840	27,820
Commitments *(note 23)*			
Equity			
Share capital *(note 13)*	**150,803**	150,798	-
Unitholders capital *(note 13)*	**-**	-	136,623
Retained earnings (accumulated deficit)	**3,936**	(2,223)	(13,959)
Other reserves *(note 14)*	**1,669**	1,205	-
Equity attributable to shareholders of Essential	**156,408**	149,780	122,664
Non-controlling interest *(note 15)*	**253**	303	-
Total equity	**156,661**	150,083	122,664
Total liabilities and equity	**$ 191,046**	$ 173,923	$ 150,484

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

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

(Thousands, except per share amounts)	For the three months ended March 31, 2011	2010 *(Note 28)*
Revenue	**$ 66,416**	$ 46,220
Operating expenses *(note 16)*	**49,764**	32,840
Gross margin	**16,652**	13,380
General and administrative expenses *(note 17)*	**3,251**	2,930
	13,401	10,450
Depreciation and amortization *(note 7 & 8)*	**3,508**	3,256
Share-based compensation *(note 21)*	**305**	309
Equity taxes *(note 12)*	**478**	-
Other (income) expense	**379**	(130)
Operating profit	**8,731**	7,015
Finance costs *(note 19)*	**120**	239
Net income before income tax	**8,611**	6,776
Deferred income tax expense *(note 11)*	**2,516**	1,101
Net income for the period	**6,095**	5,675
Other comprehensive income:		
Unrealized foreign exchange gain on foreign operations	**265**	-
Deferred income tax on unrealized foreign exchange	**(90)**	-
Total comprehensive income for the period	**175**	-
Comprehensive income	**$ 6,270**	$ 5,675
Net income attributable to:		
Shareholders of Essential	**$ 6,248**	$ 5,675
Non-controlling interests	**(153)**	-
	$ 6,095	$ 5,675
Comprehensive income attributable to:		
Shareholders of Essential	**$ 6,409**	$ 5,675
Non-controlling interests	**(139)**	-
	$ 6,270	$ 5,675
Earnings per share *(note 22)*		
Basic and diluted, attributable to shareholders of Essential	**$ 0.09**	$ 0.09

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

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited)

(Thousands)	Unitholders Capital	Share Capital	Retained Earnings	Other Reserves	Total	Non-controlling Interest	Total
As at January 1, 2010	$ 136,623	$ -	$ (13,959)	$ -	$ 122,664	$ -	$ 122,664
Net income (loss) for the year	-	-	12,117	-	12,117	(8)	12,109
Other comprehensive loss for the year	-	-	-	(316)	(316)	(70)	(386)
Equity transferred	-	-	(381)	-	(381)	381	-
Reclassification of liability on share based compensation	-	-	-	794	794	-	794
Share based compensation	-	-	-	761	761	-	761
Exercise of options	7	124	-	(34)	97	-	97
Issuance of shares	14,044	-	-	-	14,044	-	14,044
Conversion to a corporation	(150,674)	150,674	-	-	-	-	-
As at December 31, 2010	$ -	150,798	(2,223)	1,205	149,780	303	150,083
Net income for the period	-	-	6,248	-	6,248	(153)	6,095
Other comprehensive income for the period	-	-	-	161	161	14	175
Equity transferred	-	-	(89)	-	(89)	89	-
Share based compensation	-	-	-	305	305	-	305
Exercise of options		5	-	(2)	3	-	3
As at March 31, 2011	**$ -**	**$ 150,803**	**$ 3,936**	**$ 1,669**	**$ 156,408**	**$ 253**	**$ 156,661**

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

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

(Thousands)	For the three months ended March 31, **2011**	2010 *(Note 28)*
Operating activities:		
Net income for the period	**$ 6,095**	$ 5,675
Non-cash adjustments to reconcile net income for the period to net cash flow:		
Depreciation and amortization *(note 7 & 8)*	**3,508**	3,256
Deferred income tax expense (recovery) *(note 11)*	**2,516**	1,101
Share-based compensation *(note 21)*	**305**	309
Provision for impairment of trade accounts receivable *(note 5)*	**153**	153
Finance costs *(note 18)*	**120**	239
(Gain) loss on disposal of assets *(note 7)*	**743**	(131)
Operating cash flow before changes in working capital	**13,440**	10,602
Working capital adjustments:		
Increase in trade and other accounts receivable before provision	**(15,876)**	(13,317)
(Increase) decrease in inventories	**(1,070)**	767
(Increase) decrease in prepayments	**(55)**	334
Increase in trade and other accounts payable	**3,073**	4,302
Increase in equity taxes	**478**	-
Net cash flows from (used in) operating activities	**(10)**	2,688
Investing activities:		
Purchase of property and equipment *(note 7)*	**(8,002)**	(1,338)
Proceeds on disposal of equipment *(note 7)*	**947**	339
Change in non-cash working capital	**(800)**	**-**
Net cash flows from (used in) investing activities	**(7,855)**	(999)
Financing activities:		
Increase (decrease) in long-term debt	**6,996**	(16,518)
Issuance of share capital, net of costs	**3**	13,813
Finance costs *(note 19)*	**(120)**	(239)
Change in non-cash working capital	-	175
Net cash flows from (used in) financing activities	**6,879**	(2,769)
Foreign exchange gain on cash held in a foreign currency	**(3)**	-
Change in cash	**(989)**	(1,080)
Cash, beginning of the period	**2,392**	1,080
Cash, end of period	**$ 1,403**	$ -

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

1. AUTHORIZATION OF FINANCIAL STATEMENTS & STATEMENT OF COMPLIANCE WITH IFRS

The condensed interim consolidated financial statements ("Interim Financial Statements") of Essential Energy Services Ltd. and its subsidiaries ("Essential or the "Company") for the period ended March 31, 2011 were authorized by the Board of Directors on May 10, 2011. Essential is a publicly traded oilfield services company governed by the laws of the province of Alberta. Essential is listed on the Toronto Stock Exchange and trades under the symbol ESN.

Based in Calgary, Essential provides oilfield services to oil and gas producers in western Canada for servicing producing wells and new drilling activity. Essential intends to provide integrated services related to well servicing of producing wells and new drilling activity in Colombia.

The Interim Financial Statements of Essential have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First Time Adoption of International Financial Reporting Standards* as issued by the International Accounting Standards Board (IASB).

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Transition to International Financial Reporting Standards (IFRS)

For all periods up to and including the year ended December 31, 2010, Essential prepared its financial statements in accordance with pre-changeover Canadian generally accepted accounting principles (pre-changeover Canadian GAAP). The Interim Financial Statements for the three months ended March 31, 2011, are the first Essential is required to prepare in accordance with International Financial Reporting Standards (IFRS).

Accordingly, Essential has prepared financial statements, which comply with IFRS applicable to interim financial statements and has described the significant accounting policies meeting those requirements. The general principle that should be applied on first-time adoption of IFRS is that standards in force at the first reporting date should be applied retrospectively. Essential has utilized certain exemptions under IFRS 1 *First Time Adoption of International Financial Reporting Standards* (note 29).

b) Basis of Presentation

The Interim Financial Statements have been prepared on a historical cost basis. The Interim Financial Statements are presented in Canadian dollars and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

c) Principles of Consolidation

The Interim Financial Statements include the accounts of Company, its wholly owned subsidiaries and its majority owned subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Essential obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances, income and expenses and unrealized gains and losses resulting from intercompany transactions are eliminated.

d) Foreign Currency Translation

The results and financial position of the Company's Colombia operations are translated from the functional currency of those operations, which is the local currency, into the presentation currency for each reporting period so that consolidated financial statements may be presented. The results and financial position are translated into the presentation currency using the following procedures:

i. assets and liabilities for the statement of financial position are translated at the closing rate at the date of that statement of financial position;

ii. income and expenses for the statement of comprehensive income are translated at exchange rates at the dates of the transactions; and

iii. any resulting exchange differences are recognized in other comprehensive income.

e) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed on the date of exchange, plus costs directly attributable to the issuance of equity or debt required to facilitate the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

Goodwill is measured at cost being the excess of the cost of the business combination over the Company's share of the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in the income statement.

f) Assets Held For Sale and Discontinued Operations

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When property and equipment and intangible assets are classified as held for sale they are no longer subject to depreciation or amortization.

g) Revenue Recognition

Revenue for oilfield services and rentals is recognized in the period rendered. Revenue for downhole tools is recognized when title passes to the customer and the customer assumes risks and rewards of ownership. Revenue is only recognized when it is probable that economic benefits will flow to Essential. Revenue is measured at the fair value of the consideration received, excluding discounts and sales taxes.

h) Income Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are remeasured at each reporting date and recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

i) Share-based Payment Transactions

Essential has an option plan available to certain key employees; services are rendered as consideration for equity instruments (“equity settled transactions”). At the time of issuance, Essential uses the Black-Scholes option-pricing model to measure the fair value of the options granted.

The compensation cost of the options is recognized, together with a corresponding increase in equity, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Essential’s best estimate of the number of equity instruments that will ultimately vest. The compensation expense or recovery for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for options that do not ultimately vest.

Where a grant of equity instruments is cancelled or settled during the vesting period, other than a grant cancelled by forfeiture when the vesting conditions are not satisfied, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

j) Financial Instruments

Financial assets

Initial recognition

Financial assets are reviewed at the point the asset is acquired to determine whether or not the asset should be categorized as a:

a) financial asset at fair value through profit or loss,
b) loan and receivable,
c) held to maturity investment, or
d) available for sale financial asset.

Financial assets are recognized initially at fair value except, in the case of investments which are recognized at fair value plus directly attributable transaction costs. During the three months ended March 31, 2011 and during the year end December 31, 2010, Essential had financial assets at fair value through profit or loss and loans and receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with gains or losses recognized in the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial liabilities

Initial recognition

Financial liabilities are reviewed at the point the liability is incurred to determine whether they should be categorized as financial liabilities:

a) at fair value through profit or loss or
b) loans and borrowings.

Essential determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, include directly attributable transactions costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Essential had no held for trading financial liabilities during the three months ended March 31, 2011 and during the year end December 31, 2010.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

k) Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. When major maintenance is performed, its cost is recognized in the carrying amount of the property and equipment as a component if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is recorded using either a straight line method or unit of production method, net of salvage value, over the estimated useful lives of the assets. Depreciation rates are as follows:

Category	Period	Method
Service rigs and equipment – certifications	24,000 hours	Hours of service
Service rigs and equipment – frames	30 – 40 years	Straight line
Service rigs and equipment – other	15 – 20 years	Straight line
Coil tubing rigs and equipment	8 – 20 years	Straight line
Oilfield equipment	10 – 16 years	Straight line
Vehicles	5 – 10 years	Straight line
Office and computer equipment	3 – 10 years	Straight line
Other	5 – 12 years	Straight line
Leaseholds	varied	Straight line over lease

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the period the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

l) Leases

At inception, leases are classified as either financing or operating.

Finance leases

Finance leases, which transfer to the Company substantially all the risks and benefits of ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or if lower, at the present value of the minimum lease payments. Obligations recorded under finance leases are reduced by the lease payments, net of imputed interest.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Any lease not classified as a finance lease is accounted for as an operating lease, and the associated payments are recorded as an expense when they are paid or become payable.

m) Intangible Assets

Intangible assets are comprised of the values attributable to customer relationships, trade names and favourable leases from acquired businesses.

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets are being amortized over their expected lives as follows:

Customer relationships	5-10 years
Trade names	3 years
Favourable leases	5 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

n) Inventories

Inventories are valued at the lower of cost and net realizable value.

The cost basis of each category of inventory is as follows:

Downhole service tools	purchase cost on a specific cost basis
Coil tubing	purchase cost on a first-in-first-out basis
Wireline products	purchase cost on a first-in-first-out basis

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell.

o) Impairment of Non-financial Assets

At each reporting date Essential assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, Essential makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Key assumptions were based on a review of historical performance, approved budgets and industry considerations affecting the Company and the CGU.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

p) Goodwill

Goodwill is measured at cost less any accumulated impairment losses after initial recognition. Goodwill is tested for impairment in two steps on an annual basis. In the first step, the carrying amount of the CGU is compared to its fair value. When the fair value of a CGU exceeds its carrying amount, goodwill of that CGU is not considered to be impaired and the second step of the impairment test is unnecessary. In the second step, the fair value of goodwill is compared to its carrying amount, with an impairment loss recognized when the carrying value of goodwill exceeds its estimated fair value. Any goodwill impairment will be recognized as an expense in the period the impairment is determined. Impairment provisions are not reversed if there is subsequent increase in the fair value of goodwill.

q) Provisions

Provisions are recognized when Essential has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of comprehensive income.

r) Non-controlling Interest

Non-controlling interest on the consolidated statements of financial position is represented by contributions made by the non-controlling partner, plus or minus the accumulated earnings (loss) attributable to the non-controlling interest, less distributions.

3. FUTURE ACCOUNTING POLICIES

Prior to the adoption of IFRS by the Company, the IASB issued IFRS 9 that amends the classification and measurement criteria for financial instruments included within the scope of IAS 39. Financial assets will be measured at fair value or amortized cost and the available for sale category will be eliminated. If an equity investment is not required to be classified as held for trading, an irrevocable election can be made upon initial recognition to measure at fair value through other comprehensive income. Financial liabilities will be classified at amortized cost except for financial liabilities at fair value through profit and loss, financial guarantee contracts and commitments to provide a loan at a below market interest rate. A fair value option is available for both financial assets and liabilities as an alternative to amortized cost if certain conditions are met. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is analyzing the impact the new standard will have on its financial assets and liabilities.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The determination of the value of many assets and liabilities is dependent upon future events and the preparation of financial statements necessarily involves the use of estimates and approximations based on information available as of the date of the Interim Financial Statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and revenues and expenses for the periods reported. The most significant of these are the estimates used for provisions for impairment of trade receivables, net realizable value of used inventory, depreciation and amortization, intangible assets, share-based compensation, impairment of non-financial assets and deferred income tax assets and liabilities. The effect on the Interim Financial Statements of changes in such estimates in future years could be material.

5. TRADE AND OTHER RECEIVABLES

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Trade receivables, net of provision	**$ 56,014**	$ 40,002	$ 22,577
Other receivables	**955**	158	322
	$ 56,969	$ 40,160	$ 22,899

Trade receivables are non-interest bearing, generally due on 30-90 day terms and are shown net of a provision for impairment. Other receivables are non-interest bearing and do not contain impaired assets.

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

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Canadian Dollar	**$ 55,488**	$ 39,460	$ 22,267
United States Dollar	**526**	542	310
	$ 56,014	$ 40,002	$ 22,577

The aging analysis of trade receivables is as follows:

	As at March 31 2011	As at December 31 2010	As at January 1 2010
< 31 days	**$ 26,345**	$ 19,515	$ 11,116
31-60 days	**20,630**	14,400	8,216
61-90 days	**6,360**	4,350	1,938
>90 days	**2,679**	1,737	1,307
	$ 56,014	$ 40,002	$ 22,577

Trade receivables that are less than three months past due are generally not considered impaired. The provision for impairment of receivables of $0.6 million is included in the amounts over 90 days old. The movements in the provision during the period were as follows:

	For the three months ended March 31 2011	March 31 2010
Balance, beginning of the period	**$ 423**	$ 661
Provision for receivables impairment	**153**	153
Receivables written off during the year as uncollectible	**(3)**	(3)
Unused amount reversed	**-**	(18)
Balance, end of the period	**$ 573**	$ 793

The creation and release of the allowance for doubtful accounts has been included in operating expenses in the consolidated statement of comprehensive income. Amounts charged to the allowance are generally written off when there is no expectation of recovering additional cash.

6. INVENTORIES

		As at March 31 2011		As at December 31 2010		As at January 1 2010
Downhole tools	**$**	**10,007**	$	9,018	$	7,848
Coil tubing and wireline products		**1,650**		1,569		1,346
	$	**11,657**	$	10,587	$	9,194

Inventory expensed through operating expenses in the consolidated statement of comprehensive income for the three months ended March 31, 2011 was $9.1 million (2010 - $4.3 million).

7. PROPERTY AND EQUIPMENT

As at March 31, 2011		**Cost**		**Accumulated Depreciation**		**Net Book Value**
Service rigs and equipment - certifications	**$**	**28,168**	**$**	**4,657**	**$**	**23,511**
Service rigs and equipment - frames		**17,808**		**5,008**		**12,800**
Service rigs and equipment – other		**21,508**		**7,282**		**14,226**
Coil tubing rigs and equipment		**25,737**		**5,393**		**20,344**
Oilfield equipment		**39,151**		**8,842**		**30,309**
Vehicles		**9,429**		**3,450**		**5,979**
Office and computer equipment		**5,081**		**1,966**		**3,115**
Other		**3,655**		**1,055**		**2,600**
	$	**150,537**	**$**	**37,653**	**$**	**112,884**

As at December 31, 2010		Cost		Accumulated Depreciation		Net Book Value
Service rigs and equipment - frames	$	28,135	$	4,326	$	23,809
Service rigs and equipment - certifications		17,807		4,511		13,296
Service rigs and equipment – other		21,330		6,876		14,454
Coil tubing rigs and equipment		22,718		4,970		17,748
Oilfield equipment		37,269		8,359		28,910
Vehicles		9,090		3,216		5,874
Office and computer equipment		5,010		1,738		3,272
Other		3,401		934		2,467
	$	144,760	$	34,930	$	109,830

As at January 1, 2010		Cost		Accumulated Depreciation		Net Book Value
Service rigs and equipment - frames	$	28,230	$	3,332	$	24,898
Service rigs and equipment - certifications		18,382		3,104		15,278
Service rigs and equipment – other		20,955		5,168		15,787
Coil tubing rigs and equipment		18,574		3,600		14,974
Oilfield equipment		27,428		5,547		21,881
Vehicles		7,059		2,387		4,672
Office and computer equipment		4,032		960		3,072
Other		2,950		548		2,402
	$	127,610	$	24,646	$	102,964

Included in oilfield equipment is $6.0 million (December 31, 2010 - $3.8 million, January 1, 2010 - $0.1 million) of assets under construction which will not be depreciated until put into use. Additionally, $5.7 million (December 31, 2010 - $6.0 million, January 1, 2010 - $nil) of assets included in oilfield equipment have been shipped to Colombia and will not be depreciated until put into service in that location.

	For the three months ended	
	March 31 2011	March 31 2010
Net book value, beginning of the period	**$ 109,830**	$ 102,964
Acquisitions	**8,002**	1,338
Disposals	**(1,690)**	(200)
Depreciation	**(3,306)**	(3,076)
Currency translation adjustment	**48**	-
Net book value, end of the period	**$ 112,884**	$ 101,026

8. INTANGIBLE ASSETS

As at March 31, 2011	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**$ 5,464**	**$ 2,724**	**$ 2,740**
Favourable leases	**576**	**396**	**180**
Trade names	**208**	**208**	**-**
	$ 6,248	**$ 3,328**	**$ 2,920**

As at December 31, 2010	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 5,464	$ 2,577	$ 2,887
Favourable leases	576	358	218
Trade names	208	191	17
	$ 6,248	$ 3,126	$ 3,122

As at January 1, 2010	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 5,464	$ 2,118	$ 3,346
Favourable leases	576	228	348
Trade names	382	223	159
	$ 6,422	$ 2,569	$ 3,853

	For the three months ended	
	March 31 2011	March 31 2010
Net book value, beginning of the period	**$ 3,122**	$ 3,853
Amortization	**(202)**	(180)
Net book value, end of the period	**$ 2,920**	$ 3,673

9. TRADE AND OTHER PAYABLES

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Trade accounts payable	**$ 12,898**	$ 14,945	$ 5,781
Accrued payables	**2,419**	2,160	1,221
Payroll	**9,935**	5,868	2,323
Other	**1,264**	471	100
	$ 26,516	$ 23,444	$ 9,425

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

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Canadian Dollar	**$ 10,424**	$ 13,299	$ 4,892
United States Dollar	**2,352**	1,646	889
Colombian Peso	**122**	-	-
	$ 12,898	$ 14,945	$ 5,781

10. LONG-TERM DEBT

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Term loan	**$ 7,186**	$ -	$ 16,600
Finance leases	**206**	396	1,001
	7,392	396	17,601
Less: current portion of long-term debt	**(2,187)**	(333)	(3,866)
	$ 5,205	$ 63	$ 13,735

At March 31, 2011, Essential's credit facility (the "Credit Facility") of $50 million consisted of a $10 million revolving operating loan and a $40 million revolving term loan facility. The $10 million revolving operating loan matures on May 31, 2011, is renewable annually with lenders' consent and is limited to 75% of Essential's accounts receivable less specific items. The $40 million revolving term loan facility matures on May 31, 2011, is renewable annually with lenders' consent and is limited to 60% of Essential's carrying value of property and equipment less certain indebtedness as defined in the Credit Facility agreement. To the extent the revolving term loan facility is not renewed, debt payments would be required over a two year period, based on a three year amortization schedule. The Credit Facility has an accordion feature that allows Essential to increase the revolving term loan by $25 million at a future date, subject to certain terms and conditions, including lenders' consent.

Subsequent to March 31, 2011, Essential entered into a Letter of Commitment with a member of its banking syndicate to provide a $100 million underwritten credit facility. This credit facility will be used to fund the cash portion of the purchase price related to the Technicoil acquisition (note 28) and provide the Company with additional credit capacity to fund the future capital expenditures and operating requirements of the combined entity.

As at March 31, 2011, all financial debt covenants were satisfied and all banking requirements were up to date. The maximum of $50 million was available to the Company as at March 31, 2011.

The fair value of the term loan approximates the carrying amount. The following table outlines the repayments, excluding interest, in the event that the Facility is not renewed.

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Repayments are required as follows:			
Within one year	**$ 1,996**	$ -	$ 3,228
Between one and two years	**2,395**	-	5,533
Between two and three years	**2,795**	-	7,839
	$ 7,186	$ -	$ 16,600

Assets under finance leases consist of automotive and office assets. The obligations under finance leases are secured by the lessors' title to the leased assets. The following table outlines the future minimum finance lease payments.

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Amounts payable under finance leases			
Within one year	**$ 191**	$ 333	$ 638
Between one and two years	**15**	63	311
Between two and three years	**-**	-	52
	$ 206	$ 396	$ 1,001

11. INCOME TAXES

Essential converted from a publicly traded income trust to a publicly traded corporation on April 29, 2010. Accordingly, Essential's calculation of current and deferred income taxes for the three months ended March 31, 2011 is based on the conversion to a corporate structure, whereas the calculation of current and deferred income taxes for the three months ended March 31, 2010 was based on Essential being a publicly traded income trust.

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

	For the three months ended	
	March 31 2011	March 31 2010
Earnings before income taxes	**$ 8,611**	$ 6,709
Statutory tax rate	**26.5%**	28%
Expected income tax expense	**$ 2,282**	$ 1,879
Increase (decrease) resulting from:		
Equity tax	**127**	-
Share based compensation	**81**	86
Permanent items	**166**	120
Impact of foreign tax rates	**(19)**	-
Effective tax law changes and future tax rate deductions	**(121)**	(984)
Deferred income tax expense	**$ 2,516**	$ 1,101

The deferred income tax asset and liabilities consist of temporary differences between the carrying values for accounting versus tax as follows:

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Deferred tax assets			
Accelerated amortization of intangible assets	**$ 2,576**	$ 2,596	$ 2,526
Losses available for offset against future taxable income	**2,255**	3,667	2,055
Accelerated depreciation of property and equipment	**(2,865)**	(2,053)	2,457
Foreign operating loss	**714**	685	-
Foreign accelerated depreciation for book purposes	**395**	485	-
Deferred tax recognized on assets held for sale	**-**	-	861
Equity issuance costs	**296**	702	471
Other	**(890)**	(927)	(944)
Net deferred income tax asset	**$ 2,481**	$ 5,155	$ 7,426

12. EQUITY TAXES

Equity tax for the current quarter of $0.5 million represents a Colombian tax of 6.0% on the balance sheet equity recorded in our Colombia branch at January 1, 2011. The equity tax is assessed every four years. The tax for the four-year period from 2011 to 2014 is payable in eight semi-annual installments over the four-year period but is expensed in the first quarter of 2011 at the commencement of the four-year period.

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Equity taxes payable:			
Within one year	**$ 119**	$ -	$ -
Between one and two years	**120**	-	-
Between two and three years	**119**	-	-
Between three and four years	**120**		
	$ 478	$ -	$ -

13. SHARE CAPITAL

Authorized

Authorized share capital consists of an unlimited number of common 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.

On April 29, 2010 Essential unitholders received one common share of Essential Energy Services Ltd. in exchange for each trust unit held on the effective date of the conversion of Essential Energy Services Trust to a corporation pursuant to a plan of arrangement under the Business Corporations Act (Alberta).

Issued

	Number of Trust Units	Amount
As at January 1, 2010	59,853	$ 136,623
Units issued on equity financing	11,500	14,044
Units issued on exercise of options	5	7
Converted into common shares	(71,358)	(150,674)
As at December 31, 2010	-	$ -

	Number of Common Shares	Amount
As at January 1, 2010	-	$ -
Converted from trust units	71,358	150,674
Shares issued on exercise of options	85	124
As at December 31, 2010	71,443	$ 150,798
Shares issued on exercise of options	3	5
As at March 31, 2011	**71,446**	**$ 150,803**

14. OTHER RESERVES

	Contributed Surplus	Other Comprehensive Income	Total
As at January 1, 2010	$ -	$ -	$ -
Share based compensation	761	-	761
Exercise of options	(34)	-	(34)
Reclassification of contributed surplus	794	-	794
Unrealized foreign exchange gain on foreign operations	-	(316)	(316)
As at December 31, 2010	$ 1,521	$ (316)	1,205
Share based compensation	305	-	305
Exercise of options	(2)	-	(2)
Unrealized foreign exchange gain on foreign operations	-	161	161
As at March 31, 2011	**$ 1,824**	**$ (155)**	**$ 1,669**

15. NON-CONTROLLING INTEREST

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Balance, beginning of the period	**$ 303**	$ -	$ -
Contribution	**89**	381	-
Loss attributed to non-controlling interest	**(153)**	(8)	-
Other comprehensive income	**14**	(70)	-
Balance, end of the period	**$ 253**	$ 303	$ -

During 2010 Essential established a subsidiary pursuant to the terms of an arrangement with a private Colombian group (the "Partner") under the name of Essential Energy Services S.A. (Sucursal) Colombia ("Essential Colombia"). Under the terms of the agreement, Essential owns 85% and the Partner owns 15% of Essential Colombia and earnings are allocated accordingly.

The Partner was granted a 5% interest in Essential Colombia upon signing the agreement. Therefore, 5% of the fair value of Essential's contributed equipment has been treated as a transfer of equity to the non-controlling interest. The remaining 10% of the Partner's contribution will be recorded as an increase to non-controlling interest when received.

16. OPERATING EXPENSES

	For the three months ended March 31 2011	March 31 2010
Staff costs *(note 18)*	**$ 20,868**	$ 15,142
Materials and related costs	**14,654**	7,090
Travel	**4,071**	3,021
Repairs and maintenance	**3,250**	2,288
Fuel	**2,913**	2,046
Subcontracting	**2,119**	1,294
Occupancy costs	**1,193**	1,156
Other expenses	**696**	803
	$ 49,764	$ 32,840

17. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended March 31 2011	March 31 2010
Staff costs *(note 18)*	**$ 1,692**	$ 1,356
Professional fees	**408**	595
Occupancy costs	**346**	346
Other expenses	**805**	633
	$ 3,251	$ 2,930

18. EMPLOYEE COSTS

	For the three months ended	
	March 31 2011	March 31 2010
Wages and salaries	**$ 22,111**	$ 16,301
Share based compensation	**305**	309
Other benefits	**449**	197
	$ 22,865	$ 16,807

Employee costs are included in:		
Operating expenses *(note 16)*	**$ 20,868**	$ 15,142
General and administrative expenses *(note 17)*	**1,692**	1,356
Share-based compensation	**305**	309
	$ 22,865	$ 16,807

19. FINANCE COSTS

	For the three months ended	
	March 31 2011	March 31 2010
Bank borrowings	**$ 113**	$ 219
Lease financing	**7**	20
	$ 120	$ 239

20. RELATED PARTIES

Transactions with related parties, if they occur, are made are made in the normal course of operations, on commercial terms established and agreed to by the related parties. During the three months ended March 31, 2011 and the three months ended March 31, 2010, there were no transactions with related parties.

21. SHARE-BASED COMPENSATION

Under the Company's Share Option Plan certain key personnel of the Company are eligible to receive options to acquire Essential shares, with terms not to exceed five years from the date of the grant. The exercise price is the weighted-average price of the 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 of the Company at the time of the grant. The options currently granted vest over three years with one-third of the options exercisable on each anniversary date from the date of the original grant.

The maximum number of share options issuable under the Share Option Plan may not exceed 10% of the sum of the Company's outstanding shares, which at December 31, 2010 totaled 7,144,329 (2009 – 5,985,297) share options.

	For the three months ended March 31,			
	2011		2010	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**5,034**	**$ 2.61**	4,737	$ 3.49
Issued	**1,530**	**2.16**	1,002	1.15
Exercised	**(3)**	**1.00**	-	-
Expired	**(1)**	**18.74**	(399)	10.00
Forfeited	**(44)**	**3.45**	(114)	1.94
Outstanding, end of period	**6,516**	**$ 2.50**	5,226	$ 3.06
Exercisable, end of period	**2,793**	**$ 3.51**	1,800	$ 5.58

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

	2011	2010
Risk-free interest rate	**1.7 – 2.3%**	1.6 – 2.8%
Expected volatility	**70.0 – 77.4%**	69.4 – 84.0%
Expected term	**2.2 – 4.2 years**	2.2 – 4.3 years
Expected forfeiture rate	**16.0%**	16.6 – 17.0%
Dividend yield	**nil**	nil
Fair value per option issued	**$0.94 – 1.18**	$0.56 – 0.69

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.

The following tables summarize information about the share options outstanding as at March 31, 2011, December 31, 2010 and unit options outstanding as at January 1, 2010:

As at March 31, 2011

Exercise Prices	**Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Fair Value of Options (per option)**	**Number of options exercisable**
$0.84 – $2.14	**2,931**	**3.4**	**0.58**	**1,176**
$2.15 – $4.00	**2,986**	**3.5**	**0.73**	**1,018**
$4.01 – $15.54	**599**	**0.6**	**0.05**	**599**
	6,516	**3.2**	**0.60**	**2,793**

As at December 31, 2010

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Fair Value of Options (per option)	Number of options exercisable
$0.84 – $2.14	2,919	3.6	0.58	868
$2.15 – $4.00	1,508	2.5	0.36	1,049
$4.01 – $15.54	607	0.8	0.05	608
	5,034	2.9	0.45	2,525

As at January 1, 2010

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Fair Value of Options (per option)	Number of options exercisable
$0.84 – $2.14	1,811	4.1	0.51	424
$2.15 – $4.00	1,702	3.5	0.31	604
$4.01 – $15.54	1,224	1.1	0.03	1,119
	4,737	3.1	0.31	2,147

22. EARNINGS PER SHARE

Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to equity shareholders by the weighted average number of shares in issue.

In calculating the diluted earnings (loss) per share, share options outstanding and other potential common shares have been taken into account where the impact of these is dilutive.

	For the three months ended	
	March 31 2011	March 31 2010
Basic	**71,446,627**	59,980,743
Dilutive common shares from share options	**1,548,902**	374,382
Total diluted	**72,995,529**	60,355,125
Net income attributable to Essential	**$ 6,248**	$ 5,675
Basic and diluted earnings per share	**$ 0.09**	$ 0.09

23. COMMITMENTS

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

	Amount
Within one year	$ 2,978
In the second year to fifth years inclusive	6,485
After five years	1,396
	$ 10,859

24. CAPITAL DISCLOSURE

The Company's capital structure consists of the following:

	As at March 31 2011	As at December 31 2010	As at January 1 2010
Long-term debt	**$ 7,392**	$ 396	$ 17,601
Equity attributable to shareholders of Essential	**156,814**	149,780	122,664
Total capitalization	**$ 164,206**	$ 150,176	$ 140,265

Essential makes adjustments to its capital structure based on changes in economic conditions and the Company's planned requirements. Essential has the ability to adjust its capital structure by issuing new

equity or debt, controlling the amount of dividends, if any, issued to shareholders and making adjustments to its capital expenditure program.

Essential is subject to externally imposed capital requirements associated with its Credit Facility. These capital requirements include the following financial ratios: (i) Funded Debt to trailing twelve month EBITDA (EBITDA is defined as earnings before interest, income taxes, depreciation and amortization) shall not exceed 3.00 for any consecutive period greater than eight calendar months without reducing to at least 2.75 for at least one fiscal quarter reporting period; (ii) Funded Debt to Capitalization shall not exceed 50%; and (iii) Current Assets to Current Liabilities shall not be less than 1.25. As at March 31, 2011, the Company was in good standing with respect to these covenants.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Designation and valuation of financial instruments

The Company's financial instruments recognized on the consolidated statement of financial position consist of cash, trade and other receivables, bank indebtedness and trade and other payables. The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments:

Cash	Held for trading
Trade and other receivables	Loans and receivables
Bank indebtedness	Liabilities measured at amortized cost
Trade and other payables	Liabilities measured at amortized cost

Fair values

The carrying values of cash, trade and other receivables, bank indebtedness and trade and other payables approximate their estimated fair values due to their short terms to maturity.

The fair value of a financial instrument is the amount that would be agreed to in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. Fair value can be determined by reference to prices in active markets to which the Company has access. In the absence of active markets, the Company determines fair value based on market or by reference to other similar products.

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

Credit risk

The Company's trade accounts receivable balances are with customers in the oil and gas industry and are subject to normal industry credit risks. These balances represent the Company's total credit exposure. During the three months ended March 31, 2011, the Company earned revenues from more than 400 customers with five of these customers representing 29% of revenue. As at March 31, 2011, approximately 27% of the total accounts receivable balance was due from five companies.

Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Company's income or the value of its financial instruments. The Company does not believe that the results of operations or cash flow would be affected to a significant degree by a sudden change in market interest rates or foreign exchange rate.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Essential manages liquidity risk by forecasting cash flows to identify financing requirements, by maintaining committed credit facilities, and by maintaining access to additional financing at competitive rates through capital markets and highly rated financial institutions. The Company believes that it has access to sufficient capital through internally generated cash flows and from undrawn committed credit facilities to meet current spending forecasts.

26. 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 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 and fourth quarters of the year and lower in the second and third quarters.

27. SEGMENTED INFORMATION

Essential has two operating segments, Well Servicing and Downhole Services & Rentals, and a non-operating segment, Corporate.

a) Well Servicing

The Well Servicing segment provides well completion and production/workover services throughout Alberta, in northeastern British Columbia and southeastern Saskatchewan. Certain Well Servicing equipment was relocated to Colombia at the end of 2010 and is expected to provide services in Colombia in 2011. The Well Servicing segment is comprised of a fleet of service rigs, coil tubing rigs, nitrogen pumpers and rod rigs.

b) Downhole Services & Rentals

The Downhole Services & Rentals segment is comprised of downhole tools, tubular rentals and wireline services. Certain wireline equipment was relocated to Colombia at the end of 2010 and is expected to provide services in Colombia in 2011. The Downhole Services & Rentals segment provides a variety of products and services including downhole tools, drilling-related rental equipment and wireline services.

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

As at and for the three months ended March 31, 2011	**Well Servicing**	**Downhole Services & Rentals**	**Corporate**	**Consolidated**
Revenue	**$ 40,210**	**$ 26,206**	**$ -**	**$ 66,416**
Profit (loss) before income taxes	**$ 7,222**	**$ 5,660**	**$ (3,793)**	**$ 9,089**
Depreciation and amortization	**$ 2,202**	**$ 1,038**	**$ 268**	**$ 3,508**
Total assets	**$ 127,304**	**$ 57,025**	**$ 6,717**	**$ 191,046**
Total liabilities	**$ 11,417**	**$ 9,834**	**$ 13,134**	**$ 34,385**
Equipment expenditures	**$ 6,257**	**$ 1,668**	**$ 77**	**$ 8,002**

As at and for the three months ended March 31, 2010	Well Servicing	Downhole Services & Rentals	Corporate	Consolidated
Revenue	$ 30,642	$ 15,578	$ -	$ 46,220
Profit (loss) before income taxes	$ 6,896	$ 3,921	$ (4,041)	$ 6,776
Depreciation and amortization	$ 2,086	$ 948	$ 222	$ 3,256
Total assets	$ 105,328	$ 43,787	$ 9,334	$ 158,449
Total liabilities	$ 6,915	$ 4,684	$ 4,466	$ 16,065
Equipment expenditures	$ 890	$ 281	$ 167	$ 1,338

The Company's operations are carried out in two geographic locations:

As at and for the three months ended March 31, 2011	**Canada**	**Colombia**	**Consolidated**
Revenue	**$ 66,416**	**$ -**	**$ 66,416**
Total assets	**$ 181,492**	**$ 9,554**	**$ 191,046**

As at and for the three months ended March 31, 2010	Canada	Colombia	Consolidated
Revenue	$ 46,220	$ -	$ 46,220
Total assets	$ 158,449	$ -	$ 158,449

28. EVENTS AFTER THE REPORTING PERIOD

On April 4, 2011, the Boards of Directors of Essential and Technicoil Corporation ("Technicoil") approved a definitive agreement providing for the combination of their businesses (the "Combination"). The Agreement will be effected by way of a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta) whereby Technicoil shareholders will receive, for each Technicoil common share held, 0.7111 of a common share of Essential and $0.80 cash. Under the Arrangement, Essential will acquire all of the outstanding shares of Technicoil. Upon completion of the Combination, the current shareholders of Essential will own approximately 58% and the shareholders of Technicoil will own approximately 42% of the shares of Essential.

The proposed Combination of Essential and Technicoil is subject to approval by 66 2/3% of the Technicoil shareholders at Technicoil's annual and special meeting on May 30, 2011. The issuance of Essential shares required to complete the Combination is subject to approval by greater than 50% of the current shareholders of Essential at Essential's annual and special meeting on May 30, 2011.

29. TRANSITION TO IFRS

For all periods up to and including the year ended December 31, 2010, the Essential prepared its financial statements in accordance with pre-changeover Canadian GAAP. The financial statements, for the three months ended March 31, 2011, are the first Essential is required to prepare in accordance with IFRS.

In preparing these financial statements, Essential has started from an opening consolidated statement of financial position as at January 1, 2010, Essential's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first time adoption of IFRS. As such, this note explains the principal adjustments made by Essential in restating its pre-changeover Canadian

GAAP consolidated statement of financial position as at January 1, 2010 and its previously published pre-changeover Canadian GAAP financial statements for the three months ended March 31, 2010 and for the year ended December 31, 2010.

Exemptions applied:

The general principle that should be applied on first-time adoption of IFRS is that standards in force at the first reporting date should be applied retrospectively. However, IFRS 1 contains a number of exemptions which companies are permitted to apply. Essential has elected:

- To apply IFRS 3 “Business Combinations” prospectively from January 1, 2010. Financial information pertaining to acquisitions, disposals and restructuring occurring before January 1, 2010 has not been restated.

- To revalue specific items of property and equipment to fair market value on the transition date, and deem those to be their cost for application of the historical cost method going forward.

ESSENTIAL ENERGY SERVICES LTD.
RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JANUARY 1, 2010
(unaudited)

(Thousands)	As at December 31, 2009 Pre-changeover Canadian GAAP	Effect of transition to IFRS	As at January 1, 2010 IFRS
Assets			
Current assets			
Cash	$ 1,080	$ -	$ 1,080
Trade and other receivables	22,899	-	22,899
Inventories	9,194	-	9,194
Prepayments	1,853	-	1,853
	35,026	-	35,026
Non-current assets			
Property and equipment *(i),(ii), (iii)*	125,704	(22,740)	102,964
Intangible assets	3,853	-	3,853
Assets held for sale	1,215	-	1,215
Deferred tax assets *(iv)*	3,582	3,844	7,426
	134,354	(18,896)	115,458
Total assets	$ 169,380	$ (18,896)	$ 150,484
Liabilities			
Current liabilities			
Trade and other payables *(iii)*	$ 9,413	$ 12	$ 9,425
Current portion of long-term debt *(iii)*	3,228	638	3,866
	12,641	650	13,291
Non-current liabilities			
Long-term debt *(iii)*	13,372	363	13,735
Liability on share-based compensation *(vi)*	-	794	794
	13,372	1,157	14,529
Total liabilities	26,013	1,807	27,820
Equity			
Unitholders' capital *(v)*	265,573	(128,950)	136,623
Contributed surplus *(vi)*	6,722	(6,722)	-
Retained earnings (accumulated deficit) *(i) to (vi)*	(128,928)	114,969	(13,959)
Equity attributable to equity holders of the parent	143,367	(20,703)	122,664
Non-controlling interest	-	-	-
Total equity	143,367	(20,703)	122,664
Total liabilities and equity	$ 169,380	$ (18,896)	$ 150,484

ESSENTIAL ENERGY SERVICES LTD.
RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT JANUARY 1, 2010
(unaudited)

(Thousands)	Unitholders' Capital	Contributed surplus	Retained Earnings	Total
Pre-changeover Canadian GAAP as at December 31, 2009	$ 265,573	$ 6,722	$ (128,928)	$ 143,367
Property and equipment changes at transition *(i)*	-	-	16,382	16,382
Property and equipment IFRS 1 election *(ii)*	-	-	(40,373)	(40,373)
Change in treatment of leases *(iii)*	-	-	238	238
Deferred tax changes at transition *(iv)*	-	-	3,844	3,844
Revaluation of trust units *(v)*	(128,950)	(1,399)	130,349	-
Revaluation of contributed surplus *(vi)*	-	(4,529)	4,529	-
Reclassification of contributed surplus *(vi)*	-	(794)	-	(794)
IFRS balance as at January 1, 2010	$ 136,623	$ -	$ (13,959)	$ 122,664

(i) Property and equipment: This adjustment reflects the application of IAS 16 on property and equipment. This adjustment reflects the componentization of the assets in accordance with IFRS and the resultant changes in depreciation polices as described in Note 2. The impact of the application of this section was to reduce the accumulated depreciation on the property and equipment by $16,382k at the date of transition.

(ii) IFRS 1 Election: This adjustment reflects the election to measure specific items of property and equipment at the date of transition to IFRS at their fair value and use that fair value as their deemed cost at that date. The impact of this election was to reduce the carrying value of property and equipment by $40,373k at the date of transition.

(iii) Leases: Certain leases that were classified as operating leases under pre-changeover Canadian GAAP were assessed as finance leases under IFRS and as a result the carrying value of property and equipment was increased by $1,251k with a corresponding increase to accrued liabilities ($12k), current portion of long-term debt ($638k), long-term debt ($363k) and retained earnings ($238k) in agreement with the terms of the leases.

(iv) Deferred tax: The reduction of book value of property and equipment resulted in changes in the temporary differences associated with tax calculations. The resultant change in the deferred tax asset of $3,844k is primarily attributable to the changes in carrying value of property and equipment.

(v) Trust units: The original terms and conditions of the Trust units were such that under IFRS these units would be classified as liabilities rather than as equity. On December 11, 2009 a Supplemental Trust Indenture was enacted that allows the Trust units to be classified as equity. As a result of the original classification, the Trust units were required to be measured at fair value until the date of the Supplemental Trust Indenture. The impact of fair valuing these units resulted in a reduction in the carrying value of unitholders' capital by $128,950k and a reduction in value of contributed surplus of $1,399k at the date of transition.

(vi) Share-based compensation: This adjustment reflects the application of IFRS 2. Until the conversion to a corporation, the nature of the Trust units requires that share-based compensation be measured as though these transactions were to be settled in cash. As a result the fair value of the liability associated with share-based compensation was required to be revalued at the end of each reporting period. The application of this standard resulted in a reduction of contributed surplus of $4,529k and a reclassification of the remaining contributed surplus to a non-current liability associated with share-based compensation.

ESSENTIAL ENERGY SERVICES LTD.
RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2010
(unaudited)

(Thousands)	As at March 31, 2010 Pre-changeover Canadian GAAP	Effect of transition to IFRS	As at March 31, 2010 IFRS
Assets			
Current assets			
Trade and other receivables	$ 36,073	$ -	$ 36,073
Inventories	8,427	-	8,427
Prepayments	1,509	-	1,509
	46,009	-	46,009
Non-current assets			
Property and equipment *(i),(ii), (iii)*	122,619	(21,593)	101,026
Intangible assets	3,673	-	3,673
Assets held for sale	1,185	-	1,185
Deferred tax assets *(iv)*	1,961	4,595	6,556
	129,438	(16,998)	112,440
Total assets	$ 175,447	$ (16,998)	$ 158,449
Liabilities			
Current liabilities			
Bank indebtedness	$ 209	$ -	$ 209
Trade and other payables *(iii)*	13,870	8	13,878
Current portion of long-term debt *(iii)*	-	715	715
	14,079	723	14,802
Non-current liabilities			
Long-term debt *(iii)*	-	160	160
Liability on share-based compensation *(vi)*	-	1,103	1,103
	-	1,263	1,263
Total liabilities	14,079	1,986	16,065
Equity			
Unitholders' capital *(v)*	279,617	(128,950)	150,667
Contributed surplus *(vi)*	7,074	(7,074)	-
Retained earnings (accumulated deficit) *(i) to (vi)*	(125,323)	117,040	(8,283)
Equity attributable to equity holders of the parent	161,368	(18,984)	142,384
Non-controlling interest	-	-	-
Total equity	161,368	(18,984)	142,384
Total liabilities and equity	$ 175,447	$ (16,998)	$ 158,449

ESSENTIAL ENERGY SERVICES LTD.
RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT MARCH 31, 2010
(unaudited)

(Thousands)	Unitholders' Capital	Contributed surplus	Retained Earnings	Total
Pre-changeover Canadian GAAP as at March 31, 2010	$ 279,617	$ 7,074	$ (125,323)	$ 161,368
Effect of changes at transition *(i)*	(128,950)	(6,722)	114,969	(20,703)
Property and equipment changes *(ii)*	-	-	1,244	1,244
Change in treatment of leases *(iii)*	-	-	33	33
Deferred tax changes at transition *(iv)*	-	-	750	750
Revaluation of contributed surplus *(v)*	-	(44)	44	-
Reclassification of contributed surplus *(vi)*	-	(308)	-	(308)
IFRS balance as at March 31, 2010	$ 150,667	$ -	$ (8,283)	$ 142,384

(i) Details of the impact of changes at transition are included as part of the reconciliation of the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity as at January 1, 2010.

(ii) Property and equipment: This adjustment reflects the application of IAS 16 on property and equipment. This adjustment reflects the componentization of the assets in accordance with IFRS and the resultant changes in depreciation polices as described in Note 2. The impact of the application of this section was to reduce the accumulated depreciation on the property and equipment by $1,244k during the three months ended March 31, 2010.

(iii) Leases: Certain leases that were classified as operating leases under pre-changeover Canadian GAAP were assessed as finance leases under IFRSs and as a result the carrying value of property and equipment was increased with a corresponding increase to accrued liabilities, current portion of long-term debt, long-term debt and retained earnings in agreement with the terms of the leases. The treatment of these leases as finance leases generated a reduction in operating expenses ($127k) which was partially offset by increased depreciation ($67k), increased finance costs ($19k) and increased other income ($8k).

(iv) Deferred tax: The reduction of book value of property and equipment resulted in changes in the temporary differences associated with tax calculations. The resultant change in deferred tax provision of $750k is primarily attributable to the changes in carrying value of property and equipment.

(v) Share-based compensation: This adjustment reflects the application of IFRS 2. Until the conversion to a corporation, the nature of the Trust units required that share-based compensation be measured as though these transactions were to be settled in cash. As a result, the fair value of the liability associated with share-based compensation is required to be revalued at the end of each reporting period. Additionally, the liability associated with share-based compensation was required to be reclassified from equity to non-current liabilities. The application of this standard resulted in a reduction of share-based compensation expense of $44k with a corresponding reduction in contributed.

ESSENTIAL ENERGY SERVICES LTD.
RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010
(unaudited)

(Thousands)	As at December 31, 2010 Pre-changeover Canadian GAAP	Effect of transition to IFRS	As at December 31, 2010 IFRS
Assets			
Current assets			
Cash	$ 2,392	$ -	$ 2,392
Trade and other receivables	40,160	-	40,160
Inventories	10,587	-	10,587
Prepayments	2,734	(57)	2,677
	55,873	(57)	55,816
Non-current assets			
Property and equipment *(i),(ii), (iii)*	127,039	(17,209)	109,830
Intangible assets	3,122	-	3,122
Deferred tax assets *(i), (iv)*	1,018	4,137	5,155
	131,179	(13,072)	118,107
Total assets	$ 187,052	$ (13,129)	$ 173,923
Liabilities			
Current liabilities			
Trade and other payables *(i), (iii)*	$ 23,451	$ (7)	$ 23,444
Current portion of long-term debt *(i), (iii)*	-	333	333
	23,451	326	23,777
Non-current liabilities			
Long-term debt *(i), (iii)*	-	63	63
Deferred tax liabilities *(i), (iv)*	194	(194)	-
	194	(131)	63
Total liabilities	23,645	195	23,840
Equity			
Share capital *(i)*	279,762	(128,964)	150,798
Contributed surplus *(i), (v)*	7,843	(7,843)	-
Retained earnings (accumulated deficit) *(i) to (vi)*	(124,566)	122,343	(2,223)
Other reserves *(i), (v), (vi)*	-	1,205	1,205
Equity attributable to equity holders of the parent	163,039	(13,259)	149,780
Non-controlling interest *(vi)*	368	(65)	303
Total equity	163,407	(13,324)	150,083
Total liabilities and equity	$ 187,052	$ (13,129)	$ 173,923

ESSENTIAL ENERGY SERVICES LTD.
RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT DECEMBER 31, 2010
(unaudited)

(Thousands)	Share Capital	Contributed surplus	Retained Earnings	Other Reserves	Non-controlling Interest	Total
Pre-changeover Canadian GAAP as at December 31, 2010	$ 279,762	$ 7,843	$ (124,566)	$ -	$ 368	$ 163,407
Effect of changes at transition *(i)*	(128,950)	(6,722)	114,969	-	-	(20,703)
Property and equipment *(ii)*	-	-	6,491	-	-	6,491
Change in treatment of leases *(iii)*	-	-	113	-	-	113
Deferred tax changes *(iv)*	-	-	335	-	-	335
Revaluation of contributed surplus *(v)*	(14)	(394)	408	-	-	-
Reclassification of contributed surplus *(v)*	-	(727)	-	1,521	-	794
Foreign subsidiary *(vi)*	-	-	27	(316)	(65)	(354)
IFRS balance as at December 31, 2010	$ 150,798	$ -	$ (2,223)	$ 1,205	$ 303	$ 150,083

(i) Details of the impact of changes at transition are included as part of the reconciliation of the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity as at January 1, 2010.

(ii) Property and equipment: This adjustment reflects the application of IAS 16 on property and equipment. This adjustment reflects the componentization of the assets in accordance with IFRS and the resultant changes in depreciation polices as described in Note 2. The impact of the application of this section was to reduce the accumulated depreciation on the property and equipment by $6,491k during 2010.

(iii) Leases: Certain leases that were classified as operating leases under pre-changeover Canadian GAAP were assessed as finance leases under IFRSs and as a result the carrying value of property and equipment was increased with a corresponding increase to accrued liabilities, current portion of long-term debt, long-term debt and retained earnings in agreement with the terms of the leases. The treatment of these leases as finance leases generated a reduction in operating expenses ($395k) which was partially offset by increased depreciation ($227k), increased finance costs ($57k) and increased other income ($2k).

(iv) Deferred tax: The reduction of book value of property and equipment resulted in changes in the temporary differences associated with tax calculations. The resultant change in deferred tax provision of $335k is primarily attributable to the changes in carrying value of property and equipment.

(v) Share-based compensation: This adjustment reflects the application of IFRS 2. Until the conversion to a corporation, the nature of the Trust units required that share-based compensation be measured as though these transactions were to be settled in cash. As a result, the fair value of the liability associated with share-based compensation is required to be revalued at the end of each reporting period. Additionally, the liability associated with share-based compensation was required to be revalued at the date of the conversion to a corporation and reclassified from non-current liabilities back to equity. The application of this standard resulted in a reduction of share-based compensation expense of $408k with a corresponding reduction in contributed surplus of $394 and a reduction in share capital of $14k related to the exercise of options.

(vi) Foreign currency translation: This adjustment reflects the application of IAS 21 on the translation of subsidiary financial statements to the reporting currency. This adjustment reflects the consolidation and currency translation polices described in Note 2. The application of this section resulted in a change in value for most items in the subsidiary's financial statements with an offset of $316k to other comprehensive loss.

ESSENTIAL ENERGY SERVICES LTD.
RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2010
(unaudited)

(Thousands)	Pre-changeover Canadian GAAP in IFRS format	Effect of transition to IFRS	IFRS
Revenue	$ 46,220	$ -	$ 46,220
Operating expenses *(ii)*	32,967	(127)	32,840
Gross margin	13,253	127	13,380
General and administrative expenses	2,930	-	2,930
	10,323	127	10,450
Depreciation and amortization *(i, ii)*	4,432	(1,176)	3,256
Share-based compensation *(iv)*	352	(43)	309
Other income *(ii)*	(138)	8	(130)
Operating profit	5,677	1,338	7,015
Finance costs *(ii)*	220	19	239
Profit (loss) before tax	5,457	1,319	6,776
Income tax expense *(iii)*	1,852	(751)	1,101
Profit for the period	3,605	2,070	5,675
Other comprehensive loss:			
Unrealized foreign exchange loss on foreign operations	-	-	-
Other comprehensive loss for the period	-	-	-
Comprehensive profit	$ 3,605	$ 2,070	$ 5,675

(i) Property and equipment: This adjustment reflects the componentization of the assets in accordance with IFRS and the resultant changes in depreciation polices as described in Note 2. The impact of the application of this section was to reduce the depreciation expense by $1,244k for the three months ended March 31, 2010.

(ii) Leases: Certain leases that were classified as operating leases under pre-changeover Canadian GAAP were assessed as finance leases under IFRS and as a result the carrying value of property and equipment was increased with a corresponding increase to accrued liabilities, long-term debt, current portion of long-term debt and retained earnings in agreement with the terms of the leases. The treatment of these leases as finance leases generated a reduction in operating expenses ($127k) which was partially offset by increased depreciation ($67k), increased finance costs ($19k) and increased other expenses ($8k) for the three months ended March 31, 2010.

(iii) Deferred tax: The reduction of book value of property and equipment resulted in changes in the temporary differences associated with tax calculations. The resultant change in deferred tax expense for the three months ended March 31, 2010 of $751k is primarily attributable to the changes in carrying value of property and equipment.

(iv) Share-based compensation: This adjustment reflects the application of IFRS 2. Until the conversion to a corporation, the nature of the Trust units required that share-based compensation be measured as though these transactions were to be settled in cash. As a result the fair value of the liability associated with share-based compensation is required to be revalued at the end of each reporting period. The application of this standard resulted in a reduction of share-based compensation expense of $43k for the three months ended March 31, 2010.

ESSENTIAL ENERGY SERVICES LTD.
RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
(unaudited)

(Thousands)	Pre-changeover Canadian GAAP in IFRS format	Effect of transition to IFRS	IFRS
Revenue	$ 166,601	$ -	$ 166,601
Operating expenses *(ii)*	125,644	(395)	125,249
Gross margin	40,957	395	41,352
General and administrative expenses	11,945	-	11,945
	29,012	395	29,407
Depreciation and amortization *(i, ii)*	18,675	(5,898)	12,777
Share-based compensation *(iv)*	1,169	(408)	761
Other income *(ii)*	(227)	(397)	(624)
Operating profit	9,395	7,098	16,493
Finance costs *(ii)*	663	57	720
Profit (loss) before tax	8,732	7,041	15,773
Income tax expense *(iii)*	3,999	(335)	3,664
Profit for the period	4,733	7,376	12,109
Other comprehensive loss:			
Unrealized foreign exchange loss on foreign operations	-	(386)	(386)
Total comprehensive loss for the period	-	(386)	(386)
Comprehensive profit	$ 4,733	$ 6,990	$ 11,723
Profit attributable to:			
Equity holders of the parent	4,745	7,372	12,117
Non-controlling interests	(12)	4	(8)
	4,733	7,376	12,109
Total comprehensive loss attributable to:			
Equity holders of the parent	4,745	7,056	11,801
Non-controlling interests	(12)	(66)	(78)
Other comprehensive loss for the period	4,733	6,990	11,723

(i) Property and equipment: This adjustment reflects the componentization of the assets in accordance with IFRS and the resultant changes in depreciation polices as described in Note 2. The impact of the application of this section was to reduce the depreciation expense by $6,125k for the twelve months ended December 31, 2010.

(ii) Leases: Certain leases that were classified as operating leases under pre-changeover Canadian GAAP were assessed as finance leases under IFRS and as a result the carrying value of property and equipment was increased with a corresponding increase to accrued liabilities, long-term debt, current portion of long-term debt and retained earnings in agreement with the terms of the leases. The treatment of these leases as finance leases generated a reduction in operating expenses ($395k) which was partially offset by increased depreciation ($227k), increased finance costs ($57k) and increased other income ($2k) for the twelve months ended December 31, 2010.

(iii) Deferred tax: The reduction of book value of property and equipment resulted in changes in the temporary differences associated with tax calculations. The resultant change in deferred tax expense for the twelve months ended December 31, 2010 of $335k is primarily attributable to the changes in carrying value of property and equipment.

(iv) Share-based compensation: This adjustment reflects the application of IFRS 2. Until the conversion to a corporation, the nature of the Trust units required that share-based compensation be measured as though these transactions were to be settled in cash. As a result the fair value of the liability associated with share-based compensation is required to be revalued at the end of each reporting period. The application of this standard resulted in a reduction of share-based compensation expense of $408k for the twelve months ended December 31, 2010.

CORPORATE INFORMATION

Directors

James A. Banister[2,3], Chairman

Garnet K. Amundson

Michael J. Black[2]

William T. Lynch[1,3]

Nicholas G. Kirton[1,2]

Jeffrey J. Scott[1,3]

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

Auditors

Ernst & Young LLP

Bankers

National Bank of Canada

Toronto Dominion Bank

Bank of Montreal

Canadian Western Bank

Legal Counsel

Fasken Martineau LLP

Heenan Blaikie LLP

Transfer Agent

Olympia Trust Company

Management

Garnet K. Amundson
President & Chief Executive Officer

Jeff B. Newman
Chief Financial Officer & VP, Finance

Don A. K. Webster
Chief Operating Officer

Kevin W. Job
VP, Operations

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