ESSENTIAL
ENERGY SERVICES

TSX: ESN

SECOND QUARTER REPORT 2011
SIX MONTHS ENDED JUNE 30, 2011

Second Quarter Report
Three and Six Months Ended June 30, 2011

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the three and six month periods ended June 30, 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 and the unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2011 to which readers are referred. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned annual MD&A. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective August 10, 2011.

BASIS OF PRESENTATION

The following MD&A and the unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 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.

Except where otherwise noted, Essential's results for the three and six months ended June 30, 2011 include the results for Technicoil Corporation ("Technicoil") for the period June 1, 2011 to June 30, 2011.

ACQUISITION OF TECHNICOIL CORPORATION

DETAILS OF ACQUISITION

On May 31, 2011 Essential completed the acquisition of Technicoil (the "Technicoil Acquisition") pursuant to a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta) whereby Essential acquired all of the issued and outstanding shares of Technicoil. Pursuant to the Arrangement the Technicoil shareholders received, for each Technicoil common share held, 0.7111 of a common share of Essential and $0.80 cash, resulting in the issuance of 51,736,446 Essential shares and a cash payment of $58.2 million. Total consideration for Technicoil was $164.7 million.

Benefits of the Technicoil Acquisition include the expectation that the combined company will:

- strengthen Essential's position as the largest provider of coil tubing well services in Canada;
- increase the service rig fleet and geographic footprint;
- be strategically positioned to service the various oil and liquids-rich natural gas resource plays in western Canada that are being developed with horizontal well and multi-stage fracturing technology;
- benefit from operating and cost efficiencies realized through the consolidation of certain operating and administrative functions;
- improve efficiency of the coil tubing operations by providing fit for purpose size and depth of coil rigs and reduce third party charges through the cross-utilization of the expanded nitrogen and pumper fleets;
- provide the opportunity to market existing services to an expanded customer base; and

- continue to provide an exciting and respected platform to attract and retain experienced personnel.

SELECTED COMBINED FINANCIAL INFORMATION

To assist the reader in understanding the current operations of Essential, management has provided the combined results for Essential assuming the Technicoil Acquisition had occurred on January 1, 2011.

Essential and Technicoil Continuing Operations Combined as of January 1, 2011

($ Thousands)	Three Months Ended March 31, 2011	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Revenue	101,176	48,471	149,647
Gross margin	29,135	1,324	30,459
Gross margin %[1]	29%	3%	20%
EBITDA[1]	24,849	(2,506)	22,343
EBITDA %[1]	25%	(5)%	15%
Utilization*			
Service rigs	65%	28%	47%
Coil tubing rigs – Deep	122%	35%	76%
Coil tubing rigs – Shallow/Intermediate	34%	18%	29%

* Utilization is calculated in accordance with standard industry practice based on a 10 hour operating day. Due to the nature of the work performed, certain equipment may work 24 hours per day which may result in a utilization rate in excess of 100%.

Management has also provided the following reconciliation between the results from the table above to the financial results for Essential for the six months ended June 30, 2011.

($ Thousands)	Revenue	EBITDA[1]
Combined results	149,647	22,343
Less: results from Technicoil for the period January 1 to May 31, 2011	(42,752)	(9,079)
Essential Consolidated Financial Statements	106,895	13,264

OVERVIEW OF ESSENTIAL

COMBINED EQUIPMENT FLEET

As at June 30, 2011	Canada: Essential	Canada: Technicoil	Colombia	**Combined**
Service Rigs*				
Singles	30	8	-	**38**
Doubles	19	1	1	**21**
Coil Tubing Rigs				
Deep	7	16	-	**23**
Shallow/Intermediate	25	-	2	**27**
Pumpers				
Nitrogen	8	-	2	**10**
Fluid	-	6	-	**6**

* As part of Essential's ongoing fleet rationalization, three double service rigs were taken out of service at the end of the second quarter. Utilization for the three and six month periods has been calculated with the inclusion of these rigs in the fleet.

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

CANADA

Service rigs

Essential's service rig fleet consists of 38 single and 20 double service rigs. The fleet operates from 8 service locations across western Canada and provides well completion and production/workover services in all major resource plays across the Western Canadian Sedimentary Basin ("WCSB"). Service rigs are used primarily to repair, re-complete and stimulate existing oil and natural gas wells and perform completion work on new wells.

Coil tubing rigs

Essential's coil tubing fleet can be grouped within two distinct categories, deep coil tubing rigs and shallow/intermediate coil tubing rigs.

- Deep coil tubing rigs include both the masted and conventional coil tubing rigs that have a depth capacity up to 6,600 meters. These deep coil tubing rigs primarily provide rig-less completion, fracture stimulation and workover services on long reach horizontal wells. Additionally, these deep coil tubing rigs assist with the drilling operations of steam-assisted gravity drainage ("SAGD") activity in the oil sands. The deep coil tubing fleet is supported by a fleet of nitrogen and fluid pumpers.
- The shallow/intermediate coil tubing rigs are conventional coil tubing rigs that have a depth capacity of 2,500 meters. These rigs primarily provide workover services on existing wells and also utilize the nitrogen and fluid pumper fleets.

The diversity of the equipment in Essential's coil tubing fleet enables the Company to service the wide variety of well types that are present in the WCSB.

Downhole tools

Essential provides a wide range of downhole tools and rentals services to assist with the completion and production phases of oil and natural gas wells. These services include a full range of downhole tools, including the Tryton Multi-Stage Fracturing System ("Tryton MSFS"), specialty tubulars rentals and provide perforating and logging services.

COLOMBIA

Essential provides integrated services related to the servicing of producing wells and new drilling activity from its operating base in Barrancabermeja, Colombia. The operating fleet in Colombia consists of one double service rig, two coil tubing rigs, two nitrogen pumpers, three rod rigs, two wireline trucks and ancillary equipment.

CORPORATE INFORMATION

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

Additional information regarding Essential, including the March 31, 2011 interim report, 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.

SELECTED FINANCIAL INFORMATION

The completion of the Technicoil Acquisition on May 31, 2011 and the resultant increased size and nature of the Company's operations impact the results from 2011 compared to 2010. The results for the three and six months ended June 30, 2011 include the results of Technicoil for the period June 1, 2011 to June 30, 2011.

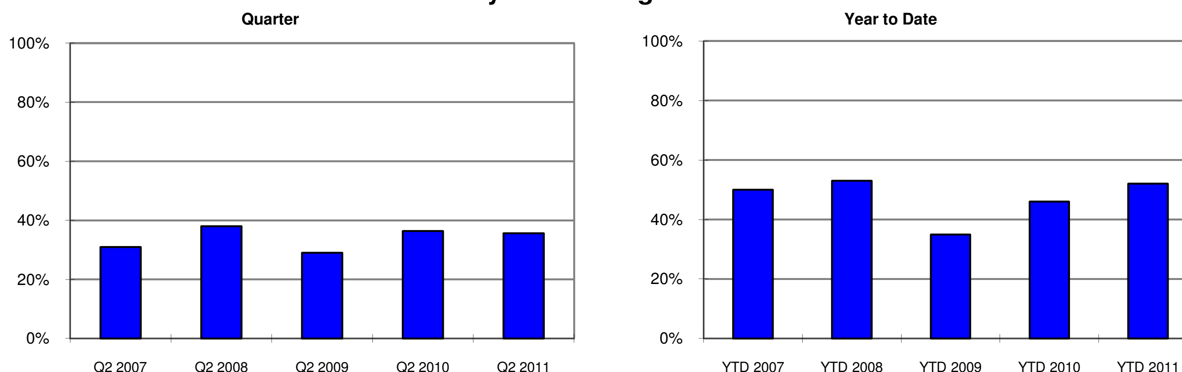
	Three months ended June 30,		Six months ended June 30,	
($ Thousands, except per share amounts)	**2011**	2010	**2011**	2010
Revenue	**40,479**	25,194	**106,895**	71,414
Gross margin	**3,077**	3,150	**19,729**	16,530
Gross margin % [1]	**8%**	13%	**18%**	23%
EBITDA[1]	**(137)**	413	**13,264**	10,863
EBITDA %[1]	**0%**	2%	**12%**	15%
Funds flow from (used in) operations [1]	**(2,713)**	448	**10,727**	11,050
Per share – basic and diluted [1]	**$ (0.03)**	$ 0.00	**$ 0.13**	$ 0.17
Net income attributable to shareholders of Essential	**(6,364)**	(2,466)	**(116)**	3,209
Per share – basic and diluted	**$ (0.07)**	$ (0.03)	**$ 0.00**	$ 0.05
Total assets	**371,017**	153,490	**371,017**	153,490
Total long-term debt	**63,459**	695	**63,459**	695
Equity attributable to shareholders of Essential	**257,119**	141,138	**257,119**	141,138

INDUSTRY OVERVIEW

CANADA

Second quarter activity levels in the WCSB are traditionally the slowest of any quarter as winter-only access sites become inaccessible and wet weather restricts the ability to move equipment. During the second quarter of 2011, activity levels in the WCSB were impacted as higher than average rainfall and flooding throughout the southeastern region of the WCSB and forest fires in northern Alberta all contributed to restricted access for mobile service equipment to many well sites. Industry service rig utilization, which is an indicator of oilfield service activity in the WCSB, has remained consistent with the same period in the prior year despite these adverse operating conditions and, on a year-to-date basis utilization has improved slightly over the prior year.

Industry Service Rig Utilization



Source: Canadian Association of Oilwell Drilling Contractors

Despite the poor operating conditions, demand for services during the second quarter appeared robust as oil prices remained relatively strong and the industry continued to focus on oil and liquids-rich natural gas plays. However, the inability to access sites during the second quarter has created a backlog of completion work to be performed in future periods. The demand for services in the WCSB continues to create labour constraints and cost escalations throughout the oilfield services sector.

Activity in the WCSB continues to be driven by horizontal well drilling, stimulation and completion work. This work typically requires more investment capital and increased rig time per well due to the depth and complexity of horizontal wells compared to conventional vertical wells. This focus on horizontal wells continued to be a major contributor to the increase in multi-stage completion work during the quarter.

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 over 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 S.A. ("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

Results for the second quarter reflected the seasonal activity decline that occurs in comparison to the first quarter, however, the decline in the current year was more substantial as a result of the extended spring break up, unusually wet operating conditions and forest fires in northern Alberta. The Well Servicing segment was more severely impacted by these conditions as the reduced access to well sites limited the number of available working days during the quarter.

The Downhole Services & Rentals segment benefitted from the continued success of the downhole tools business as horizontal well completion activity and demand for fracturing services remained strong despite the adverse operating conditions. Additionally, demand for conventional downhole tools increased compared to the second quarter of 2010 as activity in the Canadian energy services sector continued to improve.

The Technicoil Acquisition on May 31, 2011 has strengthened Essential's position as the predominant coil tubing well service provider in Canada. The Company's continued focus on oil and liquids-rich natural gas plays combined with the quality, location and versatility of its operations, positions Essential to benefit from the backlog of service work created from the poor operating conditions that existed in the WCSB throughout the second quarter.

COLOMBIA

Essential signed two contracts in the second quarter, a multi-service contract and a pilot contract, with Ecopetrol which is 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. Essential began providing well stimulation services under the multi-service contract in the second quarter of 2011 using its coil tubing and nitrogen pumping equipment. Service rig operations commenced early in the third quarter of 2011.

RESULTS OF OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
(Thousands, except per share amounts)	**2011**	2010	**2011**	2010
Revenue	**$ 40,479**	$ 25,194	**$ 106,895**	$ 71,414
Operating expenses	**37,402**	22,044	**87,166**	54,884
Gross margin	**3,077**	3,150	**19,729**	16,530
Gross margin %[1]	**8%**	13%	**18%**	23%
General and administrative expenses	**3,214**	2,737	**6,465**	5,667
EBITDA[1]	**(137)**	413	**13,264**	10,863
EBITDA %[1]	**0%**	2%	**12%**	15%
Depreciation and amortization	**4,047**	2,997	**7,555**	6,253
Share-based compensation	**409**	82	**714**	391
Equity taxes	**-**	-	**478**	-
Other (income) expense	**849**	3	**1,228**	(127)
Operating income (loss)	**(5,442)**	(2,669)	**3,289**	4,346
Transaction costs	**2,397**	-	**2,397**	-
Finance costs	**372**	322	**492**	561
Income (loss) before income tax	**(8,211)**	(2,991)	**400**	3,785
Current income tax expense	**239**	-	**239**	-
Deferred income tax expense (recovery)	**(1,999)**	(525)	**517**	576
Net income (loss)	**$ (6,451)**	$ (2,466)	**$ (356)**	$ 3,209
Net income (loss) attributable to:				
Shareholders of Essential	**$ (6,364)**	$ (2,466)	**$ (116)**	$ 3,209
Non-controlling interests	**(87)**	-	**(240)**	-
	$ (6,451)	$ (2,466)	**$ (356)**	$ 3,209
Net income (loss) per share				
Basic and diluted, attributable to shareholders of Essential	**$ (0.07)**	$ (0.03)	**$ 0.00**	$ 0.05

SEGMENT RESULTS - *WELL SERVICING*

Essential provides well completion and production/workover services through its fleet of service rigs and coil tubing rigs. In addition, Essential provides services through a fleet of nitrogen and fluid pumpers, rod rigs, hybrid coil tubing drilling rigs and other ancillary well servicing equipment.

(Thousands)	Three months ended June 30, **2011**	2010	Six months ended June 30, **2011**	2010
Revenue				
Service rigs	**$ 9,607**	$ 8,392	**$ 33,480**	$ 27,728
Coil tubing rigs	**7,139**	4,026	**17,545**	9,790
Other	**6,618**	3,324	**12,549**	8,866
Total revenue	**23,364**	15,742	**63,574**	46,384
Operating expenses	**24,259**	14,059	**53,753**	34,961
Gross margin	**$ (895)**	$ 1,683	**$ 9,821**	$ 11,423
Gross margin %[1]	**(4)%**	11%	**15%**	25%
Canada				
Service Rigs				
Number of rigs*	**58**	51	**58**	51
Number of operating hours	**13,229**	12,259	**41,939**	37,387
Utilization	**27%**	26%	**45%**	41%
Coil Tubing Rigs				
Number of rigs*	**48**	32	**48**	32
Number of operating hours	**7,882**	7,712	**18,927**	18,708
Utilization – deep	**37%**	33%	**51%**	57%
Utilization – shallow/intermediate	**18%**	29%	**26%**	34%
Hybrid Coil Tubing Drilling Rigs				
Number of rigs*	**5**	-	**5**	-
Number of operating days	**71**	-	**71**	-
Utilization	**47%**	-	**47%**	-

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

The results for the well servicing segment were more severely impacted by the extremely wet conditions in the second quarter as these operations are more restricted by road bans due to the nature of the equipment fleet. Additionally, forest fires in northern Alberta reduced the ability of our fleets to operate in that region.

Service rig utilization remained consistent with the same quarter in the prior year as demand for oil-based and liquids-rich natural gas activity in the WCSB continued to be strong. The increase in service rig revenue over the prior year during the second quarter is a result of the Technicoil Acquisition and the resultant increase in fleet size. A significant amount of work was delayed during the second quarter as the extended spring break up and unusually wet operating conditions throughout the WCSB limited access to many sites.

Revenue for the coil tubing operations significantly increased in the second quarter and for the year-to-date compared to the same periods in 2010. This is a direct result of the Technicoil Acquisition and Essential's capital program which increased the depth capacity of the coil tubing fleet and expanded Essential's ability to meet the growing demand for intermediate and deep coil tubing rigs in the Bakken, Viking, Cardium and Montney resource plays. Essential's average coil tubing pricing has improved as a result of the increased depth capacity combined with the continued use of coil tubing rigs to perform nitrogen stimulation work.

Throughout 2011, Essential experienced increased operating costs related to attracting and retaining a skilled labour force. In addition, escalating costs of fuel and supplies combined with increased repair and maintenance costs related to maintaining a larger working fleet of equipment in 2011 than in 2010 resulted in downward margin pressures.

Pricing increases during the first half of 2011 have been restricted as a result of commitments made with exploration and production companies during 2010. As these commitments expire, Essential remains committed to increasing its pricing in an effort to recover the increased cost profile of operations.

The positive impact of the Technicoil Acquisition is not apparent in the results reported for the current year as the reported results include only one month of Technicoil's operations. The Technicoil Acquisition enables the Company to expand its capability to service long-reach horizontal wells utilizing coil tubing rigs which has become increasingly in demand throughout the WCSB.

SEGMENT RESULTS - *DOWNHOLE SERVICES & RENTALS*

Essential provides downhole tools and equipment rentals and wireline services through the Downhole Services & Rentals business segment.

	Three months ended June 30,		Six months ended June 30,	
(Thousands)	**2011**	2010	**2011**	2010
Revenue				
Conventional downhole tools & rentals	**$ 8,839**	$ 5,037	**$ 21,661**	$ 14,087
Tryton MSFS	**7,195**	3,104	**16,418**	5,465
Downhole tools & rentals	**16,034**	8,141	**38,079**	19,552
Wireline services	**1,081**	1,311	**5,242**	5,478
Total revenue	**17,115**	9,452	**43,321**	25,030
Operating expenses	**12,993**	7,712	**31,429**	18,325
Gross margin	**$ 4,122**	$ 1,740	**$ 11,892**	$ 6,705
Gross margin %[1]	**24%**	18%	**27%**	27%

The downhole tools & rentals operations continued to generate significantly better operating results over the prior year. The results for these operations were less impacted by the adverse operating conditions as they are not as restricted by road bans and primarily provide service to drilling rigs which remained on site and continued working during the second quarter. The results from the Tryton MSFS business exceeded 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's tubular and pipe rentals business, which primarily offers products related to conventional oil and gas drilling, continued to benefit from the improved drilling activity over the prior year.

GENERAL AND ADMINISTRATIVE

	Three months ended June 30,		Six months ended June 30,	
(Thousands)	**2011**	2010	**2011**	2010
General and administrative expenses	**$ 3,214**	$ 2,737	**$ 6,465**	$ 5,667
As a % of revenue	**8%**	11%	**6%**	8%

General and administrative expenses are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and operations level. The increase in general and administrative costs in 2011 is due to the Technicoil Acquisition and the reinstatement of wage reductions and certain compensation programs which had been eliminated as part of the cost reduction measures that had commenced in the first quarter of 2009 and were reinstated in the second half of 2010. General and administrative costs have declined as a percentage of revenue due to the increased size and nature of the Company's operations after the acquisition.

SHARE-BASED COMPENSATION

	Three months ended June 30,		Six months ended June 30,	
(Thousands)	**2011**	2010	**2011**	2010
Share-based compensation expense	**$ 409**	$ 82	**$ 714**	$ 391

Share-based compensation has increased over the prior year as a result of the revaluation of options under IFRS that occurred in 2010 as part of the conversion to a corporation which resulted in a one time reduction in share-based compensation expense.

DEPRECIATION AND AMORTIZATION

	Three months ended June 30,		Six months ended June 30,	
(Thousands)	**2011**	2010	**2011**	2010
Depreciation and amortization expense	**$ 4,047**	$ 2,997	**$ 7,555**	$ 6,253

The increase in the second quarter of 2011 was due to capital expenditures made over the last year and the acquisition of Technicoil and the resultant increased capital asset and intangible asset bases.

EQUITY TAXES

	Three months ended June 30,		Six months ended June 30,	
(Thousands)	**2011**	2010	**2011**	2010
Equity tax expense	**$ -**	$ -	**$ 478**	$ -

Equity tax for the current year 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 was expensed in the first quarter of 2011.

TRANSACTION COSTS

	Three months ended June 30,		Six months ended June 30,	
(Thousands)	**2011**	2010	**2011**	2010
Transaction costs	**$ 2,397**	$ -	**$ 2,397**	$ -

Transaction costs for the current year of $2.4 million represents the costs incurred by Essential to complete the Technicoil Acquisition during the quarter and is comprised primarily of credit facility, legal and consulting fees.

FINANCE COSTS

(Thousands)	Three months ended June 30, **2011**	2010	Six months ended June 30, **2011**	2010
Bank borrowings	**$ 367**	$ 306	**$ 480**	$ 525
Lease financing	**5**	16	**12**	36
	$ 372	$ 322	**$ 492**	$ 561

The increase in finance costs from 2010 is primarily a result of the higher average long-term debt outstanding during the first half of 2011. The Company had an average long-term debt outstanding during the six months ended June 30, 2011 of $13.8 million compared to an average long-term debt outstanding for the six months ended June 30, 2010 of $8.1 million.

INCOME TAXES

(Thousands)	Three months ended June 30, **2011**	2010	Six months ended June 30, **2011**	2010
Current income tax expense	**$ 239**	$ -	**$ 239**	$ -
Deferred income tax expense (recovery)	**$ (1,999)**	$ (525)	**$ 517**	$ 576

Essential recorded a deferred income tax recovery of $2.0 million and an expense of $0.5 million for the three and six months ended June 30, 2011, compared to a recovery of $0.5 million and an expense of $0.6 million for the same periods in 2010.

SUMMARY OF QUARTERLY DATA

($Thousands, except per share amounts)	**Jun 30, 2011**	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010
Well servicing revenue:						
Service rigs	**9,607**	20,334	17,753	12,876	8,392	17,240
Coil tubing	**7,139**	10,406	9,214	7,035	4,026	5,680
Other	**6,618**	9,470	4,610	4,198	3,324	7,722
Total well servicing	**23,364**	40,210	31,577	24,109	15,742	30,642
Downhole services & rentals revenue:						
Conventional downhole tools & rentals	**8,839**	12,822	10,485	8,537	5,037	9,089
Tryton MSFS	**7,195**	9,223	8,059	6,005	3,104	2,361
Downhole tools & rentals	**16,034**	22,045	18,544	14,542	8,141	11,450
Wireline	**1,081**	4,161	3,822	2,593	1,311	4,128
Total downhole services & rentals	**17,115**	26,206	22,366	17,135	9,452	15,578
Total revenue	**40,479**	66,416	53,943	41,244	25,194	46,220
Gross margin[1]	**3,077**	16,652	14,636	10,186	3,150	13,380
Gross margin %[1]	**8%**	25%	27%	25%	13%	29%
EBITDA[1]	**(137)**	13,401	11,290	7,248	413	10,450
EBITDA %[1]	**0%**	20%	21%	18%	2%	23%
Net income (loss) attributable to shareholders of Essential	**(6,364)**	6,248	6,226	2,663	(2,466)	5,675
Per share – basic and diluted	**$(0.07)**	$0.09	$0.09	$0.04	$(0.03)	$0.09
Total assets	**371,017**	191,046	173,771	160,797	153,490	158,449
Total long-term debt	**63,459**	7,392	396	471	695	875
Equity attributable to shareholders of Essential	**257, 119**	156,814	149,780	143,989	141,138	143,384

Utilization						
Service rigs	**27%**	64%	51%	40%	26%	55%
Coil tubing rigs – deep	**37%**	85%	84%	70%	33%	62%
Coil tubing rigs – shallow/intermediate	**18%**	34%	35%	38%	29%	40%
Equipment fleet *						
Canada						
Service rigs	**58**	52	51	51	51	51
Coil tubing rigs	**48**	32	32	32	32	30
Nitrogen pumpers	**8**	8	9	10	10	7
Fluid pumpers	**6**	-	-	-	-	-
Hybrid coil tubing drilling rigs	**5**	-	-	-	-	-
Rod rigs	**14**	20	20	23	23	23
Wireline trucks	**12**	12	18	20	20	20
Colombia						
Service rigs	**1**	1	1	-	-	-
Coil tubing rigs	**2**	2	1	-	-	-
Nitrogen pumpers	**2**	2	1	-	-	-
Rod rigs	**3**	3	3	-	-	-
Wireline trucks	**2**	2	2	-	-	-

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

Over the past two years, Essential has improved and diversified its fleet through the Technicoil Acquisition, the purchase of new equipment and ongoing maintenance and modifications to the existing fleet. Acquisitions and modifications have focused primarily on expanding the depth capacity of the coil tubing rigs. Due to these efforts, Essential's equipment fleet remains well suited to meet the changing needs of the WCSB market. As part of the ongoing maintenance programs, management continues to assess the operational use and condition of its fleet and removes assets from service if they no longer have a reasonable level of anticipated productive capacity.

FINANCIAL RESOURCES AND LIQUIDITY

FUNDS FLOW FROM OPERATIONS[1]

	Three months ended June 30,		Six months ended June 30,	
(Thousands)	**2011**	2010	**2011**	2010
Net cash flows from operating activities	**$ 3,408**	$ 12,516	**$ 3,398**	$ 15,212
Add:				
Changes in non-cash working capital	**(6,121)**	(12,068)	**7,329**	(4,162)
Funds flow from operations[1]	**$ (2,713)**	$ 448	**$ 10,727**	$ 11,050
Per share – basic and diluted	**$ (0.03)**	$ 0.00	**$ 0.13**	$ 0.17

Funds flow from operations[1] was $3.4 million and $3.4 million for the three and six months ended June 30, 2011, compared to $12.5 million and $15.2 million for the same periods in 2010.

WORKING CAPITAL

(Thousands)		**June 30, 2011**		June 30, 2010
Current assets	**$**	**66,558**	$	37,468
Current liabilities, excluding current portion of long-term debt		**(31,155)**		(11,652)
Working capital	**$**	**35,403**	$	25,816
Working capital ratio		**2.1:1**		3.2:1

The increase in working capital is a result of higher revenue over the prior year and the acquisition of Technicoil.

CREDIT FACILITY

Essential's Credit Facility (the "Credit Facility") with its banking syndicate is comprised of a $20 million revolving operating loan and a $80 million revolving term loan facility with a $35 million accordion feature. The $20 million revolving operating loan matures on May 31, 2012, is renewable annually at the lender's consent and is limited to 75% of Essential's accounts receivable less specific items. The $80 million revolving term loan facility matures on May 31, 2012, is renewable annually at the lender's 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. At June 30, 2011, the maximum of $100 million was available to Essential.

As at June 30, 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 August 10, 2011, Essential had long-term debt outstanding of $77.0 million.

EQUIPMENT EXPENDITURES

	Three months ended June 30,				Six months ended June 30,			
(Thousands)		**2011**		2010		**2011**		2010
Canada								
Well Servicing	**$**	**5,767**	$	5,807	**$**	**10,286**	$	6,705
Downhole Services & Rentals		**1,461**		405		**3,129**		686
Corporate		**348**		462		**425**		629
		7,576		6,674		**13,840**		8,020
Colombia								
Well Servicing		**2,401**		-		**4,139**		-
		2,401		-		**4,139**		-
Total equipment expenditures		**9,977**		6,674		**17,979**		8,020
Less proceeds on disposal of property and equipment		**(1,404)**		(431)		**(2,351)**		(770)
Net equipment expenditures[1]	**$**	**8,573**	$	6,243	**$**	**15,628**	$	7,250

During the second quarter capital expenditures related primarily to continued improvements to the existing fleet and the fluid pumpers build program. During the first half of 2011, capital expenditures also include the completion of a conventional deep coil tubing rig. The improved industry activity levels have

resulted in increased equipment expenditures over 2010 as Essential continues to improve and expand its equipment fleet to better service deeper horizontal well activity.

The capital expenditure program for 2011 was increased to $56 million subsequent to the Technicoil Acquisition. In addition to the completion of the fluid pumper build program, Essential has committed to building an additional three masted coil tubing rigs, four high-rate nitrogen pumpers and a large well bore service rig. These fleet additions reflect Essential's confidence in the oilfield services sector and its focus on well servicing through coil tubing and service rigs.

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 June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Canada				
Growth capital(1)	**$ 4,900**	$ 5,117	**$ 9,048**	$ 5,796
Maintenance capital(1)	**1,929**	1,073	**3,713**	1,573
Infrastructure capital(1)	**747**	484	**1,079**	651
	7,576	6,674	**13,840**	8,020
Colombia				
Growth capital(1)	**2,401**	-	**3,673**	-
Maintenance capital(1)	-	-	**466**	-
	2,401	-	**4,139**	-
	$ 9,977	$ 6,674	**$ 17,979**	$ 8,020

SHARE CAPITAL

As at August 10, 2011, there were 123,206,405 shares and 6,798,627 share options outstanding. Of the 6,798,627 share options, 3,120,936 were exercisable of which 1,400,313 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 International Financial Reporting Standards ("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.

Management is in the process of evaluating the changes required to the design of internal controls over financial reporting as a result of the Technicoil Acquisition. The Technicoil Acquisition is not expected to generate significant changes to the design of internal controls over financial reporting in future periods.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective, January 1, 2011, Essential began reporting its financial results in accordance with 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.

OUTLOOK

Activity for the second half of 2011 is expected to be stronger than the prior year and the industry focus on oil and liquids-rich natural gas plays through horizontal well drilling, stimulation and completion technology is expected to continue. Many of the exploration and production companies have recently increased their 2011 capital budgets on the expectation that oil prices will remain relatively strong throughout the remainder of the year. This is expected to continue to drive demand for oilfield services. Additionally, adverse weather conditions throughout the second quarter have created a backlog of service work to be completed in future periods. However, global economic events of the past few days have created uncertainties that may impact demand for services in the industry.

With the Technicoil Acquisition, Essential is a larger and more competitive oilfield service company with an increased focus on coil tubing well service. Demand for the coil tubing fleet is expected to continue as almost half of Essential's coil tubing rigs service horizontal and lateral wells and resource plays. With the assets acquired from Technicoil, the fleet has an increased depth capacity which is beneficial as deeper rigs are in higher demand and offer higher priced services. Management is focused on integration of the Technicoil businesses and expects to realize corporate cost savings and operating efficiencies during 2011.

Demand for downhole tools services are anticipated to continue to expand as relatively strong oil prices continue to strengthen drilling and completion activity. In addition, the Tryton MSFS is expected to remain a high growth area for Essential as it supports fracturing operations that are high in demand with the increase in horizontal well activity.

Reflecting management's confidence in the oilfield service sector, Essential announced an increased capital spending budget in June, 2011. The incremental spending focuses on deep coil tubing, nitrogen pumpers, which provide support for the coil tubing fleet, and a large well bore service rig for SAGD (oilsands) purposes. Essential has committed build spots and equipment delivery is expected to occur in 2012 and 2013.

At a time of increased resource development activity in the industry, Essential is strategically positioned to provide a full complement of oilfield services that are expected to remain in high demand during the second half of 2011.

FORWARD-LOOKING STATEMENTS AND INFORMATION

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, in-service dates of new equipment, expectations regarding the impact of recent equipment purchases, the expected benefits from the Technicoil Acquisition including certain combined financial and operational information, expectations of future cash flow and earnings, expectations with respect to the demand for and price of oil and natural gas including natural gas storage levels, expectations regarding the level and type of drilling and production activity in the Western Canadian Sedimentary Basin, expectations regarding the demand for services as a result of the backlog of completion work, expectations regarding the business, operations and revenues of the Company in addition to general economic conditions, expectations regarding the customer demand for services and equipment in Colombia, expectations regarding production in Colombia, expectations that the royalty structure in Colombia will continue to support further exploration and development and expectations that Colombia's anticipated production increase will come from increasing production of current wells through stimulation and workover programs.

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, incentive programs and environmental regulations; stock market volatility and the inability to access sufficient capital from external and internal sources; the ability of the Company's subsidiaries to enforce legal rights in foreign jurisdictions; general economic, market or business conditions; 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 in 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 the Company and Essential Energy Services Trust. 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.

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

EBITDA[b] (Earnings before finance costs, income taxes, equity taxes, depreciation, amortization, transaction costs, 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 %[b] – This measure is considered an indicator of Essential's ability to generate funds flow as calculated by EBITDA[b] divided by revenue.

Funds flow or funds flow from operations[c] – This measure is an indicator of Essential's ability to generate funds flow[c] 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[d] – 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.

(a) Gross margin % is reconciled to the IFRS measures, revenue and operating costs, in the table “Results of Operations”.
(b) EBITDA and EBITDA % are reconciled to the IFRS measure, loss from continuing operations before income taxes, in the table “Results of Operations”.
(c) Funds flow is reconciled to the IFRS measure, cash flow from operations, in the table “Funds Flow from Operations”.
(d) 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.

June 30, 2011

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

(Thousands)		**As at June 30 2011**		As at December 31 2010
Assets *(note 11)*				
Current				
Cash	**$**	**-**	$	2,392
Trade and other receivables *(note 6)*		**47,739**		40,160
Inventories *(note 7)*		**15,922**		10,587
Prepayments		**2,552**		2,677
Income taxes recoverable		**345**		-
		66,558		55,816
Non-current				
Property and equipment *(note 8)*		**199,748**		109,830
Intangible assets *(note 9)*		**46,912**		3,122
Goodwill *(note 10)*		**56,725**		-
Deferred tax assets *(note 12)*		**1,074**		5,155
		304,459		118,107
Total assets	**$**	**371,017**	$	173,923
Liabilities				
Current				
Bank indebtedness	**$**	**4,073**	$	-
Trade and other payables		**26,963**		23,444
Current portion of long-term debt *(note 11)*		**6,469**		333
Current portion of equity taxes		**119**		-
		37,624		23,777
Non-current				
Long-term debt *(note 11)*		**56,990**		63
Equity taxes		**359**		-
Deferred tax liability *(note 12)*		**18,719**		-
		76,068		63
Total liabilities		**113,692**		23,840
Commitments *(note 20)*				
Equity				
Share capital *(note 13)*		**257,344**		150,798
Accumulated deficit		**(2,447)**		(2,223)
Other reserves *(note 14)*		**2,222**		1,205
Equity attributable to shareholders of Essential		**257,119**		149,780
Non-controlling interest *(note 15)*		**206**		303
Total equity		**257,325**		150,083
Total liabilities and equity	**$**	**371,017**	$	173,923

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

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

(Thousands, except per share amounts)	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
		(note 25)		*(note 25)*
Revenue	**$ 40,479**	$ 25,194	**$ 106,895**	$ 71,414
Operating expenses	**37,402**	22,044	**87,166**	54,884
Gross margin	**3,077**	3,150	**19,729**	16,530
General and administrative expenses	**3,214**	2,737	**6,465**	5,667
	(137)	413	**13,264**	10,863
Depreciation and amortization *(note 8 & 9)*	**4,047**	2,997	**7,555**	6,253
Share-based compensation *(note 18)*	**409**	82	**714**	391
Equity taxes	**-**	-	**478**	-
Other (income) expense	**849**	3	**1,228**	(127)
Operating profit (loss)	**(5,442)**	(2,669)	**3,289**	4,346
Transaction costs *(note 5)*	**2,397**	-	**2,397**	-
Finance costs *(note 16)*	**372**	322	**492**	561
Net income (loss) before income tax	**(8,211)**	(2,991)	**400**	3,785
Income taxes				
Current expense *(note 12)*	**239**	-	**239**	-
Deferred expense (recovery) *(note 12)*	**(1,999)**	(525)	**517**	576
Total income tax expense (recovery)	**(1,760)**	(525)	**756**	576
Net income (loss) for the period	**(6,451)**	(2,466)	**(356)**	3,209
Other comprehensive income:				
Unrealized foreign exchange gain on foreign operations	**422**	-	**687**	-
Deferred income tax on unrealized foreign exchange	**(253)**	-	**(343)**	-
Total comprehensive income for the period	**169**	-	**344**	-
Comprehensive income (loss)	**$ (6,282)**	$ (2,466)	**$ (12)**	$ 3,209
Net income (loss) attributable to:				
Shareholders of Essential	**$ (6,364)**	$ (2,466)	**$ (116)**	$ 3,209
Non-controlling interests	**(87)**	-	**(240)**	-
	$ (6,451)	$ (2,466)	**$ (356)**	$ 3,209
Comprehensive income (loss) attributable to:				
Shareholders of Essential	**$ (6,216)**	$ (2,466)	**$ 193**	$ 3,209
Non-controlling interests	**(66)**	-	**(205)**	-
	$ (6,282)	$ (2,466)	**$ (12)**	$ 3,209
Earnings per share *(note 19)*				
Basic and diluted, attributable to shareholders of Essential	**$ (0.07)**	$ (0.03)	**$ 0.00**	$ 0.05

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

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

(Thousands, except per share amounts)	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
		(note 25)		*(note 25)*
Equity attributable to shareholders of Essential:				
Unitholders capital				
Opening balance	**$ -**	$ 150,667	**$ -**	$ 136,623
Exercise of options	**-**	7	**-**	7
Issuance of trust units	**-**	-	**-**	14,044
Conversion to a corporation	**-**	(150,674)	**-**	(150,674)
Closing balance	**$ -**	$ -	**$ -**	$ -
Share capital				
Opening balance	**$ 150,803**	$ -	**$ 150,798**	$ -
Exercise of options	**5**	40	**10**	40
Issuance of shares *(note 5)*	**106,536**	-	**106,536**	-
Conversion to a corporation	**-**	150,674	**-**	150,674
Closing balance	**$ 257,344**	$ 150,714	$ **257,344**	**$** 150,714
Retained earnings (accumulated deficit)				
Opening balance	**$ 3,936**	$ (8,284)	**$ (2,223)**	$ (13,959)
Net income (loss)	**(6,364)**	(2,466)	**(116)**	3,209
Equity transferred *(note 15)*	**(19)**	-	**(108)**	-
Closing balance	**$ (2,447)**	$ (10,750)	**$ (2,447)**	**$** (10,750)
Other Reserves				
Opening balance	**$ 1,669**	$ 309	**$ 1,205**	$
Other comprehensive income	**146**	-	**307**	-
Share based compensation	**409**	82	**714**	391
Exercise of options	**(2)**	(11)	**(4)**	(11)
Reclassification of share based compensation	**-**	794	**-**	794
Closing balance	**$ 2,222**	$ 1,174	**$ 2,222**	**$** 1,174
Total equity attributable to shareholders of Essential	**$ 257,119**	$ 141,138	**$ 257,119**	$ 141,138
Equity attributable to non-controlling interests:				
Opening balance	**$ 253**	$ -	**$ 303**	$ -
Net loss	**(87)**	-	**(240)**	-
Other comprehensive income	**21**	-	**35**	-
Equity transferred *(note 15)*	**19**	-	**108**	-
Closing balance	**$ 206**	$ -	**$ 206**	$ -
Total equity	**$ 257,325**	$ 141,138	**$ 257,325**	$ 141,138

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 June 30, 2011	2010 *(Note 25)*	For the six months ended June 30, 2011	2010 *(Note 25)*
Operating activities:				
Net income (loss) for the period	**$ (6,451)**	$ (2,466)	**$ (356)**	$ 3,209
Non-cash adjustments to reconcile net income (loss) for the period to net cash flow:				
Depreciation and amortization *(note 8 & 9)*	**4,047**	2,997	**7,555**	6,253
Deferred income tax expense (recovery) *(note 12)*	**(1,999)**	(525)	**517**	576
Share-based compensation *(note 18)*	**409**	82	**714**	391
Provision for impairment of trade receivables *(note 6)*	**61**	32	**214**	185
Finance costs *(note 16)*	**372**	322	**492**	561
(Gain) loss on disposal of assets *(note 8)*	**848**	6	**1,591**	(125)
Operating cash flow before changes in working capital	**(2,713)**	448	**10,727**	11,050
Working capital adjustments:				
Decrease in trade and other accounts receivable before provision	**21,971**	16,131	**6,096**	2,822
Increase in inventories	**(1,966)**	(960)	**(3,036)**	(193)
(Increase) decrease in prepayments	**366**	(1,022)	**311**	(688)
(Increase) decrease in current taxes	**239**	-	**239**	-
Increase (decrease) in trade and other accounts payable	**(14,489)**	(2,081)	**(11,417)**	2,221
Increase in equity taxes	**-**	-	**478**	-
Net cash flows from operating activities	**3,408**	12,516	**3,398**	15,212
Investing activities:				
Purchase of property and equipment *(note 8)*	**(9,977)**	(6,674)	**(17,979)**	(8,020)
Business acquisitions *(note 5)*	**(56,582)**	-	**(56,582)**	-
Proceeds on disposal of equipment *(note 8)*	**1,404**	431	**2,351**	770
Change in non-cash working capital	**800**	11	-	11
Net cash flows used in investing activities	**(64,355)**	(6,232)	**(72,210)**	(7,239)
Financing activities:				
Increase (decrease) in long-term debt	**55,841**	(388)	**62,837**	(16,906)
Issuance of share capital, net of costs	**3**	37	**6**	13,850
Finance costs *(note 16)*	**(372)**	(322)	**(492)**	(561)
Change in non-cash working capital	-	(175)	**-**	-
Net cash flows from (used in) financing activities	**55,472**	(848)	**62,351**	(3,617)
Foreign exchange gain on cash held in a foreign currency	**(1)**	-	**(4)**	-
Change in cash	**(5,476)**	5,436	**(6,465)**	4,356
Cash, beginning of the period	**1,403**	-	**2,392**	1,080
Cash (bank indebtedness), end of period	**$ (4,073)**	$ 5,436	**$ (4,073)**	$ 5,436

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 three and six month periods ended June 30, 2011 and 2010 were authorized by the Board of Directors on August 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 has commenced providing 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 consolidated financial statements as at December 31, 2010 and the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements for the three and six month periods ended June 30, 2011 and 2010 were prepared in accordance with IAS 34, *Interim Financial Reporting* and IFRS 1 *First Time Adoption of International Financial Reporting Standards*. The same accounting policies and methods of computation were followed in the preparation of these Interim Financial Statements as were followed in the preparation of the Interim Financial Statements for the three month period ended March 31, 2011. In addition, the Interim Financial Statements for the three month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these Interim Financial Statements for the three and six month periods ended June 30, 2011 and 2010 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the Interim Financial Statements for the three month period ended March 31, 2011.

3. FUTURE ACCOUNTING POLICIES

As of January 1, 2013, Essential will be required to adopt certain standards and amendments issued by the International Accounting Standards Board ("IASB") as described below, for which the Company is currently assessing the impact on its Consolidated Financial Statements.

IFRS 11, "Joint Arrangements" is the result of the IASB's project to replace IAS 31, "Interest in Joint Ventures". The new standard redefines "joint operations" and "joint ventures" and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. This standard is not expected to impact Essential.

IFRS 13, "Fair Value Measurement" provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements.

IFRS 9, "Financial Instruments" is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10, "Consolidated Financial Statements" is the result of the IASB's project to replace Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27, "Consolidated and Separate Financial Statements". The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity.

IFRS 12, "Disclosure of Interests in Other Entities" outlines the required disclosures for interests in subsidiaries and joint arrangements. The new standard requires disclosure of information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements.

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 the fair valuation of acquired assets and liabilities pursuant to business combinations, 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. ACQUISITION

On April 4, 2011, Essential and Technicoil Corporation ("Technicoil") entered into a definitive arrangement agreement (the "Arrangement") providing for the combination of their businesses (the "Combination"). The closing date of the transaction was on May 31, 2011 (the "Closing Date"). Under the Arrangement, Essential acquired all of the outstanding shares of Technicoil ("Technicoil Shares"). Each Technicoil Share was exchanged for 0.7111 shares of Essential ("Essential Shares") and $0.80 in cash, resulting in the issuance of 51,736,446 Essential Shares and a total cash payment of $58.2 million, for a total consideration of $164.7 million. The market value of the Essential Shares issued was determined based on the weighted average trading value of the Essential Shares on the closing date.

The Agreement has been accounted for by the acquisition method with the results of Technicoil being included in the Company's consolidated financial statements from the Closing Date. The purchase price has been allocated to Technicoil's net assets acquired and liabilities as shown in the table below. These preliminary fair value determinations are based on management estimates and are subject to change.

		Amount
Calculation of purchase price:		
Market value of Essential shares issued	$	106,536
Cash paid on closing		58,204
	$	164,740

	Amount
Net assets acquired:	
Cash	$ 1,622
Net working capital, excluding cash (including accounts receivable of $13,464)	1,597
Property and equipment	82,408
Intangible assets	44,600
Goodwill	56,725
Finance leases including current portion	(226)
Deferred income tax liabilities	(21,986)
	$ 164,740

The net assets acquired and liabilities assumed have been included in the Well Servicing segment. Goodwill acquired in the transaction arises from the efficiencies and synergies created between the existing business of the Company and the acquired assets. Transaction costs incurred by Essential of $2.4 million have been expensed in the three month period ended June 30, 2011.

The results of Technicoil included in the consolidated results for the three and six months ended June 30, 2011 are summarized as follows:

(Thousands)	For the three months ended June 30, 2011	For the six months ended June 30, 2011
Revenue	$ 8,522	$ 8,522
Net income	$ 406	$ 406

Had the acquisition of Technicoil occurred at the start of the current annual reporting period, the consolidated results of the combined entity would have been as follows:

	Essential Six months ended June 30, 2011	Technicoil Five months ended May 31, 2011	Combined results Six months ended June 30, 2011
Revenue	$ 106,895	$ 42,752	$ 149,647
Operating expenses	87,166	32,022	119,188
Gross margin	19,729	10,730	30,459
General and administrative expenses	6,465	1,651	8,116
	13,264	9,079	22,343
Depreciation and amortization	7,555	3,644	11,199
Share-based compensation	714	2,693	3,407
Equity taxes	478	-	478
Other (income) expense	1,228	(24)	1,204
Operating profit	3,289	2,766	6,055
Transaction costs	2,397	3,846	6,243
Finance costs	492	126	618
Net income (loss) before income tax	400	(1,206)	(806)
Income taxes			
Current income tax expense	239	624	863
Deferred income tax expense	517	(2)	515
Total income tax expense	756	622	1,378
Net loss for the period	$ (356)	$ (1,828)	$ (2,184)

6. TRADE AND OTHER RECEIVABLES

	As at June 30 2011	As at December 31 2010
Trade receivables, net of provision	**$ 47,636**	$ 40,002
Other receivables	**103**	158
	$ 47,739	$ 40,160

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 Essential's trade receivables are denominated in the following currencies:

	As at June 30 2011	As at December 31 2010
Canadian Dollar	**$ 47,267**	$ 39,460
United States Dollar	**369**	542
	$ 47,636	$ 40,002

The aging analysis of trade receivables is as follows:

	As at June 30 2011	As at December 31 2010
< 31 days	**$ 24,934**	$ 19,515
31-60 days	**6,977**	14,400
61-90 days	**5,991**	4,350
>90 days	**9,734**	1,737
	$ 47,636	$ 40,002

Trade receivables that are less than three months past due are generally not considered impaired. The provision for impairment of receivables of $1.4 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 June 30 2011	For the three months ended June 30 2010	For the six months ended June 30 2011	For the six months ended June 30 2010
Balance, beginning of the period	**$ 573**	$ 793	**$ 423**	$ 661
Acquisition of Technicoil	**794**	-	**794**	-
Provision for receivables impairment	**61**	32	**214**	185
Receivables written off during the period as uncollectible	**(60)**	(126)	**(63)**	(129)
Unused amount reversed	**-**	(1)	**-**	(19)
Balance, end of the period	**$ 1,368**	$ 698	**$ 1,368**	$ 698

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.

7. INVENTORIES

	As at June 30 2011	As at December 31 2010
Downhole tools	**$ 11,642**	$ 9,018
Coil tubing and wireline products	**4,280**	1,569
	$ 15,922	$ 10,587

Inventory expensed through operating expenses in the consolidated statement of comprehensive income for the three and six months ended June 30, 2011 was $6.8 million and $15.9 million, respectively (2010 $3.2 million and $7.5 million, respectively).

8. PROPERTY AND EQUIPMENT

As at June 30, 2011	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Service rigs and equipment - certifications	**$ 23,190**	**$ 5,098**	**$ 18,092**
Service rigs and equipment - frames	**35,926**	**4,570**	**31,356**
Service rigs and equipment – other	**24,137**	**7,477**	**16,660**
Coil tubing rigs and equipment	**73,995**	**6,007**	**67,988**
Oilfield equipment	**60,543**	**9,608**	**50,935**
Vehicles	**10,675**	**3,609**	**7,066**
Office and computer equipment	**5,587**	**2,191**	**3,396**
Land	**482**	**-**	**482**
Other	**4,970**	**1,197**	**3,773**
	$ 239,505	**$ 39,757**	**$ 199,748**

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

Included in oilfield equipment and coil tubing rigs and equipment is $14.7 million (December 31, 2010 - $3.8 million) of assets under construction which will not be depreciated until put into use.

	For the three months ended		For the six months ended	
	June 30 2011	June 30 2010	**June 30 2011**	June 30 2010
Net book value, beginning of the period	**$ 112,884**	$ 101,026	**$ 109,830**	$ 102,964
Acquisition of Technicoil *(note 5)*	**82,408**	-	**82,408**	-
Acquisitions	**9,977**	6,674	**17,979**	8,020
Disposals	**(2,252)**	(437)	**(3,942)**	(645)
Depreciation	**(3,441)**	(2,818)	**(6,747)**	(5,894)
Currency translation adjustment	**172**	-	**220**	-
Net book value, end of the period	**$ 199,748**	$ 104,445	**$ 199,748**	$ 104,445

9. INTANGIBLE ASSETS

As at June 30, 2011	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**$ 46,764**	**$ 3,183**	**$ 43,581**
Favourable leases	**576**	**427**	**149**
Trade names	**3,508**	**326**	**3,182**
	$ 50,848	**$ 3,936**	**$ 46,912**

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

	For the three months ended		For the six months ended	
	June 30 2011	June 30 2010	**June 30 2011**	June 30 2010
Net book value, beginning of the period	**$ 2,920**	$ 3,673	**$ 3,122**	$ 3,853
Acquisition of Technicoil *(note 5)*	**44,600**	-	**44,600**	-
Amortization	**(608)**	(179)	**(810)**	(359)
Net book value, end of the period	**$ 46,912**	$ 3,494	**$ 46,912**	$ 3,494

10. GOODWILL

	For the three months ended		For the six months ended	
	June 30 2011	June 30 2010	**June 30 2011**	June 30 2010
Net book value, beginning of the period	**$ -**	$ -	**$ -**	$ -
Acquisition of Technicoil *(note 5)*	**56,725**	-	**56,725**	-
Net book value, end of the period	**$ 56,725**	$ -	**$ 56,725**	$ -

11. LONG-TERM DEBT

	As at June 30 2011	As at December 31 2010
Term loan	**$ 62,950**	$ -
Finance leases	**509**	396
	63,459	396
Less: current portion of long-term debt	**(6,469)**	(333)
	$ 56,990	$ 63

Essential's Credit Facility (the "Credit Facility") with its banking syndicate is comprised of a $20 million revolving operating loan and a $80 million revolving term loan facility with a $35 million accordion feature. The $20 million revolving operating loan matures on May 31, 2012, is renewable annually at the lender's consent and is limited to 75% of Essential's accounts receivable less specific items. The $80 million revolving term loan facility matures on May 31, 2012, is renewable annually at the lender's 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.

As at June 30, 2011, all financial debt covenants were satisfied and all banking requirements were up to date. The maximum of $100 million was available to the Company as at June 30, 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 June 30 2011	As at December 31 2010
Repayments are required as follows:		
Within one year	**$ 6,318**	$ -
Between one and two years	**19,417**	-
Between two and three years	**37,215**	-
	$ 62,950	$ -

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 June 30 2011	As at December 31 2010
Amounts payable under finance leases		
Within one year	**$ 151**	$ 333
Between one and two years	**358**	63
Between two and three years	**-**	-
	$ 509	$ 396

12. 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 six months ended June 30, 2011 is based on a corporate structure, whereas the calculation of current and deferred income taxes for the six months ended June 30, 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		For the six months ended	
	June 30 2010	June 30 2010	**June 30 2011**	June 30 2010
Earnings (loss) before income taxes	**$ (8,211)**	$ (2,991)	**$ 400**	$ 3,785
Statutory tax rate	**26.5%**	28%	**26.5%**	28%
Expected income tax expense (recovery)	**$ (2,176)**	$ (837)	**$ 106**	$ 1,060
Increase (decrease) resulting from:				
Equity tax	**(0)**	-	**127**	-
Share based compensation	**108**	23	**189**	109
Permanent items	**181**	97	**347**	216
Impact of foreign tax rates	**(21)**	-	**(40)**	-
Adjustment on conversion to Corporation	**-**	(523)	**-**	(523)
Effective tax law changes and future tax rate deductions	**148**	715	**27**	(286)
Income tax expense (recovery)	**$ (1,760)**	$ (525)	**$ 756**	$ 576

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

	As at June 30 2011	As at December 31 2010
Deferred tax assets		
Foreign operating loss	**$ 933**	$ 685
Foreign accelerated depreciation for book purposes	**141**	485
	$ 1,074	$ 1,170

	As at June 30 2011	As at December 31 2010
Deferred tax liability		
Amortization of intangible assets	**$ (8,470)**	$ 2,596
Losses available for offset against future taxable income	**4,589**	3,667
Depreciation of property and equipment	**(14,830)**	(2,053)
Deferred tax recognized on assets held for sale	**-**	-
Equity issuance costs	**874**	702
Other	**(882)**	(927)
	$ (18,719)	$ 3,985
Net deferred tax asset (liability)	**$ (17,645)**	$ 5,155

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 acquisition of Technicoil *(note 5)*	51,736	106,536
Shares issued on exercise of options	7	10
As at June 30, 2011	**123,186**	**$ 257,344**

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	714	-	714
Exercise of options	(4)	-	(4)
Unrealized foreign exchange gain on foreign operations	-	307	307
As at June 30, 2011	**$ 2,231**	**$ (9)**	**$ 2,222**

15. NON-CONTROLLING INTEREST

	As at June 30 2011	As at December 31 2010
Balance, beginning of the period	**$ 303**	$ -
Contribution	**108**	381
Loss attributed to non-controlling interest	**(240)**	(8)
Other comprehensive income	**35**	(70)
Balance, end of the period	**$ 206**	$ 303

During 2010 Essential established a subsidiary pursuant to the terms of an agreement 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. FINANCE COSTS

	For the three months ended		For the six months ended	
	June 30 2011	June 30 2010	**June 30 2011**	June 30 2010
Bank borrowings	**$ 367**	$ 306	**$ 480**	$ 525
Lease financing	**5**	16	**12**	36
	$ 372	$ 322	**$ 492**	$ 561

17. RELATED PARTIES

Transactions with related parties, if they occur, are made in the normal course of operations, on commercial terms established and agreed to by the related parties. During the three and six months ended June 30, 2011 and 2010, there were no transactions with related parties.

18. 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 June 30, 2011 totaled 12,318,640 (2010 – 7,138,730) share options.

	For the six months ended June 30,			
	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	**2,275**	**2.10**	1,040	1.15
Exercised	**(7)**	**1.00**	(34)	1.08
Expired	**(325)**	**10.44**	(419)	10.11
Forfeited	**(109)**	**3.45**	(280)	3.56
Outstanding, end of period	**6,868**	**$ 2.06**	5,044	$ 2.97
Exercisable, end of period	**2,609**	**$ 2.48**	1,729	$ 5.58

The fair value of share options issued during the period ranged from $0.94 to $1.18 per option (2010 - $0.56 - $0.69 per option) and were 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

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.

19. EARNINGS PER SHARE

Basic earnings (loss) per share is calculated by dividing the net income (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		For the six months ended	
	June 30 2011	June 30 2010	**June 30 2011**	June 30 2010
Basic and diluted	**88,500**	71,364	**80,021**	65,641
Net income (loss) attributable to Essential	**$ (6,364)**	$ (2,466)	**$ (116)**	$ 3,209
Basic and diluted earnings (loss) per share	**$ (0.07)**	$ (0.03)	**$ 0.00**	$ 0.05

For the three and six months ended June 30, 2011 and 2010, options convertible to shares are not included in the per share calculation as their effect is anti-dilutive.

20. COMMITMENTS

In addition to the required payments on long-term debt (note 11), 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	$ 2,213
In the second year to fifth years inclusive	8,323
After five years	1,820
	$ 12,356

In addition to the above, Essential has entered into agreements to purchase certain assets for $27.9 million. At June 30, 2011, $14.8 million of the amounts committed to these expenditures are expected to be paid during the remainder of 2011 with the balance of $13.1 million expected to be paid during 2012 and 2013 upon delivery of the assets.

21. CAPITAL DISCLOSURE

The Company's capital structure consists of the following:

	As at June 30 2011	As at December 31 2010
Long-term debt	**$ 63,459**	$ 396
Equity attributable to shareholders of Essential	**257,119**	149,780
Total capitalization	**$ 320,578**	$ 150,176

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 and transaction costs) shall not exceed 3.00; (ii) Funded Debt to Capitalization shall not exceed 50%; (iii) Fixed Charge Coverage Ratio shall not be less than 1.25; and (iv) Current Assets to Current Liabilities shall not be less than 1.25. As at June 30, 2011, the Company was in good standing with respect to these covenants.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 six months ended June 30, 2011, the Company earned revenues from more than 400 customers with five of these customers representing 23% of revenue. As at June 30, 2011, approximately 25% 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. Assuming all other variables remain the same, it is estimated that a 1% change to interest rates on the floating instrument would result in a $0.6 million change to net income on an annualized basis.

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.

23. 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.

24. 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 has commenced providing services in Colombia in 2011. The Well Servicing segment is comprised of a fleet of service rigs, coil tubing rigs, nitrogen and fluid 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 June 30, 2011

	Well Servicing	Downhole Services & Rentals	Corporate	Consolidated
Revenue	**$ 23,364**	**$ 17,115**	**$ -**	**$ 40,479**
Net income (loss) before income taxes	**$ (5,718)**	**$ 2,810**	**$ (5,303)**	**$ (8,211)**
Depreciation and amortization	**$ 2,808**	**$ 965**	**$ 274**	**$ 4,047**
Total assets	**$ 305,914**	**$ 50,813**	**$ 14,290**	**$ 371,017**
Total liabilities	**$ 26,721**	**$ 7,432**	**$ 79,539**	**$ 113,692**
Equipment expenditures	**$ 8,168**	**$ 1,461**	**$ 348**	**$ 9,977**
Property and equipment acquired in business combinations	**$ 82,408**	**$ -**	**$ -**	**$ 82,408**

As at and for the three months ended June 30, 2010 *(restated – Note 25)*

	Well Servicing	Downhole Services & Rentals	Corporate	Consolidated
Revenue	$ 15,742	$ 9,452	$ -	$ 25,194
Net income (loss) before income taxes	$ (948)	$ 517	$ (2,560)	$ (2,991)
Depreciation and amortization	$ 1,827	$ 938	$ 232	$ 2,997
Total assets	$ 99,066	$ 39,130	$ 15,294	$ 153,490
Total liabilities	$ 4,990	$ 4,250	$ 3,112	$ 12,352
Equipment expenditures	$ 5,807	$ 405	$ 462	$ 6,674

As at and for the six months ended June 30, 2011	**Well Servicing**	**Downhole Services & Rentals**	**Corporate**	**Consolidated**
Revenue	**$ 63,574**	**$ 43,321**	**$ -**	**$ 106,895**
Net income (loss) before income taxes	**$ 1,504**	**$ 8,470**	**$ (9,574)**	**$ 400**
Depreciation and amortization	**$ 5,010**	**$ 2,003**	**$ 542**	**$ 7,555**
Total assets	**$ 305,914**	**$ 50,813**	**$ 14,290**	**$ 371,017**
Total liabilities	**$ 26,721**	**$ 7,432**	**$ 79,539**	**$ 113,692**
Equipment expenditures	**$ 14,425**	**$ 3,129**	**$ 425**	**$ 17,979**
Property and equipment acquired in business combinations	**$ 82,408**	**$ -**	**$ -**	**$ 82,408**

As at and for the six months ended June 30, 2010 *(restated – Note 25)*	Well Servicing	Downhole Services & Rentals	Corporate	Consolidated
Revenue	$ 46,384	$ 25,030	$ -	$ 71,414
Net income (loss) before income taxes	$ 5,948	$ 4,438	$ (6,601)	$ 3,785
Depreciation and amortization	$ 3,913	$ 1,886	$ 454	$ 6,253
Total assets	$ 99,066	$ 39,130	$ 15,294	$ 153,490
Total liabilities	$ 4,990	$ 4,250	$ 3,112	$ 12,352
Equipment expenditures	$ 6,705	$ 686	$ 629	$ 8,020

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

As at and for the three months ended June 30, 2011	**Canada**	**Colombia**	**Consolidated**
Revenue	**$ 40,118**	**$ 361**	**$ 40,479**
Total assets	**$ 360,696**	**$ 10,321**	**$ 371,017**

As at and for the three months ended June 30, 2010 *(restated – Note 25)*	Canada	Colombia	Consolidated
Revenue	$ 25,194	$ -	$ 25,194
Total assets	$ 153,490	$ -	$ 153,490

As at and for the six months ended June 30, 2011	**Canada**	**Colombia**	**Consolidated**
Revenue	**$ 106,534**	**$ 361**	**$ 106,895**
Total assets	**$ 360,696**	**$ 10,321**	**$ 371,017**

As at and for the six months ended June 30, 2010 *(restated – Note 25)*	Canada	Colombia	Consolidated
Revenue	$ 71,414	$ -	$ 71,414
Total assets	$ 153,490	$ -	$ 153,490

25. TRANSITION TO 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 GAAP. 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 identified in the condensed interim consolidated financial statements for the three month period ended March 31, 2011. As such, this note explains the principal adjustments made by Essential in restating its previously published pre-changeover Canadian GAAP financial statements for the three and six months ended June 30, 2010.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2010

(unaudited)

(Thousands)	As at June 30, 2010 Pre-changeover Canadian GAAP	Effect of transition to IFRS	As at June 30, 2010 IFRS
Assets			
Current assets			
Cash	$ 5,436	$ -	$ 5,436
Trade and other receivables	20,104	-	20,104
Inventories	9,387	-	9,387
Prepayments	2,541	-	2,541
	37,468	-	37,468
Non-current assets			
Property and equipment *(i),(ii), (iii)*	124,534	(20,089)	104,445
Intangible assets	1,002	-	1,002
Assets held for sale	3,494	-	3,494
Deferred tax assets *(iv)*	1,924	5,157	7,081
	130,954	(14,932)	116,022
Total assets	$ 168,422	$ (14,932)	$ 153,490
Liabilities			
Current liabilities			
Trade and other payables *(iii)*	$ 11,646	$ 11	$ 11,657
Current portion of long-term debt *(iii)*	-	567	567
	11,646	578	12,224
Non-current liabilities			
Long-term debt *(iii)*	-	128	128
	-	128	128
Total liabilities	11,646	706	12,352
Equity			
Share capital *(v)*	279,671	(128,957)	150,714
Contributed surplus *(vi)*	7,327	(7,327)	-
Other reserves	-	1,174	1,174
Retained earnings (accumulated deficit) *(i) to (vi)*	(130,222)	119,472	(10,750)
Equity attributable to equity holders of the parent	156,776	(15,638)	141,138
Non-controlling interest	-	-	-
Total equity	156,776	(15,638)	141,138
Total liabilities and equity	$ 168,422	$ (14,932)	$ 153,490

RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT JUNE 30, 2010

(unaudited)

(Thousands)	Share Capital	Contributed surplus	Retained Earnings	Other Reserves	Total
Pre-changeover Canadian GAAP as at June 30, 2010	$ 279,671	$ 7,327	$ (130,222)	$ -	$ 156,776
Effect of changes at transition *(i)*	(128,950)	(5,928)	114,969	-	(19,909)
Property and equipment *(ii)*	-	-	2,913	-	2,913
Change in treatment of leases *(iii)*	-	-	45	-	45
Deferred tax changes *(iv)*	-	-	1,313	-	1,313
Revaluation of contributed surplus *(v)*	(7)	(225)	232	-	-
Reclassification of contributed surplus *(v)*	-	(1,174)	-	1,174	-
IFRS balance as at June 30, 2010	$ 150,714	$ -	$ (10,750)	$ 1,174	$ 141,138

(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 which are included in the interim condensed consolidated financial statements for the three month period ended March 31, 2011.

(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. The impact of the application of this section was to reduce the accumulated depreciation on the property and equipment by $2,913 during the six months ended June 30, 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 ($243) which was partially offset by increased depreciation ($129), increased finance costs ($36) and increased other income ($32).

(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 $1,313 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. The application of this standard resulted in a reduction of share-based compensation expense of $225 with a corresponding reduction in contributed surplus. The balance in contributed surplus has been reclassified to “Other Reserves” to remain consistent with current year presentation.

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2010

(unaudited)

(Thousands)	Pre-changeover Canadian GAAP in IFRS format	Effect of transition to IFRS	IFRS
Revenue	$ 25,194	$ -	$ 25,194
Operating expenses *(ii)*	22,160	(116)	22,044
Gross margin	3,034	116	3,150
General and administrative expenses	2,732	5	2,737
	302	111	413
Depreciation and amortization *(i, ii)*	4,525	(1,528)	2,997
Share-based compensation *(iv)*	271	(189)	82
Other income (expense) *(ii)*	63	(60)	3
Operating profit	(4,557)	1,888	(2,669)
Finance costs *(ii)*	305	17	322
Net income (loss) before tax	(4,862)	1,871	(2,991)
Deferred income tax expense *(iii)*	37	(562)	(525)
Net income (loss) for the period	(4,899)	2,433	(2,466)
Other comprehensive loss:			
Unrealized foreign exchange loss on foreign operations	-	-	-
Other comprehensive loss for the period	-	-	-
Comprehensive income (loss)	$ (4,899)	$ 2,433	$ (2,466)

(i) Property and equipment: This adjustment reflects the componentization of the assets in accordance with IFRS and the resultant changes in depreciation polices. The impact of the application of this section was to reduce the depreciation expense by $1,590 and reduce other expenses by $84 for the three months ended June 30, 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 ($116) which was partially offset by increased depreciation ($62), increased finance costs ($17) and increased other expenses ($24) for the three months ended June 30, 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 June 30, 2010 of $562 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 $189 for the three months ended June 30, 2010.

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2010

(unaudited)

(Thousands)	Pre-changeover Canadian GAAP in IFRS format	Effect of transition to IFRS	IFRS
Revenue	$ 71,414	$ -	$ 71,414
Operating expenses *(ii)*	55,127	(243)	54,884
Gross margin	16,287	243	16,530
General and administrative expenses	5,662	5	5,667
	10,625	238	10,863
Depreciation and amortization *(i, ii)*	8,957	(2,704)	6,253
Share-based compensation *(iv)*	623	(232)	391
Other income *(ii)*	(75)	(52)	(127)
Operating profit	1,120	3,226	4,346
Finance costs *(ii)*	525	36	561
Net income (loss) before tax	595	3,190	3,785
Deferred income tax expense *(iii)*	1,889	(1,313)	576
Net income (loss) for the period	(1,294)	4,503	3,209
Other comprehensive loss:			
Unrealized foreign exchange loss on foreign operations	-	-	-
Other comprehensive loss for the period	-	-	-
Comprehensive income (loss)	$ (1,294)	$ 4,503	$ 3,209

(i) Property and equipment: This adjustment reflects the componentization of the assets in accordance with IFRS and the resultant changes in depreciation polices. The impact of the application of this section was to reduce the depreciation expense by $2,833 and reduce other expenses by $84 for the six months ended June 30, 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 ($243) which was partially offset by increased depreciation ($129k), increased finance costs ($36k) and increased other expenses ($32) for the six months ended June 30, 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 six months ended June 30, 2010of $1,313 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 $232 for the six months ended June 30, 2010.

CORPORATE INFORMATION

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Edward C. Grimes[1,3]

Nicholas G. Kirton[1,2]

Andrew B. Zaleski [3]

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

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Bankers

National Bank of Canada

The Toronto-Dominion Bank

HSBC Bank Canada

Canadian Western Bank

Legal Counsel

Fasken Martineau LLP

Heenan Blaikie LLP

Transfer Agent

Olympia Trust Company

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Chief Financial Officer & VP, Finance

Don A. K. Webster
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