THIRD QUARTER REPORT 2011

NINE MONTHS ENDED SEPTEMBER 30, 2011

Third Quarter Report
Three and Nine Months Ended September 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 nine month periods ended September 30, 2011. This MD&A is an update to and should be read in conjunction with Essential's March 31, 2011 and June 30, 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 nine months ended September 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 November 9, 2011.

BASIS OF PRESENTATION

The following MD&A and the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 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.

SELECTED FINANCIAL INFORMATION

The increased size and nature of the Company's operations due to the completion of the acquisition of Technicoil (the "Technicoil Acquisition") on May 31, 2011 impacts the results for 2011 compared to 2010. Except where otherwise noted, Essential's results for the three and nine months ended September 30, 2011 include the results for Technicoil Corporation ("Technicoil") for the period June 1, 2011 to September 30, 2011.

	Three months ended September 30,		Nine months ended September 30,	
($Thousands, except per share amounts)	**2011**	2010	**2011**	2010
Revenue	**99,416**	41,244	**206,311**	112,658
Gross margin	**31,100**	10,186	**50,829**	26,716
Gross margin % [1]	**31%**	25%	**25%**	24%
EBITDA[1]	**27,293**	7,246	**40,557**	18,114
EBITDA %[1]	**27%**	18%	**20%**	16%
Funds flow from operations [1]	**23,857**	7,178	**34,584**	18,228
Per share – basic and diluted [1]	**$ 0.19**	$ 0.10	**$ 0.36**	$ 0.27
Net income attributable to shareholders of Essential	**13,678**	2,657	**13,563**	5,876
Per share – basic and diluted	**$ 0.11**	$ 0.04	**$ 0.14**	$ 0.09
Total assets	**411,204**	160,797	**411,204**	160,797
Total long-term debt	**79,230**	471	**79,230**	471

ACQUISITION OF TECHNICOIL CORPORATION

On May 31, 2011, Essential completed the Technicoil Acquisition pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta). 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 Operations Combined as of January 1, 2011

(Thousands)	Three Months Ended March 31, 2011	Three Months Ended June 30, 2011	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Revenue	$ 101,176	$ 48,471	$ 99,416	$ 249,063
Gross margin	29,135	1,324	31,100	61,559
Gross margin %[2]	29%	3%	31%	25%
EBITDA[1]	24,849	(2,506)	27,293	49,636
EBITDA %[1]	25%	(5)%	27%	20%
Utilization - Canada				
Deep coil tubing rigs	122%	35%	104%	86%
Service rigs	65%	28%	54%	49%

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

(Thousands)	Revenue	EBITDA[1]
Combined results	$ 249,063	$ 49,636
Less: results from Technicoil for the period January 1 to May 31, 2011	(42,752)	(9,079)
Essential Consolidated Financial Statements	$ 206,311	$ 40,557

OVERVIEW OF ESSENTIAL

EQUIPMENT FLEET

As at September 30, 2011	Canada	Colombia	**Total**
Coil Tubing Rigs			
Deep	23	-	**23**
Shallow/Intermediate	25	2	**27**
	48	2	**50**
Service Rigs			
Singles	37	-	**37**
Doubles	20	1	**21**
	57	1	**58**
Pumpers			
Nitrogen	9	2	**11**
Fluid	12	-	**12**
	21	2	**23**

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

CANADA

Coil tubing rigs

Essential operates the largest coil tubing well servicing fleet in the Western Canadian Sedimentary Basin ("WCSB"). There are two distinct operating categories within Essential's coil tubing rig fleet, deep coil tubing rigs and shallow/intermediate coil tubing rigs.

- Deep coil tubing rigs include both masted and conventional coil tubing rigs that have a depth capacity up to 6,600 meters. The deep coil tubing rigs primarily provide completion, fracture stimulation and workover services on long reach horizontal wells. These rigs are supported by a fleet of nitrogen and fluid pumpers, which broadens Essential's services to include acid and chemical treatments. The deep coil tubing rig fleet is primarily focused on providing services on oil and liquids-rich natural gas resource plays.
- Shallow/intermediate coil tubing rigs are conventional coil tubing rigs that have a depth capacity up to 2,500 meters. These rigs primarily provide workover services on existing wells; the shallow rigs are focused on natural gas while the intermediate rigs are more oil focused.

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.

Service rigs

Essential's service rig fleet consists of 37 single and 20 double service rigs. The fleet operates from eight service locations across western Canada and provides well completion and production/workover services in all major resource plays across the WCSB. Service rigs are used primarily to repair, re-complete and stimulate existing oil and natural gas wells and perform completions on new wells.

Downhole tools

Essential provides a wide range of downhole tools and rental services to assist with the completion and production operations of oil and natural gas wells. These services offer a full range of downhole tools, including the Tryton Multi-Stage Fracturing System ("Tryton MSFS").

COLOMBIA

Essential services producing wells from its operating base in Barrancabermeja, Colombia. The current operational fleet in Colombia consists of one double service rig, two coil tubing rigs, two nitrogen pumpers and three rod rigs.

CORPORATE INFORMATION

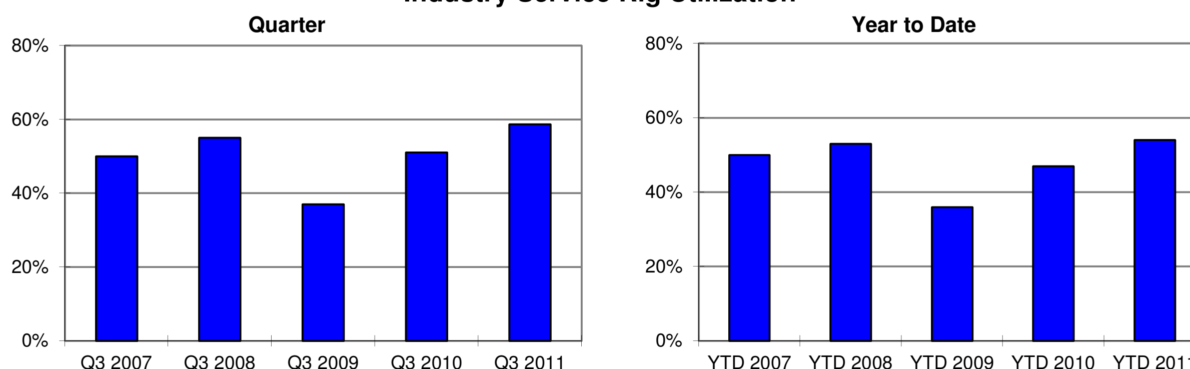
Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares trade on the Toronto Stock Exchange under the symbol ESN.

Additional information regarding Essential, including the March 31, 2011 and June 30, 2011 interim reports, 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.

INDUSTRY OVERVIEW

CANADA

Well service activity in the WCSB was strong during the third quarter with service rig utilization, as reported by Canadian Association of Oilwell Drilling Contractors ("CAODC"), the highest since 2006. Well service activities were driven by horizontal well drilling, stimulation and completion work focused on oil and liquids-rich natural gas plays on the relative strength of those commodity prices. The focus on horizontal wells contributed to increased demand for oilfield service equipment, including deep coil tubing rigs and multi-stage completion services.



Source: Canadian Association of Oilwell Drilling Contractors

General economic activity in western Canada and the increasing demand for services in the WCSB continued to create labour constraints and cost escalations in the oilfield services sector during the quarter.

COLOMBIA

Production levels in Colombia reached record highs during the third quarter and the Colombian government continues to target significant production increases over the next several years. Colombia currently produces 0.9 million barrels of oil equivalent per day. This level represents a 28% increase over 2009 levels and production is expected to increase to 1.5 million bbl/d by 2015. A significant portion of Colombia's anticipated production increase is expected to come from increasing production of existing wells through extensive stimulation and workover programs.

OPERATING HIGHLIGHTS - ESSENTIAL

CANADA

Essential had record results during the third quarter, building on its strong results from the first half of the year. This was the first quarter of operating results with Technicoil included for the entire quarter.

On a quarter over quarter basis, Essential's results show significant improvement over 2010 due to:

- inclusion of Technicoil's operating results in 2011;
- strong utilization across all core services; and
- higher demand from horizontal well drilling for stimulation and completion work utilizing Essential's deep coil rigs and downhole tools.

The Technicoil Acquisition and Essential's capital program increased the depth capacity of the coil tubing fleet and expanded Essential's ability to meet the growing demand for deep coil tubing rigs in the key resource plays within the WCSB. Operating margins improved as the Company's expanded pumper fleet reduced its reliance on third party contractor equipment.

COLOMBIA

Operations continue to grow in Colombia with Essential recording its first positive cash flow month as more of the Company's Colombian equipment fleet worked during the quarter. Essential has secured work programs through the balance of 2011 for the service rig and has entered into a one-year contract at the beginning of the fourth quarter for one of its three rod rigs. Management believes these services, plus the continued use of its coil tubing and nitrogen equipment will be in high demand through the remainder of 2011 and into 2012 as Essential continues to broaden its customer base and pursue additional opportunities.

RESULTS OF OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
(Thousands, except per share amounts)	**2011**	2010	**2011**	2010
Revenue	**$ 99,416**	$ 41,244	**$ 206,311**	$ 112,658
Operating expenses	**68,316**	31,058	**155,482**	85,942
Gross margin	**31,100**	10,186	**50,829**	26,716
Gross margin %[1]	**31%**	25%	**25%**	24%
General and administrative expenses	**3,807**	2,940	**10,272**	8,602
EBITDA[1]	**27,293**	7,246	**40,557**	18,114
EBITDA %[1]	**27%**	18%	**20%**	16%
Depreciation and amortization	**6,492**	3,193	**14,047**	9,447
Share-based compensation	**374**	169	**1,088**	560
Equity taxes	**-**	-	**478**	-
Other (income) expense	**266**	25	**1,494**	(107)
Operating income	**20,161**	3,859	**23,450**	8,214
Transaction costs	**608**	-	**3,004**	-
Finance costs	**822**	83	**1,314**	643
Income before income tax	**18,731**	3,776	**19,132**	7,571
Current income tax expense	**3,012**	-	**3,251**	-
Deferred income tax expense	**2,102**	1,119	**2,619**	1,695
Net income	**$ 13,617**	$ 2,657	**$ 13,262**	$ 5,876
Net income (loss) attributable to:				
Shareholders of Essential	**$ 13,678**	$ 2,657	**$ 13,563**	$ 5,876
Non-controlling interests	**(61)**	-	**(301)**	-
	$ 13,617	$ 2,657	**$ 13,262**	$ 5,876
Net income per share				
Basic and diluted, attributable to shareholders of Essential	**$ 0.11**	$ 0.04	**$ 0.14**	$ 0.09

SEGMENT RESULTS - *WELL SERVICING - CANADA*

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Revenue				
Coil tubing rigs*	**$ 36,349**	$ 8,859	**$ 60,351**	$ 22,305
Service rigs	**20,969**	12,796	**54,448**	40,524
Other	**7,148**	2,454	**12,880**	7,664
Total revenue	**64,466**	24,109	**127,679**	70,493
Operating expenses	**40,412**	17,739	**94,165**	52,682
Gross margin	**$ 24,054**	$ 6,370	**$ 33,514**	$ 17,811
Gross margin %(1)	**37%**	26%	**26%**	25%
Utilization				
Deep coil tubing rigs	**104%**	93%	**90%**	79%
Service rigs	**54%**	40%	**49%**	40%

* Includes revenue from nitrogen and fluid pumpers and other ancillary equipment.

Coil tubing rig revenue increased significantly in the third 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 deep coil tubing rigs in the Bakken, Viking, Cardium and Montney resource plays. Average coil tubing service pricing improved as a result of additional deep coil tubing rigs and increased pricing for the Technicoil deep coil rigs to bring their rates in line with Essential's pricing. These pricing improvements, increased activity levels and reduced third party pumper and nitrogen charges, all contributed to improved gross margins during the third quarter.

Service rig revenue increased during the third quarter over the prior year as nine service rigs were added through the Technicoil Acquisition and there was an overall increase in service rig utilization across the WCSB. Essential's focus on oil-based and liquids-rich natural gas activity across the WCSB contributed to the increased activity during the third quarter. Essential's operations in northern Alberta were particularly busy as producers in that region began to reinstate programs that were delayed as a result of the forest fires during the second quarter of 2011.

SEGMENT RESULTS - *DOWNHOLE SERVICES & RENTALS - CANADA*

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Revenue				
Tryton MSFS	**$ 16,459**	$ 6,005	**$ 32,877**	$ 11,470
Conventional downhole tools and rentals	**13,778**	8,537	**35,439**	22,623
Downhole tools and rentals	**30,237**	14,542	**68,316**	34,093
Wireline services	**3,079**	2,593	**8,321**	8,072
Total revenue	**33,316**	17,135	**76,637**	42,165
Operating expenses	**23,428**	12,075	**54,857**	30,399
Gross margin	**$ 9,888**	$ 5,060	**$ 21,780**	$ 11,766
Gross margin %(1)	**30%**	30%	**28%**	28%

During the third quarter, activity in the Downhole Services & Rentals segment continued to exceed management's expectations as the number of Tryton MSFS jobs and conventional downhole tools and rentals operations surpassed targets. This segment continued its rapid pace of growth and has nearly doubled its operating results on both a quarter and year-to-date basis compared to the prior year.

Essential's downhole tools and rentals operations continued to be the primary contributor to the significant increase in operating results over the prior year. Results from the Tryton MSFS and conventional downhole tool operations continue to improve as the market for servicing horizontal wells grew and activity levels in the WCSB increased. Essential's tubular and pipe rentals business, which primarily offer products related to conventional oil and gas drilling, continued to benefit from higher drilling activity over the prior year.

GENERAL AND ADMINISTRATIVE

(Thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
General and administrative expenses	**$ 3,807**	$ 2,940	**$ 10,272**	$ 8,602
As a % of revenue	**4%**	7%	**5%**	8%

General and administrative costs have declined as a percentage of revenue due to integration efficiencies and from the increased size of the Company's operations after the Technicoil Acquisition. General and administrative expenses are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and operations level. General and administrative expenses increased in absolute dollars primarily due to additional administrative costs associated with the Technicoil field operations.

SHARE-BASED COMPENSATION

(Thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Share-based compensation expense	**$ 374**	$ 169	**$ 1,088**	$ 560

Share-based compensation increased over the prior year as a result of the additional options issued in 2011 and the one time reduction in share-based compensation expense that occurred in 2010 from the revaluation of options as part of the conversion to a corporation.

DEPRECIATION AND AMORTIZATION

(Thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Depreciation and amortization expense	**$ 6,492**	$ 3,193	**$ 14,047**	$ 9,447

Higher depreciation and amortization expense in the third quarter of 2011 was due to increased capital asset and intangible asset values as a result of the Technicoil Acquisition and Essential's 2011 capital program.

EQUITY TAXES

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 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

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Transaction costs	**$ 608**	$ -	**$ 3,004**	$ -

Transaction costs for the current year of $3.0 million represents the costs incurred by Essential to complete the Technicoil Acquisition and is comprised primarily of credit facility, legal and consulting fees.

FINANCE COSTS

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Bank borrowings	**$ 814**	$ 72	**$ 1,294**	$ 595
Lease financing	**8**	11	**20**	48
	$ 822	$ 83	**$ 1,314**	$ 643

The increase in finance costs from 2010 is due to the increase in long-term debt from the Technicoil Acquisition and Essential's capital expenditure program.

The Company had an average long-term debt outstanding during the three and nine months ended September 30, 2011 of $74.4 million and $34.0 million, respectively, compared to $nil long-term debt outstanding during the three months ended September 30, 2010 and average long-term debt outstanding for the nine months ended September 30, 2010 of $5.4 million.

INCOME TAXES

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Current income tax expense	**$ 3,012**	$ -	**$ 3,251**	$ -
Deferred income tax expense	**$ 2,102**	$ 1,119	**$ 2,619**	$ 1,695

The current income tax expense during the third quarter is a result of certain operating entities being taxable on both a quarter and year-to-date basis.

The increased deferred income tax expense for the three and nine month periods ending September 30, 2011 is a result of improved operating results during the current year.

SUMMARY OF QUARTERLY DATA

($Thousands, except per share amounts)	**Sep 30, 2011**	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010
Well servicing revenue:							
Coil tubing	**36,349**	9,871	14,131	11,373	8,859	4,939	8,507
Service rigs	**20,969**	9,606	23,873	17,747	12,796	8,394	19,334
Other	**7,148**	3,526	2,206	2,457	2,454	2,409	2,801
Total well servicing	**64,466**	23,003	40,210	31,577	24,109	15,742	30,642
Downhole services & rentals revenue:							
Tryton MSFS	**16,459**	7,195	9,223	8,059	6,005	3,104	2,361
Conventional downhole tools & rentals	**13,778**	8,839	12,822	10,485	8,537	5,037	9,089
Downhole tools & rentals	**30,237**	16,034	22,045	18,544	14,542	8,141	11,450
Wireline	**3,079**	1,081	4,161	3,822	2,593	1,311	4,128
Total downhole services & rentals	**33,316**	17,115	26,206	22,366	17,135	9,452	15,578
Colombia	**1,634**	361	-	-	-	-	-
Total revenue	**99,416**	40,479	66,416	53,943	41,244	25,194	46,220
Gross margin[1]	**31,100**	3,077	16,652	14,636	10,186	3,150	13,380
Gross margin %[1]	**31%**	8%	25%	27%	25%	13%	29%
EBITDA[1]	**27,293**	(137)	13,401	11,290	7,248	413	10,450
EBITDA %[1]	**27%**	0%	20%	21%	18%	2%	23%
Net income (loss) attributable to shareholders of Essential	**13,678**	(6,364)	6,248	6,226	2,663	(2,466)	5,675
Per share – basic and diluted	**$0.11**	$(0.07)	$0.09	$0.09	$0.04	$(0.03)	$0.09
Total assets	**411,204**	371,017	191,046	173,923	160,797	153,490	158,449
Total long-term debt	**79,230**	63,459	7,392	396	471	695	875
Equity attributable to shareholders of Essential	**271,681**	257, 119	156,814	149,780	143,989	141,138	143,384
Utilization							
Coil tubing rigs – deep	**104%**	37%	85%	84%	70%	33%	62%
Coil tubing rigs – shallow/intermediate	**25%**	18%	34%	35%	38%	29%	40%
Service rigs	**54%**	27%	64%	51%	40%	26%	55%
Hybrid drilling rigs	**48%**	47%	-	-	-	-	-
Equipment fleet *							
Canada							
Coil tubing rigs	**48**	48	32	32	32	32	30
Service rigs	**57**	58	52	51	51	51	51
Nitrogen pumpers	**9**	8	8	9	10	10	7
Fluid pumpers	**12**	6	-	-	-	-	-
Hybrid drilling rigs	**5**	5	-	-	-	-	-
Rod rigs	**14**	14	20	20	23	23	23
Wireline trucks	**12**	12	12	18	20	20	20
Colombia							
Coil tubing rigs	**2**	2	2	1	-	-	-
Service rigs	**1**	1	1	1	-	-	-
Nitrogen pumpers	**2**	2	2	1	-	-	-
Rod rigs	**3**	3	3	3	-	-	-
Wireline trucks	**2**	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 focused its fleet through the Technicoil Acquisition, the purchase and build of new equipment and ongoing maintenance and modifications to its existing fleet. Acquisitions and modifications have focused primarily on expanding the depth capacity and service capabilities of coil tubing rigs. Essential's equipment fleet is well suited to meet the changing needs of the WCSB market.

FINANCIAL RESOURCES AND LIQUIDITY

FUNDS FLOW FROM OPERATIONS[1]

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Net cash flows from operating activities	**$ 880**	$ 509	**$ 4,286**	$ 15,508
Add:				
Changes in non-cash working capital	**22,977**	6,669	**30,298**	2,720
Funds flow from operations[1]	**$ 23,857**	$ 7,178	**$ 34,584**	$ 18,228
Per share – basic and diluted	**$ 0.19**	$ 0.10	**$ 0.36**	$ 0.27

WORKING CAPITAL

(Thousands)	September 30, 2011	September 30, 2010
Current assets	**$ 98,314**	$ 46,398
Current liabilities, excluding current portion of long-term debt	**(39,166)**	(16,337)
Working capital	**$ 59,148**	$ 30,061
Working capital ratio	**2.5:1**	2.8:1

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 September 30, 2011, the maximum of $100 million was available to Essential.

As at September 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 November 9, 2011, Essential had long-term debt outstanding of $70.0 million.

EQUIPMENT EXPENDITURES

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Canada				
Well Servicing	**$ 13,946**	$ 1,266	**$ 24,881**	$ 7,759
Downhole Services & Rentals	**1,534**	668	**4,663**	1,354
Corporate	**246**	119	**671**	747
	15,726	2,053	**30,215**	9,860
Colombia				
Well Servicing	**299**	762	**3,286**	762
	299	762	**3,286**	762
Total equipment expenditures	**16,025**	2,815	**33,501**	10,622
Less proceeds on disposal of property and equipment	**(578)**	(107)	**(2,929)**	(877)
Net equipment expenditures[1]	**$ 15,447**	$ 2,708	**$ 30,572**	$ 9,745

Capital expenditures during the third quarter related primarily to completion of six fluid pumpers and progress payments on the deep coil rigs, nitrogen pumpers and service rig build programs and continued improvements to the existing fleet. The increased expenditures over 2010 further improve and expand Essential's equipment fleet to better service deeper and horizontal well activity.

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

(Thousands)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Canada				
Growth capital[1]	**$ 8,424**	$ 643	**$ 18,168**	$ 6,064
Maintenance capital[1]	**7,188**	1,193	**10,853**	2,928
Infrastructure capital[1]	**114**	217	**1,194**	868
	15,726	2,053	**30,215**	9,860
Colombia				
Growth capital[1]	**293**	150	**2,814**	150
Maintenance capital[1]	**6**	612	**472**	612
	299	762	**3,286**	762
	$ 16,025	$ 2,815	**$ 33,501**	$ 10,622

SHARE CAPITAL

As at November 9, 2011, there were 123,439,071 shares and 6,318,355 share options outstanding. Of the 6,318,355 share options, 2,851,145 were exercisable of which 1,293,645 were "in-the-money".

DISCLOSURE CONTROLS AND PROCEDURES

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

Essential reported on these as part of the 2010 reporting (please refer to the management discussion and analysis for the year ended December 31, 2010 available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to disclosure controls in the current period.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of Essential's financial reporting and the preparation of financial statements for external purposes in accordance with 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

Essential's fourth quarter has continued at a similar pace of high activity that was experienced in the third quarter. Activity levels are being driven by relatively strong oil prices, the continued focus on horizontal well drilling and the demand it creates for completion and stimulation services.

High demand for Essential's deep coil tubing fleet is expected to continue until at least spring breakup 2012, as the increased depth capacity of the fleet makes these rigs ideal for providing services on horizontal wells. In addition, the Tryton MSFS remains a strong performer for Essential as it supports the fracturing operations that are in high demand with the increase in horizontal well activity.

Essential continues with its previously announced capital spending program, focusing on deep coil tubing rigs and support equipment. The fluid pumper build program is now complete with 15 pumpers being added in 2011. These pumpers support the deep coil tubing fleet. A deep coil tubing rig is nearing completion and is expected to go into service at the beginning of 2012.

As an indicator for future activity beyond spring break-up of 2012, Essential looks to the capital budgets announced by the exploration and production companies, which are based on available funding and commodity prices. Those capital budgets, in many cases, are announced in the latter part of the fourth quarter. At this point, Essential believes the winter drilling season will be busy. However, given the current global economic uncertainty and the impact this may have on a longer term basis on the demand for energy and commodity prices, it is difficult to have certainty about the demand for oilfield service activity beyond the winter drilling season.

As resource development activity in the industry is expected to continue at an increased pace through the winter drilling season, Essential remains well positioned with its high demand, core businesses of coil tubing, downhole tools and service rigs, to meet its customers' needs.

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, expectations of future cash flow and earnings, expectations with respect to the demand for and price of oil and liquids-rich natural gas, expectations regarding the level and type of drilling and production activity in the Western Canadian Sedimentary Basin, expectations regarding the demand for services, 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; global economic events; the availability of qualified personnel, management or other key inputs; currency exchange fluctuations; changes in political and security stability; 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.

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[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.

September 30, 2011

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

(Thousands)	**As at September 30 2011**	As at December 31 2010
Assets		
Current		
Cash	**$ -**	$ 2,392
Trade and other receivables *(note 6 and 11)*	**79,761**	40,160
Inventories *(note 7)*	**14,726**	10,587
Prepayments	**3,827**	2,677
	98,314	55,816
Non-current		
Property and equipment *(note 8 and 11)*	**209,829**	109,830
Intangible assets *(note 9)*	**45,381**	3,122
Goodwill *(note 10)*	**56,725**	-
Deferred tax assets *(note 12)*	**955**	5,155
	312,890	118,107
Total assets	**$ 411,204**	$ 173,923
Liabilities		
Current		
Bank indebtedness	**$ 2,932**	$ -
Trade and other payables	**33,847**	23,444
Income taxes payable	**2,272**	-
Current portion of long-term debt *(note 11)*	**10,723**	333
Current portion of equity taxes	**115**	-
	49,889	23,777
Non-current		
Long-term debt *(note 11)*	**68,507**	63
Equity taxes	**287**	-
Deferred tax liability *(note 12)*	**20,631**	-
	89,425	63
Total liabilities	**139,314**	23,840
Commitments *(note 18)*		
Equity		
Share capital *(note 13)*	**257,729**	150,798
Retained earnings (accumulated deficit)	**11,232**	(2,223)
Other reserves	**2,720**	1,205
Equity attributable to shareholders of Essential	**271,681**	149,780
Non-controlling interest *(note 14)*	**209**	303
Total equity	**271,890**	150,083
Total liabilities and equity	**$ 411,204**	$ 173,923

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

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

(Thousands, except per share amounts)	For the three months ended September 30, 2011	2010	For the nine months ended September 30, 2011	2010
		(note 22)		*(note 22)*
Revenue	**$ 99,416**	$ 41,244	**$ 206,311**	$ 112,658
Operating expenses	**68,316**	31,058	**155,482**	85,942
Gross margin	**31,100**	10,186	**50,829**	26,716
General and administrative expenses	**3,807**	2,940	**10,272**	8,602
	27,293	7,246	**40,557**	18,114
Depreciation and amortization *(notes 8 & 9)*	**6,492**	3,193	**14,047**	9,447
Share-based compensation *(note 16)*	**374**	169	**1,088**	560
Equity taxes	**-**	-	**478**	-
Other (income) expense	**266**	25	**1,494**	(107)
Operating profit	**20,161**	3,859	**23,450**	8,214
Transaction costs *(note 5)*	**608**	-	**3,004**	-
Finance costs *(note 15)*	**822**	83	**1,314**	643
Net income before income tax	**18,731**	3,776	**19,132**	7,571
Income taxes				
Current expense	**3,012**	-	**3,251**	-
Deferred expense	**2,102**	1,119	**2,619**	1,695
Total income tax expense *(note 12)*	**5,114**	1,119	**5,870**	1,695
Net income for the period	**13,617**	2,657	**13,262**	5,876
Other comprehensive income:				
Unrealized foreign exchange gain on foreign operations	**199**	-	**886**	-
Deferred income tax on unrealized foreign exchange	**117**	-	**(226)**	-
Total other comprehensive income for the period	**316**	-	**660**	-
Comprehensive income	**$ 13,933**	$ 2,657	**$ 13,922**	$ 5,876
Net income (loss) attributable to:				
Shareholders of Essential	**$ 13,678**	$ 2,657	**$ 13,563**	$ 5,876
Non-controlling interests	**(61)**	-	**(301)**	-
	$ 13,617	$ 2,657	**$ 13,262**	$ 5,876
Comprehensive income (loss) attributable to:				
Shareholders of Essential	**$ 13,930**	$ 2,657	**$ 14,124**	$ 5,876
Non-controlling interests	**3**	-	**(202)**	-
	$ 13,933	$ 2,657	**$ 13,922**	$ 5,876
Earnings per share *(note 17)*				
Basic and diluted,				
attributable to shareholders of Essential	**$ 0.11**	$ 0.04	**$ 0.14**	$ 0.09

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

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

(Thousands)	For the nine months ended September 30, **2011**	2010 *(note 22)*
Equity attributable to shareholders of Essential:		
Unitholders capital		
Opening balance	**$ -**	$ 136,623
Exercise of options	**-**	7
Issuance of trust units	**-**	14,044
Conversion to a corporation	**-**	(150,674)
Closing balance	**$ -**	$ -
Share capital		
Opening balance	**$ 150,798**	$ -
Exercise of options	**395**	63
Issuance of shares *(note 5)*	**106,536**	-
Conversion to a corporation	**-**	150,674
Closing balance	**$ 257,729**	$ 150,737
Retained earnings (accumulated deficit)		
Opening balance	**$ (2,223)**	$ (13,962)
Net income	**13,563**	5,876
Equity transferred *(note 14)*	**(108)**	-
Closing balance	**$ 11,232**	$ (8,086)
Other Reserves		
Opening balance	**$ 1,205**	$ -
Other comprehensive income	**561**	-
Share based compensation	**1,088**	560
Exercise of options	**(134)**	(16)
Reclassification of share based compensation	**-**	794
Closing balance	**$ 2,720**	$ 1,338
Total equity attributable to shareholders of Essential	**$ 271,681**	$ 143,989
Equity attributable to non-controlling interests:		
Opening balance	**$ 303**	$ -
Net loss	**(301)**	-
Other comprehensive income	**99**	-
Equity transferred *(note 14)*	**108**	-
Closing balance	**$ 209**	$ -
Total equity	**$ 271,890**	$ 143,989

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

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

(Thousands)	For the nine months ended September 30, 2011	2010
		(Note 22)
Operating activities:		
Net income for the period	**$ 13,262**	$ 5,876
Non-cash adjustments to reconcile net income for the period to net cash flow:		
Depreciation and amortization *(note 8 & 9)*	**14,047**	9,447
Deferred income tax expense *(note 12)*	**2,619**	1,695
Share-based compensation *(note 16)*	**1,088**	560
Provision for impairment of trade receivables *(note 6)*	**341**	114
Finance costs *(note 15)*	**1,314**	643
(Gain) loss on disposal of assets *(note 8)*	**1,913**	(107)
Operating cash flow before changes in working capital	**34,584**	18,228
Working capital adjustments:		
Increase in trade and other accounts receivable before provision	**(26,221)**	(8,898)
Increase in inventories	**(1,840)**	(426)
Increase in prepayments	**(963)**	(308)
Decrease in current taxes	**2,856**	-
Increase (decrease) in trade and other accounts payable	**(4,532)**	6,912
Increase in equity taxes	**402**	-
Net cash flows from operating activities	**4,286**	15,508
Investing activities:		
Purchase of property and equipment *(note 8)*	**(33,501)**	(10,622)
Business acquisition *(note 5)*	**(56,582)**	-
Proceeds on disposal of equipment *(note 8)*	**2,929**	877
Net cash flows used in investing activities	**(87,154)**	(9,745)
Financing activities:		
Increase (decrease) in long-term debt	**78,608**	(17,130)
Issuance of share capital, net of costs	**261**	13,867
Finance costs *(note 15)*	**(1,314)**	(643)
Net cash flows from (used in) financing activities	**77,555**	(3,906)
Foreign exchange gain on cash held in a foreign currency	**(11)**	-
Change in cash (bank indebtedness)	**(5,324)**	1,857
Cash, beginning of the period	**2,392**	1,080
Cash (bank indebtedness), end of period	**$ (2,932)**	$ 2,937

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

ESSENTIAL ENERGY SERVICES LTD.
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As at and for the periods ended September 30, 2011 and 2010
(All tabular amounts in thousands unless otherwise stated, except for per share amounts)

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 nine month periods ended September 30, 2011 and 2010 were authorized by the Board of Directors on November 9, 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 provides 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 and six month periods ended March 31, 2011 and June 30, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements for the three and nine month periods ended September 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 and six month periods ended March 31, 2011 and June 30, 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 nine month periods ended September 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 and six month periods ended March 31, 2011 and June 30, 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. BUSINESS 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's 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 and $0.6 million have been expensed in the three month periods ended June 30, 2011 and September 30, 2011, respectively.

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

	For the three months ended September 30, 2011	For the nine months ended September 30, 2011
Revenue	$ 32,496	$ 41,018
Net income	$ 7,949	$ 8,355

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 Nine months ended September 30, 2011	Technicoil Five months ended May 31, 2011	Combined results Nine months ended September 30, 2011
Revenue	$ 206,311	$ 42,752	$ 249,063
Operating expenses	155,482	32,022	187,504
Gross margin	50,829	10,730	61,559
General and administrative expenses	10,272	1,651	11,923
	40,557	9,079	49,636
Depreciation and amortization	14,047	3,644	17,691
Share-based compensation	1,088	2,693	3,781
Equity taxes	478	-	478
Other (income) expense	1,494	(24)	1,470
Operating profit	23,450	2,766	26,216
Transaction costs	3,004	3,846	6,850
Finance costs	1,314	126	1,440
Net income (loss) before income tax	19,132	(1,206)	17,926
Income taxes			
Current income tax expense	3,251	624	3,875
Deferred income tax expense (recovery)	2,619	(2)	2,617
Total income tax expense	5,870	622	6,492
Net income (loss) for the period	$ 13,262	$ (1,828)	$ 11,434

6. TRADE AND OTHER RECEIVABLES

	As at September 30 2011	As at December 31 2010
Trade receivables, net of provision	**$ 79,600**	$ 40,002
Other receivables	**161**	158
	$ 79,761	$ 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 Essential's trade receivables are denominated in the following currencies:

	As at September 30 2011	As at December 31 2010
Canadian Dollar	**$ 78,132**	$ 39,460
United States Dollar	**1,468**	542
	$ 79,600	$ 40,002

The aging analysis of trade receivables is as follows:

	As at September 30 2011	As at December 31 2010
< 31 days	**$ 44,980**	$ 19,515
31-60 days	**23,705**	14,400
61-90 days	**7,369**	4,350
>90 days	**3,546**	1,737
	$ 79,600	$ 40,002

Trade receivables that are less than three months past due are generally not considered impaired. The provision for impairment of receivables of $1.5 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 September 30		For the nine months ended September 30	
	2011	2010	**2011**	2010
Balance, beginning of the period	**$ 1,368**	$ 698	**$ 423**	$ 661
Acquisition of Technicoil	**-**	-	**794**	-
Provision for receivables impairment	**127**	(71)	**341**	114
Receivables written off during the period as uncollectible	**(19)**	(84)	**(82)**	(171)
Unused amount reversed	**-**	-	**-**	(61)
Balance, end of the period	**$ 1,476**	$ 543	**$ 1,476**	$ 543

The creation and release of the provision for impairment of receivables has been included in operating expenses in the consolidated statement of comprehensive income. Amounts included in the provision are generally written off when there is no expectation of recovering additional cash.

7. INVENTORIES

	As at September 30 2011	As at December 31 2010
Downhole tools	**$ 10,796**	$ 9,018
Coil tubing products	**3,645**	1,257
Wireline products	**285**	312
	$ 14,726	$ 10,587

Inventory charged through operating expenses in the consolidated statement of comprehensive income for the three and nine months ended September 30, 2011 was $15.3 million and $31.2 million, respectively (2010 - $5.6 million and $13.3 million, respectively).

8. PROPERTY AND EQUIPMENT

As at September 30, 2011	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Service rigs and equipment – frames	**$ 48,582**	**$ 4,951**	**$ 43,631**
Service rigs and equipment – certifications	**21,956**	**5,623**	**16,333**
Service rigs and equipment – other	**36,998**	**8,291**	**28,707**
Coil tubing rigs and equipment	**63,223**	**7,092**	**56,131**
Oilfield equipment	**54,848**	**10,463**	**44,385**
Vehicles	**17,388**	**4,005**	**13,383**
Office and computer equipment	**5,760**	**2,458**	**3,302**
Land	**482**	**-**	**482**
Other	**4,842**	**1,367**	**3,475**
	$ 254,079	**$ 44,250**	**$ 209,829**

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 service rigs and equipment, coil tubing rigs and equipment and oilfield equipment is $14.0 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 September 30		For the nine months ended September 30	
	2011	2010	**2011**	2010
Net book value, beginning of the period	**$ 199,748**	$ 105,447	**$ 109,830**	$ 104,179
Acquisition of Technicoil *(note 5)*	**-**	-	**82,408**	-
Acquisitions	**16,025**	2,815	**33,501**	10,622
Disposals	**(900)**	(125)	**(4,842)**	(770)
Depreciation	**(4,961)**	(2,991)	**(11,706)**	(8,885)
Currency translation adjustment	**(83)**	-	**638**	-
Net book value, end of the period	**$ 209,829**	$ 105,146	**$ 209,829**	$ 105,146

9. INTANGIBLE ASSETS

As at September 30, 2011	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**$ 46,764**	**$ 4,328**	**$ 42,436**
Favourable leases	**576**	**459**	**117**
Trade names	**3,508**	**680**	**2,828**
	$ 50,848	**$ 5,467**	**$ 45,381**

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 September 30		For the nine months ended September 30	
	2011	2010	**2011**	2010
Net book value, beginning of the period	**$ 46,912**	$ 3,494	**$ 3,122**	$ 3,853
Acquisition of Technicoil *(note 5)*	**-**	-	**44,600**	-
Amortization	**(1,531)**	(203)	**(2,341)**	(562)
Net book value, end of the period	**$ 45,381**	$ 3,291	**$ 45,381**	$ 3,291

10. GOODWILL

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

11. LONG-TERM DEBT

	As at September 30 2011	As at December 31 2010
Term loan	**$ 78,900**	$ -
Finance leases	**330**	396
	79,230	396
Less: current portion of long-term debt	**(10,723)**	(333)
	$ 68,507	$ 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 September 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 September 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 September 30 2011	As at December 31 2010
Repayments are required as follows:		
Within one year	**$ 10,594**	$ -
Between one and two years	**25,333**	-
Between two and three years	**42,973**	-
	$ 78,900	$ -

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 September 30 2011	As at December 31 2010
Amounts payable under finance leases		
Within one year	**$ 129**	$ 333
Between one and two years	**201**	63
Between two and three years	**-**	-
	$ 330	$ 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 nine months ended September 30, 2011 is based on a corporate structure, whereas the calculation of current and deferred income taxes for the nine months ended September 30, 2010 were partially 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 September 30		For the nine months ended September 30	
	2011	2010	**2011**	2010
Earnings before income taxes	**$ 18,731**	$ 3,776	**$ 19,132**	$ 7,571
Statutory tax rate	**26.5%**	28%	**26.5%**	28%
Expected income tax expense	**$ 4,963**	$ 1,057	**$ 5,069**	$ 2,120
Increase (decrease) resulting from:				
Equity tax	**-**	-	**127**	-
Share based compensation	**99**	47	**288**	157
Items not deductible for tax	**170**	112	**517**	328
Impact of foreign tax rates	**39**	-	**-**	-
Adjustment on conversion to Corporation	**-**	-	**-**	(523)
Effective tax law changes and future tax rate deductions	**(157)**	(97)	**(131)**	(387)
Income tax expense	**$ 5,114**	$ 1,119	**$ 5,870**	$ 1,695

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

	As at September 30 2011	As at December 31 2010
Deferred tax assets		
Foreign operating loss	**$ 672**	$ 685
Foreign incentive	**283**	485
	$ 955	$ 1,170
Deferred tax liability		
Amortization of intangible assets	**$ (7,960)**	$ 2,596
Losses available for offset against future taxable income	**3,504**	3,667
Depreciation of property and equipment	**(16,050)**	(2,053)
Equity issuance costs	**738**	702
Other	**(863)**	(927)
	$ (20,631)	$ 3,985
Net deferred tax asset (liability)	**$ (19,676)**	$ 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	230	395
As at September 30, 2011	**123,409**	**$ 257,729**

14. NON-CONTROLLING INTEREST

		As at September 30 2011		As at December 31 2010
Balance, beginning of the period	**$**	**303**	$	-
Contribution		**108**		381
Loss attributed to non-controlling interest		**(301)**		(8)
Other comprehensive income (loss)		**99**		(70)
Balance, end of the period	**$**	**209**	$	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. ("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.

15. FINANCE COSTS

	For the three months ended September 30				For the nine months ended September 30			
		2011		2010		**2011**		2010
Bank borrowings	**$**	**814**	$	70	**$**	**1,294**	$	595
Lease financing		**8**		13		**20**		48
	$	**822**	$	83	**$**	**1,314**	$	643

16. 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 September 30, 2011 totaled 12,340,907 (2010 – 7,140,330) share options.

	For the nine months ended September 30, 2011		For the nine months ended September 30, 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**	1,430	1.17
Exercised	**(230)**	**1.14**	(50)	1.08
Expired	**(325)**	**10.45**	(508)	10.99
Forfeited	**(316)**	**3.34**	(446)	3.62
Outstanding, end of period	**6,438**	**$ 2.05**	5,163	$ 2.60
Exercisable, end of period	**2,968**	**$ 2.41**	2,208	$ 4.22

The fair value of share options issued during the period ranged from $0.91 to $1.19 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%**	1.4 – 2.8%
Expected volatility	**70.0 – 77.4%**	69.4 – 88.1%
Expected term	**2.2 – 4.2 years**	1.9 – 4.3 years
Expected forfeiture rate	**15.2 – 16.0%**	16.6 – 16.8%
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.

17. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to equity shareholders by the weighted average number of shares in issue.

In calculating the diluted earnings 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 September 30		For the nine months ended September 30	
	2011	2010	**2011**	2010
Basic	**123,273**	71,397	**94,597**	67,580
Dilutive common shares from share options	**1,154**	325	**1,326**	288
Total diluted	**124,427**	71,722	**95,923**	67,868
Net income attributable to Essential	**$ 13,678**	$ 2,657	**$ 13,563**	$ 5,876
Basic and diluted earnings per share	**$ 0.11**	$ 0.04	**$ 0.14**	$ 0.09

18. 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	$ 4,131
In the second year to fifth years inclusive	7,075
After five years	3,766
	$ 14,972

In addition to the above, Essential entered into agreements to build certain assets for $27.9 million of which $7.6 million was paid during the three months ended September 30, 2011. During the remainder of 2011 $6.7 million of the amounts committed to these expenditures are expected to be paid with the balance of $13.6 million expected to be paid during 2012 and 2013 upon delivery of the assets.

19. 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 nine months ended September 30, 2011, the Company earned revenues from more than 600 customers with five of these customers representing 23% of revenue. As at September 30, 2011, approximately 20% of the total accounts receivable balance was due from these five companies (2010 – 22%).

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 long-term debt 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.

20. 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.

21. 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 southern 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 coil tubing rigs, service rigs and ancillary equipment.

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. The Downhole Services & Rentals segment provides a variety of products and services including downhole tools, rental equipment and wireline services.

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

As at and for the three months ended September 30, 2011	Well Servicing	Downhole Services & Rentals	Corporate	Consolidated
Revenue	$ 66,100	$ 33,316	$ -	$ 99,416
Net income (loss) before income taxes	$ 16,210	$ 8,414	$ (5,893)	$ 18,731
Depreciation and amortization	$ 5,221	$ 984	$ 287	$ 6,492
Total assets	$ 346,436	$ 60,464	$ 4,304	$ 411,204
Total liabilities	$ 44,354	$ 8,728	$ 86,232	$ 139,314
Equipment expenditures	$ 14,245	$ 1,534	$ 246	$ 16,025

As at and for the three months ended September 30, 2010

	Well Servicing	Downhole Services & Rentals	Corporate	Consolidated
Revenue	$ 24,109	$ 17,135	$ -	$ 41,244
Net income (loss) before income taxes	$ 3,554	$ 3,885	$ (4,782)	$ 2,657
Depreciation and amortization	$ 2,001	$ 948	$ 244	$ 3,193
Total assets	$ 104,169	$ 45,161	$ 11,467	$ 160,797
Total liabilities	$ 6,119	$ 6,692	$ 3,997	$ 16,808
Equipment expenditures	$ 2,028	$ 668	$ 119	$ 2,815

As at and for the nine months ended September 30, 2011

	Well Servicing	**Downhole Services & Rentals**	**Corporate**	**Consolidated**
Revenue	**$ 129,674**	**$ 76,637**	**$ -**	**$ 206,311**
Net income (loss) before income taxes	**$ 17,714**	**$ 16,884**	**$ (15,466)**	**$ 19,132**
Depreciation and amortization	**$ 10,232**	**$ 2,987**	**$ 828**	**$ 14,047**
Total assets	**$ 346,436**	**$ 60,464**	**$ 4,304**	**$ 411,204**
Total liabilities	**$ 44,354**	**$ 8,728**	**$ 86,232**	**$ 139,314**
Equipment expenditures	**$ 28,167**	**$ 4,663**	**$ 671**	**$ 33,501**
Property and equipment acquired in business combinations	**$ 82,408**	**$ -**	**$ -**	**$ 82,408**

As at and for the nine months ended September 30, 2010

	Well Servicing	Downhole Services & Rentals	Corporate	Consolidated
Revenue	$ 70,493	$ 42,165	$ -	$ 112,658
Net income (loss) before income taxes	$ 7,816	$ 8,323	$ (10,263)	$ 5,876
Depreciation and amortization	$ 5,914	$ 2,834	$ 699	$ 9,447
Total assets	$ 104,169	$ 45,161	$ 11,467	$ 160,797
Total liabilities	$ 6,119	$ 6,692	$ 3,997	$ 16,808
Equipment expenditures	$ 8,521	$ 1,354	$ 747	$ 10,622

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

As at and for the three months ended September 30, 2011	**Canada**	**Colombia**	**Consolidated**
Revenue	**$ 97,782**	**$ 1,634**	**$ 99,416**
Total assets	**$ 400,245**	**$ 10,959**	**$ 411,204**

As at and for the three months ended September 30, 2010	Canada	Colombia	Consolidated
Revenue	$ 41,244	$ -	$ 41,244
Total assets	$ 160,797	$ -	$ 160,797

As at and for the nine months ended September 30, 2011	**Canada**	**Colombia**	**Consolidated**
Revenue	**$ 204,316**	**$ 1,995**	**$ 206,311**
Total assets	**$ 400,245**	**$ 10,959**	**$ 411,204**

As at and for the nine months ended September 30, 2010	Canada	Colombia	Consolidated
Revenue	$ 112,658	$ -	$ 112,658
Total assets	$ 160,797	$ -	$ 160,797

22. 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 nine months ended September 30, 2010.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2010
(unaudited)

(Thousands)	As at September 30, 2010 Pre-changeover Canadian GAAP	Effect of transition to IFRS	As at September 30, 2010 IFRS
Assets			
Current assets			
Cash	$ 2,937	$ -	$ 2,937
Trade and other receivables	31,680	-	31,680
Inventories	9,620	-	9,620
Prepayments	2,161	-	2,161
	46,398	-	46,398
Non-current assets			
Property and equipment *(i),(ii), (iii)*	123,868	(18,722)	105,146
Intangible assets	3,291	-	3,291
Deferred tax assets *(iv)*	1,180	4,782	5,962
	128,339	(13,940)	114,399
Total assets	$ 174,737	$ (13,940)	$ 160,797
Liabilities			
Current liabilities			
Trade and other payables *(iii)*	$ 16,331	$ 6	$ 16,337
Current portion of long-term debt *(iii)*	-	386	386
	16,331	392	16,723
Non-current liabilities			
Long-term debt *(iii)*	-	85	85
	-	85	85
Total liabilities	16,331	477	16,808
Equity			
Share capital *(v)*	279,697	(128,960)	150,737
Contributed surplus *(vi)*	7,620	(7,620)	-
Other reserves *(v)*	-	1,338	1,338
Retained earnings (accumulated deficit) *(i) to (vi)*	(128,911)	120,825	(8,086)
Equity attributable to equity holders of the parent	158,406	(14,417)	143,989
Non-controlling interest	-	-	-
Total equity	158,406	(14,417)	143,989
Total liabilities and equity	$ 174,737	$ (13,940)	$ 160,797

RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT SEPTEMBER 30, 2010
(unaudited)

(Thousands)	Share Capital	Contributed surplus	Other Reserves	Accumulated Deficit	Total
Pre-changeover Canadian GAAP as at September 30, 2010	$ 279,697	$ 7,620	$ -	$ (128,911)	$ 158,406
Effect of changes at transition *(i)*	(128,950)	(5,928)	-	114,969	(19,909)
Property and equipment *(ii)*	-	-	-	4,569	4,569
Change in treatment of leases *(iii)*	-	-	-	(15)	(15)
Deferred tax changes *(iv)*	-	-	-	938	938
Revaluation of contributed surplus *(v)*	(10)	(354)	-	364	-
Reclassification of contributed surplus *(v)*	-	(1,338)	1,338	-	-
IFRS balance as at September 30, 2010	$ 150,737	$ -	$ 1,338	$ (8,086)	$ 143,989

(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 depreciation expense by $4,426 and reduce other expenses by $147 for the nine months ended September 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 ($303) which was partially offset by increased depreciation ($178), increased finance costs ($47) and increased other expenses ($93).

(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 $938 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 $364 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 SEPTEMBER 30, 2010

(unaudited)

(Thousands)	Pre-changeover Canadian GAAP in IFRS format	Effect of transition to IFRS	IFRS
Revenue	$ 41,244	$ -	$ 41,244
Operating expenses *(ii)*	31,118	(60)	31,058
Gross margin	10,126	60	10,186
General and administrative expenses	2,940	-	2,940
	7,186	60	7,246
Depreciation and amortization *(i, ii)*	4,737	(1,544)	3,193
Share-based compensation *(iv)*	301	(132)	169
Other expense *(ii)*	22	3	25
Operating profit	2,126	1,733	3,859
Finance costs *(ii)*	71	12	83
Net income before tax	2,055	1,721	3,776
Deferred income tax expense *(iii)*	744	375	1,119
Net income for the period	1,311	1,346	2,657
Other comprehensive loss:			
Unrealized foreign exchange loss on foreign operations	-	-	-
Other comprehensive loss for the period	-	-	-
Comprehensive income (loss)	$ 1,311	$ 1,346	$ 2,657

(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 $1,593 and reduce other expenses by $58 for the three months ended September 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 ($60) which was partially offset by increased depreciation ($49), increased finance costs ($12) and increased other expenses ($61) for the three months ended September 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 increase in deferred tax expense for the three months ended September 30, 2010 of $375 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 $132 for the three months ended September 30, 2010.

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010
(unaudited)

(Thousands)	Pre-changeover Canadian GAAP in IFRS format	Effect of transition to IFRS	IFRS
Revenue	$ 112,658	$ -	$ 112,658
Operating expenses *(ii)*	86,245	(303)	85,942
Gross margin	26,413	303	26,716
General and administrative expenses	8,602	-	8,602
	17,811	303	18,114
Depreciation and amortization *(i, ii)*	13,694	(4,247)	9,447
Share-based compensation *(iv)*	924	(364)	560
Other income *(ii)*	(53)	(54)	(107)
Operating profit	3,246	4,968	8,214
Finance costs *(ii)*	596	47	643
Net income before tax	2,650	4,921	7,571
Deferred income tax expense *(iii)*	2,633	(938)	1,695
Net income for the period	17	5,859	5,876
Other comprehensive loss:			
Unrealized foreign exchange loss on foreign operations	-	-	-
Other comprehensive loss for the period	-	-	-
Comprehensive income (loss)	$ 17	$ 5,859	$ 5,876

(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 $4,426 and reduce other expenses by $147 for the nine months ended September 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 ($303) which was partially offset by increased depreciation ($178), increased finance costs ($47) and increased other expenses ($93) for the nine months ended September 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 decrease in deferred tax expense for the nine months ended September 30, 2010 of $938 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 $364 for the nine months ended September 30, 2010.

CORPORATE INFORMATION

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Robert T. German[1,3]

Roderick W. Graham[1,2]

Edward C. Grimes[1,3]

Nicholas G. Kirton[1,2]

Andrew B. Zaleski [3]

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

Auditors

Ernst & Young LLP

Bankers

National Bank of Canada

The Toronto-Dominion Bank

HSBC Bank Canada

Canadian Western Bank

Legal Counsel

Fasken Martineau LLP

Transfer Agent

Olympia Trust Company

Management

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Don A. K. Webster
Chief Operating Officer

Jeff B. Newman
Chief Financial Officer & Vice President, Finance

Kevin W. Job
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