ESSENTIAL
ENERGY SERVICES

THIRD QUARTER REPORT
NINE MONTHS ENDED SEPTEMBER 30, 2012

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the three and nine months ended September 30, 2012.

This MD&A is an update to and should be read in conjunction with Essential's March 31, 2012 and June 30, 2012 unaudited condensed interim consolidated financial statements, the audited consolidated financial statements and MD&A included in Essential's 2011 Financial Report to Shareholders for the financial year ended December 31, 2011, the September 30, 2012 unaudited condensed interim consolidated financial statements to which readers are referred and the statement regarding forward-looking information in this report. 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 7, 2012.

SELECTED FINANCIAL INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
(Thousands, except per share amounts)	**2012**	2011	**2012**	2011
Revenue	**$ 84,896**	$ 99,416	**$ 256,809**	$ 206,311
Gross margin	**$ 22,979**	$ 31,100	**$ 63,150**	$ 50,829
Gross margin %[1]	**27%**	31%	**25%**	25%
EBITDA[1]	**$ 19,062**	$ 27,293	**$ 50,935**	$ 40,557
EBITDA %[1]	**22%**	27%	**20%**	20%
Funds flow from operations [1]	**$ 17,466**	$ 23,857	**$ 47,212**	$ 34,584
Per share – basic and diluted [1]	**$ 0.14**	$ 0.19	**$ 0.38**	$ 0.36
Net income attributable to shareholders of Essential	**$ 8,660**	$ 13,678	**$ 21,631**	$ 13,563
Per share – basic and diluted	**$ 0.07**	$ 0.11	**$ 0.17**	$ 0.14
Total assets	**$ 415,653**	$ 411,204	**$ 415,653**	$ 411,204
Total long-term debt	**$ 50,474**	$ 79,230	**$ 50,474**	$ 79,230
Equity attributed to shareholders of Essential	**$ 304,312**	$ 271,681	**$ 304,312**	$ 271,681

Completion of the acquisition of Technicoil Corporation ("Technicoil" or the "Technicoil Acquisition") on May 31, 2011 impacts the results for the nine months ended September 30, 2012 compared to the same period in 2011. The results for Technicoil are not included for January to May of 2011.

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

OVERVIEW OF ESSENTIAL

EQUIPMENT FLEET

	As at September 30, 2012	2011
Coil Well Service		
Deep coil tubing rigs	**26**	23
Other coil tubing rigs	**21**	27
Nitrogen pumpers	**12**	11
Fluid pumpers	**16**	12
Service Rigs		
Singles	**33**	37
Doubles	**24**	21

Coil tubing rigs

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

- 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, 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. The deep coil tubing rig fleet is primarily focused on providing services on horizontal oil and liquids-rich natural gas resource plays.
- Other coil tubing rigs are shallow/intermediate conventional coil tubing rigs that have a depth capacity up to 2,500 meters. These rigs primarily provide workover services on existing wells. The intermediate rigs are typically more oil focused while the shallow rigs are focused on natural gas.

Service rigs

Essential's mobile service rig fleet operates from eight service locations across western Canada providing well completion and production/workover services in all major resource plays across the WCSB. Service rigs are used primarily on oil wells which are typically more service intensive than natural gas wells. These rigs are deployed to workover existing wells and perform completions on new wells.

Downhole tools & rentals

Essential provides a wide range of downhole tools and rental services to assist with the completion and production of oil and natural gas wells. Essential offers a full range of downhole tools, including the Tryton multi-stage fracturing system ("Tryton MSFS") which is used for horizontal well completions.

CORPORATE INFORMATION

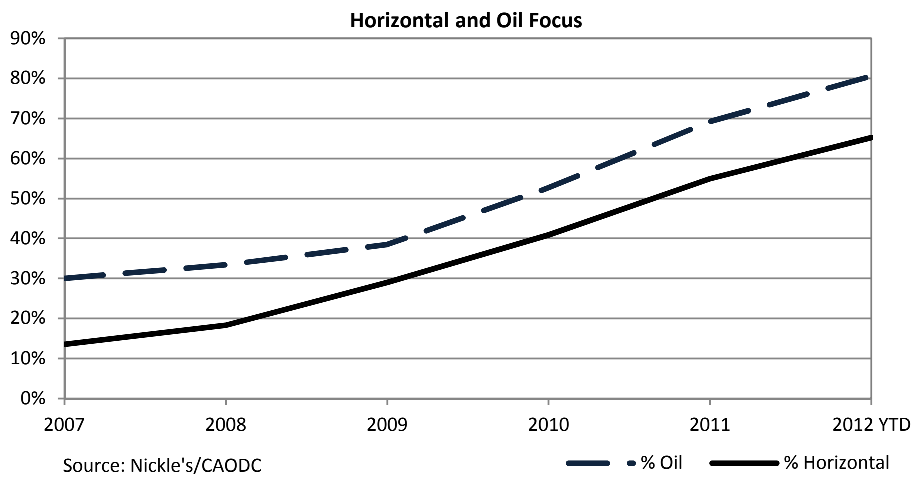
Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares trade on the Toronto Stock Exchange under the symbol ESN.

Additional information regarding Essential, including the March 31, 2012 and June 30, 2012 interim reports, 2011 interim reports, 2011 Annual MD&A, Financial Statements and the Annual Information Form for the year ended December 31, 2011, can be found under Essential's profile on SEDAR at www.sedar.com.

INDUSTRY OVERVIEW

At the start of the third quarter the Canadian oilfield services industry faced wet weather conditions and exploration and production ("E&P") companies were dealing with various uncertainties including pipeline limitations, volatile crude oil prices and unpredictable capital markets. These factors contributed to E&P companies curtailing or delaying capital spending. As a result, the drilling rig count was down 25%[2] in the WCSB during the third quarter 2012 compared to the third quarter of 2011. The drop in drilling rig count also reduced well completion activity, including deep coil well service completion work.

Well service activity in the WCSB continues to be driven by horizontal drilling, stimulation and completion of oil and liquids-rich natural gas plays. The industry continues to focus on horizontal wells which typically require more investment capital and increased rig time per well due to their depth and complexity compared to conventional vertical wells.



OPERATING HIGHLIGHTS – ESSENTIAL

Results for the third quarter 2012 reflect a year-over-year decline in activity across all of Essential's operations. During the quarter:

- Coil well service – The coil well service fleet performed relatively well in the quarter despite a slowdown in industry activity with deep utilization of 79%, compared to 104% in the third quarter 2011.
- Service rigs – Completion and workover activity was sporadic during the quarter as customers managed spending levels. Service rig utilization was 45% in the third quarter 2012 compared to 54% in the third quarter 2011.
- Downhole tools & rentals – The downhole tools business reported strong performance in both the Tryton MSFS and conventional tools.

Essential continued to execute its 2012 capital program but some spending has been deferred to 2013 by manufacturing delays during the year. Year-to-date capital expenditures were $34 million, consisting of $22 million in growth capital, $11 million in maintenance capital and $1 million in infrastructure. Essential continues to focus on investing in high-demand assets in addition to maintaining and enhancing its existing fleet. During the third quarter, Essential converted one intermediate coil tubing rig to a deep coil tubing rig and added two custom built, mobile free standing, all period double service rigs. One of these service rigs was purpose-built to work on steam-assisted gravity drainage ("SAGD") wells.

[2] Average Monthly Drilling Rig Count, Canadian Association of Oilwell Drilling Contractors

SUMMARY OF QUARTERLY DATA

($Thousands, except per share amounts)	**Sep 30, 2012**	June 30, 2012	Mar 31, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010
Well servicing:								
Coil well service	**33,857**	18,697	42,414	43,945	36,349	9,871	14,131	11,373
Service rigs	**17,465**	12,815	29,938	25,060	20,969	9,606	23,873	17,747
Other	**5,849**	3,818	10,579	7,735	7,148	3,526	2,206	2,457
Total well servicing	**57,171**	35,330	82,931	76,740	64,466	23,003	40,210	31,577
Downhole tools & rentals*	**26,342**	15,540	35,251	32,115	33,316	17,115	26,206	22,366
Colombia	**1,383**	1,463	1,398	2,048	1,634	361	-	-
Total revenue	**84,896**	52,333	119,580	110,903	99,416	40,479	66,416	53,943
Gross margin[(1)]	**22,979**	3,667	36,504	35,758	31,100	3,077	16,652	14,636
Gross margin %[(1)]	**27%**	7%	31%	32%	31%	8%	25%	27%
EBITDA[(1)]	**19,062**	(479)	32,352	31,829	27,293	(137)	13,401	11,293
EBITDA %[(1)]	**22%**	(1)%	27%	29%	27%	0%	20%	21%
Net income (loss) attributable to shareholders of Essential	**8,660**	(5,923)	18,893	17,559	13,678	(6,364)	6,248	6,121
Per share – basic and diluted	**$0.07**	$(0.05)	$0.15	$0.14	$0.11	$(0.07)	$0.09	$0.09
Total assets	**415,653**	393,377	430,674	421,500	411,204	371,017	191,046	173,803
Total long-term debt	**50,474**	41,198	57,238	63,486	79,230	63,459	7,392	396
Equity attributable to shareholders of Essential	**304,312**	297,937	306,372	288,828	271,681	257,119	156,408	149,660
Utilization **								
Coil tubing rigs – deep	**79%**	32%	102%	111%	104%	37%	85%	81%
Coil tubing rigs – other	**15%**	7%	25%	30%	25%	18%	34%	35%
Service rigs	**45%**	34%	68%	59%	54%	27%	64%	51%
Hybrid drilling rigs	**33%**	11%	60%	47%	48%	47%	-	-
Operating Hours								
Coil tubing rigs – deep	**18,301**	7,262	23,236	23,524	21,938	3,638	4,575	3,740
Coil tubing rigs – other	**2,819**	1,596	5,494	6,778	5,813	3,805	7,033	8,704
Service rigs	**22,632**	16,183	35,188	31,005	28,201	13,229	28,710	24,072
Hybrid drilling rigs	**3,620**	1,230	6,581	5,192	5,337	1,696	-	-
Number of Tryton MSFS jobs	**89**	35	86	69	85	36	46	41
Equipment fleet ***								
Canada								
Coil tubing rigs - deep	**26**	25	25	25	23	23	6	5
Coil tubing rigs - other	**19**	20	24	24	25	25	26	27
Service rigs	**55**	53	58	57	57	58	52	51
Nitrogen pumpers	**10**	10	10	10	9	8	8	9
Fluid pumpers	**16**	16	15	15	12	6	-	-
Hybrid drilling rigs	**5**	5	5	5	5	5	-	-
Rod rigs	**14**	14	14	14	14	14	20	20
Colombia								
Coil tubing rigs	**2**	2	2	2	2	2	2	1
Service rigs	**2**	2	2	2	1	1	1	1
Nitrogen pumpers	**2**	2	2	2	2	2	2	1
Rod rigs	**2**	3	3	3	3	3	3	3

* Revenue for Downhole Tools & Rentals included revenue from Essential's wireline fleet until it was disposed of on February 2, 2012.
** Utilization is calculated using a 10 hour day for the entire fleet except for hybrid drilling rigs which is calculated using a 24 hour day.
*** Fleet data represents the number of units at the end of the period.

Over the past two years, Essential has improved its fleet through the Technicoil Acquisition, the purchase of new equipment, disposal of under-utilized equipment and ongoing maintenance of its existing fleet. Spending has focused primarily on expanding the depth capacity and service capabilities of the coil well service operations.

RESULTS OF OPERATIONS

(Thousands, except per share amounts)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenue	**$ 84,896**	$ 99,416	**$ 256,809**	$ 206,311
Operating expenses	**61,917**	68,316	**193,659**	155,482
Gross margin	**22,979**	31,100	**63,150**	50,829
Gross margin %[1]	**27%**	31%	**25%**	25%
General and administrative expenses	**3,917**	3,807	**12,215**	10,272
EBITDA[1]	**19,062**	27,293	**50,935**	40,557
EBITDA %[1]	**22%**	27%	**20%**	20%
Depreciation and amortization	**6,451**	6,492	**19,845**	14,047
Share-based compensation	**492**	374	**1,427**	1,088
Equity taxes	**-**	-	-	478
Other (income) expense	**123**	266	**(1,020)**	1,494
Operating income	**11,996**	20,161	**30,683**	23,450
Transaction costs	**-**	608	-	3,004
Finance costs	**497**	822	**1,702**	1,314
Income before income tax	**11,499**	18,731	**28,981**	19,132
Current income tax expense	**1,624**	3,012	**4,092**	3,251
Deferred income tax expense	**1,159**	2,102	**3,449**	2,619
Total income tax expense	**2,783**	5,114	**7,541**	5,870
Net income	**$ 8,716**	$ 13,617	**$ 21,440**	$ 13,262
Net income (loss) attributable to:				
Shareholders of Essential	**$ 8,660**	$ 13,678	**$ 21,631**	$ 13,563
Non-controlling interest	**56**	(61)	**(191)**	(301)
	$ 8,716	$ 13,617	**$ 21,440**	$ 13,262
Net income per share				
Basic and diluted, attributable to shareholders of Essential	**$ 0.07**	$ 0.11	**$ 0.17**	$ 0.14

<u>SEGMENT RESULTS - *WELL SERVICING - CANADA*</u>

	Three months ended September 30,		Nine months ended September 30,	
(Thousands)	**2012**	2011	**2012**	2011
Revenue				
Coil well service*	**$ 33,857**	$ 36,349	**$ 94,968**	$ 60,351
Service rigs	**17,465**	20,969	**60,218**	54,448
Other	**5,849**	7,148	**20,246**	12,880
Total revenue	**57,171**	64,466	**175,432**	127,679
Operating expenses	**41,537**	41,481	**134,091**	94,165
Gross margin	**$ 15,634**	$ 22,985	**$ 41,341**	$ 33,514
Gross margin %[1]	**27%**	36%	**24%**	26%
Utilization**				
Deep coil tubing rigs				
Utilization	**79%**	104%	**71%**	90%
Operating hours	**18,301**	21,938	**48,799**	30,151
Service rigs				
Utilization	**45%**	54%	**49%**	49%
Operating hours	**22,632**	28,201	**74,003**	70,140

* Includes revenue from coil tubing rigs, nitrogen and fluid pumpers and other ancillary equipment.
** Utilization is calculated on a 10 hour day.

Completion of the acquisition of Technicoil on May 31, 2011 impacts the results for the nine months ended September 30, 2012 compared to the same period in 2011. The results for Technicoil for January to May 2011 are not included in the prior year comparatives.

Coil well service revenue decreased during the third quarter 2012 as a result of a year-over-year decrease in the number of new wells drilled and the number of wells completed. Deep coil tubing utilization was 79% during the third quarter 2012 compared to 104% for the same period in 2011. Overall, conventional deep coil tubing utilization decreased due to a decline in stimulation work in southern Alberta. Strong demand for masted deep coil tubing rigs generated similar revenue in the third quarter of 2012 compared to 2011. Essential's larger nitrogen and fluid pumper fleet generated increased revenue during the third quarter 2012 compared to 2011. The 2012 year-to-date increase in coil well service revenue reflects the timing of the Technicoil Acquisition. The current year impact of price increases introduced during the second half of 2011, and an increase in nitrogen and pumper revenue, has increased the rate per hour.

Service rig revenue decreased from the same quarter in the prior year due to wet weather conditions in July and uncertain customer spending plans. While Essential continued to see strong utilization from its service rigs in the Slave Lake region and on SAGD wells, this was offset by decreased activity across the remainder of Essential's fleet. Service rig revenue increased for the year-to-date over the same period in the prior year due to the service rigs added through the Technicoil Acquisition. Service rig pricing remained relatively stable for both the quarter and on a year-to-date basis.

During the third quarter, other revenue, which includes hybrid drilling rigs and rod rigs, decreased compared to the prior year. Utilization of the hybrid drilling rigs was adversely impacted by weather delays which resulted in utilization of 33% during the third quarter of 2012 compared to 48% in 2011.

Gross margin was lower in the third quarter of 2012 compared to the same period in the prior year. The year-over-year change was a result of lower utilization, the costs associated with increasing coil well service personnel, write-off of exhausted coil inventory, and higher repair and maintenance costs in a few locations. During the quarter, Essential also began hiring and training additional coil well service staff to ensure it has qualified personnel available to staff the new equipment that Essential is building under its 2012 capital program. Lower than anticipated utilization and delays in new equipment deliveries resulted in Essential incurring additional labour costs. It is anticipated that these costs will continue to impact the fourth quarter, but should be mostly absorbed in the first quarter of 2013 once the new equipment starts to arrive. During the nine months ended September 30, 2012, operating expenses were higher than in 2011 due to Technicoil's annual maintenance programs in the second quarter that are included in the current year results but not in the comparable information for the prior year as the costs were incurred prior to the completion of the Technicoil Acquisition.

SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS - CANADA*

(Thousands)	Three months ended September 30, **2012**	Three months ended September 30, 2011	Nine months ended September 30, **2012**	Nine months ended September 30, 2011
Revenue	**$ 26,342**	$ 33,316	**$ 77,133**	$ 76,637
Operating expenses	**17,587**	23,428	**51,602**	54,857
Gross margin	**$ 8,755**	$ 9,888	**$ 25,531**	$ 21,780
Gross margin %[1]	**33%**	30%	**33%**	28%
Number of Tryton MSFS jobs	**89**	85	**210**	167

The downhole tools & rentals segment focuses on oil and liquids-rich natural gas plays by providing production and completion tools for horizontal and vertical wells. Operations for this segment are well placed geographically across many of the active oil plays in the WCSB.

During the third quarter of 2012, demand for the Tryton MSFS remained relatively unchanged compared to the same quarter in the prior year. The average revenue per MSFS job decreased as customers reduced the number of stages per MSFS job as part of their efforts to minimize horizontal well completion costs. In the third quarter of 2012, activity levels for Essential's conventional downhole tools business remained consistent with 2011. Segment revenue also decreased in the third quarter due to a reduction in activity of the rental operations and the disposal of the wireline business in February 2012.

During the nine months ended September 30, 2012, Essential's downhole tools & rentals segment continued to grow compared to the same period in 2011. The industry continued using multi-stage fracturing services for completions on horizontal wells, and Essential realized continued growth in its conventional downhole tools operations. During the first nine months of 2012, Essential completed 210 Tryton MSFS jobs compared to 167 jobs over the same period in 2011.

The gross margin percentage for this segment improved over the prior year as a result of tool procurement efficiencies and the disposition of the wireline business. Wireline historically generated lower margins compared to the ongoing operations of this segment.

COLOMBIA

Essential services producing wells from its operating base in Barrancabermeja, Colombia. The Colombian operations were slightly cash flow negative during the quarter and revenue was below management expectations due to periods of inactivity largely related to the service rig operations. The Colombian operations continued to experience inconsistent activity. Essential is pursuing opportunities to stabilize activity and improve these operations. Management believes that there is significant demand for the services Essential provides and is continuing to pursue reliable work arrangements with a broader customer base.

GENERAL AND ADMINISTRATIVE

(Thousands)	Three months ended September 30, 2012		Three months ended September 30, 2011	Nine months ended September 30, 2012		Nine months ended September 30, 2011
General and administrative expenses	$	**3,917**	$ 3,807	$	**12,215**	$ 10,272
As a % of revenue		**5%**	4%		**5%**	5%

General and administrative expenses are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and operational level. General and administrative expenses as a percentage of revenue increased in the third quarter of 2012 due to the impact of lower revenue. General and administrative expenses increased on a year-to-date basis in 2012 primarily due to additional administrative costs associated with Technicoil field operations which are only included in the 2011 comparative information for four months following completion of the Technicoil Acquisition.

SHARE-BASED COMPENSATION

(Thousands)	Three months ended September 30, 2012		Three months ended September 30, 2011	Nine months ended September 30, 2012		Nine months ended September 30, 2011
Share-based compensation expense	$	**492**	$ 374	$	**1,427**	$ 1,088

Share-based compensation increased over the same periods in the prior year as a result of additional options issued in 2012.

DEPRECIATION AND AMORTIZATION

(Thousands)	Three months ended September 30, 2012		Three months ended September 30, 2011	Nine months ended September 30, 2012		Nine months ended September 30, 2011
Depreciation and amortization expense	$	**6,451**	$ 6,492	$	**19,845**	$ 14,047

During the third quarter of 2012, depreciation and amortization expense was consistent compared to the same period in the prior year. During the nine months ended September 30, 2012, depreciation and amortization expense increased due to higher capital asset and intangible asset values as a result of the Technicoil Acquisition and Essential's 2012 capital program.

FINANCE COSTS

(Thousands)	Three months ended September 30, 2012		Three months ended September 30, 2011	Nine months ended September 30, 2012		Nine months ended September 30, 2011
Bank borrowings	$	**487**	$ 814	$	1,686	$ 1,294
Lease financing		**10**	8		16	20
	$	**497**	$ 822	$	**1,702**	$ 1,314

During the third quarter of 2012, finance costs decreased compared to the same period in the prior year due to a decline in the average long-term debt balance.

For the nine months ended September 30, 2012, finance costs increased from the same period in the prior year due to the increase in long-term debt resulting from the Technicoil Acquisition in 2011 and execution of Essential's capital expenditure program. The Company had an average long-term debt balance outstanding during the three months and nine months ended September 30, 2012 of $50 million and $51 million, respectively, compared to $74 million and $34 million, respectively, for the same periods in 2011.

INCOME TAXES

(Thousands)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Current income tax expense	**$ 1,624**	$ 3,012	**$ 4,092**	$ 3,251
Deferred income tax expense	**1,159**	2,102	**3,449**	2,619
Total income tax expense	**$ 2,783**	$ 5,114	**$ 7,541**	$ 5,870

For the nine months ended September 30, 2012, income tax expense increased compared to 2011 due to higher comparable earnings.

FINANCIAL RESOURCES AND LIQUIDITY

FUNDS FLOW FROM OPERATIONS[1]

(Thousands)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Net cash flows from operating activities	**$ 5,919**	$ 880	**$ 44,115**	$ 4,286
Add:				
Changes in non-cash working capital	**11,547**	22,977	**3,097**	30,298
Funds flow from operations[1]	**$ 17,466**	$ 23,857	**$ 47,212**	$ 34,584
Per share – basic and diluted	**$ 0.14**	$ 0.19	**$ 0.38**	$ 0.36

WORKING CAPITAL

(Thousands)	September 30, 2012	September 30, 2011
Current assets	**$ 92,937**	$ 98,314
Current liabilities, excluding current portion of long-term debt	**(33,180)**	(39,166)
Working capital	**$ 59,757**	$ 59,148
Working capital ratio	**2.8 : 1**	2.5 : 1

The increase in working capital is a result of Essential's operating results compared to the prior year.

CREDIT FACILITY

Essential's Credit Facility with its banking syndicate is comprised of a $100 million revolving term loan facility with a $35 million accordion feature available on lender's consent. The revolving term loan facility matures on May 30, 2014, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. 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, 2012, the maximum of $100 million was available to Essential.

As at September 30, 2012, 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 7, 2012, Essential had long-term debt outstanding of $51 million.

EQUIPMENT EXPENDITURES

(Thousands)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Well Servicing	**$ 10,480**	$ 14,245	**$ 31,568**	$ 28,167
Downhole Tools & Rentals	**168**	1,534	**1,381**	4,663
Corporate	**115**	246	**825**	671
Total equipment expenditures	**10,763**	16,025	**33,774**	33,501
Less: proceeds on disposal of property and equipment	**(169)**	(578)	**(8,284)**	(2,929)
Net equipment expenditures[1]	**$ 10,594**	$ 15,447	**$ 25,490**	$ 30,572

Essential continues to execute its 2012 capital program. The delivery of certain equipment has been delayed due to equipment manufacturers encountering manpower shortages and procurement delays. 2012 capital spending is expected to decrease from the previous expectation of $57 million to $51 million due to these delays and is now expected to consist of $36 million in growth capital and $15 million in maintenance and infrastructure capital. The program continues to focus on increasing the depth capacity of the coil tubing fleet, expanding the pumping fleet to support deeper horizontal well activity and enhancing the service rig fleet.

During the first nine months of 2012, Essential added the following assets to its fleet:

- One intermediate coil tubing rig was converted to a deep coil tubing rig.
- One 1,000 HP quintiplex fluid pumper.
- Three custom built, mobile free standing, all-period double service rigs. One of these service rigs was purpose-built to work on SAGD wells.

Essential expects to add the following assets to its fleet through the remainder of 2012 and into 2013:

	Quantity	**Expected In-Service Date 2012**	**2013**
Deep masted coil tubing rigs	5	-	Q1(2), Q2,Q3(2)
Conventional deep coil tubing rig	1	Q4	-
Intermediate to deep coil tubing rig conversion	1	-	Q2
Fluid pumpers – 1,000 HP quintiplex	2	Q4 (2)	-
Nitrogen pumpers – Low-rate	4	Q4 (4)	-
Double service rigs – Custom built, mobile free standing, all-period (purpose-built for SAGD wells)	2	-	Q1 (2)

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, 2012	2011	Nine months ended September 30, 2012	2011
Growth capital[1]	**$ 6,285**	$ 8,717	**$ 21,918**	$ 20,982
Maintenance capital[1]	**4,271**	7,194	**10,823**	11,325
Infrastructure capital[1]	**207**	114	**1,033**	1,194
Total equipment expenditures	**$ 10,763**	$ 16,025	**$ 33,774**	$ 33,501

Share Capital

As at November 7, 2012, there were 123,991,401 shares and 7,597,002 share options outstanding. Of the 7,597,002 share options, 3,494,651 were exercisable of which 1,906,326 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; 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 2011 reporting (please refer to the MD&A for the year ended December 31, 2011 available on SEDAR at www.sedar.com and on Essential’s website at www.essentialenergy.ca). There have been no significant changes to disclosure controls in the current period.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Essential reported on these as part of the 2011 reporting (please refer to the MD&A for the year ended December 31, 2011 available on SEDAR at www.sedar.com and on Essential’s website at www.essentialenergy.ca).

OUTLOOK

So far in the fourth quarter, there has been some improvement in activity and there is an expectation of continued improvement heading into the winter drilling season. However, oil prices continue to be volatile and there is still uncertainty in the market. Management expects greater clarity as E&P companies begin to set their 2013 capital budgets, which typically occurs in the latter part of the fourth quarter.

Essential is a leading well service provider in the WCSB with a strong balance sheet and high demand services which are focused on meeting its customers’ needs. With an expectation of ongoing increases in horizontal well completions, there is a growing need for horizontal workovers and production work. Essential’s fleet and expertise in providing these services gives it a strong position for the future.

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 timing 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 activity, completion activity, workover activity, production activity and required oilfield services in the WCSB, expectations for continued improvement in activity heading into the winter drilling season, expectations regarding the demand for Essential's services, expectations regarding the ability to absorb labour costs in the first quarter of 2013, expectations regarding the business, operations and revenues of the Company in addition to general economic conditions, expectations regarding Essential's ability to meet the changing needs of the WCSB market, expectations regarding the capital spending plans of E&P companies, expectations for Essential's positioning for the future and expectations regarding demand for Essential's services in Colombia.

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; changes to Essential's financial position and cash flow; the availability of qualified personnel, management or other key inputs; currency exchange fluctuations; changes in political and security stability; risks 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 the Company. The forward-looking statements and information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

[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, 2012

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

(Thousands)		**As at September 30, 2012**		As at December 31, 2011
Assets				
Current				
Cash	**$**	**-**	$	164
Trade and other receivables *(note 4)*		**69,362**		85,013
Inventories *(note 5)*		**19,673**		17,819
Prepayments		**3,902**		2,929
		92,937		105,925
Non-current				
Property and equipment *(note 6)*		**222,970**		211,764
Intangible assets *(note 7)*		**40,530**		44,750
Goodwill		**57,425**		57,425
Deferred tax assets *(note 10)*		**1,791**		1,636
		322,716		315,575
Total assets	**$**	**415,653**	$	421,500
Liabilities				
Current				
Bank indebtedness	**$**	**1,457**	$	-
Trade and other payables		**28,513**		39,913
Dividends payable *(note 8)*		**3,100**		-
Income taxes payable		**-**		5,234
Current portion of long-term debt *(note 9)*		**-**		14,513
Current portion of equity taxes		**110**		117
		33,180		59,777
Non-current				
Long-term debt *(note 9)*		**50,474**		48,973
Equity taxes		**110**		232
Deferred tax liabilities *(note 10)*		**27,525**		23,615
		78,109		72,820
Total liabilities		**111,289**		132,597
Commitments *(note 16)*				
Equity				
Share capital *(note 11)*		**258,749**		257,775
Retained earnings		**40,987**		28,651
Other reserves		**4,576**		2,402
Equity attributable to shareholders of Essential		**304,312**		288,828
Non-controlling interest *(note 12)*		**52**		75
Total equity		**304,364**		288,903
Total liabilities and equity	**$**	**415,653**	$	421,500

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, 2012	2011	For the nine months ended September 30, 2012	2011
Revenue	**$ 84,896**	$ 99,416	**$ 256,809**	$ 206,311
Operating expenses	**61,917**	68,316	**193,659**	155,482
Gross margin	**22,979**	31,100	**63,150**	50,829
General and administrative expenses	**3,917**	3,807	**12,215**	10,272
	19,062	27,293	**50,935**	40,557
Depreciation and amortization *(notes 6 & 7)*	**6,451**	6,492	**19,845**	14,047
Share-based compensation *(note 14)*	**492**	374	**1,427**	1,088
Equity taxes	**-**	-	**-**	478
Other (income) expense	**123**	266	**(1,020)**	1,494
Operating profit	**11,996**	20,161	**30,683**	23,450
Transaction costs	**-**	608	-	3,004
Finance costs *(note 13)*	**497**	822	**1,702**	1,314
Earnings before income taxes	**11,499**	18,731	**28,981**	19,132
Income taxes				
Current expense	**1,624**	3,012	**4,092**	3,251
Deferred expense	**1,159**	2,102	**3,449**	2,619
Total income tax expense *(note 10)*	**2,783**	5,114	**7,541**	5,870
Net income	**8,716**	13,617	**21,440**	13,262
Other comprehensive income:				
Unrealized foreign exchange gain on foreign operations	**197**	316	**1,204**	660
Comprehensive income	**$ 8,913**	$ 13,933	**$ 22,644**	$ 13,922
Net income (loss) attributable to:				
Shareholders of Essential	**$ 8,660**	**$** 13,678	**$ 21,631**	$ 13,563
Non-controlling interest	**56**	(61)	**(191)**	(301)
	$ 8,716	**$** 13,617	**$ 21,440**	$ 13,262
Comprehensive income (loss) attributable to:				
Shareholders of Essential	**$ 8,826**	**$** 13,930	**$ 22,672**	$ 14,124
Non-controlling interest	**87**	3	**(28)**	(202)
	$ 8,913	**$** 13,933	**$ 22,644**	$ 13,922
Earnings per share *(note 15)*				
Basic and diluted, attributable to shareholders of Essential	**$ 0.07**	**$** 0.11	**$ 0.17**	$ 0.14

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, 2012		2011
Equity attributable to shareholders of Essential:				
Share capital				
Opening balance	**$**	**257,775**	$	150,798
Exercise of options		**974**		395
Issuance of shares		**-**		106,536
Closing balance	**$**	**258,749**	$	257,729
Retained earnings (accumulated deficit)				
Opening balance	**$**	**28,651**	$	(2,223)
Net income		**21,631**		13,563
Dividends		**(9,290)**		-
Equity transferred *(note 12)*		**(5)**		(108)
Closing balance	**$**	**40,987**	$	11,232
Other Reserves				
Opening balance	**$**	**2,402**	$	1,205
Other comprehensive income		**1,041**		561
Share based compensation		**1,427**		1,088
Exercise of options		**(294)**		(134)
Closing balance	**$**	**4,576**	$	2,720
Total equity attributable to shareholders of Essential	**$**	**304,312**	$	271,681
Equity attributable to non-controlling interest:				
Opening balance	**$**	**75**	$	303
Net loss		**(191)**		(301)
Other comprehensive income		**163**		99
Equity transferred *(note 12)*		**5**		108
Closing balance	**$**	**52**	$	209
Total equity	**$**	**304,364**	$	271,890

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, **2012**	2011
Operating activities:		
Net income	**$ 21,440**	$ 13,262
Non-cash adjustments to reconcile net income to net cash flow:		
Depreciation and amortization *(notes 6 & 7)*	**19,845**	14,047
Deferred income tax expense *(note 10)*	**3,449**	2,619
Share-based compensation *(note 14)*	**1,427**	1,088
Provision for (recovery of) impairment of trade receivables *(note 4)*	**(237)**	341
Finance costs *(note 13)*	**1,702**	1,314
(Gain) loss on disposal of assets *(note 6)*	**(414)**	1,913
Operating cash flow before changes in working capital	**47,212**	34,584
Changes in working capital:		
(Increase) decrease in trade and other receivables before provision	**18,063**	(26,221)
(Increase) in inventories	**(1,854)**	(1,840)
(Increase) in prepayments	**(973)**	(963)
Increase (decrease) in income taxes payable	**(6,804)**	2,856
(Decrease) in trade and other accounts payables	**(11,400)**	(4,532)
Increase (decrease) in equity taxes payable	**(129)**	402
Net cash flows from operating activities	**44,115**	4,286
Investing activities:		
Purchase of property and equipment *(note 6)*	**(33,774)**	(33,501)
Business acquisition	-	(56,582)
Proceeds on disposal of equipment *(note 6)*	**8,284**	2,929
Net cash flows used in investing activities	**(25,490)**	(87,154)
Financing activities:		
Increase (decrease) in long-term debt	**(13,012)**	78,608
Dividends paid	**(6,190)**	-
Issuance of share capital, net of costs	**685**	261
Finance costs *(note 13)*	**(1,702)**	(1,314)
Net cash flows from (used in) financing activities	**(20,219)**	77,555
Foreign exchange gain on cash held in a foreign currency	**(27)**	(11)
Change in cash	**(1,621)**	(5,324)
Cash, beginning of period	**164**	2,392
Bank indebtedness, end of period	**$ (1,457)**	$ (2,932)
Supplemental cash flow information		
Cash taxes paid	**$ 10,906**	$ 395

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, 2012 and 2011
(All tabular amounts in thousands unless otherwise stated, except for per share amounts)

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

The unaudited 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, 2012 and 2011 were authorized by the Board of Directors on November 7, 2012. 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* 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 audited annual consolidated financial statements as at December 31, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements for the three and nine month periods ended September 30, 2012 and 2011 were prepared in accordance with IAS 34, *Interim Financial Reporting*. 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 annual financial statements for the year ended December 31, 2011. Accordingly, these Interim Financial Statements for the three and nine month periods ended September 30, 2012 and 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2011.

3. 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.

4. TRADE AND OTHER RECEIVABLES

	As at September 30, 2012	As at December 31, 2011
Trade receivables, net of provision	**$ 67,631**	$ 83,065
Other receivables	**1,731**	1,948
	$ 69,362	$ 85,013

Trade receivables are non-interest bearing, generally due on 30-90 day terms and are shown net of a provision for impairment of $1.0 million (2011 - $1.6 million). 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, 2012	As at December 31, 2011
Canadian Dollar	**$ 65,192**	$ 81,982
United States Dollar	**2,439**	1,083
	$ 67,631	$ 83,065

The aging analysis of trade receivables is as follows:

	As at September 30, 2012	As at December 31, 2011
< 31 days	**$ 39,340**	$ 38,414
31-60 days	**17,364**	28,551
61-90 days	**7,324**	10,759
>90 days	**3,603**	5,341
	$ 67,631	$ 83,065

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,	
	2012	2011	**2012**	2011
Balance, beginning of the period	**$ 913**	$ 1,368	**$ 1,642**	$ 423
Acquisition of Technicoil		-	-	794
Provision for receivables impairment	**75**	127	**105**	341
Receivables written off during the period as uncollectible	**-**	(19)	**(417)**	(82)
Unused amount reversed	-	**-**	**(342)**	-
Balance, end of the period	**$ 988**	$ 1,476	**$ 988**	$ 1,476

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.

5. INVENTORIES

	As at September 30, 2012	As at December 31, 2011
Downhole tools	**$ 12,142**	$ 13,493
Coil tubing products	**7,531**	4,326
	$ 19,673	$ 17,819

Inventory charged through operating expenses in the consolidated statement of comprehensive income for the three and nine months ended September 30, 2012 was $12.1 million and $32.1 million, respectively (2011 - $15.3 million and $31.2 million, respectively).

6. PROPERTY AND EQUIPMENT

As at September 30, 2012	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Service rigs and equipment	**$ 128,639**	**$ 24,956**	**$ 103,683**
Coil tubing rigs and equipment	**87,993**	**12,355**	**75,638**
Oilfield equipment	**37,359**	**12,947**	**24,412**
Vehicles	**20,774**	**5,815**	**14,959**
Office and computer equipment	**3,253**	**1,414**	**1,839**
Land	**482**	**-**	**482**
Other	**3,742**	**1,785**	**1,957**
	$ 282,242	**$ 59,272**	**$ 222,970**

As at December 31, 2011	Cost	Accumulated Depreciation	Net Book Value
Service rigs and equipment	$ 115,581	$ 19,835	$ 95,746
Coil tubing rigs and equipment	75,138	8,504	66,634
Oilfield equipment	40,723	11,335	29,388
Vehicles	18,885	4,560	14,325
Office and computer equipment	2,840	1,012	1,828
Land	482	-	482
Other	4,892	1,531	3,361
	$ 258,541	$ 46,777	$ 211,764

Included in service rigs and equipment, coil tubing rigs and equipment and oilfield equipment is $26.8 million (December 31, 2011 - $17.0 million) of assets under construction which will not be depreciated until it is ready for its intended use.

	For the three months ended September 30, **2012**	2011	For the nine months ended September 30, **2012**	2011
Net book value, beginning of the period	**$ 217,513**	$ 199,748	**$ 211,764**	$ 109,830
Acquisition of Technicoil	**-**	-	**-**	82,408
Acquisitions	**10,759**	16,025	**33,520**	33,501
Disposals	**(113)**	(900)	**(7,738)**	(4,842)
Depreciation	**(5,016)**	(4,961)	**(15,504)**	(11,706)
Currency translation adjustment	**(173)**	(83)	**928**	638
Net book value, end of the period	**$ 222,970**	$ 209,829	**$ 222,970**	$ 209,829

7. INTANGIBLE ASSETS

As at September 30, 2012	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**$ 45,715**	**$ 8,667**	**$ 37,048**
Trade names	**3,559**	**1,505**	**2,054**
Computer software	**3,633**	**2,205**	**1,428**
Favourable leases	**500**	**500**	**-**
	$ 53,407	**$ 12,877**	**$ 40,530**

As at December 31, 2011		Cost		Accumulated Amortization		Net Book Value
Customer relationships	$	45,917	$	5,379	$	40,538
Trade names		3,599		1,125		2,474
Computer software		3,378		1,724		1,654
Favourable leases		561		477		84
	$	53,455	$	8,705	$	44,750

	For the three months ended September 30,				For the nine months ended September 30,			
		2012		2011		**2012**		2011
Net book value, beginning of the period	**$**	**41,961**	$	46,912	**$**	**44,750**	$	3,122
Acquisition of Technicoil		-		-		**-**		44,600
Acquisitions		**4**		-		**254**		-
Loss on disposal of assets		-		-		**(133)**		-
Amortization		**(1,435)**		(1,531)		**(4,341)**		(2,341)
Net book value, end of the period	**$**	**40,530**	$	45,381	**$**	**40,530**	$	45,381

8. DIVIDENDS PAYABLE

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

2012 Dividends	**Record date**	**Dividend date**	**Amount per share**
First quarter	March 30	April 13	$ 0.025
Second quarter	June 29	July 13	$ 0.025
Third quarter	September 28	October 15	$ 0.025

9. LONG-TERM DEBT

		As at September 30, 2012		As at December 31, 2011
Term loan	**$**	**50,750**	$	63,293
Deferred financing costs		**(292)**		(90)
		50,458		63,203
Finance leases		**16**		283
		50,474		63,486
Less: current portion of long-term debt		**-**		(14,513)
	$	**50,474**	$	48,973

Essential's Credit Facility (the "Credit Facility") with its banking syndicate is comprised of a $100 million revolving term loan facility with a $35 million accordion feature available on lender's consent. The $100 million revolving term loan facility matures on May 31, 2014, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. 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, 2012, all financial debt covenants were satisfied and all banking requirements were up to date.

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

	As at September 30, 2012	As at December 31, 2011
Repayments are required as follows:		
Within one year	**$ -**	$ 14,255
Between one and two years	**5,347**	20,254
Between two and three years	**16,917**	28,694
Between three and four years	**28,194**	-
	$ 50,458	$ 63,203

10. INCOME TAXES

Components of income tax expense	For the three months ended September 30, **2012**	2011	For the nine months ended September 30, **2012**	2011
Current income tax expense	**$ 1,624**	$ 3,012	**$ 4,092**	$ 3,251
Deferred income tax expense related to the origination and reversal of temporary differences	**1,159**	2,102	**3,449**	2,619
Income tax expense	**$ 2,783**	$ 5,114	**$ 7,541**	$ 5,870

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, **2012**	2011	For the nine months ended September 30, **2012**	2011
Earnings before income taxes	**$ 11,499**	$ 18,731	**$ 28,981**	$ 19,132
Statutory tax rate	**25.0%**	26.5%	**25.0%**	26.5%
Expected income tax expense	**$ 2,875**	$ 4,964	**$ 7,245**	$ 5,070
Increase (decrease) resulting from:				
Equity tax	-	-	-	127
Share based compensation	**123**	99	**357**	288
Items not deductible for tax	**76**	170	**203**	517
Impact of foreign tax rates	**(170)**	39	**(129)**	-
Adjustments in respect of prior years	**(124)**	-	**(124)**	
Effective tax law changes and future tax rate deductions	**-**	(158)	**-**	(132)
Other	**3**	-	**(11)**	-
Income tax expense	**$ 2,783**	$ 5,114	**$ 7,541**	$ 5,870

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

		As at September 30, 2012		As at December 31, 2011
Deferred tax assets				
Foreign operating loss	**$**	**1,919**	$	1,383
Foreign incentive		**264**		253
Accelerated depreciation of property and equipment		**(392)**		-
	$	**1,791**	$	1,636
Deferred tax liabilities				
Accelerated depreciation of property and equipment	**$**	**(19,043)**	$	(16,989)
Book values of intangible assets in excess of tax		**(7,002)**		(7,457)
Losses available for offset against future taxable income		**1,075**		4,157
Deferred partnership income		**(2,089)**		(3,118)
Equity issuance costs		**420**		617
Other		**(886)**		(825)
	$	**(27,525)**	$	(23,615)
Net deferred tax assets (liabilities)	**$**	**(25,734)**	$	(21,979)

11. 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.

Issued	Number of Common Shares		Amount
As at January 1, 2011	71,443	$	150,798
Shares issued on acquisition of Technicoil	51,736		106,536
Shares issued on exercise of options	260		441
As at December 31, 2011	123,439	$	257,775
Shares issued on exercise of options	542		974
As at September 30, 2012	**123,981**	**$**	**258,749**

12. NON-CONTROLLING INTEREST

		As at September 30, 2012		As at December 31 2011
Balance, beginning of the period	**$**	**75**	$	303
Contribution		**5**		128
Loss attributed to non-controlling interest		**(191)**		(347)
Other comprehensive income (loss)		**163**		(9)
Balance, end of the period	**$**	**52**	$	75

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 (loss) 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.

13. FINANCE COSTS

	For the three months ended September 30, 2012	2011	For the nine months ended September 30, 2012	2011
Bank borrowings	**$ 487**	$ 814	**$ 1,686**	$ 1,294
Lease financing	**10**	8	**16**	20
	$ 497	$ 822	**$ 1,702**	$ 1,314

14. 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, 2012 totaled 12,398,140 (2011 – 12,340,907) share options.

	For the nine months ended September 30, 2012		For the nine months ended September 30, 2011	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**6,271**	**$ 2.04**	5,034	$ 2.61
Issued	**2,575**	**2.10**	2,275	2.10
Exercised	**(542)**	**1.26**	(230)	1.14
Expired	**(199)**	**8.91**	(325)	10.45
Forfeited	**(498)**	**2.10**	(316)	3.34
Outstanding, end of period	**7,607**	**$ 1.93**	6,438	$ 2.05
Exercisable, end of period	**3,505**	**$ 1.83**	2,968	$ 2.41

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

	2012	2011
Fair value per option issued	**$0.58 – 1.10**	$0.91-1.19
Assumptions used:		
Risk-free interest rate	**0.9 – 1.4%**	1.7 – 2.3%
Expected volatility	**48.9 – 72.2%**	70.0 – 77.4%
Expected term	**2.8 – 4.4 years**	2.2 – 4.2 years
Expected forfeiture rate	**8.0 – 19.2%**	15.2 – 16.0%
Dividend yield	**nil – 4.7%**	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 expected term of the grant. The expected forfeiture rate is calculated based on historical forfeitures of grants issued.

15. EARNINGS PER SHARE

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

In calculating 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,	
	2012	2011	**2012**	2011
Basic	**123,902**	123,273	**123,756**	94,597
Dilutive common shares from share options	**1,209**	1,154	**1,477**	1,326
Total diluted	**125,111**	124,427	**125,233**	95,923
Net income attributable to Essential	**$ 8,660**	$ 13,678	**$ 21,631**	$ 13,563
Basic and diluted earnings per share	**$ 0.07**	$ 0.11	**$ 0.17**	$ 0.14

16. COMMITMENTS

In addition to the required payments on long-term debt (note 9), 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	$ 3,481
In the second year to fifth years inclusive	14,770
After five years	9,847
	$ 28,098

In addition to the above, Essential entered into agreements to build certain assets for $29.3 million. During the remainder of 2012, $17.1 million of the amounts committed to these expenditures are expected to be paid with the balance of $12.2 million expected to be paid during 2013.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

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

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, 2012, the Company earned revenues from approximately 500 customers (2011 – 600 customers) with five of these customers representing 24% of revenue (2011 – 23%). As at September 30, 2012, approximately 24% of the total accounts receivable balance was due from five companies (2011 – 20%).

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 $0.5 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.

18. SEASONALITY OF OPERATIONS

The Company's operations are carried out primarily in western Canada. The oilfield service industry's ability to move heavy equipment in exploration and production areas is dependent on weather conditions. With the onset of spring, melting snow together with frost coming out of the ground renders many roadways incapable of supporting heavy equipment until sufficient time has passed for them to dry out. In addition, certain areas in Canada are typically only accessible during winter months, when the 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.

19. SEGMENTED INFORMATION

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

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

As at and for the three months ended September 30, 2012

	Well Servicing	Downhole Tools & Rentals	Corporate	Consolidated
Revenue	**$ 58,554**	**$ 26,342**	**$ -**	**$ 84,896**
Earnings before income taxes	**$ 8,648**	**$ 7,851**	**$ (5,000)**	**$ 11,499**
Depreciation and amortization	**$ 5,445**	**$ 688**	**$ 318**	**$ 6,451**
Total assets	**$ 359,812**	**$ 49,548**	**$ 6,293**	**$ 415,653**
Total liabilities	**$ 37,211**	**$ 6,624**	**$ 67,454**	**$ 111,289**
Equipment expenditures	**$ 10,480**	**$ 168**	**$ 115**	**$ 10,763**

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

	Well Servicing	Downhole Tools & Rentals	Corporate	Consolidated
Revenue	$ 66,100	$ 33,316	$ -	$ 99,416
Earnings 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
Property and equipment acquired in business combination	$ -	$ -	$ -	$ -

As at and for the nine months ended September 30, 2012

	Well Servicing	Downhole Tools & Rentals	Corporate	Consolidated
Revenue	**$ 179,676**	**$ 77,133**	**$ -**	**$ 256,809**
Earnings before income taxes	**$ 19,588**	**$ 23,436**	**$ (14,043)**	**$ 28,981**
Depreciation and amortization	**$ 16,496**	**$ 2,390**	**$ 959**	**$ 19,845**
Total assets	**$ 359,812**	**$ 49,548**	**$ 6,293**	**$ 415,653**
Total liabilities	**$ 37,211**	**$ 6,624**	**$ 67,454**	**$ 111,289**
Equipment expenditures	**$ 31,568**	**$ 1,381**	**$ 825**	**$ 33,774**

As at and for the nine months ended September 30, 2011								
		Well Servicing		Downhole Tools & Rentals		Corporate		Consolidated
Revenue	$	129,674	$	76,637	$	-	$	206,311
Earnings 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 combination	$	82,408	$	-	$	-	$	82,408

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

As at and for the three months ended September 30, 2012						
		Canada		**Colombia**		**Consolidated**
Revenue	**$**	**83,514**	**$**	**1,382**	**$**	**84,896**
Total assets	**$**	**401,353**	**$**	**14,300**	**$**	**415,653**

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 nine months ended September 30, 2012						
		Canada		**Colombia**		**Consolidated**
Revenue	**$**	**252,566**	**$**	**4,243**	**$**	**256,809**
Total assets	**$**	**401,353**	**$**	**14,300**	**$**	**415,653**

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

20. COMPARATIVE AMOUNTS

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

CORPORATE INFORMATION

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