

Unaudited Condensed Consolidated Interim Financial Statements

Essential Energy Services Ltd.

September 30, 2015

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

	As at September 30 2015	As at December 31 2014
<i>(in thousands of dollars)</i>		
Assets		
Current		
Trade and other accounts receivable <i>(note 4)</i>	\$ 41,951	\$ 79,651
Inventories <i>(note 5)</i>	30,674	35,991
Prepayments	3,106	3,116
	75,731	118,758
Non-current		
Property and equipment <i>(note 6)</i>	233,607	239,696
Intangible assets	22,436	24,599
Goodwill	14,790	14,298
	270,833	278,593
Total assets	\$ 346,564	\$ 397,351
Liabilities		
Current		
Bank indebtedness	\$ 328	\$ 991
Trade and other accounts payable <i>(note 7)</i>	16,493	32,822
Dividends payable <i>(note 8)</i>	1,888	3,773
Income taxes payable	-	203
	18,709	37,789
Non-current		
Long-term debt <i>(note 9)</i>	34,738	55,253
Deferred tax liabilities	30,262	28,299
	65,000	83,552
Total liabilities	83,709	121,341
Commitments and contingencies <i>(note 14)</i>		
Equity		
Share capital <i>(note 10)</i>	262,977	262,871
(Deficit) retained earnings	(5,135)	8,706
Other reserves <i>(note 11)</i>	5,013	4,433
Total equity	262,855	276,010
Total liabilities and equity	\$ 346,564	\$ 397,351

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

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

<i>(in thousands of dollars, except per share amounts)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Revenue	\$ 47,824	\$ 96,136	\$ 142,233	\$ 252,618
Operating expenses	35,897	68,621	114,424	192,554
Gross margin	11,927	27,515	27,809	60,064
General and administrative expenses	3,424	4,858	11,279	14,460
	8,503	22,657	16,530	45,604
Depreciation and amortization	6,280	6,827	19,434	20,188
Share-based compensation <i>(note 12)</i>	34	484	648	1,813
Other (income) expenses	(782)	145	(481)	998
Operating profit (loss)	2,971	15,201	(3,071)	22,605
Finance costs	325	453	1,129	1,367
Income (loss) before income taxes	2,646	14,748	(4,200)	21,238
Current income tax expense (recovery)	1,805	3,268	(1,757)	4,584
Deferred income tax (recovery) expense	(2,155)	703	1,960	1,153
Income tax (recovery) expense	(350)	3,971	203	5,737
Net income (loss)	\$ 2,996	\$ 10,777	\$ (4,403)	\$ 15,501
Unrealized foreign exchange gain	179	236	366	70
Comprehensive income (loss)	\$ 3,175	\$ 11,013	\$ (4,037)	\$ 15,571
Net income (loss) per share <i>(note 13)</i>				
Basic	\$ 0.02	\$ 0.09	\$ (0.03)	\$ 0.12
Diluted	\$ 0.02	\$ 0.08	\$ (0.03)	\$ 0.12
Comprehensive income (loss) per share <i>(note 13)</i>				
Basic	\$ 0.03	\$ 0.09	\$ (0.03)	\$ 0.12
Diluted	\$ 0.02	\$ 0.09	\$ (0.03)	\$ 0.12

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

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

	For the nine months ended September 30,	
<i>(in thousands of dollars)</i>	2015	2014
Equity:		
<u>Share capital</u>		
Balance, January 1	\$ 262,871	\$ 262,177
Exercise of options <i>(note 10)</i>	106	1,519
Shares repurchased in normal course issuer bid	-	(418)
Balance, September 30	\$ 262,977	\$ 263,278
<u>(Deficit) retained earnings</u>		
Balance, January 1	\$ 8,706	\$ 46,622
Net (loss) income	(4,403)	15,501
Dividends <i>(note 8)</i>	(9,438)	(11,321)
Balance, September 30	\$ (5,135)	\$ 50,802
<u>Other reserves</u>		
Balance, January 1	\$ 4,433	\$ 4,358
Other comprehensive income <i>(note 11)</i>	366	70
Equity-settled share-based compensation <i>(note 12)</i>	252	592
Exercise of options <i>(note 11)</i>	(38)	(509)
Shares cancelled under normal course issuer bid	-	(83)
Balance, September 30	\$ 5,013	\$ 4,428
Total equity	\$ 262,855	\$ 318,508

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

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

	For the nine months ended September 30,	
<i>(in thousands of dollars)</i>	2015	2014
Operating activities:		
Net (loss) income	\$ (4,403)	\$ 15,501
Non-cash adjustments to reconcile net income for the period to operating cash flow:		
Depreciation and amortization	19,434	20,188
Deferred income tax expense	1,960	1,153
Share-based compensation <i>(note 12)</i>	252	592
Provision for impairment of trade accounts receivable <i>(note 4)</i>	676	400
Finance costs	1,129	1,367
Loss on disposal and write-down of assets	1,204	1,683
Operating cash flow before changes in non-cash operating working capital	20,252	40,884
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	38,754	(8,292)
Inventories	5,317	(10,448)
Prepayments	11	(47)
Trade and other accounts payable	(12,976)	2,673
Current income taxes receivable	(2,048)	(4,530)
Net cash provided by operating activities	49,310	20,240
Investing activities:		
Purchase of property, equipment and intangible assets <i>(note 6)</i>	(13,184)	(29,809)
Business acquisition, net of cash acquired	-	(6,043)
Non-cash investing working capital in trade and other accounts payable	(3,354)	(625)
Proceeds on disposal of equipment	1,112	3,052
Net cash used in investing activities	(15,426)	(33,425)
Financing activities:		
(Decrease) increase in long-term debt	(20,515)	26,016
Proceeds from exercise of options	68	1,011
Repurchase of shares	-	(500)
Dividends paid <i>(note 8)</i>	(11,324)	(11,307)
Finance costs	(1,129)	(1,367)
Net cash (used in) provided by financing activities	(32,900)	13,853
Foreign exchange gain on cash held in a foreign currency	(321)	(211)
Net increase in cash	663	457
Bank indebtedness, beginning of period	(991)	(2,112)
Bank indebtedness, end of period	\$ (328)	\$ (1,655)
Supplemental cash flow information		
Cash taxes paid, net of refunds	\$ 290	\$ 9,104
Cash interest and standby fees paid	\$ 1,056	\$ 1,229

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

ESSENTIAL ENERGY SERVICES LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

1. AUTHORIZATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements (“Financial Statements”) of Essential Energy Services Ltd. and its subsidiaries (“Essential” or the “Company”) for the three and nine months ended September 30, 2015 and 2014 were approved by the Board of Directors of Essential (“Board of Directors”) on November 4, 2015. Essential is a publicly traded oilfield services company incorporated under the *Business Corporations Act* (Alberta). Essential is listed on the Toronto Stock Exchange (“TSX”) and trades under the symbol ESN.

Based in Calgary, Alberta, Essential provides oilfield services to oil and gas exploration and production companies primarily in western Canada. The address of the registered office is 3400, 350 – 7 Avenue S.W., Calgary, Alberta, Canada, T2P 3N9.

2. STATEMENT OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements as at and for the three and nine months ended September 30, 2015 and 2014 were prepared in accordance with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). The same accounting policies and methods of computation were followed in the preparation of these Financial Statements as were followed in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2014, except as disclosed below. Accordingly, these Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014.

3. CHANGES IN ACCOUNTING POLICIES

The Company adopted the following amendments and interpretation standards effective January 1, 2015:

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* requires entities to disclose the judgments made by the chief operating decision maker in applying the aggregation criteria to operating segments and to present a reconciliation of each segment’s assets and liabilities to total assets and liabilities of the entity. Essential continues to provide a reconciliation of material accounts of the segments to the entity and added additional disclosures relating to the aggregation criteria to note 16 of the financial statements.

IFRS 2 Share-based Payments

Amendments to the standard did not impact Essential as the Company’s current definition of performance and service conditions are consistent with the revised standard.

IFRS 3 Business Combinations

Essential does not have any contingent considerations related to previously recognized business combinations and, as such, amendments to the standard did not impact the Company.

IFRS 13 Fair Value Measurement

Essential does not discount short-term receivables and/or payables and, as such, amendments to the standard did not impact Essential.

ESSENTIAL ENERGY SERVICES LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

4. TRADE AND OTHER ACCOUNTS RECEIVABLE

	As at September 30 2015	As at December 31 2014
Trade receivables, net of provision	\$ 39,356	\$ 78,367
Other receivables	2,595	1,284
	\$ 41,951	\$ 79,651

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

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

	As at September 30 2015	As at December 31 2014
Canadian dollar	\$ 37,402	\$ 75,802
U.S. dollar	1,954	2,565
	\$ 39,356	\$ 78,367

The aging analysis of trade receivables is as follows:

	As at September 30 2015	As at December 31 2014
< 31 days	\$ 16,413	\$ 30,012
31-60 days	13,756	26,730
61-90 days	7,344	12,390
>90 days	1,843	9,235
	\$ 39,356	\$ 78,367

The provision for impairment of receivables of \$1.4 million (December 31, 2014 – \$1.1 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,	
	2015	2014	2015	2014
Balance, beginning of period	\$ 1,329	\$ 1,052	\$ 1,148	\$ 962
Provision for receivables impairment	171	175	676	400
Receivables written off against the provision	(82)	-	(406)	(135)
Balance, end of period	\$ 1,418	\$ 1,227	\$ 1,418	\$ 1,227

The addition and release of the provision for impairment of receivables has been included in operating expense in the consolidated statements of net income (loss) and comprehensive income (loss). Uncollectable amounts included in the provision are generally written off against the provision when there is no expectation of recovery.

ESSENTIAL ENERGY SERVICES LTD.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2015 and 2014

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

5. INVENTORIES

	As at September 30 2015	As at December 31 2014
Downhole tools	\$ 23,304	\$ 26,172
Coil well service	7,370	9,819
	\$ 30,674	\$ 35,991

Inventory charged through operating expenses in the consolidated statements of net income (loss) and comprehensive income (loss) for the three and nine months ended September 30, 2015 was \$10.2 million and \$24.1 million (2014 – \$15.3 million and \$38.7 million), respectively.

6. PROPERTY AND EQUIPMENT

As at September 30, 2015	Cost	Accumulated Depreciation	Net Book Value
Coil well service rigs and equipment	\$ 146,436	\$ 33,325	\$ 113,111
Service rigs and equipment	92,354	27,590	64,764
Oilfield equipment	54,054	24,277	29,777
Vehicles	32,389	10,386	22,003
Office and computer equipment	4,720	3,173	1,547
Land	482	-	482
Other	4,800	2,877	1,923
	\$ 335,235	\$ 101,628	\$ 233,607

As at December 31, 2014	Cost	Accumulated Depreciation	Net Book Value
Coil well service rigs and equipment	\$ 139,649	\$ 30,000	\$ 109,649
Service rigs and equipment	92,300	24,656	67,644
Oilfield equipment	54,254	20,891	33,363
Vehicles	33,201	8,643	24,558
Office and computer equipment	4,604	2,807	1,797
Land	482	-	482
Other	5,123	2,920	2,203
	\$ 329,613	\$ 89,917	\$ 239,696

Included in coil well service rigs and equipment, service rigs and equipment and oilfield equipment is \$23.8 million (December 31, 2014 – \$17.2 million) of assets under construction which will not be depreciated until put into use.

ESSENTIAL ENERGY SERVICES LTD.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2015 and 2014

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net book value, beginning of period	\$ 234,842	\$ 235,566	\$ 239,696	\$ 230,292
Asset acquired in business combination	-	-	-	175
Additions	4,231	10,934	12,229	29,779
Disposals and write-down of assets	(356)	(1,984)	(2,316)	(4,735)
Depreciation	(5,144)	(5,968)	(16,089)	(16,882)
Reclassified as assets held for sale	-	(6,100)	-	(6,100)
Currency translation adjustment	34	110	87	29
Net book value, end of period	\$ 233,607	\$ 232,558	\$ 233,607	\$ 232,558

7. TRADE AND OTHER ACCOUNTS PAYABLE

	As at September 30 2015	As at December 31 2014
Trade accounts payable	\$ 5,882	\$ 14,880
Accrued payables	4,222	6,268
Accrued payroll	3,982	8,516
Other	2,407	3,158
	\$ 16,493	\$ 32,822

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

	As at September 30 2015	As at December 31 2014
Canadian dollar	\$ 5,407	\$ 14,329
U.S. dollar	475	551
	\$ 5,882	\$ 14,880

8. DIVIDENDS PAYABLE

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

Record date	Payment date	Total dividend	Amount per share
2015			
September 30, 2015	October 15, 2015	\$ 1,888	\$ 0.015
June 30, 2015	July 15, 2015	\$ 3,775	\$ 0.030
March 31, 2015	April 15, 2015	\$ 3,775	\$ 0.030
2014			
December 31, 2014	January 15, 2015	\$ 3,773	\$ 0.030
September 30, 2014	October 15, 2014	\$ 3,779	\$ 0.030
June 30, 2014	July 15, 2014	\$ 3,774	\$ 0.030
March 31, 2014	April 15, 2014	\$ 3,768	\$ 0.030

ESSENTIAL ENERGY SERVICES LTD.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2015 and 2014

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

9. LONG-TERM DEBT

	As at September 30 2015	As at December 31 2014
Term loan	\$ 34,800	\$ 55,350
Deferred financing costs	(62)	(97)
Non-current portion of long-term debt	\$ 34,738	\$ 55,253

Essential's credit facility with its banking syndicate was renewed in May 2014 and is comprised of a \$100 million revolving term loan facility with a \$35 million accordion feature available on the lender's consent (the "Credit Facility"). The Credit Facility matures on May 31, 2017, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. To the extent the Credit Facility is not renewed, the balance would be immediately due and payable on the maturity date. As at September 30, 2015, the maximum of \$100 million under the Credit Facility was available to Essential.

As at September 30, 2015, the Company was in compliance with all financial debt covenants and all banking requirements were up to date under the Credit Facility.

10. SHARE CAPITAL**Authorized**

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

	Number of Common Shares (000's)	Amount
As at January 1, 2014	125,496	\$ 262,177
Shares issued on exercise of options	979	2,149
Shares repurchased under normal course issuer bid	(697)	(1,455)
As at December 31, 2014	125,778	\$ 262,871
Shares issued on exercise of options	59	106
As at September 30, 2015	125,837	\$ 262,977

On March 23, 2015, the Company received approval from the TSX to renew its Normal Course Issuer Bid ("NCIB") for Essential's Common Shares. Any Common Shares purchased by Essential pursuant to the NCIB will be for cancellation. The NCIB commenced on March 25, 2015 and will terminate on March 24, 2016, or at such earlier date as the NCIB is completed or terminated at the option of Essential. Under the renewed NCIB, Essential may purchase up to 12,316,891 of its issued and outstanding Common Shares on the open market through the facilities of the TSX or other alternative trading systems.

ESSENTIAL ENERGY SERVICES LTD.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2015 and 2014

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

For the period ended September 30, 2015 no Common Shares were acquired and cancelled under the NCIB. For the year ended December 31, 2014, 697,046 Common Shares were acquired and cancelled under the previous NCIB at an average price of \$2.14 per Common Share. Any excess amount paid for these shares, relative to their carrying amount, was recorded as a reduction of contributed surplus.

11. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2014	\$ 4,412	\$ (54)	\$ 4,358
Share-based compensation	789	-	789
Exercise of options	(730)	-	(730)
Shares cancelled under normal course issuer bid	(45)	-	(45)
Unrealized foreign exchange gain on foreign operations	-	61	61
As at December 31, 2014	\$ 4,426	\$ 7	\$ 4,433
Share-based compensation	252	-	252
Exercise of options	(38)	-	(38)
Unrealized foreign exchange gain on foreign operations	-	366	366
As at September 30, 2015	\$ 4,640	\$ 373	\$ 5,013

12. SHARE-BASED COMPENSATION

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

The maximum number of share options issuable under the Share Option Plan and RSUs under the RSU Plan, together may not exceed 9% of the Company's outstanding Common Shares. As at September 30, 2015, the maximum number of share options and RSUs allowed for issuance was 11,325,323 (2014 – 11,322,888).

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

	For three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Equity-settled share options	\$ 109	\$ 192	\$ 252	\$ 592
Restricted share units	(11)	245	407	1,033
Cash-settled deferred share units	(64)	47	(11)	188
Total share-based compensation expense	\$ 34	\$ 484	\$ 648	\$ 1,813

a) Share Option Plan

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

ESSENTIAL ENERGY SERVICES LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

	For the nine months ended September 30, 2015		For the nine months ended September 30, 2014	
	Number of Options (000's)	Weighted Average Exercise Price	Number of Options (000's)	Weighted Average Exercise Price
Outstanding, beginning of period	5,024	\$ 2.19	5,444	\$ 1.97
Issued	2,025	1.19	655	2.90
Exercised	(59)	1.15	(624)	1.62
Forfeited	(597)	1.91	(85)	2.05
Outstanding, end of period	6,393	\$ 1.91	5,390	\$ 2.12
Exercisable, end of period	3,700	\$ 2.17	3,546	\$ 1.97

The fair value of the share options issued during the period was between \$0.15 – \$0.24 per option (2014 – \$0.72 – \$0.82), estimated using the Black-Scholes Option Pricing Model using the following underlying assumptions:

	2015	2014
Risk-free interest rate	1.0 – 1.1%	1.4 – 1.7%
Expected volatility	41.6 – 43.3%	43.5 – 46.4%
Expected term	3.7 – 5.0 years	3.6 – 4.4 years
Expected forfeiture rate	7.5 – 16.5%	7.9 – 17.4%
Dividend yield	8.7 – 10.6%	4.1%

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

The following table summarizes information with respect to the share options outstanding as at September 30, 2015 and 2014:

Exercise Prices	Options Outstanding (000's)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (per option)	Number of Options Exercisable (000's)
As at September 30, 2015				
\$1.12 – \$2.00	2,355	4.08	\$ 1.30	323
\$2.01 – \$2.90	4,038	1.58	\$ 2.27	3,377
	6,393	2.50	\$ 1.91	3,700
As at September 30, 2014				
\$1.00 – \$2.00	1,055	1.04	\$ 1.55	1,041
\$2.01 – \$2.90	4,335	2.58	\$ 2.26	2,505
	5,390	2.28	\$ 2.12	3,546

On January 8, 2015, Essential issued 410,000 share options to key employees of the Company with an exercise price of \$1.46 per option. On June 11, 2015, Essential issued 1,615,000 share options with an exercise price of \$1.12 per option.

ESSENTIAL ENERGY SERVICES LTD.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2015 and 2014

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

b) Restricted Share Units

The RSU Plan authorizes the Board of Directors to grant RSUs to key employees and consultants of the Company. RSUs granted to a participant represent a right to receive a cash payment or its equivalent in Common Shares at the time of vesting, at the option of the Company. The grants vest in three equal instalments; contain a time vesting feature, or both performance based and time vesting features. The performance based criteria vest conditionally. The original grant contained only a time vesting feature. Under the terms of the plan, RSU's are eligible for dividend equivalents, which are re-invested at each dividend declaration date. The associated liability related to the RSUs as at September 30, 2015 is \$0.7 million (December 31, 2014 – \$0.9 million) of which \$0.5 million is due within one year.

The following table summarizes information with respect to RSUs outstanding for the three and nine months ended September 30, 2015 and 2014:

Number of RSUs (000's)	For the nine months ended September 30,	
	2015	2014
Outstanding, beginning of period	1,103	588
Issued	2,377	778
Vested	(431)	(200)
Forfeited	(163)	(80)
Outstanding, end of period	2,886	1,086

On January 8, 2015 and June 11, 2015 Essential issued 933,900 and 1,270,540 RSUs, respectively.

c) Deferred Share Units

Participation in the DSU Plan is restricted to non-employee directors ("Eligible Directors") of the Company. A DSU gives the participant a right of redemption in the form of a lump sum cash payment, less applicable withholding taxes, within fifteen days of the participant ceasing to be an Eligible Director of the Company. Under the terms of the plan, DSU's are eligible for dividend equivalents, which are re-invested at each dividend declaration date. The carrying amount of the liability as at September 30, 2015 is \$0.2 million (December 31, 2014 – \$0.2 million).

The following table summarizes information with respect to DSUs outstanding for the three and nine months ended September 30, 2015 and 2014:

Number of DSUs (000's)	For the nine months ended September 30,	
	2015	2014
Outstanding, beginning of period	243	100
Issued	185	137
Redeemed	(32)	-
Outstanding, end of period	396	237

ESSENTIAL ENERGY SERVICES LTD.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***For the three and nine months ended September 30, 2015 and 2014**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)***13. EARNINGS PER SHARE**

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

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

(000's)	For the three months ended		For the nine months ended	
	2015	September 30, 2014	2015	September 30, 2014
Basic	125,837	125,852	125,835	125,726
Dilutive Common Shares from share options and RSUs	2,829	2,147	-	2,356
Total diluted	128,666	127,999	125,835	128,082

14. COMMITMENTS AND CONTINGENCIESOperating leases

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

	Amount
2015	\$ 1,549
2016	5,940
2017	5,480
2018	4,082
2019	3,700
Thereafter	11,019
	\$ 31,770

Other commitments

As part of its long-term capital program, Essential is committed to future capital expenditures of \$7 million, of which \$3 million is expected to be incurred in 2015 and the balance in 2016.

Contingencies

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

A statement of claim was filed on October 23, 2013 by Packers Plus Energy Services Inc. against Essential in the Canadian Federal Court, which alleges certain products and methods associated with the Tryton MSFS® infringe a patent issued to Packers Plus Energy Services Inc. Essential believes that the suit is without merit and is defending the allegations. Proceedings of this nature can take years to resolve through the court process. The trial date has been set for February 2017. This lawsuit targets only the Tryton MSFS® ball & seat system, which Essential commenced using in 2009. It does not target past or future operations of Essential's conventional tools, other Tryton MSFS® tools or rentals business.

ESSENTIAL ENERGY SERVICES LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

15. SEASONALITY OF OPERATIONS

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

16. SEGMENTED INFORMATION

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

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

a) Well Servicing

The Well Servicing segment provides well completion, production and workover services throughout the Western Canadian Sedimentary Basin ("WCSB"). The Well Servicing segment is comprised of a fleet of coil tubing rigs, service rigs, fluid and nitrogen pumpers and ancillary equipment. Service lines within the Well Servicing segment were aggregated on the basis they provide similar services to the same customers, achieve similar long-term margins, share infrastructure and operate within the WCSB throughout Western Canada.

b) Downhole Tools & Rentals

The Downhole Tools & Rentals segment provides downhole tools and rental services in Canada and the United States.

c) Corporate and Eliminations

The Corporate and Eliminations segment is comprised of: i) corporate office and certain operational costs, which are managed on a group basis and are not allocated to the operating segments; and ii) eliminations, which includes transactions between segments which are eliminated upon consolidation. Income (loss) before income taxes for the three and nine months ended September 30, 2015 and 2014 for the Corporate and Eliminations segment substantially represents corporate office and certain operational costs.

ESSENTIAL ENERGY SERVICES LTD.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***For the three and nine months ended September 30, 2015 and 2014**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)*

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

As at and for the three months ended September 30, 2015	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	\$ 32,114	\$ 15,918	\$ (208)	\$ 47,824
Income (loss) before income taxes	\$ 3,236	\$ 2,559	\$ (3,149)	\$ 2,646
Depreciation and amortization	\$ 5,060	\$ 919	\$ 301	\$ 6,280
Total assets	\$ 276,247	\$ 60,853	\$ 9,464	\$ 346,564
Total liabilities	\$ 38,953	\$ 1,990	\$ 42,766	\$ 83,709
Property, equipment and intangible asset expenditures	\$ 4,195	\$ -	\$ 136	\$ 4,331

As at and for the three months ended September 30, 2014	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	\$ 61,338	\$ 35,261	\$ (463)	\$ 96,136
Income (loss) before income taxes	\$ 8,678	\$ 11,815	\$ (5,745)	\$ 14,748
Depreciation and amortization	\$ 5,622	\$ 912	\$ 293	\$ 6,827
Total assets	\$ 364,307	\$ 87,284	\$ 3,154	\$ 454,745
Total liabilities	\$ 49,390	\$ 6,033	\$ 80,842	\$ 136,265
Property, equipment and intangible asset expenditures	\$ 8,629	\$ 1,695	\$ 313	\$ 10,637

As at and for the nine months ended September 30, 2015	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	\$ 95,828	\$ 46,990	\$ (585)	\$ 142,233
Income (loss) before income taxes	\$ 1,676	\$ 5,787	\$ (11,663)	\$ (4,200)
Depreciation and amortization	\$ 15,747	\$ 2,829	\$ 858	\$ 19,434
Property, equipment and intangible asset expenditures	\$ 11,869	\$ 692	\$ 623	\$ 13,184

As at and for the nine months ended September 30, 2014	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	\$ 169,171	\$ 85,068	\$ (1,621)	\$ 252,618
Income (loss) before income taxes	\$ 13,747	\$ 25,205	\$ (17,714)	\$ 21,238
Depreciation and amortization	\$ 16,865	\$ 2,509	\$ 814	\$ 20,188
Property, equipment and intangible asset expenditures	\$ 21,786	\$ 7,011	\$ 1,012	\$ 29,809

ESSENTIAL ENERGY SERVICES LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

17. COMPARATIVE FIGURES

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