MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015.

This MD&A should be read in conjunction with Essential's September 30, 2015 unaudited condensed consolidated interim financial statements, the March 31, 2015 and June 30, 2015 unaudited condensed consolidated interim financial statements and MD&A, and the audited annual consolidated financial statements and MD&A included in Essential's 2014 Financial Report to Shareholders for the financial year-ended December 31, 2014. 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. Readers should carefully read the sections regarding "Forward-Looking Statements and Information" and "Non-IFRS Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective November 4, 2015 and was approved and authorized for issuance by the Board of Directors of the Company (the "Board") on November 4, 2015.

Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares trade on the Toronto Stock Exchange ("TSX") under the symbol ESN. Additional information regarding Essential can be found under Essential's profile on SEDAR at www.sedar.com or the Company's website at www.essentialenergy.ca.

SELECTED INFORMATION

(in thousands of dollars except per share, percentages and fleet data)	Three months ended September 30, **2015**	2014	Nine months ended September 30, **2015**	2014
Revenue	**$ 47,824**	$ 96,136	**$ 142,233**	$ 252,618
Gross margin	**11,927**	27,515	**27,809**	60,064
Gross margin %	**25%**	29%	**20%**	24%
EBITDAS[(1)]	**8,503**	22,657	**16,530**	45,604
EBITDAS % [(1)]	**18%**	24%	**12%**	18%
Net income (loss)	**2,996**	10,777	**(4,403)**	15,501
Per share – basic	**0.02**	0.09	**(0.03)**	0.12
Per share – diluted	**0.02**	0.08	**(0.03)**	0.12
Total assets	**346,564**	454,745	**346,564**	454,745
Total long-term debt	**34,738**	65,043	**34,738**	65,043
Utilization				
Masted coil tubing rigs	**70%**	105%	**62%**	85%
Service rigs	**24%**	48%	**26%**	49%
Equipment fleet				
Masted coil tubing rigs	**19**	17	**19**	17
Service rigs	**48**	54	**48**	54

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

OUTLOOK AND DIVIDEND

There was significant deterioration in the industry outlook during the third quarter of 2015. Evolving world events and deteriorating oil price fundamentals increased the uncertainty of a near-term oil price recovery. The decline in oil prices resulted in an increasingly negative industry outlook and "lower for longer" became the industry mantra. At this point, the duration and extent of the downturn remains highly uncertain with many industry experts not seeing an oilfield services reprieve until late 2016 or in 2017. Unique to Canada, the industry is subject to incremental barriers given pending policy decisions on carbon taxes, royalties, oil export pipelines and the slow progression of liquefied natural gas export terminals.

The Canadian oilfield services industry has experienced significant service price deterioration during the year. Management anticipates additional price reductions as the landscape for Essential's services remains very competitive.

Facing this industry uncertainty and a number of cash-constrained customers that are financially unable to continue with drilling, completion and production programs, management has taken steps to reduce all significant elements of cash outflow. Protecting Essential's strong balance sheet continues to be at the forefront of decisions. This is reflected in the Company's reduced 2016 capital spending budget, cost management initiatives and the dividend strategy.

Essential announces a modest 2016 capital budget of $9 million, including $4 million for growth capital and $5 million for maintenance capital. This allows for completion of the Generation IV masted coil tubing capital build program in 2016. Upon completion, Essential will have 10 new Generation III/IV masted coil tubing rigs. Through the downturn, the masted coil tubing rigs have maintained strong utilization in a shrinking well completions market. Essential has a relatively new equipment fleet that is suited to the current industry direction of long-reach horizontal wells. Upon completion of the build program in 2016, the Company will have spent approximately $52 million on new masted coil tubing rigs in the past few years. This will position Essential with an advanced fleet allowing the Company to take advantage when the industry improves.

Essential has been an industry leader in disciplined cost management. Cost management has become engrained in the Company's culture. Cost reduction steps taken earlier in the year have allowed for the reasonably strong margins reported this quarter, despite a significant reduction of revenue. Essential is on track to realize annualized fixed cost savings of $10 million. The bulk of these cost reductions have been personnel and compensation-related, with employee headcount decreasing by approximately 40%, or 420 employees, since the beginning of 2015. With that in mind, continual review and monitoring of the cost structure is required. Despite significant cost cutting and headcount reductions, Essential remains focused on investing in key personnel during the downturn so the business is ready to benefit when the market turns around.

Essential's Board reviews the dividend on a quarterly basis. Given the current industry outlook, the Board has determined that a further dividend reduction is prudent. Starting with the November 4, 2015 dividend announcement, the quarterly dividend will be $0.003 per share, resulting in annualized savings of $6 million.

In the near term, activity for the fourth quarter is expected to be slower than the third quarter of 2015 and significantly below the fourth quarter of 2014, as exploration and production ("E&P") companies reach their 2015 capital budget limits and cash flow remains constrained. Essential has reduced its 2015 capital spending plans by $3 million and expects to have annual capital spending in 2015 of $18 million.

Since year-end 2014, Essential has reduced its debt by $21 million while nearing completion of its large-scale masted coil tubing build program. At this point, Essential maintains one of the strongest balance sheets in the Canadian oilfield services sector. Maintaining that strength through timely and prudent spending, and a dividend reduction, underpins the Company's strength and future viability as it continues to navigate the downturn. At November 4, 2015, Essential had $32.3 million of debt outstanding and reported debt to EBITDAS[(1)] of 0.9x at the end of the third quarter.

HIGHLIGHTS

Third Quarter 2015

Revenue and EBITDAS[1] were $47.8 million and $8.5 million respectively, compared to $96.1 million and $22.7 million in the third quarter of 2014. While revenue was impacted by pricing pressure and customer activity, Essential's focus on cost control and proactive steps taken in the first quarter of 2015 enabled the Company to protect operating margins despite significant revenue declines.

During the third quarter of 2015 well completions in the Western Canadian Sedimentary Basin ("WCSB"), a key driver of Essential's services, decreased 48%[a] compared to the same period in 2014. Masted coil tubing and pumping outperformed industry activity with utilization of 70% and 57% respectively, as key customers remained active in the Bakken, Montney and Duvernay regions during the quarter. Activity declines in service rigs, downhole tools and rentals were comparable to the industry-wide decreases in drilling and well completions.

Competitive pricing pressures impacted service pricing in each of Essential's operations. Revenue per hour was down approximately 15% for coil well service, 10% for service rig operations and up to 20% for downhole tools & rentals pricing, compared to the third quarter 2014.

Year-To-Date 2015

Revenue and EBITDAS[1] for the first nine months of 2015 were $142.2 million and $16.5 million respectively, compared to $252.6 million and $45.6 million for the first nine months in 2014.

Compared to industry well completions, which declined 46%[a] during the first nine months of 2015 from the same period in the prior year, masted coil tubing and pumping operating hours only decreased 13% and 19% respectively, over the same period.

Essential continued to focus on cost management, capital spending and balance sheet preservation. At September 30, 2015, the Company had $34.7 million of long-term debt outstanding and debt to EBITDAS[1] of 0.9x.

OVERVIEW OF ESSENTIAL

Essential is a growth-oriented, dividend paying corporation that provides oilfield services to E&P companies primarily in western Canada. Essential's operations are focused on meeting the well servicing needs of customers through its coil well service, service rigs, and downhole tools & rentals businesses.

Well Servicing

Coil well service

Masted coil tubing rigs are typically used in the completion and stimulation of a horizontal well in the following areas:

- Pre-Fracturing – Coil tubing is used to complete pre-fracturing confirmation runs and/or place the tools used to isolate a portion of the wellbore during fracture stimulation.
- Fracturing – Dependent on the design of the customer's fracturing program, coil tubing can be used to frac-thru-coil, complete annular fracturing, convey and actuate sliding-sleeve tool assemblies or perform tubing conveyed plug-and-perf operations in the well.
- Post-Fracturing – Once the fracturing has been completed, coil tubing is used to complete post-fracturing confirmation runs, clean-outs and mill-outs/drill-outs of ball & seat systems. Coil tubing can also be used for work-overs and to convey third party instrumentation and evaluation tools to confirm the results of the fracture treatment.

(a) Source: June Warren-Nickle's Energy Group

There are two primary types of equipment used in Essential's coil well service operation:

- Masted Coil Tubing – Essential operates the largest masted coil tubing fleet in Canada. Masted coil tubing rigs provide completion, stimulation and work-over services on long-reach horizontal and vertical wells. Essential's masted coil tubing rigs are equipped to work with coil tubing from 2 inches to 2 7/8 inches in diameter and have a depth capacity in excess of 6,500 meters. The increased reel capacity and coil diameter ratings of Essential's masted coil tubing fleet make this equipment ideally suited to work in all facets of a customer's horizontal well completion and work-over program.
- Pumping – The coil tubing rigs are supported by a fleet of fluid and nitrogen pumpers. Fluid pumpers are used to maintain downhole circulation, provide ancillary acid/solvent treatments and inject friction reducers and other chemicals into the wellbore. Nitrogen pumpers are used to pump inert nitrogen gas into the wellbore for stimulation or work-over operations and to purge the coil of fluids once the coil tubing work has been completed.

Service rigs

Essential's mobile service rig fleet provides well servicing from seven facilities offering well completion and production/work-over services in most 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 perform work-overs on existing wells and completions on new wells.

Downhole Tools & Rentals

Essential's downhole tools & rentals segment provides production and completion tools, and rentals for horizontal and vertical wells. Operations for this segment are well placed geographically across the WCSB and in the U.S. in Texas, Oklahoma and Kansas.

Essential provides a wide range of downhole tools and rental services for completion and production of oil and natural gas wells, including:

- Tryton MSFS® – Tryton MSFS® tools are used for horizontal well completions, allowing producers to isolate and fracture intervals of the horizontal section of a well separately and continuously.
- Conventional Tools – Includes conventional packers, tubing anchors, bridge plugs, cement retainers and related accessories that are used in completion, production and abandonment operations.
- Rentals – The rental business offers a broad range of oilfield equipment, including specialty drill pipe, blowout preventers, specialty equipment for steam-assisted gravity drainage wells, and various other tools and handling equipment.

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.

® MSFS is a registered trademark of Essential Energy Services Ltd.

RESULTS OF OPERATIONS

(in thousands of dollars, except percentages and per share amounts)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 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
EBITDAS[1]	**8,503**	22,657	**16,530**	45,604
Depreciation and amortization	**6,280**	6,827	**19,434**	20,188
Share-based compensation	**34**	484	**648**	1,813
Other (income) expenses	**(782)**	145	**(481)**	998
Finance costs	**325**	453	**1,129**	1,367
Income (loss) before income tax	**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
Net income (loss) per share				
Basic	**$ 0.02**	$ 0.09	**$ (0.03)**	$ 0.12
Diluted	**$ 0.02**	$ 0.08	**$ (0.03)**	$ 0.12

SEGMENT RESULTS - *WELL SERVICING*

(in thousands of dollars, except percentages, hours and fleet data)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Revenue				
Coil well service [(i)]	**$ 24,432**	$ 39,233	**$ 66,295**	$ 98,130
Service rigs	**7,682**	22,105	**29,533**	71,041
Total revenue	**32,114**	61,338	**95,828**	169,171
Operating expenses	**23,188**	45,309	**75,153**	133,959
Gross margin	**$ 8,926**	$ 16,029	**$ 20,675**	$ 35,212
Gross margin %	**28%**	26%	**22%**	21%
Utilization [(ii)]				
Masted coil tubing rigs				
Utilization	**70%**	105%	**62%**	85%
Operating hours	**12,319**	15,524	**31,995**	36,930
Pumping				
Utilization	**57%**	66%	**47%**	56%
Operating hours	**15,747**	19,397	**39,714**	49,253
Service rigs				
Utilization	**24%**	48%	**26%**	49%
Operating hours	**10,418**	23,997	**37,402**	73,520
Equipment fleet [(iii)]				
Masted coil tubing rigs	**19**	17	**19**	17
Pumping	**30**	32	**30**	32
Service rigs	**48**	54	**48**	54

(i) Includes revenue from coil tubing rigs, nitrogen and fluid pumpers.
(ii) Utilization is calculated using a 10 hour day.
(iii) Fleet data represents the number of units at the end of the period.

Despite industry fundamentals, coil well service performance was strong with third quarter 2015 revenue decreasing 38% due to activity and pricing, compared to a 48% decrease in industry well completions. Masted coil tubing and pumping utilization was 70% and 57%, respectively. In this low activity environment, management is pleased with the activity of the coil well service business. This is, in part, attributable to continued work by key customers and Essential's high quality equipment and service. Competitive pricing pressure resulted in revenue per hour declining approximately 15% in the third quarter of 2015 compared to the same period in 2014.

Service rigs continued to be impacted by the industry downturn with revenue 65% lower than the third quarter of 2014. Activity and pricing decreases both contributed to the revenue decline. Service rigs in the Grande Prairie and Fort St. John regions had relatively strong utilization in comparison to industry utilization of 31%. However, the Company's overall service rig utilization was offset by lower activity in central and southern Alberta. In the third quarter, service rig revenue per hour declined approximately 10% compared to the same period in 2014.

Well servicing gross margin as a percentage of revenue for the third quarter of 2015 was higher than the prior year. Both the coil well service and service rig operations were profitable as Essential benefited from significant cost reduction initiatives. Pricing reductions have been offset by lower labour, repairs and maintenance costs and a reduction of discretionary spending.

On a year-to-date basis, well servicing gross margin as a percentage of revenue was higher than prior year as Essential benefited from cost reduction measures implemented earlier in the year. These measures offset the year-over-year revenue decline that was driven by lower activity, particularly in Essential's service rig operations, and a reduction in revenue per hour for all services.

SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS*

(in thousands of dollars)	Three months ended September 30, **2015**	2014	Nine months ended September 30, **2015**	2014
Revenue	**$ 15,919**	$ 35,261	**$ 46,990**	$ 85,068
Operating expenses	**12,229**	22,212	**37,064**	56,350
Gross margin	**$ 3,690**	$ 13,049	**$ 9,926**	$ 28,718
Gross margin %	**23%**	37%	**21%**	34%
Downhole Tools & Rentals revenue – % of revenue				
Tryton MSFS®	**40%**	53%	**35%**	42%
Conventional Tools & Rentals	**60%**	47%	**65%**	58%

Downhole tools & rentals third quarter 2015 revenue decreased 55% from the same quarter of 2014. Activity in Tryton MSFS® tools, conventional tools and rentals decreased due to industry declines for drilling, well completions and production services. This business continues to be negatively impacted by aggressive competition, reduced activity from certain key customers and pricing pressure. U.S. revenue was less impacted, but remains a small part of the business. Third quarter 2015 experienced pricing reductions of up to 20% compared to 2014.

Downhole tools & rentals gross margin as a percentage of revenue was 23% in the third quarter of 2015 compared to 37% for the same period in 2014. In spite of significant cost reductions implemented earlier in 2015, margins are lower due to a decline in pricing and lower contribution from the higher margin rentals business.

Gross margin as a percentage of revenue for the nine months ended September 30, 2015 decreased compared to the prior year due to a decline in downhole tools activity and pricing, as well as lower contribution from the higher margin rentals business.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	Three months ended September 30, **2015**	2014	Nine months ended September 30, **2015**	2014
General and administrative expenses	**$ 3,424**	$ 4,858	**$ 11,279**	$ 14,460
As a % of revenue	**7%**	5%	**8%**	6%

General and administrative ("G&A") expenses are comprised of wages, professional fees, office space and other administrative costs incurred at corporate and operational levels. G&A expenses for the three and nine months ended September 30, 2015 were lower than the same period in 2014 due primarily to reductions in employee headcount, salaries and incentive and benefit plans in 2015. G&A as a percentage of revenue increased from the same periods in 2014 due to the significant revenue declines.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	Three months ended September 30, **2015**	2014	Six months ended September 30, **2015**	2014
Depreciation and amortization expense	**$ 6,280**	$ 6,827	**$ 19,434**	$ 20,188

Depreciation and amortization expense for the three and nine months ended September 30, 2015 were consistent with the same period in 2014 despite lower activity as depreciation and amortization are recognized primarily on a time versus activity basis.

Share-based Compensation

(in thousands of dollars)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Share-based compensation	**$ 34**	$ 484	**$ 648**	$ 1,813

For the three and nine months ended September 30, 2015, the decrease in share-based compensation reflects the decline in Essential's share price, compared to the same period in 2014.

Other (Income) Expenses

(in thousands of dollars)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Loss on disposal and write-down of assets	**$ 61**	$ 834	**$ 1,204**	$ 1,683
Foreign exchange gain	**(875)**	(693)	**(1,638)**	(753)
Other loss (gain)	**32**	4	**(47)**	68
Other (income) expenses	**$ (782)**	$ 145	**$ (481)**	$ 998

Loss on disposal and write-down of assets relates to the sale or retirement of equipment that is no longer used in operations. The weakening Canadian dollar in relation to the U.S. dollar resulted in higher foreign exchange gains in the first nine months of 2015 compared to the same period in 2014.

Finance Costs

(in thousands of dollars)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Finance costs	**$ 325**	$ 453	**$ 1,129**	$ 1,367

For the three and nine months ended September 30, 2015, finance costs decreased over 2014 due to the decrease in average long-term debt outstanding.

Income Tax

(in thousands of dollars)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
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

For the nine months ended September 30, 2015, there is a current income tax recovery compared to an expense in 2014 due to the decline in earnings before income taxes. 2015 losses will be applied to recover taxes paid in previous years.

For the nine months ended September 30, 2015, deferred income tax expense increased compared to 2014 due to legislation that was enacted during the second quarter 2015 to increase the Alberta provincial corporate income tax rate from 10% to 12% effective July 1, 2015. This resulted in the revaluation of the deferred income tax liability.

FINANCIAL RESOURCES AND LIQUIDITY

FUNDS FLOW FROM OPERATIONS[1]

		Three months ended September 30,				Nine months ended September 30,		
(in thousands of dollars, except per share amounts)		**2015**		2014		**2015**		2014
Net cash (used in) provided by operating activities	**$**	**(2,717)**	$	(16,515)	**$**	**49,310**	$	20,240
Add (deduct):								
Changes in non-cash working capital		**10,504**		36,477		**(29,058)**		20,644
Funds flow provided by operations[1]	**$**	**7,787**	$	19,962	**$**	**20,252**	$	40,884
Per share – basic	**$**	**0.06**	$	0.16	**$**	**0.16**	$	0.33
Per share – diluted	**$**	**0.06**	$	0.16	**$**	**0.16**	$	0.32

WORKING CAPITAL[1]

(in thousands of dollars, except ratios)		**As at September 30 2015**		As at December 31 2014
Current assets	**$**	**75,731**	$	118,758
Current liabilities		**(18,709)**		(37,789)
Working capital [1]	**$**	**57,022**	$	80,969
Working capital ratio		**4.1:1**		3.1:1

The accounts receivable portion of working capital typically grows through the first, third and fourth quarters of the year when activity is greater. The inventory component is comprised of downhole tools and coil tubing inventory, which does not fluctuate as much with activity. Essential uses its revolving credit facility (“Credit Facility”) to meet the variable nature of its working capital needs as collection periods for accounts receivable are longer than payment cycles to vendors and employees. In periods of higher activity, debt initially tends to increase and in periods of lower activity debt initially declines.

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 the lender’s consent. 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 becomes immediately due and payable on the maturity date. At September 30, 2015, the maximum of $100 million under the Credit Facility was available to Essential.

As at September 30, 2015, all financial debt covenants were satisfied and all banking requirements under the Credit Facility were up-to-date. At the end of the third quarter of 2015, Essential had a consolidated funded debt balance of $35.1 million. At September 30, 2015, the Company’s funded debt to trailing 12 month EBITDAS[1] was 0.9x. Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities. On November 4, 2015, Essential had long-term debt outstanding of $32.3 million.

EQUIPMENT EXPENDITURES AND FLEET ADDITIONS

(in thousands of dollars)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Well Servicing	**$ 4,195**	$ 8,629	**$ 11,869**	$ 21,786
Downhole Tools & Rentals	**-**	1,695	**692**	7,011
Corporate	**136**	313	**623**	1,012
Total equipment expenditures	**4,331**	10,637	**13,184**	29,809
Less proceeds on disposal of property and equipment	**(302)**	(1,150)	**(1,112)**	(3,052)
Net equipment expenditures[1]	**$ 4,029**	$ 9,487	**$ 12,072**	$ 26,757

Essential classifies its equipment expenditures as growth capital[1] and maintenance capital[1]:

(in thousands of dollars)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Growth capital[1]	**$ 3,704**	$ 6,538	**$ 10,716**	$ 20,752
Maintenance capital[1]	**627**	4,099	**2,468**	9,057
Total equipment expenditures	**$ 4,331**	$ 10,637	**$ 13,184**	$ 29,809

Essential's capital budget for 2015 has been reduced from $21 million to $18 million. The $18 million is comprised of $14 million in growth capital and $4 million of maintenance capital. Growth capital consists primarily of costs related to building one Generation III and four Generation IV masted coil tubing rigs. The Generation III masted coil tubing rig went into service early in the fourth quarter and the Company's third Generation IV masted coil tubing rig is expected in service later in the fourth quarter. The $4 million decrease in maintenance capital is due to lower industry activity and Essential's equipment requiring less maintenance with reduced utilization.

2016 Capital Budget

Given the industry outlook, Essential is announcing a very modest 2016 capital budget of $9 million, comprised of $4 million of growth capital and $5 million of maintenance capital. The growth capital will be used to complete the remaining three Generation IV masted coil tubing rigs. One rig is expected to be in service in each of the second, third and fourth quarters of 2016.

Essential's long-term capital build program will increase the size and depth capacity of its masted coil tubing fleet. To date, the Company has added four Generation III and two Generation IV masted coil tubing rigs. Upon completion in 2016, Essential will have spent approximately $52 million on this program. Essential will have four Generation III and six Generation IV masted coil tubing rigs in service. At September 30, 2015, Essential has spent $45 million on this program. The Generation III and Generation IV masted coil tubing rigs have the capability to work on long-reach horizontal wells and are well-suited to work in deep, high pressure regions including the Montney, Bakken and Duvernay. With a coil diameter of 2 3/8", the Generation III masted coil tubing rigs can reach 6,300 meters and the Generation IV masted coil tubing rigs can reach 7,900 meters.

The following table shows the expected in-service dates of the major equipment as at November 4, 2015:

Masted coil tubing rigs:	# Rigs In Program	# Rigs In-Service	Expected In-Service Dates
Generation III	4	4	-
Generation IV	6	2	Q4'15, 2016(3)[i]

(i) One Generation IV masted coil tubing rig is expected to go into service in each of Q2'16, Q3'16 and Q4'16.

SHARE CAPITAL

As at November 4, 2015, there were 125,836,930 common shares of Essential (“Shares”) and 6,393,201 share options outstanding. Of the 6,393,201 share options, 3,700,025 were exercisable but not “in-the-money”.

COMMITMENTS

Operating leases

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

(in thousands of dollars)	Amount
2015	$ 1,549
2016	5,940
2017	5,480
2018	4,082
2019	3,700
Thereafter	11,019
As at September 30, 2015	$ 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.

NORMAL COURSE ISSUER BID (“NCIB”)

On March 23, 2015, the Company received approval from the TSX to renew its NCIB for Essential’s Shares. Any Shares purchased by Essential pursuant to the NCIB will be for cancellation. The renewed 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 NCIB, Essential may purchase up to 12,316,891 of its issued and outstanding Shares on the open market through the facilities of the TSX and other alternative trading systems. In accordance with the provisions of the TSX Company Manual, the maximum number of Shares that may be purchased on one day may not exceed 39,893 Shares, which is 25% of the six month average daily trading volume of Shares on the TSX, at February 28, 2015. The price which Essential will pay for any Shares purchased will be the prevailing market price of such Shares at the time of purchase. Shareholders may obtain a copy of the “Notice of Intention to make a Normal Course Issuer Bid” that was filed by the Company with the TSX, free of charge, by contacting the Company.

For the nine months ended September 30, 2015, no Shares were acquired and cancelled under the NCIB.

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s President and Chief Executive Officer (“CEO”) and Vice President, Finance and Chief Financial Officer (“CFO”) have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company’s CEO and CFO, particularly during the period in which annual filings are being prepared; and (ii) information required to be disclosed by the Company 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 disclosure controls and procedures as part of its 2014 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2014, which is 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 and procedures in the current period.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). The Company's CEO and CFO are responsible for designing, or causing to be designed under their supervision, ICFR related to the Company, including its consolidated subsidiaries.

Essential reported on ICFR as part of its 2014 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2014, which is available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to ICFR in the current period that have materially affected, or are reasonably likely to affect, the Company's ICFR.

SUMMARY OF QUARTERLY DATA

Essential operates primarily in western Canada, where activity is directly impacted by seasonality. Activity is traditionally higher in the first, third and fourth quarters of the year and lower in the second quarter. With the onset of spring, melting snow renders many roadways incapable of supporting heavy equipment. In addition, certain areas in Canada are typically only accessible during the winter months. The following table provides the Company's quarterly information for the past eight quarters:

(in thousands of dollars, except per share amounts, percentages and fleet data)	**Sept 30, 2015**	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	**Sept 30, 2014**	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Well Servicing:								
Coil well service	**24,432**	9,887	31,976	41,426	**39,233**	17,398	41,499	36,150
Service rigs	**7,682**	6,825	15,026	22,034	**22,105**	16,437	32,499	25,593
Total Well Servicing	**32,114**	16,712	47,002	63,460	**61,338**	33,835	73,998	61,743
Downhole Tools & Rentals	**15,919**	7,460	23,611	35,921	**35,261**	19,521	30,286	31,560
Inter-segment eliminations	**(209)**	(182)	(194)	(527)	**(463)**	(604)	(554)	(480)
Total revenue	**47,824**	23,990	70,419	98,854	**96,136**	52,752	103,730	92,823
Gross margin	**11,927**	580	15,302	27,330	**27,515**	5,222	27,327	25,332
Gross margin %	**25%**	2%	22%	28%	**29%**	10%	26%	27%
EBITDAS[(1)]	**8,503**	(2,832)	10,859	21,992	**22,657**	440	22,507	20,705
EBITDAS %[(1)]	**18%**	(12)%	15%	22%	**24%**	1%	22%	22%
Net income (loss) [(i)]	**2,996**	(10,495)	3,096	(38,323)	**10,777**	(5,425)	10,149	11,126
Per share – basic	**0.02**	(0.08)	0.02	(0.30)	**0.09**	(0.04)	0.08	0.09
Per share – diluted	**0.02**	(0.08)	0.02	(0.30)	**0.08**	(0.04)	0.08	0.09
Total assets	**346,564**	337,299	371,496	397,351	**454,745**	408,964	439,745	423,963
Long-term debt	**34,738**	27,027	39,817	55,253	**65,043**	38,433	50,821	39,027
Utilization [(ii)]								
Masted coil tubing rigs	**70%**	25%	90%	104%	**105%**	42%	109%	107%
Pumping [(iii)]	**57%**	23%	61%	72%	**66%**	34%	69%	55%
Service rigs	**24%**	19%	37%	49%	**48%**	34%	66%	53%
Operating hours								
Masted coil tubing rigs	**12,319**	4,341	15,335	17,469	**15,524**	6,094	15,312	14,699
Pumping [(iii)]	**15,747**	6,381	17,586	20,885	**19,397**	9,861	19,995	16,612
Conventional coil tubing rigs	**1,174**	1,088	3,665	3,951	**4,426**	2,942	6,959	6,612
Service rigs	**10,418**	9,239	17,745	24,394	**23,997**	16,907	32,616	26,557
Downhole Tools & Rentals - % of revenue								
Tryton MSFS®	**40%**	16%	38%	45%	**46%**	25%	39%	55%
Conventional Tools & Rentals	**60%**	84%	62%	55%	**54%**	75%	61%	45%
Equipment fleet [(iv)]								
Masted coil tubing rigs	**19**	19	19	19	**17**	17	16	15
Fluid pumpers	**18**	18	18	18	**18**	18	18	18
Nitrogen pumpers	**12**	12	14	14	**14**	14	14	14
Conventional coil tubing rigs	**11**	11	17	17	**29**	30	30	30
Service rigs	**48**	54	54	54	**54**	55	55	55

(i) The quarter ended December 31, 2014 includes an impairment loss on goodwill and intangible assets of $47.2 million.
(ii) Utilization is calculated using a 10 hour day.
(iii) Pumping includes both fluid and nitrogen pumpers.
(iv) Fleet data represents the number of units at the end of the period.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of material factors, assumptions, risks and uncertainties, many of which are beyond the control of the Company.

Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "continues", "projects", "potential", "budget" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. This MD&A contains forward-looking statements, pertaining to, among other things, the following: capital spending; application of losses to recover taxes paid in previous years; cash flow and earnings; the Credit Facility; the impact of Essential's financial resources or liquidity on its future operating, investing and financing activities; the Company's belief that the Packers Plus Energy Services Inc. claim is without merit and the length of time it will take to resolve the claim; Essential's long-term build program and the addition of new masted coil tubing rigs, the costs and timing associated with such program, the delivery and in-service dates of the equipment, and the positioning advantage of Essential's equipment fleet; the amount expected to paid for Essential's "Other commitments"; the termination date of the NCIB; activity levels, pricing pressures and competition; the retention of key employees; continued focus on cost management and anticipated savings from cost reduction initiatives; maintaining strength of Essential's balance sheet and the impact of that on the future strength and viability of Essential; the extent and duration of this downturn and the impact of the downturn on oilfield services companies in particular; and the landscape for Essential's services.

Although the Company believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements are made, undue reliance should not be placed on the forward-looking statements because the Company can give no assurances that such statements and information will prove to be correct and such statements are not guarantees of future performance. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual performance and results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: known and unknown risks, including those set forth in the Company's Annual Information Form (a copy of which can be found under Essential's profile on SEDAR at www.sedar.com); 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 and uncertainty related to distribution and pipeline constraints; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue importance or reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive.

Statements, including forward-looking statements, contained in this MD&A are made as of the date they are given and the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with applicable securities regulatory authorities and may be accessed under Essential's profile on SEDAR at www.sedar.com.

[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 required working capital, principal debt repayments, capital programs and pay dividends. 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.

EBITDAS (Earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal of equipment, write-down of assets, impairment loss, foreign exchange gains or losses, and share-based compensation, which includes both equity-settled and cash-settled transactions) – These adjustments are relevant as they provide another measure which is considered an indicator of Essential's ability to generate funds flow in order to fund required working capital, service debt, invest in capital programs and pay dividends.

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

The following table reconciles EBITDA and EBITDAS to the IFRS measure, net (loss) income:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands of dollars)	**2015**	2014	**2015**	2014
EBITDAS	**$ 8,503**	$ 22,657	**$ 16,530**	$ 45,604
Share-based compensation	**34**	484	**648**	1,813
Other (income) expenses	**(782)**	145	**(481)**	998
EBITDA	**9,251**	22,028	**16,363**	42,793
Depreciation and amortization	**6,280**	6,827	**19,434**	20,188
Finance costs	**325**	453	**1,129**	1,367
Income (loss) before income tax	**2,646**	14,748	**(4,200)**	21,238
Income tax (recovery) expense	**(350)**	3,971	**203**	5,737
Net income (loss)	**$ 2,996**	$ 10,777	**$ (4,403)**	$ 15,501

Funds flow or funds flow provided by operations[(i)] – This measure is an indicator of Essential's ability to generate funds flow[(i)] in order to fund working capital, principal debt repayments, capital programs and pay dividends. 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 revenue and funds flow to Essential.

(i) Funds flow is reconciled to the IFRS measure, net cash flow from operating activities, in the table "Funds Flow from Operations".

Maintenance capital – Equipment additions that are incurred in order to refurbish or replace previously acquired 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.

Net equipment expenditures[(ii)] – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to describe net cash outflows related to the financing of Essential's capital program.

Working capital – Working capital is calculated as current assets less current liabilities.

(ii) Net equipment expenditures is calculated from the IFRS measures, total equipment expenditures less proceeds on disposal of property and equipment, in the table "Equipment Expenditures and Fleet Additions".

Unaudited Condensed Consolidated Interim Financial Statements

Essential Energy Services Ltd.

September 30, 2015

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

(in thousands of dollars)	**As at September 30 2015**	As at December 31 2014
Assets		
Current		
Trade and other accounts receivable *(note 4)*	**$ 41,951**	$ 79,651
Inventories *(note 5)*	**30,674**	35,991
Prepayments	**3,106**	3,116
	75,731	118,758
Non-current		
Property and equipment *(note 6)*	**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 *(note 7)*	**16,493**	32,822
Dividends payable *(note 8)*	**1,888**	3,773
Income taxes payable	**-**	203
	18,709	37,789
Non-current		
Long-term debt *(note 9)*	**34,738**	55,253
Deferred tax liabilities	**30,262**	28,299
	65,000	83,552
Total liabilities	**83,709**	121,341
Commitments and contingencies *(note 14)*		
Equity		
Share capital *(note 10)*	**262,977**	262,871
(Deficit) retained earnings	**(5,135)**	8,706
Other reserves *(note 11)*	**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)

(in thousands of dollars, except per share amounts)	For the three months ended September 30, **2015**	2014	For the nine months ended September 30, **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 *(note 12)*	**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 *(note 13)*				
Basic	**$ 0.02**	$ 0.09	**$ (0.03)**	$ 0.12
Diluted	**$ 0.02**	$ 0.08	**$ (0.03)**	$ 0.12
Comprehensive income (loss) per share *(note 13)*				
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)

(in thousands of dollars)	For the nine months ended September 30, **2015**	2014
Equity:		
Share capital		
Balance, January 1	**$ 262,871**	$ 262,177
Exercise of options *(note 10)*	**106**	1,519
Shares repurchased in normal course issuer bid	**-**	(418)
Balance, September 30	**$ 262,977**	$ 263,278
(Deficit) retained earnings		
Balance, January 1	**$ 8,706**	$ 46,622
Net (loss) income	**(4,403)**	15,501
Dividends *(note 8)*	**(9,438)**	(11,321)
Balance, September 30	**$ (5,135)**	$ 50,802
Other reserves		
Balance, January 1	**$ 4,433**	$ 4,358
Other comprehensive income *(note 11)*	**366**	70
Equity-settled share-based compensation *(note 12)*	**252**	592
Exercise of options *(note 11)*	**(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,	
(in thousands of dollars)	**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 *(note 12)*	**252**	592
Provision for impairment of trade accounts receivable *(note 4)*	**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 *(note 6)*	**(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 *(note 8)*	**(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.

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.

(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.

(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.

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

	For the three months ended September 30,		For the nine months ended 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

(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.

(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.

(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.

(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:

	For the nine months ended September 30,	
Number of RSUs (000's)	**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:

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

(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.

	For the three months ended September 30,		For the nine months ended September 30,	
(000's)	**2015**	2014	**2015**	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 CONTINGENCIES

Operating 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.

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.

(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

17. COMPARATIVE FIGURES

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

CORPORATE INFORMATION

Directors

James A. Banister, Chairman[2]

Garnet K. Amundson[3]

Michael J. Black[3]

Robert T. German[1,3]

Nicholas G. Kirton[1,2]

Robert B. Michaleski[1,2]

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

Auditors

Ernst & Young LLP

Bankers

National Bank of Canada

The Toronto-Dominion Bank

HSBC Bank Canada

Canadian Western Bank

Legal Counsel

Fasken Martineau DuMoulin LLP

Transfer Agent

Computershare Trust Company of Canada

Management

Garnet Amundson
President and Chief Executive Officer

Don Webster
Chief Operating Officer

Allan Mowbray
Vice President, Finance and Chief Financial Officer

Jeff Newman
Senior Vice President, Business Development

Kevin Job
Senior Vice President, Corporate

Karen Perasalo
Vice President, Investor Relations & Corporate Secretary

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