Q3 Report ● Nine Months Ended September 30, 2016

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, 2016.

This MD&A should be read in conjunction with Essential's September 30, 2016 unaudited condensed consolidated interim financial statements, the March 31, 2016 and June 30, 2016 unaudited condensed consolidated interim financial statements and MD&A, and the audited annual consolidated financial statements and MD&A included in Essential's 2015 Financial Report to Shareholders for the financial year ended December 31, 2015. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned interim and 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 9, 2016 and was approved and authorized for issuance by the Board of Directors of the Company on November 9, 2016.

Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares trade on the Toronto Stock Exchange under the symbol ESN. Additional information regarding Essential 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, **2016**	2015	Nine months ended September 30, **2016**	2015
Revenue	**$ 30,376**	$ 47,824	**$ 76,299**	$ 142,233
Gross margin	**4,030**	11,927	**3,681**	27,809
Gross margin %	**13%**	25%	**5%**	20%
EBITDAS[1]	**1,317**	8,503	**(5,635)**	16,530
Net (loss) income	**(3,814)**	2,996	**(65,218)**	(4,403)
Per share – basic and diluted	**(0.03)**	0.02	**(0.52)**	(0.03)
Utilization				
Masted coil tubing rigs	**36%**	70%	**31%**	62%
Service rigs	**21%**	24%	**18%**	26%

	As at September 30, **2016**	2015
Total assets	**$ 242,781**	$ 346,564
Long-term debt[2]	**31,781**	34,738
Equipment fleet		
Masted coil tubing rigs	**21**	19
Service rigs	**38**	48

[1] Refer to "Non-IFRS Measures" section for further information.
[2] Long-term debt at September 30, 2016 does not reflect proceeds from the equity financing closed on October 12, 2016.

HIGHLIGHTS

Despite oil and natural gas prices improving from the lows reached earlier in the year, exploration and production company ("E&P") spending continued to be well below historical levels throughout the third quarter 2016. This reduced spending limited oilfield service activity and created an environment of excess equipment and aggressive competitor pricing. Wells drilled in the Western Canadian Sedimentary Basin ("WCSB") during the third quarter 2016, a key indicator of industry activity, were 24%[a] lower than the third quarter 2015.

Essential's third quarter 2016 revenue was $30.4 million, 36% lower than the same period of 2015 driven by low oilfield service industry activity and pricing declines resulting from competitive pricing pressure. Key third quarter 2016 highlights include:

- Bank EBITDA[1] of $1.3 million exceeded Essential's minimum Bank EBITDA[1] covenant of $1.0 million for the three months ended September 30, 2016.
- Essential's Generation III and IV masted coil tubing rigs experienced increased demand as customers used this equipment to complete complex, long-reach horizontal wells in the Bakken, Montney and Duvernay regions of the WCSB.
- Tryton MSFS® revenue, while below the prior year quarter, was the strongest in the past three quarters due to drilling and completion activity by a few key customers.
- On October 12, 2016, Essential closed an equity issuance for gross proceeds of $10.4 million. The proceeds were used to partially repay outstanding indebtedness. The equity offering addresses near-term bank covenant concerns as proceeds will be applied as an equity cure to the Company's financial covenants for the next four quarters, beginning with the fourth quarter of 2016.

EBITDAS[1] was $1.3 million and negative $5.6 million for the three and nine months ended September 30, 2016, respectively. Lower utilization due to reduced industry activity and competitive pricing pressure resulted in revenue and EBITDAS[1] declines from 2015. While third quarter 2016 revenue is comparable to the first quarter 2016, the cost management strategies implemented earlier in the year resulted in improved EBITDAS[1].

Long-term debt outstanding at September 30, 2016 was $31.8 million. With working capital[1] of $45.2 million, working capital exceeded debt by $13.4 million. On November 9, 2016 there was $21.8 million of debt outstanding. The proceeds from the equity offering on October 12, 2016 were applied to debt.

(a) Source: Canadian Association of Oilwell Drilling Contractors

OVERVIEW OF ESSENTIAL

Essential 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 ("DT&R") 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.

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

- Masted Coil Tubing Rigs – 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. Essential's masted coil tubing fleet is comprised of Generation II, III and IV masted coil tubing rigs. Depending on the wellsite configuration, the Generation IV masted coil tubing rigs are capable of working with or without the mast.
- Pumpers – 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 completion and production/work-over services in the major resource plays primarily in 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 DT&R 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.

Patent Litigation

Essential is in the final stages of preparing for trial in its defense against allegations that certain products and methods associated with the Tryton MSFS® infringe on a patent issued to Packers Plus Energy Services Inc. ("Packers Plus") (the "Claim"). The trial is scheduled to start on February 6, 2017 and is expected to last four weeks. There are two parts to the trial:

- Validity – The validity portion of the trial will focus on whether or not the patent is valid. Given the fact that Packers Plus has asserted infringement of the same patent against Essential and three other groups of defendants, Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc., and all of the defendants have filed counterclaims seeking a declaration that the patent is invalid, the Federal Court has directed that the counterclaims be consolidated into a single trial (the "Joint Validity Trial"). During the Joint Validity Trial the four defendants will assert their common position that the patent is invalid.
- Infringement – The infringement portion of the trial will focus on whether or not Essential has infringed the Packers Plus patent, if the Federal Court holds that the patent is valid. The infringement portions of the Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc. trials will not be consolidated with the infringement portion of the Essential case since each infringement action, by its nature, deals with different tools and, additionally, the other three actions were started more recently than the Claim.

Essential continues to believe that the Claim is without merit. The Claim 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 the rentals business. Proceedings of this nature can take years to resolve through the court process.

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

RESULTS OF OPERATIONS

(in thousands of dollars, except per share amounts)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenue	**$ 30,376**	$ 47,824	**$ 76,299**	$ 142,233
Operating expenses	**26,346**	35,897	**72,618**	114,424
Gross margin	**4,030**	11,927	**3,681**	27,809
General and administrative expenses	**2,713**	3,424	**9,316**	11,279
EBITDAS[1]	**1,317**	8,503	**(5,635)**	16,530
Depreciation and amortization	**4,313**	6,280	**15,736**	19,434
Share-based compensation	**805**	34	**1,520**	648
Impairment loss	**-**	-	**61,652**	-
Other expenses (income)	**780**	(782)	**2,164**	(481)
Finance costs	**272**	325	**940**	1,129
(Loss) income before income tax	**(4,853)**	2,646	**(87,647)**	(4,200)
Current income tax (recovery) expense	**(640)**	1,805	**(7,271)**	(1,757)
Deferred income tax (recovery) expense	**(399)**	(2,155)	**(15,158)**	1,960
Total income tax (recovery) expense	**(1,039)**	(350)	**(22,429)**	203
Net (loss) income	**$ (3,814)**	$ 2,996	**$ (65,218)**	$ (4,403)
Net (loss) income per share Basic and diluted	**$ (0.03)**	$ 0.02	**$ (0.52)**	$ (0.03)

SEGMENT RESULTS - *WELL SERVICING*

(in thousands of dollars except percentages, hours and fleet data)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenue				
Coil well service [(i)]	**$ 13,896**	$ 24,432	**$ 36,074**	$ 66,295
Service rigs	**4,363**	7,682	**11,815**	29,533
Total revenue	**18,259**	32,114	**47,889**	95,828
Operating expenses	**16,463**	23,188	**45,642**	75,153
Gross margin	**$ 1,796**	$ 8,926	**$ 2,247**	$ 20,675
Gross margin %	**10%**	28%	**5%**	22%
Utilization [(ii)]				
Masted coil tubing rigs				
Utilization	**36%**	70%	**31%**	62%
Operating hours	**6,926**	12,319	**17,781**	31,995
Pumping				
Utilization	**38%**	57%	**30%**	47%
Operating hours	**10,127**	15,747	**24,681**	39,714
Service rigs				
Utilization	**21%**	24%	**18%**	26%
Operating hours	**7,180**	10,418	**18,352**	37,402
Equipment fleet [(iii)]				
Masted coil tubing rigs	**21**	19	**21**	19
Pumping	**28**	30	**28**	30
Service rigs	**38**	48	**38**	48

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

Coil well service third quarter 2016 revenue declined 43% compared to the third quarter 2015 due to lower activity and pricing. Lower E&P spending resulted in reduced operating hours for both masted coil tubing and pumping operations. While there was a decrease in total masted coil tubing operating hours, Essential's Generation III and Generation IV masted coil tubing rigs experienced increased demand as customers used this equipment to complete complex, long-reach horizontal wells in the Bakken, Montney and Duvernay regions of the WCSB. Coil well service revenue per hour declined by 5% to 10% compared to the third quarter 2015.

Third quarter 2016 service rig revenue decreased 43% compared to the same period in 2015. Operating hours declined 31% compared to third quarter 2015. Service rig revenue per hour was down approximately 20% compared to the third quarter 2015. Limited industry activity continued to result in aggressive competition and pricing pressure.

Well servicing gross margin as a percentage of revenue was 10% in the third quarter of 2016, lower than the same period of 2015. Cost reductions implemented earlier in the year partially offset the impact of lower revenue.

On a year-to-date basis, well servicing revenue decreased 50% compared to the prior period. The year-over-year decline is due to lower activity and price declines as a result of the continued industry downturn. Essential maintained positive gross margin year-to-date despite the price and activity declines due to cost reductions implemented earlier in the year.

SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS*

(in thousands of dollars, except percentages)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Revenue	**$ 12,256**	$ 15,919	**$ 28,728**	$ 46,990
Operating expenses	**9,989**	12,229	**25,174**	37,064
Gross margin	**$ 2,267**	$ 3,690	**$ 3,554**	$ 9,926
Gross margin %	**18%**	23%	**12%**	21%
Downhole Tools & Rentals revenue – % of revenue				
Tryton MSFS®	**45%**	40%	**37%**	35%
Conventional Tools & Rentals	**55%**	60%	**63%**	65%

DT&R revenue decreased 23% in the third quarter 2016 compared to the same period in 2015 due to lower Canadian and U.S. tools revenue as a result of decreased industry activity and pricing declines. Third quarter 2016 revenue from Tryton MSFS® was the strongest in the last three quarters due to drilling and completion activity by a few key customers.

Gross margin was 18% for the third quarter 2016, lower than the prior period, as pricing declines more than offset cost reductions implemented in the Canadian and U.S. operations earlier in the year. The 18% gross margin in the quarter was the highest achieved in the last three quarters.

On a year-to-date basis, DT&R revenue was below 2015 as all service lines were impacted by lower activity and price declines. Gross margin for the nine months ended September 30, 2016 decreased compared to the same period in 2015 due to reduced revenue and fixed operating costs comprising a larger percentage of revenue. The gross margin decline was partially mitigated by cost reductions implemented earlier in the year.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
General and administrative expenses	**$ 2,713**	$ 3,424	**$ 9,316**	$ 11,279

General and administrative expenses ("G&A") are comprised of wages, severance costs, professional fees, office space and other administrative costs incurred in the corporate and operating segments. G&A expenses for the three and nine months ended September 30, 2016 decreased compared to the same periods in 2015 due to cost reductions implemented in the first quarter 2016.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Depreciation and amortization expense	**$ 4,313**	$ 6,280	**$ 15,736**	$ 19,434

Depreciation and amortization expense for the three and nine months ended September 30, 2016 was lower than the same periods in 2015 due to lower net book value of the Company's equipment and intangible assets as a result of the impairment losses recognized in the first quarter of 2016 and fourth quarter of 2015.

SHARE-BASED COMPENSATION

(in thousands of dollars)		Three months ended September 30, 2016		2015		Nine months ended September 30, 2016		2015
Share-based compensation expense	**$**	**805**	$	34	**$**	**1,520**	$	648

For the three months ended September 30, 2016, share-based compensation was higher than the same period in 2015, due primarily to the issuance of Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") on June 30, 2016. For the nine months ended September 30, 2016, share-based compensation expense is higher than the same period in 2015 due to the issuance of RSUs and DSUs in 2016 and the increase of Essential's share price since December 31, 2015.

OTHER EXPENSES (INCOME)

(in thousands of dollars)		Three months ended September 30, 2016		2015		Nine months ended September 30, 2016		2015
Loss on disposal of assets	**$**	**917**	$	61	**$**	**1,533**	$	1,204
Foreign exchange (gain) loss		**(99)**		(875)		**633**		(1,638)
Other (gain) loss		**(38)**		32		**(2)**		(47)
Other expenses (income)	**$**	**780**	$	(782)	**$**	**2,164**	$	(481)

The loss on disposal of assets included disposal of equipment that was retired or redundant and no longer used in operations. Strengthening of the Canadian dollar in relation to the U.S. dollar resulted in a foreign exchange loss for the nine months ended September 30, 2016 compared to a foreign exchange gain for the same period in 2015.

IMPAIRMENT LOSS

(in thousands of dollars)		Three months ended September 30, 2016		2015		Nine months ended September 30, 2016		2015
Impairment loss	**$**	**-**	$	-	**$**	**61,652**	$	-

International Financial Reporting Standards ("IFRS") requires the Company to assess the carrying value of assets in the cash generating units when there are impairment indicators. Essential completed an impairment assessment at the end of the first quarter 2016 when first quarter financial results were much lower than expected and the outlook for the industry deteriorated. The impairment assessment determined that the fair value of Essential's well servicing segment was less than its carrying value. The Company recognized an impairment charge in the first quarter of 2016 of $61.7 million comprised of $28.5 million on coil well service equipment, $15.8 million on service rig equipment and $17.4 million on intangible assets (2015 – nil).

FINANCE COSTS

(in thousands of dollars)		Three months ended September 30, 2016		2015		Nine months ended September 30, 2016		2015
Finance costs	**$**	**272**	$	325	**$**	**940**	$	1,129

For the nine months ended September 30, 2016, finance costs decreased over the same period in 2015 due to lower average long-term debt outstanding.

INCOME TAXES

(in thousands of dollars)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Current income tax (recovery) expense	$ **(640)**	$ 1,805	$ **(7,271)**	$ (1,757)
Deferred income tax (recovery) expense	**(399)**	(2,155)	**(15,158)**	1,960
Total income tax (recovery) expense	$ **(1,039)**	$ (350)	$ **(22,429)**	$ 203

For the three and nine months ended September 30, 2016, the current income tax recovery relates to incurring a loss before income tax in both periods. For the nine months ended September 30, 2016, Essential's deferred income tax recovery is primarily due to the tax effect on the impairment loss.

FINANCIAL RESOURCES AND LIQUIDITY

OPERATING CASH FLOW BEFORE CHANGES IN NON-CASH OPERATING WORKING CAPITAL

(in thousands of dollars, except per share amounts)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Net cash (used in) provided by operating activities	$ **(3,907)**	$ (2,717)	$ **1,737**	$ 49,310
Changes in non-cash working capital	**5,091**	10,504	**(1,411)**	(29,058)
Operating cash flow before changes in non-cash operating working capital	$ **1,184**	$ 7,787	$ **326**	$ 20,252
Per share – basic and diluted	$ **0.01**	$ 0.06	$ **0.00**	$ 0.16

WORKING CAPITAL

(in thousands of dollars, except ratios)	**As at September 30, 2016**	As at December 31, 2015
Current assets	$ **60,843**	$ 66,599
Current liabilities	**(15,680)**	(15,844)
Working capital [(1)]	$ **45,163**	$ 50,755
Working capital ratio	**3.9:1**	4.2:1

Working capital is primarily comprised of accounts receivable and inventory. The accounts receivable portion typically grows through the first, third and fourth quarters of the year when activity is greater. Inventory is comprised of downhole tools and coil tubing inventory, which does not fluctuate as much with activity and in the current industry environment, may take longer to use or sell. 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 typically 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 is comprised of a $40 million revolving term loan facility with a $20 million accordion feature available on the lender's consent. The Credit Facility was renewed on June 15, 2016 and matures on May 31, 2019. It 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, 2016, the maximum of $40 million under the Credit Facility was available to Essential.

The Credit Facility includes an equity cure provision where proceeds from equity offerings may be applied to the calculation of Bank EBITDA[(1)] in the funded debt[(1)] to Bank EBITDA[(1)] covenant, the minimum cumulative Bank EBITDA[(1)] covenant and the fixed charge coverage[(1)] covenant. The equity cure provision can be exercised in the period that the proceeds are received or the prior period if the proceeds are received in advance of filing the quarterly compliance certificate with the banking syndicate. On October 12, 2016, Essential received gross proceeds of $10.4 million for 16,019,883 shares issued at $0.65 per share from an equity offering. The Company will apply the proceeds as an equity cure to its fourth quarter 2016 Bank EBITDA[(1)] calculation under the Credit Facility. Due to the trailing 12 month nature of the covenants, the proceeds from the equity offering will increase Bank EBITDA[(1)] for the first, second and third quarter 2017 covenants as well.

In addition to the equity cure, the Credit Facility contains a number of terms and conditions, including:

- certain financial covenants, including:

Quarter Ending	Funded Debt[(1)] to Capitalization	Funded Debt[(1)] to Bank EBITDA[(1)(i)]	Minimum Cumulative Bank EBITDA[(1)(ii)]	Fixed Charge Coverage Ratio[(1)(i)]
September 30, 2016	≤ 50%	waived	$1 million	≥ 2.00x
December 31, 2016	≤ 50%	waived	$4 million	≥ 2.00x
March 31, 2017	≤ 50%	waived	$6 million	≥ 2.00x
June 30, 2017	≤ 50%	≤ 5.25x	n/a	≥ 1.25x
September 30, 2017	≤ 50%	≤ 4.75x	n/a	≥ 1.25x
December 31, 2017	≤ 50%	≤ 4.25x	n/a	≥ 1.25x
March 31, 2018	≤ 50%	≤ 3.50x	n/a	≥ 1.25x
June 30, 2018	≤ 50%	≤ 3.50x	n/a	≥ 1.25x
September 30, 2018	≤ 50%	≤ 3.25x	n/a	≥ 1.25x
December 31, 2018	≤ 50%	≤ 3.00x	n/a	≥ 1.25x
March 31, 2019	≤ 50%	≤ 3.00x	n/a	≥ 1.25x

(i) Calculated on a trailing 12 month basis.
(ii) Calculated on a cumulative basis as follows: at September 30, 2016: Bank EBITDA[(1)] for the three months ending September 30, 2016; at December 31, 2016: Bank EBITDA[(1)] for the six months ending December 31, 2016; at March 31, 2017: Bank EBITDA[(1)] for the nine months ending March 31, 2017.

- a monthly borrowing base; and
- restrictions on dividends and acquisitions when funded debt[(1)] to Bank EBITDA[(1)] is greater than 3.00x or when the covenant is waived.

As at September 30, 2016, all financial covenants were satisfied and all banking requirements under the Credit Facility were up-to-date.

	Covenant Threshold	**As at September 30, 2016**
Funded debt[(1)] to capitalization	≤ 50%	**15%**
Funded debt[(1)] to Bank EBITDA[(1)]	waived	**waived**
Minimum cumulative Bank EBITDA[(1)]	$1.0 million	**$1.3 million**
Fixed charge coverage ratio[(1)]	≥ 2.0x	**9.0x**

Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities. On November 9, 2016, Essential had $21.8 million of debt outstanding.

EQUIPMENT EXPENDITURES AND FLEET ADDITIONS

(in thousands of dollars)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Well Servicing	**$ 1,468**	$ 4,195	**$ 7,641**	$ 11,869
Downhole Tools & Rentals	**5**	-	**1,376**	692
Corporate	**1**	136	**33**	623
Total equipment expenditures	**1,474**	4,331	**9,050**	13,184
Less proceeds on disposal of equipment	**(491)**	(302)	**(2,084)**	(1,112)
Net equipment expenditures[1]	**$ 983**	$ 4,029	**$ 6,966**	$ 12,072

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

(in thousands of dollars)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Growth capital[1]	**$ 1,076**	$ 3,704	**$ 6,375**	$ 10,716
Maintenance capital[1]	**398**	627	**2,675**	2,468
Total equipment expenditures	**$ 1,474**	$ 4,331	**$ 9,050**	$ 13,184

Near the end of the third quarter, the fabricator of Essential's Generation IV masted coil tubing rigs advised that they were unable to complete the two rigs under construction within the agreed delivery schedule and price. Given the fabricator's history of cost overruns, delivery delays and Essential's recent concerns with their ability to complete the project, Essential concluded that it would not provide further funds to the fabricator to complete the rigs. On November 6, 2016 Essential executed a settlement agreement and terminated its contract with the fabricator. Pursuant to the terms of the settlement agreement, Essential has taken delivery of the partially completed rigs, fabricated components, parts, technical information and certifications that were previously in the fabricator's possession. Essential is currently conducting a full evaluation of all equipment, parts and components received. The evaluation will include inventory verification, assessment of the percentage of completion, remaining costs and a timeline to bring the two Generation IV masted coil tubing rigs into service. Although Essential's decision to terminate this contract will delay the delivery of these two rigs, management anticipates that its existing fleet of Generation III and IV masted coil tubing rigs will meet near-term market demand.

In addition to the two rigs under construction, Essential had previously paid deposits of approximately $2 million to the fabricator for two additional rigs that had been deferred. Essential took delivery of the majority of parts and components associated with these deferred rigs. The balance of the parts are expected to be shipped directly to Essential from a third party fabricator by the end of the first quarter, 2017.

Essential estimates that the cumulative value of assets that were in the fabricator's possession, including deposits, is $13 million.

Essential's 2016 capital budget has increased from $11 million to $12 million. It is comprised of $9 million of growth capital and $3 million of maintenance capital. The $1 million increase in growth capital consists of additional deposits Essential expects to pay to a new third party fabricator for completion of the first of the remaining two Generation IV masted coil tubing rigs under construction and the purchase of incremental rental drill pipe for DT&R. The remaining cost to complete the rigs under construction will be included in Essential's 2017 capital budget.

SHARE CAPITAL

As at November 9, 2016, there were 141,856,813 common shares and 7,769,916 share options outstanding. Of the 7,769,916 share options, 3,404,488 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
2016 (for the three months ending December 31)	$	1,506
2017		5,587
2018		4,221
2019		3,840
2020		3,270
Thereafter		7,719
As at September 30, 2016	$	26,143

Other commitments

As part of its capital program, Essential is committed to future capital expenditures of $0.4 million, which are expected to be incurred in 2016.

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, interim or other reports 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 2015 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2015, 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 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 2015 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2015, 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.

OUTLOOK

Commodity prices have improved from earlier in the year resulting in a new level of cautious, but encouraging, optimism in the industry. Drilling rig utilization to-date in the fourth quarter in the WCSB has been approximately 20%, which is less than the same period in 2015 but is an improvement from the third quarter of 2016. Demand for oilfield services has improved as stronger commodity prices support E&P investment. Visibility beyond the fourth quarter is limited but should become clearer as E&P companies announce their 2017 capital budgets.

For Essential, activity in the fourth quarter has improved from the third quarter. Customer interest and enquiries have increased. Due to staffing reductions in prior periods, Essential could become constrained in its ability to supply equipment in the short-term if demand continues to increase. Essential has increased its labour pool by 30% since the first quarter 2016 and is continuing to hire during the fourth quarter 2016 in anticipation of a busier winter season. Service pricing appears to have bottomed in the third quarter of 2016 and has remained stable but with excess equipment in the industry, activity increases will need to be more pronounced before service pricing can increase in a meaningful way.

Essential completed an equity financing on October 12, 2016, for gross proceeds of $10.4 million. This addresses near-term bank covenant concerns as proceeds will be applied as an equity cure to the Company's financial covenants for the next four quarters, beginning with the fourth quarter of 2016.

Essential has among the lowest debt levels in the oilfield services sector with debt on November 9, 2016, of $21.8 million. Essential is well-positioned to respond and grow as the industry begins to pull out of the prolonged downturn with the flexibility to meet anticipated operating needs and capital spending requirements.

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 industry downturn since early 2015 has disrupted typical historic oilfield services seasonal patterns in western Canada as E&P companies are driven by constrained cash flow in addition to weather and access issues.

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, 2016**	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	**Sept 30, 2015**	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Well Servicing:								
Coil well service	**13,896**	6,422	15,756	23,833	**24,432**	9,887	31,976	41,426
Service rigs	**4,363**	3,093	4,359	7,516	**7,682**	6,825	15,026	22,034
Total Well Servicing	**18,259**	9,515	20,115	31,349	**32,114**	16,712	47,002	63,460
Downhole Tools & Rentals	**12,256**	5,583	10,889	11,278	**15,919**	7,460	23,611	35,921
Inter-segment eliminations	**(139)**	(90)	(89)	(147)	**(209)**	(182)	(194)	(527)
Total revenue	**30,376**	15,008	30,915	42,480	**47,824**	23,990	70,419	98,854
Gross margin	**4,030**	(1,595)	1,246	7,786	**11,927**	580	15,302	27,330
Gross margin %	**13%**	(11)%	4%	18%	**25%**	2%	22%	28%
EBITDAS(1)	**1,317**	(4,469)	(2,483)	4,930	**8,503**	(2,832)	10,859	21,992
Bank EBITDA(1)	**1,317**	(4,453)	(750)	5,074	**8,541**	(2,720)	12,543	21,992
Net (loss) income (i)	**(3,814)**	(7,486)	(53,918)	(18,082)	**2,996**	(10,495)	3,096	(38,323)
Per share – basic and diluted	**(0.03)**	(0.06)	(0.43)	(0.14)	**0.02**	(0.08)	0.02	(0.30)
Total assets	**242,781**	238,450	246,713	317,244	**346,564**	337,299	371,496	397,351
Long-term debt	**31,781**	26,894	27,053	25,543	**34,738**	27,027	39,817	55,253
Utilization (ii)								
Masted coil tubing rigs	**36%**	19%	39%	65%	**70%**	25%	90%	104%
Pumping (iii)	**38%**	16%	37%	55%	**57%**	23%	61%	72%
Service rigs	**21%**	14%	18%	30%	**24%**	19%	37%	49%
Operating hours								
Masted coil tubing rigs	**6,926**	3,570	7,285	12,039	**12,319**	4,341	15,335	17,469
Pumping (iii)	**10,127**	4,336	10,218	15,049	**15,747**	6,381	17,586	20,885
Conventional coil tubing rigs	**736**	278	2,392	1,778	**1,174**	1,088	3,665	3,951
Service rigs	**7,180**	5,010	6,162	10,391	**10,418**	9,239	17,745	24,394
Downhole Tools & Rentals - % of revenue								
Tryton MSFS®	**45%**	15%	40%	24%	**40%**	16%	38%	45%
Conventional Tools & Rentals	**55%**	85%	60%	76%	**60%**	84%	62%	55%
Equipment fleet (iv)								
Masted coil tubing rigs	**21**	21	21	20	**19**	19	19	19
Fluid pumpers	**18**	18	18	18	**18**	18	18	18
Nitrogen pumpers	**10**	12	12	12	**12**	12	14	14
Conventional coil tubing rigs	**5**	5	11	11	**11**	11	17	17
Service rigs	**38**	38	38	38	**48**	54	54	54

(i) The quarters ended March 31, 2016, December 31, 2015 and December 31, 2014 include an impairment loss of $61.7 million, $13.2 million and $47.2 million, respectively.
(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 in-service 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: cash flow and earnings; the application of proceeds from the equity offering to bank covenants and this addressing near-term bank covenant concerns; the Credit Facility and the impact of financial covenant limitations thereunder; 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 Claim is without merit, the date the trial is scheduled to start, the duration of the trial and the length of time it will take to resolve the claim; capital spending; Essential’s long-term build program and the addition of new masted coil rigs; the evaluation and value of the partially completed rigs and associated equipment parts, equipment and components received from the fabricator; the ability of Essential’s existing fleet of Generation III and IV masted coil tubing rigs to meet near-term market demand; the future demand for Generation IV coil tubing rigs, the costs, timing, anticipated delivery of parts and in-service dates associated with such program, including the anticipated growth capital to be paid to a new third party fabricator; the amount expected to be paid for Essential’s “other commitments”; industry spending and use of available cash; anticipated economic conditions; seasonality of operations of the Company; short and long-term outlook on industry activity; visibility beyond the fourth quarter should become clearer as E&P companies announce their 2017 capital budgets; the Company’s ability to supply equipment in the short-term; the hiring of employees by the Company; stability of service pricing; the Company being positioned to respond and grow as the industry begins to pull out of the downturn; and the Company having flexibility to meet anticipated operating needs and capital requirements.

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 for the year ended December 31, 2015 (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 (loss) income and net (loss) income per share in accordance with IFRS, Essential believes that certain measures not recognized under IFRS assist both Essential and the reader in assessing performance and understanding Essential's results. Each of these measures provides the reader with additional insight into Essential's ability to fund principal debt repayments and capital programs. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net (loss) income and net (loss) income per share as calculated in accordance with IFRS.

Bank EBITDA – Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS before severance costs.

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 results from its principal business activities.

EBITDAS % – This measure is considered an indicator of Essential's results from its principal business activities as calculated by EBITDAS divided by revenue.

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands of dollars)	**2016**	2015	**2016**	2015
Bank EBITDA	**$ 1,317**	$ 8,540	**$ (3,886)**	$ 18,364
Severance costs	**-**	37	**1,749**	1,834
EBITDAS	**$ 1,317**	$ 8,503	**$ (5,635)**	$ 16,530
Share-based compensation	**805**	34	**1,520**	648
Other expenses (income)	**780**	(782)	**2,164**	(481)
EBITDA	**$ (268)**	$ 9,251	**$ (9,319)**	$ 16,363
Impairment loss	**-**	-	**61,652**	-
Depreciation and amortization	**4,313**	6,280	**15,736**	19,434
Finance costs	**272**	325	**940**	1,129
(Loss) income before income tax	**(4,853)**	2,646	**(87,647)**	(4,200)
Total income tax (recovery) expense	**(1,039)**	(350)	**(22,429)**	203
Net (loss) income	**$ (3,814)**	$ 2,996	**$ (65,218)**	$ (4,403)

Fixed charge coverage ratio – This measure is generally defined in Essential's Credit Facility as the ratio of Bank EBITDA less cash tax expense to the sum of scheduled principal repayments and interest expense.

(in thousands of dollars, except ratios)	Trailing 12 months ended September 30, 2016
Bank EBITDA	**$ 1,188**
Less current income tax recovery	**(9,130)**
	$ 10,318
Finance costs	**$ 1,151**
Fixed charge coverage ratio	**9.0x**

Funded debt – Funded debt is generally defined in Essential's Credit Facility as long-term debt including current portion of long-term debt plus deferred financing costs and bank indebtedness, net of cash.

Growth capital – Growth capital is capital spending which is intended to result in incremental revenue. Growth capital is considered to be a key measure as it represents the total expenditures on equipment expected to add incremental revenue to Essential.

Maintenance capital – Equipment additions that are incurred in order to refurbish, replace or extend the life of previously acquired equipment. Such additions do not provide incremental revenue.

Net equipment expenditures[(i)] – 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.

(i) 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, 2016

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

(in thousands of dollars)	**As at September 30 2016**	As at December 31 2015
Assets		
Current		
Cash	**$ -**	$ 1,042
Trade and other accounts receivable *(note 3)*	**23,621**	28,460
Inventories *(note 4)*	**26,662**	30,609
Income tax receivable	**7,418**	3,791
Prepayments and other current assets	**3,142**	2,697
	60,843	66,599
Non-current		
Property and equipment *(note 5)*	**176,001**	225,479
Intangible assets *(note 6)*	**2,348**	21,347
Goodwill	**3,589**	3,799
	181,938	250,625
Total assets	**$ 242,781**	$ 317,224
Liabilities		
Current		
Bank indebtedness	**$ 426**	$ -
Trade and other accounts payable *(note 7)*	**15,254**	15,466
Dividends payable *(note 8)*	**-**	378
	15,680	15,844
Non-current		
Long-term debt *(note 9)*	**31,781**	25,543
Deferred tax liabilities	**16,121**	31,279
	47,902	56,822
Total liabilities	**63,582**	72,666
Commitments and contingencies *(note 14)*		
Equity		
Share capital *(note 10)*	**262,977**	262,977
Deficit	**(89,191)**	(23,595)
Other reserves *(note 11)*	**5,413**	5,176
Total equity	**179,199**	244,558
Total liabilities and equity	**$ 242,781**	$ 317,224

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
(in thousands of dollars, except per share amounts)	**2016**	2015	**2016**	2015
Revenue	**$ 30,376**	$ 47,824	**$ 76,299**	$ 142,233
Operating expenses	**26,346**	35,897	**72,618**	114,424
Gross margin	**4,030**	11,927	**3,681**	27,809
General and administrative expenses	**2,713**	3,424	**9,316**	11,279
Depreciation and amortization *(notes 5 and 6)*	**4,313**	6,280	**15,736**	19,434
Share-based compensation *(note 12)*	**805**	34	**1,520**	648
Impairment loss *(notes 5 and 6)*	**-**	-	**61,652**	-
Other expenses (income)	**780**	(782)	**2,164**	(481)
Operating (loss) income	**(4,581)**	2,971	**(86,707)**	(3,071)
Finance costs	**272**	325	**940**	1,129
(Loss) income before income taxes	**(4,853)**	2,646	**(87,647)**	(4,200)
Current income tax (recovery) expense	**(640)**	1,805	**(7,271)**	(1,757)
Deferred income tax (recovery) expense	**(399)**	(2,155)	**(15,158)**	1,960
Income tax (recovery) expense	**(1,039)**	(350)	**(22,429)**	203
Net (loss) income	**$ (3,814)**	$ 2,996	**$ (65,218)**	$ (4,403)
Unrealized foreign exchange (loss) gain *(note 11)*	**(20)**	179	**(72)**	366
Comprehensive (loss) income	**$ (3,834)**	$ 3,175	**$ (65,290)**	$ (4,037)
Net (loss) income per share *(note 13)*				
Basic and diluted	**$ (0.03)**	$ 0.02	**$ (0.52)**	$ (0.03)
Comprehensive (loss) income per share *(note 13)*				
Basic	**$ (0.03)**	$ 0.03	**$ (0.52)**	$ (0.03)
Diluted	**$ (0.03)**	$ 0.02	**$ (0.52)**	$ (0.03)

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,	
(in thousands of dollars)	**2016**	2015
Equity:		
Share capital		
Balance, January 1	**$ 262,977**	$ 262,871
Exercise of options *(note 10)*	**-**	106
Balance, September 30	**$ 262,977**	$ 262,977
Deficit		
Balance, January 1	**$ (23,595)**	$ 8,706
Net loss	**(65,218)**	(4,403)
Dividends *(note 8)*	**(378)**	(9,438)
Balance, September 30	**$ (89,191)**	$ (5,135)
Other reserves		
Balance, January 1	**$ 5,176**	$ 4,433
Other comprehensive (loss) income *(note 11)*	**(72)**	366
Equity-settled share-based compensation *(note 11)*	**309**	252
Exercise of options *(note 11)*	**-**	(38)
Balance, September 30	**$ 5,413**	$ 5,013
Total equity	**$ 179,199**	$ 262,855

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)		**2016**		2015
Operating activities:				
Net loss	**$**	**(65,218)**	$	(4,403)
Non-cash adjustments to reconcile net loss for the period to operating cash flow:				
Depreciation and amortization		**15,736**		19,434
Deferred income tax (recovery) expense		**(15,158)**		1,960
Equity-settled share-based compensation *(note 12)*		**309**		252
Provision for impairment of trade accounts receivable *(note 3)*		**532**		676
Finance costs		**940**		1,129
Impairment loss *(notes 5 and 6)*		**61,652**		-
Loss on disposal of assets		**1,533**		1,204
Operating cash flow before changes in non-cash operating working capital		**326**		20,252
Changes in non-cash operating working capital:				
Trade and other accounts receivable before provision		**4,691**		38,112
Income tax receivable		**(3,627)**		(2,048)
Inventories		**282**		5,317
Prepayments and other current assets		**(445)**		11
Trade and other accounts payable		**510**		(12,976)
Net cash provided by operating activities		**1,737**		48,668
Investing activities:				
Purchase of property, equipment and intangible assets *(notes 5 and 6)*		**(9,050)**		(13,184)
Non-cash investing working capital in trade and other accounts payable		**(722)**		(3,354)
Proceeds on disposal of equipment		**2,084**		1,112
Net cash used in investing activities		**(7,688)**		(15,426)
Financing activities:				
Increase (repayment) of long-term debt		**6,238**		(20,515)
Proceeds from exercise of options		**-**		68
Dividends paid *(note 8)*		**(755)**		(11,324)
Finance costs		**(940)**		(1,129)
Net cash provided by (used in) financing activities		**4,543**		(32,900)
Foreign exchange (loss) gain on cash held in a foreign currency		**(60)**		321
Net (decrease) increase in cash		**(1,468)**		663
Cash (bank indebtedness), beginning of period		**1,042**		(991)
Bank indebtedness, end of period	**$**	**(426)**	$	(328)
Supplemental cash flow information				
Cash taxes (refunded) paid	**$**	**(3,408)**	$	290
Cash interest and standby fees paid	**$**	**761**	$	1,056

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

(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, 2016 and 2015 were approved by the Board of Directors of Essential ("Board of Directors") on November 9, 2016. Essential is a publicly traded oilfield services company incorporated under the *Business Corporations Act* (Alberta). Essential is listed on the Toronto Stock Exchange and trades under the symbol ESN.

Based in Calgary, Alberta, Essential provides oilfield services to oil and natural 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. SUMMARY OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements as at and for the three and nine months ended September 30, 2016 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, 2015. Accordingly, these Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

3. TRADE AND OTHER ACCOUNTS RECEIVABLE

	As at September 30 2016	As at December 31 2015
Trade receivables, net of provision	**$ 23,281**	$ 28,023
Other receivables	**340**	437
	$ 23,621	$ 28,460

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 2016	As at December 31 2015
Canadian dollar	**$ 22,574**	$ 26,848
U.S. dollar	**707**	1,175
	$ 23,281	$ 28,023

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

The aging analysis of trade receivables is as follows:

	As at September 30 2016	As at December 31 2015
< 31 days	**$ 12,640**	$ 11,334
31-60 days	**6,442**	10,021
61-90 days	**2,593**	4,473
>90 days	**1,606**	2,195
	$ 23,281	$ 28,023

Essential considers a trade receivable balance past due when it exceeds normal customer payment terms, which can range from net 30 to greater than 90 days. The provision for impairment of receivables of $0.4 million (December 31, 2015 – $0.9 million) is included in the amounts over 90 days. 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,	
	2016	2015	**2016**	2015
Balance, beginning of period	**$ 683**	$ 1,329	**$ 925**	$ 1,148
(Recovery) provision for receivables impairment	**(223)**	171	**532**	676
Receivables written off against the provision	**(49)**	(82)	**(1,041)**	(406)
Foreign exchange	**1**	-	**(4)**	-
Balance, end of period	**$ 412**	$ 1,418	**$ 412**	$ 1,418

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

4. INVENTORIES

	As at September 30 2016	As at December 31 2015
Downhole tools	**$ 17,486**	$ 23,146
Coil well service	**9,176**	7,463
	$ 26,662	$ 30,609

Inventory charged through operating expenses in the consolidated interim statements of net (loss) income and comprehensive (loss) income for the three and nine months ended September 30, 2016 was $7.0 million and $15.8 million (2015 – $10.2 million and $24.1 million), respectively.

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

5. PROPERTY AND EQUIPMENT

As at September 30, 2016	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Coil well service rigs and equipment	**$ 144,493**	**$ 56,886**	**$ 87,607**
Service rigs and equipment	**88,604**	**46,100**	**42,504**
Oilfield equipment	**55,798**	**26,964**	**28,834**
Vehicles	**29,259**	**14,927**	**14,332**
Office and computer equipment	**4,369**	**3,403**	**966**
Land	**482**	**-**	**482**
Other	**4,785**	**3,509**	**1,276**
	$ 327,790	**$ 151,789**	**$ 176,001**

As at December 31, 2015	Cost	Accumulated Depreciation	Net Book Value
Coil well service rigs and equipment	$ 147,484	$ 34,589	$ 112,895
Service rigs and equipment	88,566	29,635	58,931
Oilfield equipment	49,639	20,845	28,794
Vehicles	31,149	9,989	21,160
Office and computer equipment	4,426	3,006	1,420
Land	482	-	482
Other	4,787	2,990	1,797
	$ 326,533	$ 101,054	$ 225,479

Included in coil well service rigs and equipment and oilfield equipment is $20.0 million of assets under construction (December 31, 2015 – $23.1 million), which will not be depreciated until put into use.

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	**2016**	2015
Net book value, beginning of period	**$ 176,358**	$ 234,842	**$ 225,479**	$ 239,696
Additions	**1,472**	4,231	**8,989**	12,229
Transfer	**3,665**	-	**3,665**	-
Disposals and write-down of assets	**(1,345)**	(356)	**(3,617)**	(2,316)
Impairment loss	**-**	-	**(44,291)**	-
Depreciation	**(4,068)**	(5,144)	**(14,112)**	(16,089)
Currency translation adjustment	**(81)**	34	**(112)**	87
Net book value, end of period	**$ 176,001**	$ 233,607	**$ 176,001**	$ 233,607

Each reporting period, Essential assesses the carrying value of assets when there are impairment indicators. There were no impairment indicators present as at September 30, 2016.

For the nine months ended September 30, 2016, an impairment loss of $61.7 million was recorded, of which $28.5 million related to coil well service equipment, $15.8 million related to service rig equipment and $17.4 million related to intangible assets (2015 – nil).

a) Impairment Test - March 31, 2016

Essential completed an impairment assessment at March 31, 2016 following the first quarter 2016 when financial results were much lower than expected and the industry outlook had deteriorated since December 31, 2015. The impairment assessment determined that the fair value of Essential's well servicing segment was less than its carrying value.

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

The recoverable amounts of Essential's cash generating units ("CGUs") were determined based on value-in-use calculation using discounted cash flow projections for a five-year period from financial forecasts extrapolated thereafter at a growth rate of 2.5% per annum (2015 – 2.5%) and discounted at a rate ranging from 15.1% to 15.4% (2015 – 15.1% to 15.4%). Financial forecasts were based on management's expectations of future outcomes taking into account historical experience, industry considerations, and economic conditions and trends. Assumptions related to asset utilization rates for Essential's coil tubing rigs and service rigs were forecast based on existing industry trends and forecasts. Management assumed the downturn in the oil and natural gas industry would continue through 2016 and 2017, with a gradual recovery to historical activity levels through 2018 to 2020.

Coil well service

The March 31, 2016 impairment test determined the carrying amount of this CGU was higher than its recoverable amount of $125.1 million and an impairment loss of $45.9 million was recognized (2015 – nil). Management identified that a 3.4 percentage point decrease in the discount rate would have supported a conclusion of no impairment loss to be recognized for the coil well service CGU. Following the impairment loss recognized in Essential's coil well service CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

Service rigs

The March 31, 2016 impairment test determined the carrying amount of this CGU was higher than its recoverable amount of $49.3 million and an impairment loss of $15.8 million was recognized (2015 – nil). Management identified that a 2.6 percentage point decrease in the discount rate would have supported a conclusion of no impairment loss to be recognized for the service rigs CGU. Following the impairment loss recognized in Essential's service rigs CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

6. INTANGIBLE ASSETS

As at September 30, 2016	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**$ 38,512**	**$ 37,592**	**$ 920**
Computer software	**5,536**	**4,330**	**1,206**
Non-compete agreement	**431**	**209**	**222**
	$ 44,479	**$ 42,131**	**$ 2,348**

As at December 31, 2015	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 38,602	$ 19,084	$ 19,518
Computer software	5,475	3,952	1,523
Non-compete agreement	458	152	306
	$ 44,535	$ 23,188	$ 21,347

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

	For the three months ended September 30, **2016**	2015	For the nine months ended September 30, **2016**	2015
Net book value, beginning of period	**$ 2,584**	$ 23,367	**$ 21,347**	$ 24,599
Additions	**2**	100	**61**	955
Impairment loss	**-**	-	**(17,362)**	-
Amortization	**(245)**	(1,136)	**(1,624)**	(3,345)
Currency translation adjustment	**7**	105	**(74)**	227
Net book value, end of period	**$ 2,348**	$ 22,436	**$ 2,348**	$ 22,436

For the nine months ended September 30, 2016, an impairment loss of $61.7 million was recorded, of which $28.5 million related to coil well service equipment, $15.8 million related to service rig equipment and $17.4 million related to intangible assets (2015 – nil).

7. TRADE AND OTHER ACCOUNTS PAYABLE

	As at September 30 2016	As at December 31 2015
Trade accounts payable	**$ 6,498**	$ 6,894
Accrued payables	**3,184**	3,437
Accrued payroll	**2,553**	3,236
Other	**3,019**	1,899
	$ 15,254	$ 15,466

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

	As at September 30 2016	As at December 31 2015
Canadian dollar	**$ 5,962**	$ 6,709
U.S. dollar	**536**	185
	$ 6,498	$ 6,894

8. DIVIDENDS PAYABLE

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

Record date	**Payment date**	**Total dividend**	**Amount per share**
<u>2016</u>			
March 31, 2016	April 15, 2016	$ 378	$ 0.003
<u>2015</u>			
December 31, 2015	January 15, 2016	$ 378	$ 0.003
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

In May 2016, the Board of Directors suspended the dividend.

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

9. LONG-TERM DEBT

	As at September 30 2016	As at December 31 2015
Term loan	**$ 32,000**	$ 25,600
Deferred financing costs	**(219)**	(57)
Non-current portion of long-term debt	**$ 31,781**	$ 25,543

Essential's credit facility with its banking syndicate was renewed on June 15, 2016 and is comprised of a $40 million revolving term loan facility with a $20 million accordion feature available on the lender's consent (the "Credit Facility"). The Credit Facility matures on May 31, 2019, 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. At September 30, 2016, the maximum of $40 million under the Credit Facility was available to Essential.

As at September 30, 2016, all financial debt covenants were satisfied and all banking requirements under the Credit Facility were up-to-date.

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, 2015	125,778	$ 262,871
Shares issued on exercise of options	59	106
As at December 31, 2015 and September 30, 2016	**125,837**	**$ 262,977**

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

11. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2015	$ 4,426	$ 7	$ 4,433
Equity-settled share-based compensation	363	-	363
Exercise of options	(38)	-	(38)
Unrealized foreign exchange gain on foreign operations	-	418	418
As at December 31, 2015	$ 4,751	$ 425	$ 5,176
Equity-settled share-based compensation	**309**	**-**	**309**
Unrealized foreign exchange loss on foreign operations	**-**	**(72)**	**(72)**
As at September 30, 2016	**$ 5,060**	**$ 353**	**$ 5,413**

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 issued prior to December 9, 2015 under the RSU Plan, together may not exceed 9% of the Company's outstanding Common Shares. RSUs granted after December 9, 2015 represent the right to receive a cash payment only, at the time of vesting, and as such, are not included in the maximum number of share options or RSUs allowed for issuance. As at September 30, 2016, the maximum number of share options and RSUs allowed for issuance was 11,325,324 (2015 – 11,325,324).

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,	
	2016	2015	**2016**	2015
Equity-settled share options	**$ 117**	$ 109	**$ 309**	$ 252
Restricted share units	**202**	(11)	**640**	407
Cash-settled deferred share units	**486**	(64)	**571**	(11)
Total share-based compensation expense	**$ 805**	$ 34	**$ 1,520**	$ 648

a) Share Option Plan

Under the Company's Share Option Plan, participants receive options to acquire 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, 2016		For the nine months ended September 30, 2015	
	Number of Options (000's)	**Weighted Average Exercise Price**	Number of Options (000's)	Weighted Average Exercise Price
Outstanding, beginning of year	**6,393**	**$ 1.91**	5,024	$ 2.19
Issued	**2,841**	**0.57**	2,025	1.19
Exercised	**-**	**-**	(59)	1.15
Expired	**(1,295)**	**2.12**	-	-
Forfeited	**(169)**	**2.10**	(597)	1.91
Outstanding, end of period	**7,770**	**$ 1.38**	6,393	$ 1.91
Exercisable, end of period	**3,404**	**$ 2.05**	3,700	$ 2.17

The fair value of the share options issued for the nine months ended September 30, 2016 was between $0.15 – $0.24 per option (2015 – $0.15 – $0.24), estimated using the Black-Scholes Option Pricing Model using the following underlying assumptions:

	2016	2015
Risk-free interest rate	**0.5 – 0.6%**	1.0 – 1.1%
Expected volatility	**43.9 – 49.0%**	41.6 – 43.3%
Expected term	**3.6 – 4.5 years**	3.7 – 5.0 years
Expected forfeiture rate	**6.6 – 15.8%**	7.5 – 16.5%
Dividend yield	**nil – 2.3%**	8.7 – 10.6%

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, 2016 and 2015:

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, 2016				
$0.55 – $1.00	**2,841**	**4.45**	**$ 0.57**	**-**
$1.01 – $2.00	**2,015**	**3.59**	**$ 1.20**	**685**
$2.01 – $2.90	**2,914**	**1.00**	**$ 2.30**	**2,719**
	7,770	**2.93**	**$ 1.38**	**3,404**
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

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

During the nine months ended September 30, 2016, Essential issued 2,841,249 share options with a weighted average exercise price of $0.57 per option.

b) Restricted Share Units

The Board of Directors is authorized to grant RSUs to participants under the RSU Plan. RSUs granted to a participant prior to December 9, 2015 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. RSUs granted to participants after December 9, 2015 represent the right to receive a cash payment at the time of vesting. The grants vest in three equal instalments; contain time vesting and/or performance vesting feature(s). The performance based criteria vest conditionally. Under the terms of the plan, when dividends are paid, RSUs are eligible for dividend equivalents, which are re-invested at each dividend record date. The associated liability related to the RSUs as at September 30, 2016 was $1.0 million (December 31, 2015 – $0.8 million) of which $0.5 million is due within one year.

The following table summarizes information with respect to RSUs outstanding:

	For the nine months ended September 30,	
Number of RSUs (000's)	**2016**	2015
Outstanding, beginning of year	**2,875**	1,103
Issued (including dividend equivalents)	**2,770**	2,377
Vested	**(680)**	(431)
Forfeited	**(530)**	(163)
Outstanding, end of period	**4,435**	2,886

During the nine months ended September 30, 2016, Essential issued 2,752,098 RSUs.

c) Deferred Share Units

The Board of Directors is authorized to grant DSUs to participants under the DSU Plan. A DSU gives the participant a right of redemption in the form of a lump sum cash payment, less applicable withholding taxes, when the participant ceases to be a director or employee of the Company. Under the terms of the plan, when dividends are paid, DSUs are eligible for dividend equivalents, which are re-invested at each dividend record date. The carrying amount of the liability as at September 30, 2016 was $0.7 million (December 31, 2015 – $0.2 million).

The following table summarizes information with respect to DSUs outstanding:

	For the nine months ended September 30,	
Number of DSUs (000's)	**2016**	2015
Outstanding, beginning of year	**398**	243
Issued (including dividend equivalents)	**3,287**	185
Redeemed	**-**	(32)
Outstanding, end of period	**3,685**	396

For the nine months ended September 30, 2016, Essential issued 3,284,615 DSUs.

(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 (loss) income 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, that can be settled in cash or equity at the discretion of the Board of Directors, 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)	**2016**	2015	**2016**	2015
Basic	**125,837**	125,837	**125,837**	125,835
Dilutive Common Shares from share options and RSUs	-	2,829	-	-
Total diluted	**125,837**	128,666	**125,837**	125,835

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
2016 (for the three months ending December 31)	$ 1,506
2017	5,587
2018	4,221
2019	3,840
2020	3,270
Thereafter	7,719
	$ 26,143

Other commitments

As part of its capital program, Essential is committed to future capital expenditures in 2016 of $0.4 million.

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.

Essential is in the final stages of preparing for trial in its defense against the allegations that certain products and methods associated with the Tryton MSFS® infringe on a patent issued to Packers Plus Energy Services Inc. (the "Claim"). The trial is scheduled to start on February 6, 2017. Essential believes that the Claim is without merit and is defending against the allegations. This Claim 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.

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.

The industry downturn since early 2015 has disrupted typical historic oilfield services seasonal patterns in western Canada as exploration and production companies are driven by constrained cash flow in addition to weather and access issues.

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 primarily 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 primarily within the WCSB throughout western Canada.

b) Downhole Tools & Rentals

The Downhole Tools & Rentals segment provides downhole tools and rental services in the WCSB 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, 2016 and 2015 for the Corporate and Eliminations segment substantially represents corporate office and certain operational costs of $2.1 million and $9.2 million, respectively (2015 - $3.2 million and $10.8 million, respectively), and foreign exchange loss/gain due to the movement of the Canadian dollar in relation to the U.S. dollar.

(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, 2016	**Well Servicing**	**Downhole Tools & Rentals**	**Corporate & Eliminations**	**Consolidated**
Revenue	**$ 18,259**	**$ 12,256**	**$ (139)**	**$ 30,376**
(Loss) income before income taxes	**$ (2,612)**	**$ 1,018**	**$ (3,259)**	**$ (4,853)**
Depreciation and amortization	**$ 3,138**	**$ 898**	**$ 277**	**$ 4,313**
Total assets	**$ 180,071**	**$ 56,178**	**$ 6,532**	**$ 242,781**
Total liabilities	**$ 22,046**	**$ 4,025**	**$ 37,511**	**$ 63,582**
Property, equipment and intangible asset expenditures	**$ 1,468**	**$ 5**	**$ 1**	**$ 1,474**

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

For the nine months ended September 30, 2016	**Well Servicing**	**Downhole Tools & Rentals**	**Corporate & Eliminations**	**Consolidated**
Revenue	**$ 47,889**	**$ 28,728**	**$ (318)**	**$ 76,299**
Loss before income taxes	**$ (74,359)**	**$ (566)**	**$ (12,722)**	**$ (87,647)**
Depreciation and amortization	**$ 12,072**	**$ 2,805**	**$ 859**	**$ 15,736**
Impairment loss	**$ 61,652**	**$ -**	**$ -**	**$ 61,652**
Property, equipment and intangible asset expenditures	**$ 7,641**	**$ 1,376**	**$ 33**	**$ 9,050**

For the nine months ended September 30, 2015	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	$ 95,828	$ 46,990	$ (585)	$ 142,233
(Loss) income 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

17. COMPARATIVE FIGURES

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

18. SUBSEQUENT EVENT

On October 12, 2016, Essential closed an equity offering, where 16,019,883 Common Shares were bought by a syndicate of underwriters at a price of $0.65 per Common Share. The gross proceeds of $10.4 million was used to partially repay outstanding indebtedness.

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 K. Amundson
President and Chief Executive Officer

Don A. K. Webster
Chief Operating Officer

Allan Mowbray
Vice President, Finance and Chief Financial Officer

Jeff B. Newman
Senior Vice President, Business Development

Kevin W. Job
Senior Vice President, Corporate

Karen Perasalo
Vice President, Investor Relations & Corporate Secretary

Stock Exchange Listing

TSX: ESN

Calgary Office

Livingston Place West

1100, 250 2nd Street SW

Calgary, Alberta T2P 0C1

Phone: (403) 263-6778

Fax: (403) 263-6737

Email: service@essentialenergy.ca

Website: www.essentialenergy.ca