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 months ended March 31, 2017.

This MD&A should be read in conjunction with Essential's March 31, 2017 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A included in Essential's 2016 Financial Report to Shareholders for the financial year ended December 31, 2016. 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 May 9, 2017 and was approved and authorized for issuance by the Board of Directors of the Company (the "Board") on May 9, 2017.

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.

COMPARATIVE FIGURES

The sale of Essential's service rig business in December 2016 was reported as a discontinued operation, with the three months ended March 31, 2016 comparative figures restated to this same basis of accounting and disclosure.

SELECTED INFORMATION

(in thousands of dollars except per share, percentages and hours)	Three months ended March 31, **2017**	2016
Revenue	**$ 56,250**	$ 26,556
Gross margin	**14,394**	1,318
Gross margin %	**26%**	5%
EBITDAS[1] from continuing operations	**10,206**	(2,202)
Net income (loss) from continuing operations[i]	**3,480**	(42,378)
Per share – basic and diluted	**0.02**	(0.34)
Net income (loss)	**3,150**	(53,918)
Per share – basic and diluted	**0.02**	(0.43)
Operating hours		
Coil tubing rigs	**16,420**	9,677
Pumpers	**18,653**	10,218

(i) The three months ended March 31, 2016 includes an impairment loss of $45.8 million.

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

(in thousands of dollars except fleet data)	As at March 31, **2017**	2016
Total assets[i]	**$ 227,646**	$ 246,713
Long-term debt	**18,169**	27,053
Equipment fleet[ii]		
Coil tubing rigs	**31**	32
Pumpers	**32**	30

(i) Total assets as at March 31, 2016 include the service rig business which was sold in December 2016.
(ii) Fleet data represents the number of units at the end of the period.

HIGHLIGHTS

Essential's financial and operating results for the first quarter 2017 reflect a resurgence of oilfield service activity. Revenue and EBITDAS[(1)] of $56.3 million and $10.2 million, respectively, exceeded management's expectations and are the highest reported since the fourth quarter 2014 when the industry downturn began. Customer demand was strong for Essential Coil Well Service ("ECWS") and Tryton, with both segments experiencing significant increases in revenue and gross margin compared to the first quarter 2016.

Key first quarter highlights include:

- The Generation III coil tubing rigs were particularly busy with operating hours three times higher than the first quarter 2016. Customers used this equipment to complete complex, long-reach horizontal wells.
- Tryton MSFS® revenue increased significantly compared to the first quarter 2016 as key customers expanded their horizontal well completion programs.
- Higher revenue from increased activity resulted in significantly improved margins as fixed costs were absorbed by a larger revenue base.
- Essential continues to have a strong balance sheet with debt outstanding at March 31, 2017 of $18.2 million and working capital[(1)] of $56 million. Low debt enables Essential to reinvest in people, equipment and working capital[(1)] as the industry recovers.

INDUSTRY OVERVIEW

Oilfield service activity improved in the first three months of 2017, with wells drilled in the Western Canadian Sedimentary Basin ("WCSB"), a key indicator of industry activity, 112%[(a)] higher than the same prior year period. Oil and natural gas prices showed stability during the quarter, with an average price of U.S. $52 per barrel (WTI) and U.S. $3 per Mmbtu (Henry Hub), respectively.

OVERVIEW OF ESSENTIAL

Essential safely provides completion, production and abandonment services to exploration and production ("E&P") companies primarily in western Canada. Services are offered through coil tubing, fluid and nitrogen pumping, and the sale and rental of downhole tools and equipment.

Essential Coil Well Service

Coil Tubing Rigs – Essential operates the largest coil tubing fleet in Canada. Coil tubing rigs provide completion, stimulation and work-over services on long-reach horizontal and vertical wells. Essential's coil tubing rigs are equipped to work with coil tubing ranging from 1 ½ inches to 2 ⅞ inches in diameter. The rigs have a depth capacity of up to 7,900 meters using 2 ⅜ inch coil. Essential's coil tubing fleet is primarily comprised of Generation II, III and IV coil tubing rigs, which are differentiated by capability to service wells with varying depths and well pressures. The varied limit, capacity and coil diameter of Essential's coil tubing fleet make this equipment ideally suited to work in all facets of a customer's horizontal well completion and work-over program.

(a) Source: Canadian Association of Oilwell Drilling Contractors

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.

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. Fluid pumpers also perform stand-alone pump-down work independent of the coil tubing fleet. Nitrogen pumpers are used to pump inert nitrogen gas into the wellbore for stimulation or work-over operations and to purge the coil tubing of fluids once the coil tubing work has been completed.

<u>Tryton</u>

Essential's Tryton 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

On October 23, 2013, Packers Plus Energy Services Inc. ("Packers Plus") filed a Statement of Claim in Canada's Federal Court (the "Court") against Essential alleging that certain products and methods associated with the Tryton MSFS® infringe on a patent issued to Packers Plus (the "Packers Plus Claim"). Packers Plus subsequently limited its infringement allegations to just certain method claims in the patent.

Essential believes the Packers Plus Claim is without merit and filed a Statement of Defence and Counterclaim on November 22, 2013. The Statement of Defence denies infringement and pleads further that the patent is invalid because the methodology and equipment claimed in the patent were in use in the oil and natural gas industry prior to the patent's effective filing date of November 19, 2001 or represent nothing more than obvious variations over what was already known in the industry at the time. This position is supported by the existence of similar products, articles and other patents prior to the effective filing date of the patent.

The trial was completed in March 2017. There were two parts to the trial:

- Validity – The validity portion of the trial focused 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 defendants, Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc., and all of the defendants filed counterclaims seeking a declaration that the patent is invalid, the Federal

Court directed that the counterclaims be consolidated into a single trial (the "Joint Validity Trial"). During the Joint Validity Trial the four defendants asserted their common position that the patent is invalid.

- Infringement – The infringement portion of the trial focused on whether or not Essential has infringed the Packers Plus patent. The infringement portions of the Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc. trials were not consolidated with the infringement portion of the Essential case since each infringement action, by its nature, deals with tools, designs and business activities specific to each company.

The Court is expected to render its decision on both validity and infringement prior to October 2017. The Court must find that the Packers Plus patent is both valid and infringed. Given the appeal rights of the parties, and if applicable, the process to quantify damages, final determination of the implications to Essential may not be known for up to two years.

The Packers Plus 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 service line.

RESULTS OF OPERATIONS

(in thousands of dollars, except per share amounts)	Three months ended March 31, 2017	2016
Revenue	**$ 56,250**	$ 26,556
Operating expenses	**41,856**	25,238
Gross margin	**14,394**	1,318
General and administrative expenses	**4,188**	3,520
EBITDAS[1] from continuing operations	**10,206**	(2,202)
Depreciation and amortization	**4,001**	5,936
Share-based compensation	**1,544**	527
Impairment loss	**-**	45,838
Other (income) expense	**(25)**	819
Finance costs	**347**	287
Income (Loss) before income tax from continuing operations	**4,339**	(55,609)
Current income tax expense (recovery)	**512**	(4,192)
Deferred income tax expense (recovery)	**347**	(9,039)
Income tax expense (recovery)	**859**	(13,231)
Net income (loss) from continuing operations	**$ 3,480**	$ (42,378)
Net loss from discontinued operations	**(330)**	(11,540)
Net income (loss)	**$ 3,150**	$ (53,918)
Net income (loss) from continuing operations per share		
Basic and diluted	**$ 0.02**	$ (0.34)
Net income (loss) per share		
Basic and diluted	**$ 0.02**	$ (0.43)

SEGMENT RESULTS – *ESSENTIAL COIL WELL SERVICE*

(in thousands of dollars, except percentages, hours and fleet data)	Three months ended March 31, **2017**	2016
Revenue	**$ 28,719**	$ 15,756
Operating expenses	**21,354**	14,175
Gross margin	**$ 7,365**	$ 1,581
Gross margin %	**26%**	10%
Operating hours		
Coil tubing rigs	**16,420**	9,677
Pumpers	**18,653**	10,218
Equipment fleet[(i)]		
Coil tubing rigs	**31**	32
Pumpers	**32**	30

(i) Fleet data represents the number of units at the end of the period.

ECWS experienced strong customer demand for coil tubing and pumping in the first quarter 2017, with revenue increasing $13 million or 82% compared to the first quarter 2016. The increase was primarily due to higher activity as customer demand for well completion work improved. Essential's coil tubing rigs and pumpers experienced their highest operating hours since the first quarter 2015. Demand for ECWS equipment was particularly strong for long-reach horizontal well completions in the Montney, Duvernay and Bakken regions of the WCSB.

Essential's coil tubing fleet experienced a 70% increase in operating hours in the first quarter 2017 compared to the same period in 2016. Customer demand for the Generation III coil tubing rigs was particularly strong with operating hours three times higher than the first quarter 2016. Generation III coil tubing rigs are well suited for complex, long-reach horizontal wells, where key customers were active.

Pumper operating hours increased 83% in the first quarter 2017 compared to the first quarter 2016. Activity was weighted towards Essential's quintuplex and twin pumpers, rather than single pumpers, as the longer reach horizontal wells require greater pumping capacity.

Crewing limitations resulted in ECWS prioritizing work with key customers and declining some spot market work in the first quarter 2017. Essential's ongoing recruitment and training activities are expected to increase its ability to crew more equipment in the second half of 2017.

Revenue per hour was consistent with the first quarter 2016, but increased 5% - 10% compared to the fourth quarter 2016. Increased activity and crew limitations led to select pricing increases in the first quarter 2017. Revenue per hour was also higher due to the type of work quarter-over-quarter.

Gross margin as a percentage of revenue was 26% for the first quarter 2017 compared to 10% for the first quarter 2016. Higher activity, close proximity of well locations and pad work resulted in labour and travel efficiencies. Essential's ongoing commitment to its maintenance program and the reliability of its equipment fleet throughout the first quarter 2017, resulted in lower repairs and maintenance costs compared to the first quarter 2016. Higher revenue compared to the first quarter 2016 also contributed to improved margins as fixed costs represented a smaller portion of revenue.

SEGMENT RESULTS - *TRYTON*

(in thousands of dollars, except percentages)	Three months ended March 31, **2017**	2016
Revenue	**$ 27,531**	$ 10,889
Operating expenses	**20,055**	9,713
Gross margin	**$ 7,476**	$ 1,176
Gross margin %	**27%**	11%
Tryton revenue – % of revenue		
Tryton MSFS®	**59%**	40%
Conventional Tools & Rentals	**41%**	60%

Tryton first quarter 2017 revenue was the highest since the fourth quarter 2014. Compared to the first quarter 2016, revenue increased for each service line, with revenue from MSFS® particularly strong as key customers expanded their horizontal drilling and completion programs. Tryton's rental revenue increased from drill pipe rental assets purchased in 2016 and early 2017. Labour shortages did not impact Tryton's business to the same extent as ECWS as Tryton was able to attract and re-hire a number of former employees released during the downturn. Pricing for Tryton's service lines was consistent with the fourth quarter 2016, as the market remained competitive, making it difficult to implement price increases.

Gross margin as a percentage of revenue was 27% for the first quarter 2017, significantly higher than 11% in the first quarter 2016. Gross margin increased as fixed costs were absorbed by a larger revenue base.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	Three months ended March 31, **2017**	2016
General and administrative expenses	**$ 4,188**	$ 3,520

General and administrative expenses ("G&A") are comprised of wages, professional fees, office rent expense and other corporate and operational administrative costs. G&A for the first quarter 2017 increased compared to the same period in 2016 primarily due to higher legal fees related to the Packers Plus trial completed in March 2017.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	Three months ended March 31, **2017**	2016
Depreciation and amortization expense	**$ 4,001**	$ 5,936

Depreciation and amortization for the three months ended March 31, 2017 was lower than the same period in 2016 due to a one-time depreciation charge in the first quarter 2016 related to a change in estimate that reduced certain assets' expected life and an impairment loss recognized on ECWS equipment and intangible assets in the first quarter 2016.

SHARE-BASED COMPENSATION

(in thousands of dollars)	Three months ended March 31, **2017**	2016
Share-based compensation expense	**$ 1,544**	$ 527

For the quarter ended March 31, 2017, share-based compensation expense was higher than the first quarter 2016 due to the issuance of deferred share units ("DSUs") in 2017.

OTHER (INCOME) EXPENSE

(in thousands of dollars)	Three months ended March 31, **2017**	2016
(Gain) loss on disposal of assets	**$ (155)**	$ 63
Foreign exchange loss	**122**	748
Other loss	**8**	8
Other (income) expense	**$ (25)**	$ 819

The strengthening of the Canadian dollar in relation to the U.S. dollar during the first three months of the year resulted in foreign exchange losses for the first quarter 2016 and 2017.

IMPAIRMENT LOSS

(in thousands of dollars)	Three months ended March 31, **2017**	2016
Impairment loss	**$ -**	$ 45,838

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. The first quarter 2016 financial results were much lower than expected and the industry outlook had deteriorated since December 31, 2015, requiring Essential to complete an impairment assessment. The impairment assessment determined that the fair value of the ECWS segment was less than its carrying value. The Company recognized an impairment charge in the first quarter of 2016 of $45.8 million: $28.5 million on ECWS equipment and $17.3 million on intangible assets.

FINANCE COSTS

(in thousands of dollars)	Three months ended March 31, **2017**	2016
Finance costs	**$ 347**	$ 287

For the three months ended March 31, 2017, finance costs increased over the same period in 2016 due to a higher interest rate on the Company's revolving credit facility.

INCOME TAXES

(in thousands of dollars)	Three months ended March 31, 2017	2016
Current income tax expense (recovery)	**$ 512**	$ (4,192)
Deferred income tax expense (recovery)	**347**	(9,039)
Income tax expense (recovery)	**$ 859**	$ (13,231)

For the three months ended March 31, 2017, current income tax expense relates to the income generated in the quarter, compared to incurring a loss before income tax in the same prior year period. Deferred income tax recovery in the first quarter 2016 was due to the tax effect on the impairment loss.

DISCONTINUED OPERATIONS

In December 2016, Essential sold its service rig business, including all service rigs, ancillary equipment and transfer of employees. The results of operations have been restated to present discontinued operations separately from continuing operations for the quarter ended March 31, 2016.

For the three months ended March 31, 2017, expenses from discontinued operations primarily related to incremental reclamation costs on leased properties occupied by Essential until the end of the first quarter 2017. Net loss from discontinued operations was as follows:

(in thousands of dollars)	Three months ended March 31, 2017	2016
Revenue	**$ -**	$ 4,359
Expenses	**451**	4,688
Depreciation and amortization	**-**	949
Impairment loss	**-**	15,814
Loss before income tax	**(451)**	(17,092)
Income tax recovery	**121**	5,552
Net loss from discontinued operations	**$ (330)**	$ (11,540)

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 March 31, 2017	2016
Net cash used in operating activities	**$ (2,235)**	$ (610)
Less changes in non-cash working capital[1]	**(10,521)**	(1,821)
Operating cash flow before changes in non-cash operating working capital[1]	**$ 8,286**	$ 1,211
Per share – basic and diluted	**$ 0.06**	$ 0.01

WORKING CAPITAL

(in thousands of dollars, except ratios)		**As at March 31 2017**		As at December 31 2016
Current assets	**$**	**83,145**	$	66,413
Current liabilities		**(27,496)**		(20,613)
Working capital [(1)]	**$**	**55,649**	$	45,800
Working capital ratio		**3.0:1**		3.2:1

Working capital is comprised primarily 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, comprised primarily of Tryton tools, coil tubing products and supplies, does not fluctuate directly with changes in activity. Essential uses its revolving credit facility ("Credit Facility") to meet the variable nature of its working capital needs for the cost of carrying inventory and customer accounts receivable. 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 at 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 March 31, 2017, 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. In October 2016, Essential received gross proceeds of $10.4 million for 16,019,883 shares issued at $0.65 per share from an equity offering that the Company applied 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 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:

- financial covenants:

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)]
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) 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 March 31, 2017 all financial debt covenants were satisfied and all banking requirements under the Credit Facility were up-to-date.

	Covenant Threshold	**As at March 31, 2017**
Funded debt[(1)] to capitalization	≤ 50%	**10%**
Funded debt[(1)] to Bank EBITDA[(1)]	waived	**waived**
Minimum cumulative Bank EBITDA[(1)]	$6 million	**$23 million**
Fixed charge coverage ratio[(1)]	≥ 2.0x	**15.9x**

Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities. On May 9, 2017, Essential had $17.9 million of debt outstanding.

EQUIPMENT EXPENDITURES

	Three months ended March 31,	
(in thousands of dollars)	**2017**	2016
Essential Coil Well Service	**$ 4,288**	$ 3,206
Tryton	**1,514**	87
Corporate	**35**	30
Total equipment expenditures	**5,837**	3,323
Less proceeds on disposal of property and equipment	**(306)**	(411)
Net equipment expenditures[(1)]	**$ 5,531**	$ 2,912

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

	Three months ended March 31,	
(in thousands of dollars)	**2017**	2016
Growth capital[(1)]	**$ 3,854**	$ 2,200
Maintenance capital[(1)]	**1,983**	1,123
Total equipment expenditures	**$ 5,837**	$ 3,323

Essential's 2017 capital forecast has increased from $11 million to $16 million. It is comprised of $6 million of growth capital and $10 million of maintenance capital. The $2 million increase in growth capital from the initial 2017 budget consists of additional costs to upgrade the coil tubing rigs and pumpers acquired in December 2016 and the purchase of pumping support equipment.

SHARE CAPITAL

As at May 9, 2017, there were 141,856,813 common shares and 6,683,249 share options outstanding. Of the 6,683,249 share options, 2,481,992 were exercisable of which 493,333 were "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
2017 (for the nine months ending December 31)	$	3,948
2018		4,860
2019		4,641
2020		4,092
2021		3,503
Thereafter		6,539
As at March 31, 2017	$	27,583

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 2016 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2016, 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 2016 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2016, 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

Improved commodity prices and industry optimism continue to support higher oilfield service activity compared to 2016. April activity for the industry and for Essential was busier than the prior year, continuing the positive year-over-year trend that was experienced in the first quarter 2017. For Essential, a number of completion projects, primarily pad work, were planned by customers for the second quarter. Given road restrictions at this time of year, Essential positioned equipment on customer locations for this work prior to spring break-up.

With increased activity, rebuilding a larger labour pool will continue to be a challenge for the oilfield service industry. Essential continues to recruit qualified employees to meet expected customer demand following spring break-up. ECWS is targeting to recruit approximately 80 additional employees. This will allow ECWS to crew and operate approximately 18 coil tubing rigs and 20 pumpers by the fourth quarter 2017.

ECWS labour constraints in the first quarter led to pricing discussions with customers and the commencement of pricing increases of 5% to 10%. Essential expects these price increase discussions to continue as activity increases in the third quarter. Higher pricing is required to achieve reasonable margins and offset increases in variable costs including costs to retain, attract and train employees and increased repairs and maintenance costs to prepare Essential's fleet to meet customer expectations and demand.

Tryton's service lines also experienced higher activity in April compared to the prior year. While activity has increased year-over-year, pricing was relatively unchanged from fourth quarter 2016. Labour, however, is less of an issue for Tryton as it has successfully re-hired a number of former employees and the size of the Tryton labour pool is smaller than ECWS.

Essential's capital forecast increased to $16 million from $11 million, consisting of $6 million for growth capital and $10 million maintenance capital. The growth capital consists primarily of pumping support equipment, the cost to recertify and upgrade the coil tubing rigs and pumping equipment acquired in December 2016 and the purchase of rental drill pipe assets.

As the industry recovers, Essential is financially well-positioned to meet the anticipated incremental cash flow demands for operating and capital spending. Essential believes it has a unique advantage with its low debt position on May 9, 2017 of $17.9 million.

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 and thawing ground frost 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 disrupted typical historic oilfield services seasonal and quarterly patterns in western Canada as E&P companies' spending decisions were 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. The sale of the service rig business in December 2016 was reported as a discontinued operation with prior periods restated to this same basis of accounting and disclosure.

(in thousands of dollars, except per share amounts, percentages, hours and fleet data)	**Mar 31, 2017**	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016	**Mar 31, 2016**	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015
Essential Coil Well Service	**28,719**	17,564	13,896	6,422	**15,756**	23,833	24,432	9,887
Tryton	**27,531**	15,655	12,256	5,583	**10,889**	11,278	15,919	7,460
Inter-segment eliminations	**-**	(176)	(139)	(90)	**(89)**	(147)	(209)	(182)
Total revenue	**56,250**	33,043	26,013	11,915	**26,556**	34,964	40,142	17,165
Gross margin	**14,394**	4,148	3,899	(1,578)	**1,318**	5,952	10,121	(819)
Gross margin %	**26%**	13%	15%	(13)%	**5%**	17%	25%	(5)%
EBITDAS(1) from continuing operations	**10,206**	(4,161)	1,418	(4,224)	**(2,202)**	3,366	6,956	(3,957)
Bank EBITDA(1)	**10,224**	11,541	1,418	(4,208)	**(469)**	3,510	6,994	(3,845)
Continuing operations								
Net income (loss) (i)	**3,480**	(9,832)	(3,253)	(7,159)	**(42,378)**	(14,739)	3,843	(10,370)
Per share – basic and diluted	**0.02**	(0.07)	(0.03)	(0.06)	**(0.34)**	(0.12)	0.03	(0.08)
Net income (loss)(i)	**3,150**	(25,411)	(3,814)	(7,486)	**(53,918)**	(18,082)	2,996	(10,495)
Per share – basic and diluted	**0.02**	(0.18)	(0.03)	(0.06)	**(0.43)**	(0.14)	0.02	(0.08)
Total assets	**227,646**	209,270	242,781	238,450	**246,713**	317,244	346,564	337,299
Long-term debt	**18,169**	11,250	31,781	26,894	**27,053**	25,543	34,738	27,027
Utilization(ii)								
Coil tubing rigs	**69%**	46%	32%	16%	**34%**	48%	49%	20%
Pumpers	**72%**	48%	38%	16%	**37%**	55%	57%	23%
Operating hours								
Coil tubing rigs	**16,420**	11,119	7,662	3,848	**9,677**	13,817	13,493	5,429
Pumpers	**18,653**	12,341	10,127	4,336	**10,218**	15,049	15,747	6,381
Equipment fleet (iii)								
Coil tubing rigs	**31**	31	26	26	**32**	31	30	30
Fluid pumpers	**21**	21	18	18	**18**	18	18	18
Nitrogen pumpers	**11**	11	10	12	**12**	12	12	12
Tryton - % of revenue								
Tryton MSFS®	**59%**	53%	45%	15%	**40%**	24%	40%	16%
Conventional Tools & Rentals	**41%**	47%	55%	85%	**60%**	76%	60%	84%

(i) The quarter ended March 31, 2016 includes an impairment loss of $45.8 million.
(ii) Utilization is calculated using a 10 hour day.
(iii) 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", "forecasts", "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: industry activity and recovery; pricing discussions; Essential's recruitment and training activities and the impact thereof; capital spending; 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 impact of low debt and Essential's internal investment in people, equipment and working capital; Essential's financial position and the ability to meet anticipated incremental cash flow demands; the Company's belief it has a unique advantage with its low debt position; 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; and the amount expected to be paid for Essential's "other commitments".

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 income (loss) and net income (loss) 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 income (loss) and net income (loss) per share as calculated in accordance with IFRS.

Bank EBITDA – Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS from continuing operations, including the equity cure, excluding onerous lease contract expense and severance costs.

Capitalization – Capitalization is defined in Essential's Credit Facility as the aggregate of its Funded Debt and equity.

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.

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

	Three months ended March 31,			
(in thousands of dollars)		**2017**		2016
Bank EBITDA	**$**	**10,224**	$	(469)
Severance costs		**18**		1,733
EBITDAS from continuing operations	**$**	**10,206**	$	(2,202)
Share-based compensation		**1,544**		527
Other (income) expense		**(25)**		819
EBITDA from continuing operations	**$**	**8,687**	$	(3,548)
Depreciation and amortization		**4,001**		5,936
Impairment loss		**-**		45,838
Finance costs		**347**		287
Income (loss) before income tax from continuing operations	**$**	**4,339**	$	(55,609)
Total income tax expense (recovery)		**859**		(13,231)
Net income (loss) from continuing operations	**$**	**3,480**	$	(42,378)

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

(in thousands of dollars, except ratios)		Trailing 12 months ended March 31, 2017
Bank EBITDA	$	**18,975**
Less current income tax recovery		**(2,076)**
	$	**21,051**
Finance costs	$	**1,323**
Fixed charge coverage ratio		**15.9x**

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.

March 31, 2017

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

(in thousands of dollars)	**As at March 31 2017**	As at December 31 2016
Assets		
Current		
Cash	**$ 225**	$ 143
Trade and other accounts receivable *(note 5)*	**45,095**	29,300
Inventories *(note 6)*	**28,453**	27,077
Income taxes receivable	**7,671**	8,119
Prepayments and deposits	**1,701**	1,774
	83,145	66,413
Non-current		
Property and equipment *(note 7)*	**138,928**	137,039
Intangible assets *(note 8)*	**1,916**	2,132
Goodwill	**3,657**	3,686
	144,501	142,857
Total assets	**$ 227,646**	$ 209,270
Liabilities		
Current		
Trade and other accounts payable *(note 9)*	**$ 26,362**	$ 19,312
Share based compensation *(note 15)*	**470**	689
Current portion of onerous lease contract *(note 11)*	**664**	612
	27,496	20,613
Non-current		
Long-term onerous lease contract *(note 11)*	**3,965**	4,142
Share based compensation *(note 15)*	**3,374**	2,179
Long-term debt *(note 12)*	**18,169**	11,250
Deferred tax liabilities	**7,799**	7,519
	33,307	25,090
Total liabilities	**60,803**	45,703
Commitments and contingencies *(note 17)*		
Equity		
Share capital *(note 13)*	**272,732**	272,732
Deficit	**(111,452)**	(114,602)
Other reserves *(note 14)*	**5,563**	5,437
Total equity	**166,843**	163,567
Total liabilities and equity	**$ 227,646**	$ 209,270

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)

	For the three months ended March 31,	
(in thousands of dollars, except per share amounts)	**2017**	2016
Revenue	**$ 56,250**	$ 26,556
Operating expenses	**41,856**	25,238
Gross margin	**14,394**	1,318
General and administrative expense	**4,188**	3,520
Depreciation and amortization *(notes 7 and 8)*	**4,001**	5,936
Share based compensation *(note 15)*	**1,544**	527
Impairment loss *(notes 7 and 8)*	**-**	45,838
Other (income) expense	**(25)**	819
Operating income (loss) from continuing operations	**4,686**	(55,322)
Finance costs	**347**	287
Income (loss) before income taxes from continuing operations	**4,339**	(55,609)
Current income tax expense (recovery)	**512**	(4,192)
Deferred income tax expense (recovery)	**347**	(9,039)
Income tax expense (recovery)	**859**	(13,231)
Net income (loss) from continuing operations	**3,480**	(42,378)
Loss from discontinued operations, net of tax (note 4)	**(330)**	(11,540)
Net income (loss)	**3,150**	(53,918)
Unrealized foreign exchange gain from continuing operations *(note 14)*	**10**	15
Unrealized foreign exchange loss from discontinued operations *(note 14)*	**-**	(63)
Other comprehensive income (loss)	**10**	(48)
Comprehensive income (loss)	**$ 3,160**	$ (53,966)
Net income (loss) per share from continuing operations *(note 16)*		
Basic and diluted	**$ 0.02**	$ (0.34)
Net income (loss) per share *(note 16)*		
Basic and diluted	**$ 0.02**	$ (0.43)
Comprehensive income (loss) per share *(note 16)*		
Basic and diluted	**$ 0.02**	$ (0.43)

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 three months ended March 31,	
(in thousands of dollars)	**2017**	2016
Equity:		
Share capital		
Balance, January 1 and March 31 *(note 13)*	**$ 272,732**	$ 262,977
Deficit		
Balance, January 1	**$ (114,602)**	$ (23,595)
Net income (loss)	**3,150**	(53,918)
Dividends *(note 10)*	**-**	(378)
Balance, March 31	**$ (111,452)**	$ (77,891)
Other reserves		
Balance, January 1	**$ 5,437**	$ 5,176
Other comprehensive income (loss) *(note 14)*	**10**	(48)
Equity-settled share based compensation *(note 14)*	**116**	100
Balance, March 31	**$ 5,563**	$ 5,228
Total equity	**$ 166,843**	$ 190,314

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

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

(in thousands of dollars)	For the three months ended March 31, 2017	2016
Operating activities:		
Net income (loss) from continuing operations	**$ 3,480**	$ (42,378)
Non-cash adjustments to reconcile net loss for the period to operating cash flow:		
Depreciation and amortization	**4,001**	5,936
Deferred income tax expense (recovery)	**347**	(9,039)
Share based compensation *(note 15)*	**116**	100
Provision for impairment of trade accounts receivable *(note 5)*	**150**	404
Finance costs	**347**	287
Impairment loss *(notes 7 and 8)*	**-**	45,838
(Gain) loss on disposal and write-down of assets	**(155)**	63
Operating cash flow before changes in non-cash operating working capital	**8,286**	1,211
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	**(18,552)**	5,461
Inventories	**(1,376)**	157
Income taxes receivable	**502**	(4,113)
Prepayments and deposits	**66**	103
Trade and other accounts payable	**7,988**	(3,484)
Onerous lease contract	**(125)**	-
Share based compensation	**976**	55
Net cash used in operating activities from continuing operations	**(2,235)**	(610)
Investing activities:		
Purchase of property, equipment and intangible assets *(notes 7 and 8)*	**(5,837)**	(3,323)
Non-cash investing working capital in trade and other accounts payable	**623**	(870)
Proceeds on disposal of equipment	**306**	411
Net cash used in investing activities from continuing operations	**(4,908)**	(3,782)
Financing activities:		
Increase in long-term debt	**6,919**	1,510
Dividends paid *(note 10)*	**-**	(378)
Finance costs	**(347)**	(287)
Net cash provided by financing activities from continuing operations	**6,572**	845
Foreign exchange gain (loss) on cash held in a foreign currency	**10**	(59)
Net decrease in cash	**(561)**	(3,606)
Net increase in cash, discontinued operations *(note 4)*	**643**	2,539
Cash, beginning of period	**143**	1,042
Cash (bank indebtedness), end of period	**$ 225**	$ (25)
Supplemental cash flow information		
Cash taxes received	**$ 10**	$ 79
Cash interest and standby fees paid	**$ 345**	$ 268

See accompanying notes to the unaudited condensed consolidated interim financial statements

1. AUTHORIZATION OF FINANCIAL STATEMENTS

The unaudited consolidated interim financial statements ("Financial Statements") of Essential Energy Services Ltd. and its subsidiaries ("Essential" or the "Company") for the three months ended March 31, 2017 and 2016 were approved by the Board of Directors of Essential ("Board of Directors") on May 9, 2017.

Based in Calgary, Alberta, Essential provides oilfield services to oil and gas exploration and production companies primarily in western Canada. Essential is publicly traded, was incorporated under the *Business Corporations Act* (Alberta) and is listed under the symbol ESN on the Toronto Stock Exchange. 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 months ended March 31, 2017 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, 2016. Accordingly, these Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

3. FUTURE ACCOUNTING STANDARDS

IFRS 15 *Revenue from Contracts with Customers* establishes a single revenue recognition and measurement framework to determine the timing and measurement of revenue from contracts with customers. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

International Financial Reporting Standard ("IFRS") 15 is effective for annual periods beginning on or after January 1 2018, with early adoption permitted. The Company has created a plan and is in the process of reviewing its various revenue streams within each operating segment in order to determine the impact, if any, the adoption of IFRS 15 will have on its consolidated financial statements and the relevant disclosures. Essential does not expect the adoption of IFRS 15 to have a significant impact.

4. DISCONTINUED OPERATIONS

On December 16, 2016 Essential sold its service rig business, which included all service rigs, ancillary equipment and transfer of employees for total consideration of $28.2 million. The service rig business has been reported as a discontinued operation in this reporting period with prior periods restated to this same basis of accounting and disclosure. Discontinued operations were previously classified in the Well Servicing segment, which has been renamed as Essential Coil Well Service following the service rig business disposal.

The comparative consolidated statement of net income (loss) and comprehensive income (loss) have been restated to present the discontinued operations separately from continuing operations.

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

The results of the service rig business were as follows:

	For the three months ended March 31, **2017**	2016
Revenue	**$ -**	$ 4,359
Expenses	**451**	4,688
Depreciation	**-**	949
Impairment loss	**-**	15,814
Loss before income tax	**(451)**	(17,092)
Income tax recovery	**121**	5,552
Net loss from discontinued operations, net of tax	**(330)**	(11,540)
Unrealized foreign exchange loss from discontinued operations	**-**	(63)
Comprehensive loss from discontinued operations	**$ (330)**	$ (11,603)
Net loss from discontinued operations per share, basic and diluted	**$ (0.00)**	$ (0.09)

	For the three months ended March 31, **2017**	2016
Net cash flows used in discontinued operations:		
Net cash provided by operating activities	**$ 643**	$ 2,578
Net cash used in investing activities	**-**	(39)
Net cash flows provided by discontinued operations	**$ 643**	$ 2,539

5. TRADE AND OTHER ACCOUNTS RECEIVABLE

	As at March 31 2017	As at December 31 2016
Trade receivables, net of provision	**$ 44,669**	$ 29,228
Other receivables	**426**	72
	$ 45,095	$ 29,300

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 March 31 2017	As at December 31 2016
Canadian dollar	**$ 43,666**	$ **28,619**
U.S. dollar	**1,003**	**609**
	$ 44,669	$ **29,228**

(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 March 31 2017	As at December 31 2016
< 31 days	**$ 21,793**	$ 13,866
31-60 days	**18,227**	10,289
61-90 days	**3,112**	3,888
>90 days	**1,537**	1,185
	$ 44,669	$ 29,228

Essential considers a trade receivable balance past due when it exceeds normal customer payment terms, which can range from net 30 days to greater than 90 days. The provision for impairment of receivables of $0.5 million (2016 – $0.5 million) is included in the amounts over 90 days old. The movements in the provision during the period were as follows:

	As at March 31 2017	As at December 31 2016
Balance, beginning of period	**$ 532**	$ 925
Provision for receivables impairment	**150**	682
Receivables written off against the provision	**(149)**	(1,075)
Balance, end of period	**$ 533**	$ 532

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

6. INVENTORIES

	As at March 31 2017	As at December 31 2016
Tryton tools	**$ 19,933**	$ 18,028
Coil tubing and supplies	**8,520**	9,049
	$ 28,453	$ 27,077

Inventory charged through operating expenses in the consolidated interim statements of net income (loss) and comprehensive income (loss) for the three months ended March 31, 2017 was $15.5 million (2016 – $6.2 million).

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

7. PROPERTY AND EQUIPMENT

As at March 31, 2017	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Coil well service rigs and equipment	**$ 155,701**	**$ 63,041**	**$ 92,660**
Oilfield equipment	**54,846**	**25,678**	**29,168**
Vehicles	**29,354**	**14,423**	**14,931**
Office and computer equipment	**3,674**	**3,025**	**649**
Land	**482**	**-**	**482**
Other	**4,721**	**3,683**	**1,038**
	$ 248,778	**$ 109,850**	**$ 138,928**

As at December 31, 2016	Cost	Accumulated Depreciation	Net Book Value
Coil well service rigs and equipment	$ 151,414	$ 61,337	$ 90,077
Oilfield equipment	53,685	24,642	29,043
Vehicles	29,196	13,651	15,545
Office and computer equipment	3,674	2,935	739
Land	482	-	482
Other	4,721	3,568	1,153
	$ 243,172	$ 106,133	$ 137,039

Included in coil well service rigs and equipment is $4.6 million (December 31, 2016 – $0.7 million) of assets under construction which will not be depreciated until put into use.

	For the three months ended March 31, **2017**	2016
Net book value, beginning of period	**$ 137,039**	$ 225,479
Additions	**5,802**	3,356
Disposals	**(151)**	(542)
Impairment loss	**-**	(44,291)
Depreciation	**(3,759)**	(5,751)
Currency translation adjustment	**(3)**	(34)
Net book value, end of period	**$ 138,928**	$ 178,217

8. INTANGIBLE ASSETS

As at March 31, 2017	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	**$ 2,387**	**$ 1,653**	**$ 734**
Computer software	**5,572**	**4,574**	**998**
Non-compete agreement	**440**	**256**	**184**
	$ 8,399	**$ 6,483**	**$ 1,916**

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

As at December 31, 2016	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 38,554	$ 37,713	$ 841
Computer software	5,537	4,453	1,084
Non-compete agreement	443	236	207
	$ 44,534	$ 42,402	$ 2,132

	For the three months ended March 31, **2017**	2016
Net book value, beginning of period	**$ 2,132**	$ 21,347
Additions	**35**	6
Re-classified	**-**	25
Impairment loss	**-**	(17,362)
Amortization	**(242)**	(1,134)
Currency translation adjustment	**(9)**	(82)
Net book value, end of period	**$ 1,916**	$ 2,800

9. TRADE AND OTHER ACCOUNTS PAYABLE

	As at March 31 2017	As at December 31 2016
Trade accounts payable	**$ 16,728**	$ 9,139
Accrued payables	**4,780**	4,632
Accrued payroll	**3,628**	3,983
Other	**1,226**	1,558
	$ 26,362	$ 19,312

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

	As at March 31 2017	As at December 31 2016
Canadian dollar	**$ 15,665**	$ **8,728**
U.S. dollar	**1,063**	**411**
	$ 16,728	$ **9,139**

10. DIVIDENDS PAYABLE

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

Record date	**Payment date**	**Total dividend**	**Amount per share**
2016			
March 31, 2016	April 15, 2016	$ 378	$ 0.003

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)

11. ONEROUS LEASE CONTRACT

	As at March 31, 2017	As at December 31 2016
Beginning of the year	**$ 4,754**	$ -
Liability recognized during the period	**-**	4,754
Liability released in the period	**(125)**	-
End of period	**$ 4,629**	$ 4,754
Current portion of onerous lease contract liability	**664**	612
Long-term portion of onerous lease liability	**$ 3,965**	$ 4,142

In 2016, Essential recognized an onerous lease contract liability related to a portion of its Calgary office space that is no longer used following staff reductions and the sale of the service rig business. The lease will expire in 2023. A portion of the lease has been sub-let until June 30, 2017, but is not expected to be renewed. The Company recognized the present value of the minimum future contractual payments as an onerous lease contract, net of expected rental income.

12. LONG-TERM DEBT

	As at March 31 2017	As at December 31 2016
Term loan	**$ 18,350**	$ 11,450
Deferred financing costs	**(181)**	(200)
Non-current portion of long-term debt	**$ 18,169**	$ 11,250

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 at 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 March 31, 2017, the maximum of $40 million under the Credit Facility was available to Essential.

As at March 31, 2017, all financial debt covenants were satisfied and all banking requirements under the Credit Facility were up-to-date.

13. SHARE CAPITAL

Authorized

The authorized share capital of Essential consists of an unlimited number of common shares of Essential ("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.

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

	Number of Common Shares (000's)	Amount
As at January 1, 2016	125,837	$ 262,977
Shares issued on equity raise, net of tax	16,020	9,755
As at December 31, 2016 and March 31, 2017	**141,587**	**$ 272,732**

14. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2016	$ 4,751	$ 425	$ 5,176
Share based compensation	340	-	340
Unrealized foreign exchange loss from continuing operations	-	(40)	(40)
Unrealized foreign exchange loss from discontinued operations	-	(39)	(39)
As at December 31, 2016	$ 5,091	$ 346	$ 5,437
Share based compensation	**116**	**-**	**116**
Unrealized foreign exchange gain from continuing operations	-	**10**	**10**
As at March 31, 2017	**$ 5,207**	**$ 356**	**$ 5,563**

15. 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 March 31, 2017, the maximum number of share options and RSUs allowed for issuance was 12,767,114 (December 31, 2016 – 12,767,114).

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

	For the three months ended March 31, 2017	2016
Equity-settled share options	**$ 116**	$ 100
Restricted share units	**65**	370
Deferred share units	**1,363**	57
Total share based compensation expense	**$ 1,544**	$ 527

a) Share Option Plan

Under the Company's Share Option Plan, participants receive share 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

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

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 share options currently outstanding vest over three years with one-third of the share options exercisable on each anniversary date from the date of the original grant.

	For the three months ended March 31, 2017		For the three months ended March 31, 2016	
	Number of Options (000's)	**Weighted Average Exercise Price**	Number of Options (000's)	Weighted Average Exercise Price
Outstanding, beginning of period	**6,950**	**$ 1.42**	6,393	$ 1.91
Issued	**1,315**	**0.83**	1,785	0.55
Expired	**(1,292)**	**2.07**	(984)	2.16
Forfeited	**(290)**	**1.96**	(5)	2.90
Outstanding, end of period	**6,683**	**$ 1.16**	7,189	$ 1.54
Exercisable, end of period	**2,482**	**$ 1.77**	3,248	$ 2.19

The fair value of the share options issued during the period was between $0.32 – $0.35 per option (2016 – $0.15 – $0.17), estimated using the Black-Scholes Option Pricing Model using the following underlying assumptions:

	For the three months ended March 31,	
	2017	2016
Risk-free interest rate	**0.9 - 1.0%**	0.5 – 0.6%
Expected volatility	**48.8 – 50.1%**	43.9 – 45.6%
Expected term	**3.9 – 4.7 years**	3.6 – 4.6 years
Expected forfeiture rate	**8.2 - 16.1%**	7.0 – 15.8%
Dividend yield	**nil**	2.3%

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.

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

The following table summarizes information with respect to the share options outstanding as at March 31, 2017 and 2016:

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 March 31, 2017				
\$0.55 – \$1.00	**3,726**	**4.25**	**\$ 0.66**	**493**
\$1.01 – \$2.00	**1,650**	**3.08**	**\$ 1.20**	**682**
\$2.01 – \$2.90	**1,307**	**1.11**	**\$ 2.50**	**1,307**
	6,683	**3.35**	**\$ 1.16**	**2,482**
As at March 31, 2016				
\$0.55 – \$1.00	1,785	4.78	\$ 0.55	-
\$1.01 – \$2.00	2,355	3.57	\$ 1.30	467
\$2.01 – \$2.90	3,049	1.50	\$ 2.30	2,781
	7,189	2.99	\$ 1.54	3,248

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 March 31, 2017 is \$1.0 million (December 31, 2016 – \$1.4 million) of which \$0.5 million is due within one year (December 31, 2016 – \$0.7 million).

The following table summarizes information with respect to RSUs outstanding:

Number of RSUs (000's)	For the three months ended March 31, 2017	2016
Outstanding, beginning of period	**3,826**	2,875
Issued (including dividend equivalents)	**1,848**	2,107
Vested	**(544)**	(680)
Forfeited	**(533)**	(138)
Outstanding, end of period	**4,597**	4,164

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

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 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 March 31, 2017 is $2.8 million (December 31, 2016 – $1.5 million) of which nil is due within one year (December 31, 2016 – nil).

The following table summarizes information with respect to DSUs outstanding:

	For the three months ended March 31,	
Number of DSUs (000's)	**2017**	2016
Outstanding, beginning of period	**3,270**	398
Issued (including dividend equivalents)	**1,855**	2
Outstanding, end of period	**5,125**	400

16. 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 equity-settled RSUs outstanding have been taken into account where the impact of these are 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 March 31,	
(000's)	**2017**	2016
Basic	**141,857**	125,837
Dilutive Common Share from share options and RSUs	**1,157**	-
Total diluted	**143,014**	125,837

17. 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
2017 (for the nine months ending December 31)	$ 3,948
2018	4,860
2019	4,641
2020	4,092
2021	3,503
Thereafter	6,539
	$ 27,583

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.

On October 23, 2013, Packers Plus Energy Services Inc. ("Packers Plus") filed a Statement of Claim in Canada's Federal Court (the "Court") against Essential alleging that certain products and methods associated with the Tryton MSFS® infringe on a patent issued to Packers Plus (the "Packers Plus Claim"). Packers Plus subsequently limited its infringement allegations to just certain method claims in the patent.

Essential believes the Packers Plus Claim is without merit and filed a Statement of Defence and Counterclaim on November 22, 2013. The Statement of Defence denies infringement and pleads further that the patent is invalid because the methodology and equipment claimed in the patent were in use in the oil and natural gas industry prior to the patent's effective filing date of November 19, 2001 or represent nothing more than obvious variations over what was already known in the industry at the time. This position is supported by the existence of similar products, articles and other patents prior to the effective filing date of the patent.

The trial was completed in March 2017. There were two parts to the trial:

- Validity – The validity portion of the trial focused 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 defendants, Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc., and all of the defendants filed counterclaims seeking a declaration that the patent is invalid, the Federal Court directed that the counterclaims be consolidated into a single trial (the "Joint Validity Trial"). During the Joint Validity Trial the four defendants asserted their common position that the patent is invalid.
- Infringement – The infringement portion of the trial focused on whether or not Essential has infringed the Packers Plus patent. The infringement portions of the Baker Hughes Canada Company, Weatherford Canada Ltd. and Resource Well Completion Technologies Inc. trials were not consolidated with the infringement portion of the Essential case since each infringement action, by its nature, deals with tools, designs and business activities specific to each company.

The Court is expected to render its decision on both validity and infringement prior to October 2017. The Court must find that the Packers Plus patent is both valid and infringed. Given the appeal rights of the parties, and if applicable, the process to quantify damages, final determination of the implications to Essential may not be known for up to two years.

The Packers Plus 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 service line.

18. SEASONALITY OF OPERATIONS

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

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

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

19. SEGMENTED INFORMATION

Essential has two operating segments, Essential Coil Well Service and Tryton, 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) Essential Coil Well Service

The Essential Coil Well Service segment provides well completion, production and workover services throughout the Western Canadian Sedimentary Basin. The Essential Coil Well Service segment is comprised of a fleet of coil tubing rigs, fluid and nitrogen pumpers and ancillary equipment.

b) Tryton

The Tryton 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 months ended March 31, 2017 for the Corporate and Eliminations segment substantially represents corporate office and certain operational costs of $4.3 million (March 31, 2016 - $4.3 million), and foreign exchange loss/gain due to the movement of the Canadian dollar in relation to the U.S. dollar.

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

As at and for the three months ended March 31, 2017	**Essential Coil Well Service**	**Tryton**	**Corporate & Eliminations**	**Consolidated**
Revenue	$ 28,719	$ 27,531	$ -	$ 56,250
Income (loss) before income taxes from continuing operations	$ 4,460	$ 6,148	$ (6,269)	$ 4,339
Depreciation and amortization	$ 2,680	$ 1,074	$ 247	$ 4,001
Total assets	$ 151,728	$ 73,804	$ 2,114	$ 227,646
Total liabilities	$ 19,237	$ 13,571	$ 27,995	$ 60,803
Property, equipment and intangible asset expenditures	$ 4,288	$ 1,514	$ 35	$ 5,837

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

As at and for the three months ended March 31, 2016	Essential Coil Well Service	Tryton	Corporate & Eliminations	Consolidated
Revenue	$ 15,756	$ 10,889	$ (89)	$ 26,556
Loss before income taxes from continuing operations	$ (49,270)	$ (447)	$ (5,892)	$ (55,609)
Depreciation and amortization	$ 4,642	$ 1,002	$ 292	$ 5,936
Impairment loss	$ 45,838	$ -	$ -	$ 45,838
Total assets[1]	$ 182,195	$ 54,207	$ 10,311	$ 246,713
Total liabilities[1]	$ 20,716	$ 278	$ 35,405	$ 56,399
Property, equipment and intangible asset expenditures	$ 3,206	$ 87	$ 30	$ 3,323

(1) Includes service rig business sold in December 2016, previously classified with Essential Coil Well Service as the Well Servicing Segment.

20. COMPARATIVE FIGURES

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

CORPORATE INFORMATION

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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

Allan Mowbray
Vice President, Finance and Chief Financial Officer

Jeff B. Newman
Senior Vice President, Business Development

Karen Perasalo
Vice President, Investor Relations & Corporate Secretary

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