Three Months Ended March 31, 2014 Q1

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, 2014.

This MD&A should be read in conjunction with Essential's March 31, 2014 Unaudited Condensed Interim Consolidated Financial Statements, the Audited Consolidated Financial Statements and MD&A included in Essential's 2013 Financial Report to Shareholders for the financial year-ended December 31, 2013. 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 section 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 6, 2014.

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.

SELECTED INFORMATION

(Thousands of dollars, except per share percentages and fleet data)	For the three months ended March 31, **2014**	2013
Revenue	**$ 103,730**	$ 120,519
Gross margin	**27,327**	37,832
Gross margin %	**26%**	31%
EBITDA[(1)] from continuing operations	**22,507**	33,426
EBITDA % [(1)]	**22%**	28%
Net income attributable to shareholders of Essential	**10,149**	18,627
Per share – basic and diluted	**0.08**	0.15
Total assets	**439,745**	436,301
Total long-term debt	**50,821**	35,603
Utilization		
Deep coil tubing rigs	**77%**	110%
Service rigs	**66%**	69%
Equipment fleet		
Masted deep coil tubing rigs	**16**	14
Conventional deep coil tubing rigs	**12**	11
Service rigs	**55**	56

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

FIRST QUARTER 2014 OVERVIEW

At $103.7 million and $22.5 million, respectively, Essential's first quarter 2014 revenue and EBITDA[1] were lower than the prior year and below management's expectations. A slow start to the quarter and periods of unusually cold weather disrupted the ability to provide services to customers, reducing revenue and contributing to higher costs as a percentage of revenue. Essential also experienced inconsistency in sales during the quarter due to variances in customer activity and increased competition. Two of Essential's three primary service lines were adversely impacted by these factors.

Masted deep coil tubing utilization was 109%, below the prior quarter of 148%, due to the factors noted above and new equipment delivery issues. The masted deep coil tubing fleet increased by two rigs compared to the first quarter of 2013 with the addition of two Generation III masted deep coil tubing rigs. These two new rigs contributed less than expected due to delivery timing and new equipment commissioning time. Delays in the delivery of two Generation IV masted deep coil tubing rigs resulted in gross margin reductions due to the absence of revenue and increased costs for manpower related to hiring additional crews in anticipation of delivery. These two rigs are expected to be delivered in the second quarter.

Essential's first quarter 2014 coil well service results are anticipated to be a temporary circumstance caused by delivery delays of new masted deep coil tubing rigs, adverse weather conditions and unique competitive circumstances. Management continues to be optimistic about the future of its masted deep coil tubing, fluid and nitrogen pumping operations as new equipment is delivered and commissioned. The incremental costs associated with coil well service in the first quarter 2014 are expected to be temporary and management expects margins will improve for the remainder of the year once new equipment is delivered and working at expected utilization.

Service rigs performed well in the quarter despite the unusual cold winter weather. With utilization at 66%, service rigs were less affected by the weather events in the quarter than the other service lines.

Conventional downhole tools and rentals activity increased over the prior quarter resulting in higher revenue. Demand for production-related and abandonment tool products, Essential's service locations, which are strategically positioned in active oil-related basins, across western Canada, and growth in the rentals business all contributed to this success. This increase was more than offset by reduced sales of the Tryton Multi-stage Fracturing System ("Tryton MSFS®") compared to the first quarter of 2013. Management believes the revenue decline was primarily the result of some customers choosing to broaden their choice of completion techniques. Competitive bidding practices and service bundling practices also affected Tryton MSFS® revenue in the quarter. Essential has faced these types of competitive industry pressures in the past and expects to overcome them in the future. Gross margin was negatively impacted by the Tryton MSFS® revenue decline and the United States operations.

INDUSTRY OVERVIEW

Industry activity in the first quarter was comparable to the first quarter of 2013. Drilling rig utilization increased three percentage points[a], well completion count was flat[b] and the number of wells drilled decreased by 4%[b]. These are indicators of overall oilfield activity in the Western Canadian Sedimentary Basin ("WCSB").

Well service activity in the WCSB continues to be driven by horizontal drilling, completion and stimulation of oil and liquids-rich natural gas wells. Horizontal wells typically require more investment capital and increased rig time per well due to their depth and complexity compared to conventional vertical wells. The first quarter of 2014 saw a slight shift towards natural gas drilling activity away from oil.

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

(a) Source: Canadian Association of Oilwell Drilling Contractors ("CAODC")

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

OVERVIEW OF ESSENTIAL

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

Well Servicing

Essential operates the largest coil well service fleet in the WCSB, out of five facilities across western Canada. There are three distinct types of activities within Essential's coil well service operation.

- Deep Coil Tubing - The deep coil tubing rig fleet includes both masted and conventional rigs. These rigs provide completion, stimulation and work-over services on long reach horizontal and vertical wells.
    - Essential's masted deep coil tubing rigs have a depth capacity of up to 6,400 meters. These rigs have an increased reel capacity which allows for longer and larger coil diameter, making them well suited for deeper, more complex wells.
    - Conventional deep coil tubing rigs generally work in the depth range of 2,500 to 4,000 meters. These rigs have a smaller footprint on location and have greater flexibility during transport and rig-up operations.
- Other Coil Tubing - Other coil tubing includes shallow/intermediate conventional coil tubing rigs that have a depth capacity of up to 2,500 meters. These rigs primarily provide work-over services on existing wells. The intermediate rigs are typically oil focused while the shallow rigs are focused on natural gas.
- Pumpers - The coil tubing rigs are supported by a fleet of fluid and nitrogen pumpers. A fluid and/or a nitrogen pumper is often required for jobs involving deep coil tubing rigs and provides circulation through coil tubing.

Essential's mobile service rig fleet provides well servicing from eight facilities offering well completion and production/work-over services in all major resource plays across the WCSB. Service rigs are used primarily on oil wells which are typically more service intensive than natural gas wells. These rigs are deployed to perform work-overs on existing wells and completions on new wells. Essential also operates a fleet of rod rigs. Rod rigs are light service rigs that specialize in servicing pumping oil wells. They are smaller and lighter in weight than conventional service rigs with shorter rig up and rig down times and smaller crew requirements.

Downhole Tools & Rentals

Essential's downhole tools & rentals business provides production, completion tools, and rentals for horizontal and vertical wells. Operations for this segment are well placed geographically across the WCSB, and in 2013, Essential began expanding its downhole tools business into the United States.

Essential provides a wide range of downhole tool and rental services to assist with the completion and production of oil and natural gas wells.

- Tryton MSFS® - The Tryton MSFS® is used for horizontal well completions, allowing producers to isolate and fracture intervals of the horizontal section of a well separately and continuously.
- Conventional Downhole Tools & Rentals – The downhole tool business also includes conventional packers, tubing anchors, bridge plugs, cement retainers and related accessories. The rental business offers a broad range of oilfield equipment including specialty tubulars, blow out preventers, specialty equipment for steam-assisted gravity drainage ("SAGD") wells, and various other tools and handling equipment.

A statement of claim was filed on October 23, 2013 by Packers Plus Energy Services Inc. against Essential in Canadian Federal Court which alleges certain products and methods associated with the Tryton MSFS® infringe a patent issued to Packers Plus Energy Services Inc. Essential believes that the suit is without merit and is defending against the allegations. Proceedings of this nature can take years to resolve through the court process. This lawsuit excludes Essential's conventional tools and rentals business.

RESULTS OF OPERATIONS

(Thousands, except percentages and per share amounts)		Three months ended March 31, 2014		2013
Revenue	**$**	**103,730**	$	120,519
Operating expenses		**76,403**		82,687
Gross margin		**27,327**		37,832
Gross margin %		**26%**		31%
General and administrative expenses		**4,820**		4,406
EBITDA[(1)]		**22,507**		33,426
EBITDA %[(1)]		**22%**		28%
Depreciation and amortization		**6,785**		7,044
Share-based compensation		**651**		343
Other expense (income)		**755**		(133)
Operating income		**14,316**		26,172
Finance costs		**433**		376
Income before income tax		**13,883**		25,796
Current income tax expense		**2,782**		4,425
Deferred income tax expense		**952**		2,166
Total income tax expense		**3,734**		6,591
Net income from continuing operations	**$**	**10,149**	$	19,205
Loss from discontinued operations, net of tax		**-**		(607)
Net income	**$**	**10,149**	$	18,598
Net income from continuing operations	**$**	**10,149**	$	19,205
Net income from continuing operations per share				
Basic and diluted	**$**	**0.08**	$	0.15
Net income (loss) attributable to:				
Shareholders of Essential	**$**	**10,149**	$	18,627
Non-controlling interest		**-**		(29)
	$	**10,149**	$	18,598
Net income per share, attributable to Essential				
Basic and diluted	**$**	**0.08**	$	0.15

SEGMENT RESULTS - *WELL SERVICING*

(Thousands of dollars, except percentages, fleet and hours)	Three months ended March 31, 2014	2013
Revenue		
Coil Well Service (i)	$ **41,499**	$ 49,621
Service Rigs	**32,499**	33,556
Total revenue	**73,998**	83,177
Operating expenses	**54,261**	56,042
Gross margin	$ **19,737**	$ 27,135
Gross margin %	**27%**	33%
Utilization (ii)		
Deep coil tubing rigs		
Utilization	**77%**	110%
Operating hours	**19,131**	24,765
Service rigs		
Utilization	**66%**	69%
Operating hours	**32,616**	34,364
Equipment fleet (iii)		
Masted deep coil tubing rigs	**16**	14
Conventional deep coil tubing rigs	**12**	11
Service rigs	**55**	56
Nitrogen pumpers	**14**	13
Fluid pumpers	**18**	18

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

Essential's masted deep coil tubing utilization was down quarter-over-quarter at 109% compared to 148% in 2013. The decrease in utilization was driven by a slow start at the beginning of the quarter, lower activity from certain customers, unusually cold weather hindering the ability for equipment to work at certain times and increased competition. The masted deep coil tubing fleet increased by two rigs compared to the first quarter of 2013 with the addition of two Generation III masted deep coil tubing rigs. These two new rigs contributed less revenue than expected due to delivery timing and new equipment commissioning time.

Conventional deep coil tubing utilization was down quarter-over-quarter at 35% compared to 62% in 2013. Revenue was below the prior quarter due to lower activity from certain customers, the impact of specialty work completed in the prior quarter that did not recur in the first quarter of 2014 and increased competition in the less technical two inch conventional coil tubing market.

Service rig utilization was 66% compared to 69% in the prior quarter, performing well compared to the CAODC service rig industry utilization of 55%. Utilization was particularly strong in the Grande Prairie and Fort St. John areas as well as for the rigs working in SAGD operations.

Gross margin percentage for well servicing in the first quarter of 2014 was negatively impacted by lower utilization and higher operating costs as a percentage of revenue. Revenue per hour for coil well service and service rigs was consistent with the prior quarter. Coil well service operating expenses were impacted by incremental labour costs incurred to retain employees during periods of lower utilization and costs to hire additional crews in anticipation of the delivery of the new deep masted coil tubing rigs. Service rigs incurred higher repairs and maintenance costs in the first quarter of 2014 compared to 2013. Coil well service and service rigs were both impacted by higher fuel costs.

SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS*

(Thousands of dollars, except percentages)	Three months ended March 31, 2014	2013
Revenue	**$ 30,286**	$ 37,342
Operating expenses	**21,228**	24,374
Gross margin	**$ 9,058**	$ 12,968
Gross margin %	**30%**	35%
Downhole Tools & Rentals Revenue – revenue % of total		
Tryton MSFS®	**39%**	60%
Conventional Tools & Rentals	**61%**	40%

Conventional Canadian downhole tools and rentals revenue increased by 14% over the prior quarter. Demand for production-related and abandonment tool products, Essential's service locations, which are strategically positioned in active oil-related basins across western Canada, and growth in the rentals business all contributed to this success. Canadian conventional tool revenue for the three months ended March 31, 2014 was one of the best quarters for this business despite adverse cold weather that disrupted revenue in other areas of Essential's operations. Rentals revenue increased compared to the prior quarter from an expanded offering of specialty heavy-weight range three drill pipe and a broadening of the customer base through enhanced sales initiatives.

Tryton MSFS® revenue declined quarter-over-quarter by approximately $10.6 million, to $11.8 million, which was significantly below management's expectations. Management believes this revenue decline was primarily the result of some customers choosing to broaden their choice of completion techniques. Competitive bidding practices and service bundling practices also affected Tryton MSFS® revenue in the quarter. Similar to industry events adversely impacting Essential's well servicing businesses, Tryton MSFS® revenue was reduced by a slow start at the beginning of the quarter and unusually cold weather at certain times. New competing technologies, competitor practices and adverse industry conditions have all been experienced in previous quarters since the introduction of the Tryton MSFS® in 2009. Essential has faced these types of competitive industry pressures in the past and expects to overcome them in the future.

Gross margin and gross margin percentage were lower in the current quarter primarily due to lower Tryton MSFS® revenue and Essential's United States downhole tools operation. Price per job for Tryton MSFS® products experienced moderate declines quarter-over-quarter as the industry continued to respond to customer demand for lower cost completion technologies. Essential's United States conventional downhole tool business, which started operations in the third quarter of 2013, continued to realize quarterly revenue growth during the first quarter of 2014, however, this operation continued to generate negative gross margin as it further established a customer base and increased sales.

On April 30, 2014, Essential acquired all of the issued and outstanding shares of Sam's Packer & Supply LLC, a private downhole tool company that operates in Norman, Oklahoma and Liberal, Kansas. Sam's Packer & Supply LLC has been in business for more than 30 years and provides conventional tool sales, rentals and services to a diversified customer base in Oklahoma, Kansas and Texas. The purchase price was US$5.1 million plus possible incremental future performance payments of up to US$0.5 million in the next two years, and working capital adjustments.

General and Administrative

(Thousands of dollars, except percentages)		Three months ended March 31, 2014		2013
General and administrative expenses	$	**4,820**	$	4,406
As a % of revenue		**5%**		4%

General and administrative expenses are comprised of wages, professional fees, office space and other administrative costs incurred at corporate and operational levels. The increase compared to the prior quarter is due to higher employee costs, additional facility lease costs and higher legal fees.

Depreciation and Amortization

(Thousands of dollars)		Three months ended March 31, 2014		2013
Depreciation and amortization expense	$	**6,785**	$	7,044

Depreciation and amortization expense for the three months ended March 31, 2014 decreased slightly compared to the same period in 2013 due to a decrease in amortization expense related to certain intangible assets that became fully amortized in 2013.

Share-based Compensation

(Thousands of dollars)		Three months ended March 31, 2014		2013
Share-based compensation expense	$	**651**	$	343

Share-based compensation expense increased in the first quarter of 2014 due to the introduction of the Restricted Share Unit (“RSU”) Plan and the Deferred Share Unit (“DSU”) Plan in August 2013. On January 8, 2014 655,000 share options and 728,500 RSUs were issued.

Other Expense

(Thousands of dollars)		Three months ended March 31, 2014		2013
Other expense (income)	$	**755**	$	(133)

Other expense in the first quarter of 2014 relates to losses on assets sold and retired assets, compared to the first quarter of 2013, when a gain on the sale of fixed assets was realized.

Finance Costs

(Thousands of dollars)		Three months ended March 31, 2014		2013
Finance costs	$	**433**	$	376

Finance costs were $0.4 million for the three months ended March 31, 2014, comparable to costs incurred in the same period in 2013. The Company’s average long-term debt balance outstanding for the first quarter of 2014 was $42 million compared to $36 million in 2013.

INCOME TAXES

(Thousands of dollars)	Three months ended March 31, 2014	2013
Current income tax expense	**$ 2,782**	$ 4,425
Deferred income tax expense	**952**	2,166
Total income tax expense	**$ 3,734**	$ 6,591

During the first quarter of 2014, income tax expense decreased compared to the first quarter of 2013 due to lower reported earnings before income taxes.

FINANCIAL RESOURCES AND LIQUIDITY

FUNDS FLOW FROM OPERATIONS[1]

(Thousands of dollars, except per share amounts)	Three months ended March 31, 2014	2013
Net cash flows from operating activities	**$ 4,303**	$ 6,011
Add:		
Changes in non-cash working capital	**15,498**	23,267
Funds flow from operations[1]	**$ 19,801**	$ 29,278
Per share – basic	**$ 0.16**	$ 0.24
Per share – diluted	**$ 0.15**	$ 0.23

WORKING CAPITAL

(Thousands of dollars, except ratios)	**As at March 31 2014**	As at December 31 2013
Current assets	**$ 121,390**	$ 107,945
Current liabilities, excluding current portion of long-term debt	**(41,810)**	(45,419)
Working capital	**$ 79,580**	$ 62,526
Working capital ratio	**2.9:1**	2.4:1

CREDIT FACILITY

Essential's credit facility with its banking syndicate is comprised of a $100 million revolving term loan facility with a $35 million accordion feature available on lender's consent (the "Credit Facility"). The revolving term loan facility matures on May 30, 2014, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. To the extent the revolving term loan facility is not renewed, debt payments would be required over a two year period based on a three year amortization schedule. At March 31, 2014, the maximum of $100 million under the revolving facility was available to Essential. Management is currently working on the Credit Facility renewal and does not anticipate any issues with respect to the renewal.

The following table outlines the repayments, excluding interest, in the event that the credit facility is not renewed.

(Thousands of dollars)		As at March 31 2014
Repayments are required as follows:		
Within one year	$	14,096
Between one and two years		16,950
Between two and three years		19,775
	$	50,821

As at March 31, 2014, all financial debt covenants were satisfied and all banking requirements under the Credit Facility were up-to-date. Essential does not anticipate any financial resource or liquidity issues to restrict its future operating, investing or financing activities. On May 6, 2014, Essential had long-term debt outstanding of $47.2 million.

EQUIPMENT EXPENDITURES AND FLEET ADDITIONS

	Three months ended March 31,			
(Thousands of dollars)		**2014**		2013
Well Servicing	**$**	**6,807**	$	6,142
Downhole Tools & Rentals		**3,716**		444
Corporate		**525**		238
Total equipment expenditures		**11,048**		6,824
Less proceeds on disposal of property and equipment		**(865)**		(540)
Net equipment expenditures[1]	**$**	**10,183**	$	6,284

During the first quarter, one Generation III rig was commissioned and put into service. During the second quarter, two Generation IV rigs are expected to be delivered and will be put into service in the third quarter of 2014.

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

	Three months ended March 31,			
(Thousands of dollars)		**2014**		2013
Growth capital[1]	**$**	**8,539**	$	4,766
Maintenance capital[1]		**2,509**		2,048
Total equipment expenditures	**$**	**11,048**	$	6,824

Essential's 2014 capital budget of $53 million is comprised of $36 million in growth capital and $17 million of maintenance capital. This includes $3 million of carry-in from 2013. Growth capital consists primarily of seven masted deep coil tubing rigs and rental equipment. The capital budget was updated to include an investment in rental equipment offset by the cancellation of the previously announced rod rig and fluid pumper.

The Company believes that it has access to sufficient funds through internally generated cash flows and from the Credit Facility to meet current spending needs.

The following table shows the expected dates of the major equipment being built over the remainder of 2014 and early 2015:

	Quantity	Expected Dates 2014 /2015
Deep masted coil tubing rigs	6	Q2(2),Q3,Q4/Q1'15,Q2'15

SHARE CAPITAL

As at May 6, 2014, there were 125,863,011 common shares and 5,672,502 share options outstanding. Of the 5,672,502 share options, 3,476,151 were exercisable and "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:

	Amount
2014	$ 5,093
2015	5,636
2016	5,568
2017	4,496
2018	2,483
Thereafter	13,297
As at March 31, 2014	$ 36,573

Other commitments

Essential entered into agreements to build certain assets for $23.3 million of which approximately $18.7 million is expected to be paid in 2014 and $4.6 million is to be paid in 2015.

NORMAL COURSE ISSUER BID ("NCIB")

On March 20, 2014, the Company received approval from the TSX to renew its NCIB for Essential's common shares ("Shares"). Any Shares purchased by Essential pursuant to the NCIB will be for cancellation. The renewed NCIB commenced on March 25, 2014 and will terminate on March 24, 2015, or at such earlier date as the NCIB is completed, or terminated, at the option of Essential.

Under the NCIB, Essential may purchase up to 12,311,641 of its issued and outstanding Shares on the open market through the facilities of the TSX and other alternative trading systems. As required by the TSX company manual, the maximum number of Shares that may be purchased on one day may not exceed 81,141 Shares, which is 25 percent of the six month average daily trading volume of Shares on the TSX, at February 28, 2014. The price which Essential will pay for any Shares purchased will be the prevailing market price of such Shares at the time of purchase.

For the three months ended March 31, 2014, no Shares were acquired or cancelled under the previous or renewed NCIB. Shareholders may obtain a copy of the "Notice of Intention to make a Normal Course Issuer Bid" that was filed by the Company with the TSX, free of charge, by contacting the Company.

OUTLOOK

With the delayed spring breakup in the WCSB, some equipment continued to work into the beginning of April 2014. Essential expects that oilfield service activity following breakup will return to a more typical post-spring breakup level as compared to the same period in 2013, which was extremely wet and prolonged. Unlike a year ago, some customers are providing positive indications for work programs and plans after breakup.

The Petroleum Association of Canada continues to forecast consistent activity expectations year-over-year compared to 2013. Generally speaking, E&P capital budgets for 2014 are consistent with 2013. Essential believes there are reasons for optimism in the second half of the year including: a weaker Canadian dollar which would increase E&P cash flows, improved access to equity capital markets for E&P companies, improved natural gas prices and oil prices that have been relatively strong.

The longer term outlook remains positive for the development of proposed liquefied natural gas ("LNG") projects in British Columbia. Development of the Montney, Horn River and Duvernay basins for LNG export is expected to increase the demand for oilfield services, including the demand for Essential's deep coil tubing and downhole tools & rentals.

Essential's $53 million equipment expansion program for 2014 will add significant growth to Essential's masted deep coil tubing fleet. Essential expects to put into service two Generation IV masted deep coil tubing rigs in the third quarter and take delivery of one Generation III and one Generation IV rig in the remainder of 2014. These rigs have industry leading large diameter coil-carrying capacity making them uniquely capable of working on long-reach horizontal wells.

Essential has a strong balance sheet with $47.2 million of debt outstanding on May 6, 2014 and a debt to EBITDA ratio of 0.9x.

SUMMARY OF QUARTERLY DATA

(Thousands of dollars, except per share amounts, percentages and fleet data)	**Mar 31, 2014**	Dec 31, 2013	Sept 30, 2013	Jun 30, 2013	**Mar 31, 2013**	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012
Well Servicing:								
Coil Well Service	**41,499**	36,150	33,037	9,433	**49,621**	41,228	33,857	18,697
Service Rigs	**32,499**	25,593	23,870	14,732	**33,556**	26,012	20,552	15,564
Other [(i)]	**-**	-	-	-	**-**	786	2,762	1,069
Total well servicing	**73,998**	61,743	56,907	24,165	**83,177**	68,026	57,171	35,330
Downhole Tools & Rentals	**30,286**	31,560	28,185	14,252	**37,342**	27,989	26,342	15,540
Inter-segment eliminations	**(554)**	(480)	(582)	-	**-**	-	-	-
Total revenue	**103,730**	92,823	84,510	38,417	**120,519**	96,015	83,513	50,870
Gross margin	**27,327**	25,332	21,414	(1,310)	**37,832**	27,039	23,012	3,904
Gross margin %	**26%**	27%	25%	(3)%	**31%**	28%	28%	8%
EBITDA[(1)]	**22,507**	20,705	17,132	(5,171)	**33,426**	22,368	19,261	(42)
EBITDA %[(1)]	**22%**	22%	20%	(13)%	**28%**	23%	23%	0%
Continuing operations								
Net income (loss)	**10,149**	9,478	4,292	(8,958)	**19,205**	8,050	8,343	(5,453)
Per share – basic and diluted	**$0.08**	$0.07	$0.03	$(0.07)	**$0.15**	$0.06	$0.07	$(0.04)
Net income (loss) attributable to shareholders of Essential	**10,149**	11,126	3,843	(11,501)	**18,627**	678	8,660	(5,923)
Per share – basic and diluted	**$0.08**	$0.09	$0.03	$(0.09)	**$0.15**	$0.01	$0.07	$(0.05)
Total assets	**439,745**	423,963	409,613	380,728	**436,301**	406,853	415,653	393,377
Total long-term debt	**50,821**	39,027	40,484	14,592	**35,603**	35,563	50,474	41,198
Utilization [(ii)]								
Deep coil tubing rigs	**77%**	74%	73%	18%	**110%**	95%	79%	32%
Pumpers	**69%**	55%	47%	14%	**73%**	57%	50%	33%
Service rigs	**66%**	53%	50%	28%	**69%**	54%	45%	34%
Operating Hours								
Deep coil tubing rigs	**19,131**	18,257	17,724	4,125	**24,765**	22,777	18,301	7,262
Pumpers	**19,995**	16,612	14,418	4,241	**20,481**	15,328	11,919	7,504
Service rigs	**32,616**	26,557	25,084	14,234	**34,364**	27,310	22,632	16,183
Downhole Tools & Rentals - revenue % of total								
Tryton MSFS®	**39%**	55%	55%	40%	**60%**	51%	52%	40%
Conventional Tools & Rentals	**61%**	45%	45%	60%	**40%**	49%	48%	60%
Equipment fleet [(iii)]								
Masted deep coil tubing rigs	**16**	15	15	14	**14**	16	16	16
Conventional deep coil tubing rigs	**12**	12	12	11	**11**	11	10	9
Coil tubing rigs - other	**18**	18	18	19	**19**	19	19	20
Service rigs	**55**	55	54	56	**56**	55	55	53
Nitrogen pumpers	**14**	14	15	15	**13**	13	10	10
Fluid pumpers	**18**	18	18	18	**18**	18	16	16
Rod rigs	**13**	13	12	14	**14**	14	14	14

(i) Other revenue included revenue from Essential's drilling operation until its disposal in November 2012.
(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 within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", “budget”, “scheduled”, “forecast” and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements, including expectations regarding: capital spending, in-service timing of new equipment, demand for new equipment, future cash flow and earnings, access to sufficient funding, the future areas of development in the WCSB, the level and type of drilling activity, completion activity, work-over activity, production activity and required oilfield services in the WCSB, the business, operations and revenues of the Company in addition to general economic conditions, Essential’s ability to meet the changing needs of the WCSB market, the capital spending programs of E&P companies, Essential’s positioning for the future, the temporary nature of the first quarter 2014 coil well service results and the future of the coil well service operations, Essential’s ability to overcome competitive industry pressure for the multi-stage fracturing system and the Company’s belief that the Packers Plus claim is without merit. In addition, this MD&A contains forward looking statements, including expectations regarding: the Company’s outlook for the second half of 2014 including: a weaker Canadian dollar increasing E&P cash flows, improving access to equity capital markets for E&P companies and improving natural gas prices and relatively strong oil prices, development of proposed LNG projects in British Columbia, development of the Montney, Horn River and Duvernay basins for LNG export increasing the demand for oilfield services (including the demand for Essential’s deep coil tubing and downhole tools & rentals), oilfield service activity following breakup, any financial resource or liquidity issues restricting Essential’s future operating, investing or financing activities, and renewal of the Credit Facility in 2014.

Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that such statements and information will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual 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 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 reliance on the forward-looking statements and forward-looking information. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect the Company’s operations and financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com for the Company. **The forward-looking statements and information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.**

[1]Non-IFRS Measures

Throughout this MD&A, certain terms that are not specifically defined in International Financial Reporting Standards ("IFRS") are used to analyze Essential's operations. In addition to the primary measures of net earnings and net earnings per share in accordance with IFRS, Essential believes that certain measures not recognized under IFRS assist both Essential and the reader in assessing performance and understanding Essential's results. Each of these measures provides the reader with additional insight into Essential's ability to fund principal debt repayments, capital programs and pay dividends. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net earnings and net earnings per share as calculated in accordance with IFRS.

EBITDA[a] (Earnings before finance costs, income taxes, depreciation, amortization, transaction costs, non-controlling interest earnings, losses or gains on disposal of equipment, results of discontinued operations and share-based compensation, which includes both equity-settled and cash-settled transactions) – This measure is considered an indicator of Essential's ability to generate funds flow in order to fund required working capital, service debt, fund capital programs and pay dividends.

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

Funds flow or funds flow from operations[b] – This measure is an indicator of Essential's ability to generate funds flow[b] in order to fund working capital, principal debt repayments, capital programs and pay dividends. Funds flow or funds flow from operations is defined as cash flow from operations before changes in non-cash operating working capital. This measure is useful in assessing Essential's operational cash flow as it provides cash generated in the period excluding the timing of non-cash operating working capital. This reflects the ability of the operations of Essential to meet the above noted funding requirements.

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

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

Maintenance capital – Equipment additions that are incurred in order to refurbish or replace previously acquired equipment less proceeds on the disposal of retired equipment. Such additions do not provide incremental increases in revenue. Maintenance capital is a key component in understanding the sustainability of Essential's business as cash resources retained within Essential must be sufficient to meet maintenance capital needs to replenish the assets for future cash generation.

Net equipment expenditures[c] – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to assess net cash flows related to the financing of Essential's oilfield services equipment.

[a] EBITDA is reconciled to the IFRS measure, net income from continuing operations, in the table "Results of Operations".
[b] Funds flow is reconciled to the IFRS measure, net cash flow from operating activities, in the table "Funds Flow from Operations".
[c] 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".

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

(Thousands)		**As at March 31 2014**		As at December 31 2013
Assets				
Current				
Trade and other accounts receivable *(note 4)*	**$**	**89,573**	$	76,640
Inventories *(note 5)*		**29,134**		27,979
Prepayments		**2,683**		3,326
		121,390		107,945
Non-current				
Property and equipment *(note 6)*		**233,563**		230,292
Intangible assets		**29,778**		30,712
Goodwill		**55,014**		55,014
		318,355		316,018
Total assets	**$**	**439,745**	$	423,963
Liabilities				
Current				
Bank indebtedness	**$**	**4,025**	$	2,112
Trade and other accounts payable *(note 7)*		**33,487**		36,161
Dividends payable *(note 8)*		**3,768**		3,765
Income taxes payable		**530**		3,381
Current portion of long-term debt *(note 9)*		**14,096**		7,603
		55,906		53,022
Non-current				
Long-term debt *(note 9)*		**36,725**		31,424
Deferred tax liabilities		**27,312**		26,360
		64,037		57,784
Total liabilities		**119,943**		110,806
Commitments and contingencies *(note 15)*				
Equity				
Share capital *(note 10)*		**262,394**		262,177
Retained earnings		**53,003**		46,622
Other reserves *(note 11)*		**4,405**		4,358
Total equity		**319,802**		313,157
Total liabilities and equity	**$**	**439,745**	$	423,963

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

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

(Thousands, except per share amounts)	For the three months ended March 31 **2014**	2013
Revenue	**$ 103,730**	$ 120,519
Operating expenses	**76,403**	82,687
Gross margin	**27,327**	37,832
General and administrative expenses	**4,820**	4,406
	22,507	33,426
Depreciation and amortization *(note 6)*	**6,785**	7,044
Share-based compensation *(note 12)*	**651**	343
Other expense (income)	**755**	(133)
Operating profit from continuing operations	**14,316**	26,172
Finance costs	**433**	376
Net income before income tax from continuing operations	**13,883**	25,796
Current income tax expense	**2,782**	4,425
Deferred income tax expense	**952**	2,166
Total income tax expense	**3,734**	6,591
Net income from continuing operations	**10,149**	19,205
Loss from discontinued operations, net of tax *(note 13)*	**-**	(607)
Net income	**10,149**	18,598
Unrealized foreign exchange loss from continuing operations	**(86)**	-
Unrealized foreign exchange loss from discontinued operations	**-**	(31)
Other comprehensive loss	**(86)**	(31)
Comprehensive income	**$ 10,063**	$ 18,567
Net income (loss) attributable to:		
Shareholders of Essential	**$ 10,149**	$ 18,627
Non-controlling interest	**-**	(29)
	$ 10,149	$ 18,598
Comprehensive income (loss) attributable to:		
Shareholders of Essential	**$ 10,063**	$ 18,597
Non-controlling interest	**-**	(30)
	$ 10,063	$ 18,567
Net income per share from continuing operations *(note 14)*		
Basic and diluted, attributable to shareholders of Essential	**$ 0.08**	$ 0.15
Net income per share *(note 14)*		
Basic and diluted, attributable to shareholders of Essential	**$ 0.08**	$ 0.15
Comprehensive income per share *(note 14)*		
Basic and diluted, attributable to shareholders of Essential	**$ 0.08**	$ 0.15

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

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

(Thousands)	For the three months ended March 31 **2014**	2013
Share capital		
Balance, January 1	**$ 262,177**	$ 258,772
Exercise of options *(note 10)*	**217**	122
Shares repurchased in normal course issuer bid	**-**	(8)
Balance, March 31	**$ 262,394**	$ 258,886
Retained earnings		
Balance, January 1	**$ 46,622**	$ 38,276
Net income	**10,149**	18,627
Dividends *(note 8)*	**(3,768)**	(3,102)
Balance, March 31	**$ 53,003**	$ 53,801
Other reserves		
Balance, January 1	**$ 4,358**	$ 5,363
Other comprehensive loss *(note 11)*	**(86)**	(30)
Equity-settled share-based compensation	**211**	343
Exercise of options	**(78)**	(34)
Balance, March 31	**$ 4,405**	$ 5,642
Total equity attributable to shareholders of Essential	**$ 319,802**	$ 318,329
Equity attributable to non-controlling interest	**$ -**	$ (36)
Total equity	**$ 319,802**	$ 318,293

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

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

(Thousands)		For the three months ended March 31 **2014**		2013
Operating activities:				
Net income from continuing operations	**$**	**10,149**	$	19,205
Non-cash adjustments to reconcile net income for the period to operating cash flow:				
Depreciation and amortization *(note 6)*		**6,785**		7,044
Deferred income tax expense		**952**		2,166
Share-based compensation *(note 12)*		**211**		343
Provision for impairment of trade accounts receivable *(note 4)*		**225**		250
Finance costs		**433**		376
Loss (gain) on disposal and retirement of assets *(note 6)*		**1,046**		(106)
Operating cash flow before changes in working capital		**19,801**		29,278
Change in non-cash operating working capital:				
Trade and other accounts receivable before provision		**(13,276)**		(31,159)
Inventories		**(1,155)**		(762)
Prepayments		**643**		658
Trade and other accounts payable		**1,141**		6,201
Current taxes payable		**(2,851)**		1,795
Net cash provided by operating activities from continuing operations		**4,303**		6,011
Investing activities:				
Purchase of property, equipment and intangibles *(note 6)*		**(11,048)**		(6,824)
Non-cash investing working capital in trade and other accounts payable		**(3,815)**		1,061
Proceeds on disposal of equipment *(note 6)*		**865**		540
Net cash used in investing activities from continuing operations		**(13,998)**		(5,223)
Financing activities:				
Issuance of long-term debt		**11,794**		40
Proceeds from exercise of share options		**140**		88
Repurchase of shares		**-**		(8)
Dividends paid *(note 8)*		**(3,765)**		(3,100)
Finance costs		**(433)**		(376)
Net cash from (used in) financing activities from continuing operations		**7,736**		(3,356)
Foreign exchange loss on cash held in a foreign currency		**46**		-
Net increase in bank indebtedness		**(1,913)**		(2,568)
Bank indebtedness, beginning of period		**(2,112)**		(1,835)
Bank indebtedness, end of period	**$**	**(4,025)**	$	(4,403)
Supplemental cash flow information				
Cash taxes paid	**$**	**5,650**	$	2,630
Cash interest and standby fees paid		**386**		328

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

ESSENTIAL ENERGY SERVICES LTD.
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As at and for the periods ended March 31, 2014 and 2013
(All tabular amounts in thousands unless otherwise stated, except for per share amounts)

1. AUTHORIZATION OF FINANCIAL STATEMENTS

The Unaudited Condensed Interim Consolidated Financial Statements ("Interim Financial Statements") of Essential Energy Services Ltd. and its subsidiaries ("Essential or the "Company") for the periods ended March 31, 2014 and 2013 were authorized by the Board of Directors on May 6, 2014. Essential is a publicly traded oilfield services company incorporated under the laws of the province of Alberta. Essential is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol ESN.

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

2. STATEMENT OF COMPLIANCE & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements as at and for the three months ended March 31, 2014 and 2013 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 Interim Financial Statements as were followed in the preparation of the Company's Annual Financial Statements for the year ended December 31, 2013, except as disclosed below. Accordingly, these Interim Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2013.

3. CHANGES IN ACCOUNTING POLICIES

The following amendments and interpretation standards are effective for annual periods beginning on or after January 1, 2014: Offsetting Financial Assets and Liabilities amendments to IAS 32, Recoverable Amounts Disclosure for Non-Financial Assets amendments to IAS 36 and interpretation of IFRIC 21 Levies. There was no material impact to Essential's Interim Financial Statements as a result of adopting the aforementioned amendments.

4. TRADE AND OTHER ACCOUNTS RECEIVABLE

	As at March 31 2014	As at December 31 2013
Trade receivables, net of provision	**$ 89,225**	$ 76,358
Other receivables	**348**	282
	$ 89,573	$ 76,640

Trade receivables are non-interest bearing, generally due on 30 to 90 day terms and are shown net of a provision for impairment. Other accounts receivable are non-interest bearing.

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

	As at March 31 2014	As at December 31 2013
Canadian dollar	**$ 88,745**	$ 74,266
United States dollar	**480**	2,092
	$ 89,225	$ 76,358

The aging analysis of trade receivables is as follows:

	As at March 31 2014	As at December 31 2013
< 31 days	**$ 40,879**	$ 31,458
31-60 days	**31,876**	27,146
61-90 days	**9,591**	12,206
>90 days	**6,879**	5,548
	$ 89,225	$ 76,358

The provision for impairment of receivables of $1.1 million (December 31, 2013 - $1.0 million) is included in the amounts over 90 days old. The movements in the provision during the period were as follows:

	For the three months ended March 31 2014	2013
Balance, beginning of period	**$ 962**	$ 314
Provision for receivables impairment	**225**	250
Receivables written off against the provision during the period	**(111)**	(42)
Balance, end of period	**$ 1,076**	$ 522

The addition and release of the provision for impairment of receivables has been included in operating expense in the Consolidated Statement of Net Income and Comprehensive Income. Amounts included in the provision are generally written off when there is no expectation of recovering additional cash.

5. INVENTORIES

	As at March 31 2014	As at December 31 2013
Downhole tools	**$ 21,626**	$ 19,924
Coil tubing products	**7,508**	8,055
	$ 29,134	$ 27,979

Inventory charged through operating expenses in the Consolidated Statement of Net Income and Comprehensive Income for the three months ended March 31, 2014 was $14.3 million (2013 - $17.8 million).

6. PROPERTY AND EQUIPMENT

As at March 31, 2014	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Service rigs and equipment	**$ 100,296**	**$ 25,314**	**$ 74,982**
Coil tubing rigs and equipment	**130,056**	**26,151**	**103,905**
Oilfield equipment	**47,303**	**17,330**	**29,973**
Vehicles	**29,206**	**8,438**	**20,768**
Office and computer equipment	**4,037**	**2,325**	**1,712**
Land	**482**	**-**	**482**
Other	**4,289**	**2,548**	**1,741**
	$ 315,669	**$ 82,106**	**$ 233,563**

As at December 31, 2013	Cost	Accumulated Depreciation	Net Book Value
Service rigs and equipment	$ 100,438	$ 23,821	$ 76,617
Coil tubing rigs and equipment	126,847	24,400	102,447
Oilfield equipment	42,968	16,297	26,671
Vehicles	28,265	7,752	20,513
Office and computer equipment	3,875	2,167	1,708
Land	482	-	482
Other	4,288	2,434	1,854
	$ 307,163	$ 76,871	$ 230,292

Included in service rigs and equipment, coil tubing rigs and equipment and oilfield equipment is $21.6 million (December 31, 2013 - $20.5 million) of assets under construction which will not be depreciated until put into use.

	For the three months ended March 31 **2014**	2013
Net book value, beginning of period	**$ 230,292**	$ 211,304
Additions	**10,802**	6,824
Disposals	**(1,911)**	(434)
Depreciation	**(5,604)**	(5,479)
Currency translation adjustment	**(16)**	-
Net book value, end of period	**$ 233,563**	$ 212,215

7. TRADE AND OTHER ACCOUNTS PAYABLE

	As at March 31 2014	As at December 31 2013
Trade accounts payable	**$ 12,913**	$ 17,151
Accrued payables	**5,323**	7,290
Payroll	**12,332**	9,405
Other	**2,919**	2,315
	$ 33,487	$ 36,161

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

	As at March 31 2014	As at December 31 2013
Canadian dollar	**$ 12,439**	$ 17,122
United States dollar	**474**	29
	$ 12,913	$ 17,151

8. DIVIDENDS PAYABLE

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

Record date	Payment date	Total dividend	Amount per share
March 31, 2014	April 15, 2014	$ 3,768	$ 0.030

9. LONG-TERM DEBT

	As at March 31 2014	As at December 31 2013
Term loan	**$ 50,850**	$ 39,100
Deferred financing costs	**(29)**	(73)
	50,821	39,027
Less: current portion of long-term debt	**14,096**	7,603
Non-current portion of long-term debt	**$ 36,725**	$ 31,424

Essential's credit facility (the "Credit Facility") with its banking syndicate is comprised of a $100 million revolving term loan facility with a $35 million accordion feature available on the lender's consent. The $100 million revolving term loan matures on May 30, 2014, is renewable annually at the lender's consent and is collateralized by a general security agreement over the Company's assets. Should the revolving term loan facility not be renewed, debt repayments would be required over a two year period based on a three year amortization schedule.

As at March 31, 2014, all financial debt covenants were satisfied and all banking requirements were up to date under the Credit Facility.

The following table outlines the repayments, excluding interest, in the event that the Credit Facility is not renewed:

	As at March 31 2014
Repayments are required as follows:	
Within one year	$ 14,096
Between one and two years	16,950
Between two and three years	19,775
	$ 50,821

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.

Issued

	Number of Common Shares	Amount
As at January 1, 2013	123,991	$ 258,772
Shares issued on exercise of options	2,025	4,491
Shares repurchased in normal course issuer bid	(520)	(1,086)
As at January 1, 2014	125,496	$ 262,177
Shares issued on exercise of options	**110**	**217**
As at March 31, 2014	**125,606**	**$ 262,394**

On March 20, 2014 the Company received approval from the TSX to renew its Normal Course Issuer Bid ("NCIB") for Essential's Common Shares. Any Common Shares purchased by Essential pursuant to the NCIB will be for cancellation. The renewed NCIB commenced on March 25, 2014 and will terminate on March 24, 2015, or at such earlier date as the NCIB is completed or terminated at the option of Essential. Under the renewed NCIB, Essential may purchase up to 12,311,641 of its issued and outstanding Common Shares on the open market through the facilities of the TSX or other alternative trading systems.

For the three months ended March 31, 2014, no Common Shares were acquired or cancelled under the previous or renewed NCIB. For the year ended December 31, 2013, a total of 520,052 Common Shares were acquired and cancelled under the previous NCIB at an average cost of $2.35 per Common Share. Any excess amount paid for these shares, relative to their carrying amount, was recorded as a reduction of contributed surplus.

11. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2013	$ 4,475	$ 888	$ 5,363
Share-based compensation	1,177	-	1,177
Exercise of options	(1,100)	-	(1,100)
Shares cancelled under normal course issuer bid	(140)	-	(140)
Unrealized foreign exchange loss on foreign operations	-	(54)	(54)
Unrealized foreign exchange loss on discontinued operations	-	(224)	(224)
Reclassification of foreign exchange gain on discontinued operations	-	(664)	(664)
As at December 31, 2013	$ 4,412	$ (54)	$ 4,358
Share-based compensation	**211**	**-**	**211**
Exercise of options	**(78)**	**-**	**(78)**
Unrealized foreign exchange loss on foreign operations	**-**	**(86)**	**(86)**
As at March 31, 2014	**$ 4,545**	**$ (140)**	**$ 4,405**

12. SHARE-BASED COMPENSATION

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

The maximum number of share options issuable under the Share Option Plan and share units under the RSU Plan, together may not exceed 9% of the Company's outstanding Common Shares. As at March 31, 2014, the maximum number of share options and RSU units allowed for issuance was 11,304,571 (2013 – 11,166,090).

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

	For the three months ended March 31 **2014**	2013
Equity-settled share options	**$ 211**	$ 343
Restricted share units	**374**	-
Cash-settled deferred share units	**66**	-
Total share-based compensation expense	**$ 651**	$ 343

(a) Share Option Plan

Under the Company's Share Option Plan, certain key personnel of the Company are eligible to receive options to acquire Essential 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 of the Company 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.

	For the three months ended March 31 2014		For the three months ended March 31 2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**5,444**	**$ 1.97**	7,374	$ 1.79
Issued	**655**	**2.90**	618	2.20
Exercised	**(110)**	**1.28**	(80)	1.10
Forfeited	**(37)**	**2.09**	(23)	2.05
Outstanding, end of period	**5,952**	**$ 2.09**	7,889	$ 1.94
Exercisable, end of period	**3,737**	**$ 1.91**	4,610	$ 1.84

The fair value of share options issued during the period was between $0.72 - $0.82 per option (2013 - $0.53 - $0.76), estimated using the Black-Scholes option pricing model using the following underlying assumptions:

	2014	2013
Risk-free interest rate	**1.4 - 1.7%**	1.2 - 1.4%
Expected volatility	**43.5 - 46.4%**	47.0 - 58.5%
Expected term	**3.6 - 4.4 years**	2.7 - 4.0 years
Expected forfeiture rate	**8.0 - 17.4%**	7.9 - 18.2%
Dividend yield	**4.1%**	4.2 - 4.6%
Fair value per option issued	**$0.72 - $0.82**	$0.53 - $0.76

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 tables summarize information with respect to the share options outstanding as at March 31, 2014:

As at March 31, 2014

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise price (per option)	Number of Options Exercisable
$1.00 – $2.00	1,282	1.40	$1.50	1,105
$2.00 – $2.90	4,670	3.03	$2.25	2,632
	5,952	2.68	$2.09	3,737

(b) Restricted Share Units

The RSU Plan authorizes the Board of Directors of the Company to grant RSUs to persons who are officers and employees of, or consultants to, the Company. RSUs granted to a participant represent a right to receive a cash payment or its equivalent in shares at the time of vesting. The redemption value of each RSU will be equal to the volume weighted average trading price of the Company’s Common Shares for the five trading days immediately preceding the vesting date. RSU holders may receive dividends equivalent to shareholders on the dividend record date.

On August 12, 2013 and January 8, 2014, 587,500 and 728,500 RSUs were granted, respectively, to officers and employees of the Company. The 2013 grants are time vested and the 2014 grants have both a time and performance based component. The grants vest in three equal instalments and if a performance criteria is featured, they vest conditionally. The RSU liability is measured at fair value on the grant date and is subsequently revalued at the end of each reporting period, with any changes in fair value recognized in the Consolidated Statement of Net Income and Comprehensive Income recorded in “share-based compensation”. Compensation expense for the three months ended March 31, 2014 is $0.4 million (2013 – nil) and the associated liability related to the RSUs as at March 31, 2014 is $0.5 million (2013 – nil). The total number of RSUs outstanding as at March 31, 2014 was 1,125,741 units.

(c) Deferred Share Units

Participation in the DSU Plan is restricted to non-employee directors (“Eligible Directors”), officers and employees of the Company. A DSU gives the DSU participant a right of redemption in the form of a lump sum cash payment, less applicable withholding taxes, within fifteen days of the DSU Participant ceasing to be an Eligible Director, officer or employee of the Company. The redemption value of each DSU will be equal to the volume weighted average trading price of the Company’s Common Shares for the five trading days preceding the date a DSU participant ceases to be an Eligible Director, officer or employee of the Company. DSU holders may receive dividends equivalent to shareholders on the dividend record date.

On August 14, 2013, 100,000 DSUs were granted to Eligible Directors of the Company, vesting one year from the grant date. The liability for the DSUs is measured at fair value on the grant date and is subsequently revalued at the end of each reporting period, with any changes in fair value recognized in the Consolidated Statement of Net Income and Comprehensive Income and recorded in “share-based compensation”. The DSU Plan expense recorded for the three months ended March 31, 2014 is $0.1 million (2013 – nil). The carrying amount of the liability as at March 31, 2014 is $0.2 million (2013 – nil). The total number of DSUs outstanding at March 31, 2014 was 103,350 units. There were no DSUs redeemed during the period.

13. DISCONTINUED OPERATIONS

In 2012, Essential committed to a plan to divest of its Colombian operations. As of December 31, 2013, Essential had sold all Colombian assets and the legal entity. There are no further activities related to the discontinued operations in 2014.

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net 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 have been taken into account where the impact of these is dilutive.

	For the three months ended March 31	
	2014	2013
Basic	**125,549**	124,024
Dilutive common shares from share options and RSUs	**2,486**	978
Total diluted	**128,035**	125,002

Net income attributable to Essential from continuing operations	**$ 10,149**	$ 19,205
Net income attributable to Essential	**$ 10,149**	$ 18,627
Comprehensive income attributable to Essential	**$ 10,063**	$ 18,597
Net income attributable to Essential from continuing operations		
Basic and diluted attributable to shareholders of Essential	**$ 0.08**	$ 0.15
Net income per share		
Basic and diluted, attributable to shareholders of Essential	**$ 0.08**	$ 0.15
Comprehensive income per share		
Basic and diluted, attributable to shareholders of Essential	**$ 0.08**	$ 0.15

15. 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
2014	$ 5,093
2015	5,636
2016	5,568
2017	4,496
2018	2,483
Thereafter	13,297
	$ 36,573

Other commitments

Essential entered into agreements to build certain assets for $23.3 million of which approximately $18.7 million is expected to be paid in 2014 and $4.6 million is to be paid in 2015.

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; however, their ultimate resolution is not expected to have a material adverse effect on the Company.

A statement of claim was filed on October 23, 2013 by Packers Plus Energy Services Inc. against Essential in Canadian Federal Court which alleges certain products and methods associated with the Tryton MSFS® infringe a patent issued to Packers Plus Energy Services Inc. Essential believes the suit is without merit and is defending itself against the allegations.

16. 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 and fourth quarters of the year and lower in the second and third quarters.

17. SEGMENTED INFORMATION

Essential has two operating segments, Well Servicing and Downhole Tools & Rentals, and a non-operating segment, Corporate and Eliminations, whereby transactions between segments are eliminated upon consolidation.

a) Well Servicing

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

b) Downhole Tools & Rentals

The Downhole Tools & Rentals segment is comprised of the Canadian and US downhole tools divisions, and rentals division.

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

As at and for the three months ended March 31, 2014

	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	**$ 73,998**	**$ 30,286**	**$ (554)**	**$ 103,730**
Net income (loss) before income taxes	**$ 11,948**	**$ 8,069**	**$ (6,134)**	**$ 13,883**
Depreciation and amortization	**$ 5,771**	**$ 744**	**$ 270**	**$ 6,785**
Total assets	**$ 368,166**	**$ 67,786**	**$ 3,793**	**$ 439,745**
Total liabilities	**$ 28,010**	**$ 7,769**	**$ 84,164**	**$ 119,943**
Equipment expenditures	**$ 6,807**	**$ 3,716**	**$ 525**	**$ 11,048**

As at and for the three months ended March 31, 2013

	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	$ 83,177	$ 37,342	$ -	$ 120,519
Net income (loss) before income taxes	$ 19,908	$ 12,259	$ (6,371)	$ 25,796
Depreciation and amortization	$ 6,001	$ 715	$ 328	$ 7,044
Total assets	$ 359,447	$ 65,537	$ 3,166	$ 428,150
Total liabilities	$ 43,070	$ 13,239	$ 60,241	$ 116,550
Equipment expenditures	$ 6,142	$ 444	$ 238	$ 6,824

18. COMPARATIVE AMOUNTS

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

19. SUBSEQUENT EVENT

On April 30, 2014, Essential acquired all of the issued and outstanding shares of Sam's Packer & Supply LLC, a private downhole tool company that operates in Norman, Oklahoma and Liberal, Kansas. Sam's Packer & Supply LLC has been in business for more than 30 years and provides conventional tool sales, rentals and services to a diversified customer base in Oklahoma, Kansas and Texas. The purchase price was US$5.1 million plus possible incremental future performance payments of up to US$0.5 million in the next two years, and working capital adjustments.

CORPORATE INFORMATION

DIRECTORS

James Banister, Chairman [2]

Garnet Amundson [3]

Michael Black [2]

Robert German [1,3]

Nicholas Kirton [1,2]

Robert Michaleski [1]

Andrew Zaleski [3]

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

MANAGEMENT

Garnet Amundson
PRESIDENT & CHIEF EXECUTIVE OFFICER

Don Webster
CHIEF OPERATING OFFICER

Allan Mowbray
VICE PRESIDENT, FINANCE & CHIEF FINANCIAL OFFICER

Jeff Newman
SENIOR VICE PRESIDENT, CORPORATE

Kevin Job
SENIOR VICE PRESIDENT, OPERATIONS

Karen Perasalo
VICE PRESIDENT, INVESTOR RELATIONS &
CORPORATE SECRETARY

AUDITORS

Ernst & Young LLP

BANKERS

National Bank of Canada

Toronto Dominion Bank

HSBC Bank Canada

Canadian Western Bank

LEGAL COUNSEL

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