Six Months Ended June 30, 2014 Q2

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the three and six months ended June 30, 2014.

This MD&A should be read in conjunction with Essential's June 30, 2014 unaudited condensed interim consolidated financial statements, the March 31, 2014 unaudited condensed interim consolidated financial statements and MD&A, and the audited annual 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 August 6, 2014 and was approved and authorized for issuance by the Board of Directors on August 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

	Three months ended June 30,		Six months ended June 30,	
(Thousands of dollars except per share, percentages and fleet data)	**2014**	2013	**2014**	2013
Revenue	**$ 52,752**	$ 38,417	**$ 156,482**	$ 158,936
Gross margin	**5,222**	(1,310)	**32,549**	36,521
Gross margin %	**10%**	(3%)	**21%**	23%
EBITDAS[(1)] from continuing operations	**440**	(5,171)	**22,947**	28,254
EBITDAS % [(1)]	**1%**	(13%)	**15%**	18%
Net income (loss) attributable to shareholders of Essential	**(5,425)**	(11,501)	**4,724**	7,126
Per share-basic and diluted	**(0.04)**	(0.09)	**0.04**	0.06
Total assets	**408,964**	380,728	**408,964**	380,728
Total long-term debt	**38,433**	14,592	**38,433**	14,592
Utilization				
Deep coil tubing rigs	**27%**	18%	**52%**	64%
Service rigs	**34%**	28%	**50%**	48%
Equipment fleet				
Masted deep coil tubing rigs	**17**	14	**17**	14
Conventional deep coil tubing rigs	**12**	11	**12**	11
Service rigs	**55**	56	**55**	56

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

SECOND QUARTER 2014 OVERVIEW

Revenue for the second quarter of 2014 was $52.8 million, 37% higher than the second quarter of 2013. The strong second quarter was due to increased customer demand, supported by a less severe spring break-up compared to the prior quarter.

- Coil Well Service – Coil well service revenue increased 84% from the prior quarter with a significant improvement in masted deep coil tubing utilization quarter-over-quarter at 42% compared to 19% in 2013. The Company's masted deep coil tubing fleet experienced increased customer demand, in particular, there was strong demand for the two Generation III masted deep coil tubing rigs.
- Service Rigs – Service rigs performed well in the quarter with utilization at 34% compared to 28% in the prior quarter.
- Downhole Tools & Rentals – Essential's downhole tools & rentals revenue increased in the quarter due to strong demand for conventional downhole tools, continued growth of Essential's United States ("U.S.") operation and increased rental revenue.

EBITDAS for the second quarter of 2014 was $0.4 million, a significant improvement of $5.6 million from 2013. The increase was driven by improved activity across both segments and lower operating expenses as a percentage of revenue. Operating expenses associated with training and retaining key personnel and maintaining equipment are typically higher in the second quarter when equipment is restricted from travelling to customer locations during spring break-up. Revenue increases in the second quarter of 2014 offset these expenditures and improved margins.

In the second quarter of 2014, Essential took delivery of its first state-of-the-art Generation IV masted deep coil tubing rig.

YEAR-TO-DATE 2014 OVERVIEW

Revenue for the six months ended June 30, 2014 was $156.5 million, slightly lower than the same period in 2013. EBITDAS for six months ended June 30, 2014 was $22.9 million, a decrease of $5.3 million compared to the same period in 2013. The EBITDAS impact of lower revenue during the first quarter 2014 was somewhat offset by improved revenue and activity in both well servicing and downhole tools & rentals during the second quarter. Tryton Multi-Stage Fracturing System ("MSFS®") revenue for the first half of 2014 was lower than the prior year. The margin impact of this revenue shortfall has been partially offset within the segment by growth in conventional downhole tools and higher margin rentals operations. EBITDAS during the first half of 2014 was also impacted by increased fuel costs in well servicing and increased labour costs in coil well service. Incremental labour costs in coil well service relates to additional costs incurred in the first quarter to retain crews on location during specific short-term periods of inactivity, that was brought on by extremely cold weather, and costs incurred to hire and train additional crews in anticipation of the delivery of the new Generation III and Generational IV masted deep coil tubing rigs.

INDUSTRY OVERVIEW

Industry activity in the second quarter is typically the slowest quarter of the year due to the onset of spring break-up. Compared to 2013, the second quarter of 2014 benefitted from a less severe spring break-up in western Canada, and improved demand from exploration and production ("E&P") companies as a result of stronger commodity prices and access to capital. Drilling rig utilization increased 35% [a], well completion count increased 4%[b] and the number of wells drilled increased by 29%[b] for the second quarter 2014 compared to the prior quarter. These are indicators of overall oilfield activity in the Western Canadian Sedimentary Basin ("WCSB").

® 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

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 vertical wells.

OVERVIEW OF ESSENTIAL

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

<u>Well Servicing</u>

Coil well service

The demand for coil tubing has significantly increased in recent years with the growth in the number of horizontal wells. Coil tubing rigs are typically used in the completion and stimulation of a horizontal well in the following areas:

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

There are three distinct types of equipment used within Essential's coil well service operation:

- Masted Deep Coil Tubing – Masted deep coil tubing rigs provide completion, stimulation and work-over services on long reach horizontal and vertical wells. Essential's masted deep coil tubing rigs are equipped to work with coil tubing from 2" to 2 7/8" in diameter and have a depth capacity in excess of 6,500 meters. Essential's current depth record is 6,311 meters using 2 3/8" diameter coil. The increased reel capacity and coil diameter ratings of Essential's masted deep coil fleet make this equipment ideally suited to work in all facets of a customer's horizontal well completion and work-over program. Essential operates the largest masted deep coil tubing fleet in Canada.
- Conventional Coil Tubing – Conventional coil tubing rigs generally work in the depth range of 1,500 to 6,000 meters:
  - Conventional deep – Essential has a total of twelve conventional deep coil tubing rigs (five trailer-mounted rigs and seven chassis-mounted rigs). The trailer rigs have a depth capacity of up to 6,000 meters and the chassis-mounted rigs have a depth capacity of up to 4,500 meters.
  - Conventional other – Essential also operates shallow/intermediate conventional coil tubing rigs that have a depth capacity of up to 2,500 meters.

  Conventional coil tubing rigs have a smaller footprint on location and have greater flexibility during transport and rig-up operations. Conventional coil tubing rigs perform primarily post-fracturing mill-out/drill-out work and complete confirmation runs.
- Pumpers – The coil tubing rigs are supported by a fleet of fluid and nitrogen pumpers. Fluid pumpers are used to maintain downhole circulation, provide ancillary acid/solvent treatments and inject friction reducers and other lubricants into the wellbore. Nitrogen pumpers are used to pump inert nitrogen gas into the wellbore prior to the completion, stimulation or work-over work commencing and to purge the coil of fluids once the coil tubing work has been completed. As the depth of horizontal wells has continued to increase, Essential has seen increased demand for its double and quintuplex fluid pumpers and high rate nitrogen pumpers.

Service rigs

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.

<u>Downhole Tools & Rentals</u>

Essential's downhole tools & rentals segment 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 U.S.

Essential provides a wide range of downhole tool and rental services for completion and production of oil and natural gas wells.

- "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. The Tryton MSFS® product line includes:
    - Tryton "ball & seat" technology using standard or dissolvable balls.
    - Tryton "Viking coil-actuated sliding-sleeve" cemented-in-liner technology offering unlimited fracture stages without balls or seats and provides a consistently large inner diameter sleeve that does not require mill-outs/drill-outs of the inner sleeve.
    - Tryton "MaxFrac®" tool using a packer design with a consistently large inner diameter to eliminate the mill-out phase of "plug-and-perf" completions.
- Conventional Tools – The downhole tool business also 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 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 "ball & seat" 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 targets only the Tryton MSFS® "ball & seat" system, which Essential commenced in 2009. It does not target past or future operations of Essential's conventional tools, other Tryton MSFS® tools or Essential's rentals business.

RESULTS OF OPERATIONS

(Thousands of dollars, except percentages and per share amounts)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenue	**$ 52,752**	$ 38,417	**$ 156,482**	$ 158,936
Operating expenses	**47,530**	39,727	**123,933**	122,415
Gross margin	**5,222**	(1,310)	**32,549**	36,521
Gross margin %	**10%**	(3)%	**21%**	23%
General and administrative expenses	**4,782**	3,861	**9,602**	8,267
EBITDAS[1]	**440**	(5,171)	**22,947**	28,254
EBITDAS %[1]	**1%**	(13)%	**15%**	18%
Share-based compensation	**678**	269	**1,329**	612
Other expense	**98**	187	**853**	53
EBITDA [1]	**(336)**	(5,627)	**20,765**	27,589
Depreciation and amortization	**6,576**	6,006	**13,361**	13,050
Finance costs	**481**	402	**914**	778
Income (loss) before income tax	**(7,393)**	(12,035)	**6,490**	13,761
Current income tax expense (recovery)	**(1,466)**	(969)	**1,316**	3,456
Deferred income tax expense (recovery)	**(502)**	(2,108)	**450**	58
Total income tax expense (recovery)	**(1,968)**	(3,077)	**1,766**	3,514
Net income (loss) from continuing operations	**$ (5,425)**	$ (8,958)	**$ 4,724**	$ 10,247
Loss from discontinued operations, net of tax	**-**	(2,678)	**-**	(3,285)
Net income (loss)	**$ (5,425)**	$ (11,636)	**$ 4,724**	$ 6,962
Net income (loss) from continuing operations	**$ (5,425)**	$ (8,958)	**$ 4,724**	$ 10,247
Net income (loss) from continuing operations per share				
Basic and diluted	**$ (0.04)**	$ (0.07)	**$ 0.04**	$ 0.08
Net income (loss) attributable to:				
Shareholders of Essential	**$ (5,425)**	$ (11,501)	**$ 4,724**	$ 7,126
Non-controlling interest	**-**	(135)	**-**	(164)
	$ (5,425)	$ (11,636)	**$ 4,724**	$ 6,962
Net income (loss) per share, attributable to Essential				
Basic and diluted	**$ (0.04)**	$ (0.09)	**$ 0.04**	$ 0.06

SEGMENT RESULTS - *WELL SERVICING*

(Thousands of dollars, except percentages, fleet and hours)		Three months ended June 30, 2014		Three months ended June 30, 2013		Six months ended June 30, 2014		Six months ended June 30, 2013
Revenue								
Coil Well Service [i]	**$**	**17,398**	$	9,433	**$**	**58,897**	$	59,054
Service Rigs		**16,437**		14,732		**48,936**		48,288
Total revenue		**33,835**		24,165		**107,833**		107,342
Operating expenses		**34,389**		28,298		**88,650**		83,340
Gross margin	**$**	**(554)**	$	(4,133)	**$**	**19,183**	$	23,002
Gross margin %		**(2)%**		(17)%		**18%**		21%
Utilization [ii]								
Deep coil tubing rigs								
Utilization		**27%**		18%		**52%**		64%
Operating hours		**6,972**		4,125		**26,103**		28,890
Service rigs								
Utilization		**34%**		28%		**50%**		48%
Operating hours		**16,907**		14,234		**49,523**		48,598
Equipment fleet [iii]								
Masted deep coil tubing rigs		**17**		14		**17**		14
Conventional deep coil tubing rigs		**12**		11		**12**		11
Service rigs		**55**		56		**55**		56
Nitrogen pumpers		**14**		15		**14**		15
Fluid pumpers		**18**		18		**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.

Coil well service second quarter revenue increased 84% from the prior quarter due to improved customer demand for Essential's masted deep coil tubing fleet and, in particular, the two Generation III masted deep coil tubing rigs that went into service in the fourth quarter 2013 and first quarter 2014, respectively. With increased customer demand, supported by a less severe spring break-up, Essential's masted deep coil tubing utilization was 42% compared to 19% in prior quarter. The two Generation III masted deep coil tubing rigs performed well achieving 72% utilization during the quarter. Essential's fluid and nitrogen pumper revenue also increased significantly as this equipment supports the masted deep coil tubing fleet.

Conventional deep coil tubing utilization was down quarter-over-quarter due to competition in the less technical smaller diameter conventional coil tubing market.

Service rig utilization was 34% compared to 28% in the prior quarter due to milder spring break-up conditions in 2014. Essential's utilization was particularly strong in the Grande Prairie, Fort St. John, southern Alberta areas and for the rigs working in SAGD.

Gross margin for well servicing in the second quarter of 2014 improved from the prior quarter due to higher revenue and activity. However, costs related to training and retaining key staff, seasonal maintenance work, and fixed costs associated with maintaining service locations and infrastructure resulted in negative gross margin for the segment during the quarter.

On a year-to-date basis, well servicing revenue is similar to the prior year as strong nitrogen and fluid pumper utilization offset lower conventional deep coil tubing utilization. Masted deep coil tubing utilization was 75% on a year-to-date basis, compared to 83% in the prior year. Gross margin for the six months ended June 30, 2014 was adversely impacted by increased fuel and labour costs in coil well servicing. Incremental labour costs were incurred to retain crews on location during specific short term periods of inactivity during the first quarter, that was brought on by extremely cold weather, and costs incurred to hire and train additional crews in anticipation of the delivery of the new Generation III and Generational IV masted deep coil tubing rigs. Revenue per hour for coil well service and service rigs was consistent with the prior quarter.

SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS*

(Thousands of dollars, except percentages)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenue	**$ 19,521**	$ 14,252	**$ 49,807**	$ 51,594
Operating expenses	**12,910**	10,641	**34,138**	35,015
Gross margin	**$ 6,611**	$ 3,611	**$ 15,669**	$ 16,579
Gross margin %	**34%**	25%	**31%**	32%
Downhole Tools & Rentals revenue – revenue % of total				
Tryton MSFS®	**25%**	40%	**34%**	54%
Conventional Tools & Rentals	**75%**	60%	**66%**	46%

Downhole tools & rentals second quarter revenue increased 37% from the same period in 2013 primarily due to strong performance of the conventional tools and rentals operations. Tryton MSFS® revenue was lower than the prior quarter as Essential continues to adjust its MSFS® product offerings to meet changing customer demands. Gross margin increased significantly as a result of improved conventional tool activity and greater contributions from the higher margin rentals business.

Revenue from conventional tools and rentals increased by 71% from the prior quarter. Growth in conventional tools was generated by both Canadian operations and U.S. conventional tools. Tryton's role as a dominant conventional tools service provider offers growth opportunities and insights into customer well completion preferences and requirements. Higher rentals revenue was primarily due to increased rental of specialty drill pipe and pressure control equipment as second quarter sales continued to demonstrate the benefits of an evolving sales and product strategy. Management anticipates continued growth in the conventional tools and rentals businesses in the second half of 2014.

Tryton MSFS® revenue in the second quarter included revenue from Essential's Canadian and U.S. operations. In Canada, the second quarter is typically a slower period for MSFS® products as fracturing activity is reduced during spring break-up. Demand for Tryton's Canadian MSFS® products historically has been exclusively "ball & seat" technology, using standard or dissolvable balls. In response to customer demand for alternative completion techniques when conducting a multi-stage fracture, Essential continued its efforts to develop and test new MSFS® products. These products include the development of coil-actuated Viking sliding-sleeve technology which offers unlimited stages without balls or seats. In the second quarter, Essential also experienced early success in the U.S. with its Tryton MaxFrac® tool, a new packer design that provides a consistently large inner diameter sleeve that eliminates the mill-out phase of "plug-and-perf" completions. In the second half of 2014, management expects that "ball & seat" products will continue to form the core of its Tryton MSFS® product line. The introduction of new tools and additional growth in U.S. Tryton MSFS® revenue are also expected to contribute to MSFS® revenue.

On a year-to-date basis, downhole tools & rentals revenue and margin was similar to the prior year due to growth in conventional downhole tools and higher margin rentals operations, which was offset by lower Tryton MSFS® revenue for the first half of 2014.

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 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 working capital adjustments.

General and Administrative

(Thousands of dollars, except percentages)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
General and administrative expenses	**$ 4,782**	$ 3,861	**$ 9,602**	$ 8,267
As a % of revenue	**9%**	10%	**6%**	5%

General and administrative expenses are comprised of wages, professional fees, office space and other administrative costs incurred at corporate and operational levels. General and administrative expense for the three and six months ended June 30, 2014 increased compared to the same period in 2013 due to employee costs, facility lease costs and legal fees.

Depreciation and Amortization

(Thousands of dollars)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Depreciation and amortization expense	**$ 6,576**	$ 6,006	**$ 13,361**	$ 13,050

Depreciation and amortization expense for the three and six months ended June 30, 2014 increased slightly compared to the same period in 2013 due to capital asset additions.

Share-based Compensation

(Thousands of dollars)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Share-based compensation expense	**$ 678**	$ 269	**$ 1,329**	$ 612

Share-based compensation expense increased during the three and six months ended June 30, 2014 due to the introduction of the Restricted Share Unit and the Deferred Share Unit Plans in August 2013.

Other Expense

(Thousands of dollars)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Other expense	**$ 98**	$ 187	**$ 853**	$ 53

Other expense for the six months ended June 30, 2014 is related to losses on assets sold and retired in the year, compared to the prior year, where gains on the sale of fixed assets partially offset losses.

Finance Costs

(Thousands of dollars)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Finance costs	**$ 481**	$ 402	**$ 914**	$ 778

Finance costs were $0.5 million and $0.9 million for the three and six months ended June 30, 2014, respectively, an increase in costs compared to the same periods in 2013 due the increase in average long-term debt balance outstanding. The Company’s average long-term debt balance outstanding for the three and six months ended June 30, 2014 was $44.0 million and $43.4 million, respectively, compared to $22.0 million and $28.9 million in 2013, respectively.

INCOME TAXES

(Thousands of dollars)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Current income tax expense (recovery)	**$ (1,466)**	$ (969)	**$ 1,316**	$ 3,456
Deferred income tax expense (recovery)	**(502)**	(2,108)	**450**	58
Total income tax expense (recovery)	**$ (1,968)**	$ (3,077)	**$ 1,766**	$ 3,514

During the second quarter of 2014, income tax expense recovery decreased compared to 2013 due to a reduction in loss before income tax for the quarter. For the six months ended June 30, 2014, income tax expense was lower compared to 2013 as overall reported earnings before income tax was lower.

FINANCIAL RESOURCES AND LIQUIDITY

FUNDS FLOW FROM OPERATIONS[1]

(Thousands of dollars, except per share amounts)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Net cash flows from operating activities	**$ 32,452**	$ 38,141	**$ 36,755**	$ 45,214
Add:				
Changes in non-cash working capital	**(31,331)**	(42,330)	**(15,833)**	(20,125)
Funds flow provided by (used in) operations[1]	**$ 1,121**	$ (4,189)	**$ 20,922**	$ 25,089
Per share – basic	**$ 0.01**	$ (0.03)	**$ 0.17**	$ 0.20
Per share – diluted	**$ 0.01**	$ (0.03)	**$ 0.16**	$ 0.20

WORKING CAPITAL

(Thousands of dollars, except ratios)	As at June 30 2014	As at December 31 2013
Current assets	**$ 85,227**	$ 107,945
Current liabilities, excluding current portion of long-term debt	**(32,780)**	(45,419)
Working capital [1]	**$ 52,447**	$ 62,526
Working capital ratio [1]	**2.6:1**	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 the lender's consent (the "Credit Facility"). The Credit Facility matures on May 31, 2017, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. To the extent the Credit Facility is not renewed, the balance becomes immediately due and payable on the maturity date. At June 30, 2014, the maximum of $100 million under the Credit Facility was available to Essential.

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

(Thousands of dollars)		As at June 30 2014
Repayments are required as follows:		
Within one year	$	-
Between one and two years		-
Between two and three years		38,433
	$	38,433

As at June 30, 2014, all financial debt covenants were satisfied and all banking requirements under the Credit Facility were up-to-date. Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities. On August 6, 2014, Essential had long-term debt outstanding of $49.4 million.

EQUIPMENT EXPENDITURES AND FLEET ADDITIONS

	Three months ended June 30,				Six months ended June 30,			
(Thousands of dollars)		**2014**		2013		**2014**		2013
Well Servicing	**$**	**6,350**	$	10,365	**$**	**13,157**	$	16,508
Downhole Tools & Rentals		**1,600**		1,297		**5,316**		1,741
Corporate		**175**		218		**699**		455
Total equipment expenditures		**8,124**		11,880		**19,172**		18,704
Less proceeds on disposal of property and equipment		**(1,037)**		(186)		**(1,902)**		(726)
Net equipment expenditures[1]	**$**	**7,087**	$	11,694	**$**	**17,269**	$	17,978

During the second quarter, Essential took delivery of its first state-of-the-art Generation IV masted deep coil tubing rig.

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

	Three months ended June 30,				Six months ended June 30,			
(Thousands of dollars)		**2014**		2013		**2014**		2013
Growth capital[1]	**$**	**5,675**	$	8,576	**$**	**14,214**	$	13,352
Maintenance capital[1]		**2,449**		3,304		**4,958**		5,352
Total equipment expenditures	**$**	**8,124**	$	11,880	**$**	**19,172**	$	18,704

Essential's 2014 capital budget of $53 million is comprised of $36 million in growth capital and $17 million of maintenance capital. Growth capital consists primarily of expenditures to expand Essential's masted deep coil tubing fleet and to purchase additional rental equipment.

Essential has established a long-term build program intended to increase the depth and coil diameter capability of its masted deep coil tubing fleet. Customers are demanding coil tubing rigs that can operate beyond 6,000 meters with large diameter coil. Given the limited number of builders that are qualified to build this type of equipment, and the long lead time required to secure build spots and fabricate the equipment, Essential selected two companies to manufacture its Generation III and Generation IV equipment. Essential expects to spend approximately $63 million through to 2016 to build a total of four Generation III and eight Generation IV masted deep coil tubing rigs. To date, Essential has spent approximately $27 million on this capital program and has taken delivery of two Generation III and one Generation IV masted deep coil tubing rigs.

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 in-service dates of the major equipment:

	Total Rigs Being Built	**Total Rigs In-Service**	**Expected In-Service Dates**
Masted deep coil tubing rigs:			
Generation III	4	2	Q4'14, H2'15
Generation IV	8	-	Q3'14, Q4'14, Q1'15, Q3'15(2), 2016(3)

SHARE CAPITAL

As at August 6, 2014, there were 125,845,976 common shares and 5,474,535 share options outstanding. Of the 5,474,535 share options, 3,501,522 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	$ 2,949
2015	5,636
2016	5,614
2017	5,984
2018	3,247
Thereafter	11,693
As at June 30, 2014	$ 35,123

Other commitments

Essential entered into agreements to build certain assets for $26 million of which approximately $15 million is expected to be paid in 2014 and $11 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. In accordance with the provisions of the TSX Company Manual, the maximum number of Shares that may be purchased on one day may not exceed 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. Shareholders may obtain a copy of the "Notice of Intention to make a Normal Course Issuer Bid" that was filed by the Company with the TSX, free of charge, by contacting the Company.

For the three and six months ended June 30, 2014, 200,000 Shares were acquired and cancelled under the renewed NCIB at an average cost of $2.50 per Share.

DISCLOSURE CONTROLS AND PROCEDURES

Essential'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 a reasonable assurance that: (i) material information relating to Essential is made known to Essential's CEO and CFO; and (ii) information required to be disclosed by Essential 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 the 2013 reporting (please refer to the MD&A for the year-ended December 31, 2013, 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 are designed to provide reasonable assurance regarding the reliability of Essential's financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). Essential's CEO and CFO are responsible for designing, or causing to be designed under their supervision, internal controls over financial reporting related to Essential, including its consolidated subsidiaries.

Essential reported on internal controls over financial reporting as part of the 2013 reporting (please refer to the MD&A for the year-ended December 31, 2013, 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 internal controls over financial reporting in the current period.

OUTLOOK

Heading into the last half of 2014, there is a sense of renewed optimism within the energy services sector as E&P companies, bolstered by strong oil prices, improved access to capital markets and, in some instances, merger and acquisition activity, continue to execute their 2014 capital programs. Increases in key industry metrics including second quarter drilling activity, a backlog of well completion work heading into the last half of the year and an increase in the number and total depth of horizontal wells drilled in western Canada, support a strong industry environment for oilfield service companies in the last half of 2014.

Essential believes that it is well positioned to benefit from the anticipated increase in demand for well completion services in the last half of the year, particularly as the industry continues to shift towards deeper, longer reach horizontal wells.

Essential's masted deep coil tubing fleet, which achieved 109% utilization in the first quarter of 2014, is expected to continue to experience strong demand as customers execute their drilling, fracturing and completion programs. Essential also expects to benefit from the expanded service capacity of its masted deep coil tubing fleet with the recent delivery of two Generation III and one Generation IV rigs.

Essential also expects further growth in its downhole tools and rentals segment as year-to-date growth in the conventional downhole tools and rentals operations is expected to continue throughout the back half of the year. Management expects that "ball & seat" products will continue to form the core of its Tryton MSFS® product line. The introduction of new tools and additional growth in U.S. Tryton MSFS® revenue are also expected to contribute to MSFS® revenue.

Essential continues to execute its $53 million capital equipment program. As mentioned above, during the first half of 2014, Essential took delivery of its second Generation III masted deep coil tubing rig. The Generation III rigs that are in-service have seen strong utilization in the first half of 2014, even during break-up. In the second quarter, Essential took delivery of its first Generation IV masted deep coil tubing rig. One additional Generation III rig and one additional Generation IV rig is expected to be in-service later in the year.

Essential has a strong balance sheet with $49.4 million of debt outstanding on August 6, 2014 and a debt to EBITDAS ratio of 0.8x.

SUMMARY OF QUARTERLY DATA

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

(Thousands of dollars, except per share amounts, percentages and fleet data)	**Jun 30, 2014**	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013	**Jun 30, 2013**	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012
Well Servicing:								
Coil Well Service	**17,398**	41,499	36,150	33,037	**9,433**	49,621	41,228	33,857
Service Rigs	**16,437**	32,499	25,593	23,870	**14,732**	33,556	26,012	20,552
Other [(i)]	**-**	-	-	-	**-**	-	786	2,762
Total well servicing	**33,835**	73,998	61,743	56,907	**24,165**	83,177	68,026	57,171
Downhole Tools & Rentals	**19,521**	30,286	31,560	28,185	**14,252**	37,342	27,989	26,342
Inter-segment eliminations	**(604)**	(554)	(480)	(582)	-	-	-	-
Total revenue	**52,752**	103,730	92,823	84,510	**38,417**	120,519	96,015	83,513
Gross margin	**5,222**	27,327	25,332	21,414	**(1,310)**	37,832	27,039	23,012
Gross margin %	**10%**	26%	27%	25%	**(3)%**	31%	28%	28%
EBITDAS[(1)]	**440**	22,507	20,705	17,132	**(5,171)**	33,426	22,368	19,261
EBITDAS %[(1)]	**1%**	22%	22%	20%	**(13)%**	28%	23%	23%
Continuing operations								
Net income (loss)	**(5,425)**	10,149	9,478	4,292	**(8,958)**	19,205	8,050	8,343
Per share – basic and diluted	**$(0.04)**	$0.08	$0.07	$0.03	**$(0.07)**	$0.15	$0.06	$0.07
Net income (loss) attributable to shareholders of Essential	**(5,425)**	10,149	11,126	3,843	**(11,501)**	18,627	678	8,660
Per share – basic and diluted	**$(0.04)**	$0.08	$0.09	$0.03	**$(0.09)**	$0.15	$0.01	$0.07
Total assets	**408,964**	439,745	423,963	409,613	**380,728**	436,301	406,853	415,653
Total long-term debt	**38,433**	50,821	39,027	40,484	**14,592**	35,603	35,563	50,474
Utilization [(ii)]								
Deep coil tubing rigs	**27%**	77%	74%	73%	**18%**	110%	95%	79%
Pumpers	**34%**	69%	55%	47%	**14%**	73%	57%	50%
Service rigs	**34%**	66%	53%	50%	**28%**	69%	54%	45%
Operating Hours								
Deep coil tubing rigs	**6,972**	19,131	18,257	17,724	**4,125**	24,765	22,777	18,301
Pumpers	**9,861**	19,995	16,612	14,418	**4,241**	20,481	15,328	11,919
Service rigs	**16,907**	32,616	26,557	25,084	**14,234**	34,364	27,310	22,632
Downhole Tools & Rentals - revenue % of total								
Tryton MSFS®	**25%**	39%	55%	55%	**40%**	60%	51%	52%
Conventional Tools & Rentals	**75%**	61%	45%	45%	**60%**	40%	49%	48%
Equipment fleet [(iii)]								
Coil tubing rigs:								
Masted deep	**17**	16	15	15	**14**	14	16	16
Conventional deep	**12**	12	12	12	**11**	11	11	10
Conventional other	**18**	18	18	18	**19**	19	19	19
Service rigs	**55**	55	55	54	**56**	56	55	55
Nitrogen pumpers	**14**	14	14	15	**15**	13	13	10
Fluid pumpers	**18**	18	18	18	**18**	18	18	16
Rod rigs	**13**	13	13	12	**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 (collectively the “Forward-Looking Statements”) within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "may", "will", "believe", "intends", “budget” and similar expressions are intended to identify Forward-Looking Statements. In particular, this MD&A contains forward-looking statements, including, among other things, expectations regarding: capital spending, in-service timing and the timing of completion and delivery of new equipment, customer demands and the demand for new equipment, development of new products, demand for new products, growth opportunities and sources of such growth opportunities, future cash flow and earnings, access to sufficient funding, the NCIB, 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, Essential’s positioning for the future, the future operations of the coil well service and downhole tools & rentals segments, Essential’s ability to overcome competitive industry pressure for the MSFS® and the Company’s belief that the Packers Plus Energy Services Inc. 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: oilfield service activity and demand, Essential’s improved service capacity, the Company’s segment growth, the MSFS® product line, and financial resource or liquidity issues restricting Essential’s future operating, investing or financing activities.

Although the Company believes that the expectations and assumptions on which such Forward-Looking Statements are reasonable, undue reliance should not be placed on the Forward-Looking Statements because the Company can give no assurance that such statements and information will prove to be correct. 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 (“AIF”) (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. 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, 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 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 and amortization) – This measure is considered an indicator of Essential's ability to generate funds flow in order to fund required working capital, service debt, capital programs and pay dividends.

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

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

Funds flow or funds flow provided by (used in) 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, excluding the current portion of long-term debt.

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 and EBITDAS 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 June 30 2014**		As at December 31 2013
Assets				
Current				
Trade and other accounts receivable *(note 5)*	**$**	**47,489**	$	76,640
Inventories *(note 6)*		**34,033**		27,979
Prepayments		**3,705**		3,326
		85,227		107,945
Non-current				
Property and equipment *(note 7)*		**235,566**		230,292
Intangible assets		**30,227**		30,712
Goodwill		**57,944**		55,014
		323,737		316,018
Total assets	**$**	**408,964**	$	423,963
Liabilities				
Current				
Bank indebtedness	**$**	**1,199**	$	2,112
Trade and other accounts payable *(note 8)*		**27,807**		36,161
Dividends payable *(note 9)*		**3,774**		3,765
Income taxes payable		**-**		3,381
Current portion of long-term debt *(note 10)*		**-**		7,603
		32,780		53,022
Non-current				
Long-term debt *(note 10)*		**38,433**		31,424
Deferred taxes		**26,810**		26,360
		65,243		57,784
Total liabilities		**98,023**		110,806
Commitments and contingencies *(note 16)*				
Equity				
Share capital *(note 11)*		**263,062**		262,177
Retained earnings		**43,804**		46,622
Other reserves *(note 12)*		**4,075**		4,358
Total equity		**310,941**		313,157
Total liabilities and equity	**$**	**408,964**	$	423,963

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

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

(Thousands, except per share amounts)	For the three months ended June 30 **2014**	2013	For the six months ended June 30 **2014**	2013
Revenue	**$ 52,752**	$ 38,417	**$ 156,482**	$ 158,936
Operating expense	**47,530**	39,727	**123,933**	122,415
Gross margin	**5,222**	(1,310)	**32,549**	36,521
General and administrative expenses	**4,782**	3,861	**9,602**	8,267
	440	(5,171)	**22,947**	28,254
Depreciation and amortization	**6,576**	6,006	**13,361**	13,050
Share-based compensation *(note 13)*	**678**	269	**1,329**	612
Other expense	**98**	187	**853**	53
Operating profit (loss) from continuing operations	**(6,912)**	(11,633)	**7,404**	14,539
Finance costs	**481**	402	**914**	778
Income (loss) before income tax from continuing operations	**(7,393)**	(12,035)	**6,490**	13,761
Current income tax expense (recovery)	**(1,466)**	(969)	**1,316**	3,456
Deferred income tax expense (recovery)	**(502)**	(2,108)	**450**	58
Total income tax expense (recovery)	**(1,968)**	(3,077)	**1,766**	3,514
Net income (loss) from continuing operations	**$ (5,425)**	$ (8,958)	**$ 4,724**	$ 10,247
Loss from discontinued operations, net of tax *(note 14)*	**-**	(2,678)	**-**	(3,285)
Net income (loss)	**$ (5,425)**	$ (11,636)	**$ 4,724**	$ 6,962
Unrealized foreign exchange loss from continuing operations	**(80)**	-	**(166)**	-
Unrealized foreign exchange loss from discontinued operations	**-**	(156)	**-**	(187)
Other comprehensive loss	**(80)**	(156)	**(166)**	(187)
Comprehensive income (loss)	**$ (5,505)**	$ (11,792)	**$ 4,558**	$ 6,775
Net income (loss) attributable to:				
Shareholders of Essential	**$ (5,425)**	$ (11,501)	**$ 4,724**	$ 7,126
Non-controlling interest	**-**	(135)	**-**	(164)
	$ (5,425)	$ (11,636)	**$ 4,724**	$ 6,962
Comprehensive income (loss) attributable to:				
Shareholders of Essential	**$ (5,505)**	$ (11,650)	**$ 4,558**	$ 6,947
Non-controlling interest	**-**	(142)	**-**	(172)
	$ (5,505)	$ (11,792)	**$ 4,558**	$ 6,775
Net income (loss) per share from continuing operations *(note 15)*				
Basic and diluted, attributable to shareholders of Essential	**$ (0.04)**	$ (0.07)	**$ 0.04**	$ 0.08
Net income (loss) per share *(note 15)*				
Basic and diluted, attributable to shareholders of Essential	**$ (0.04)**	$ (0.09)	**$ 0.04**	$ 0.06
Comprehensive income (loss) per share *(note 15)*				
Basic and diluted, attributable to shareholders of Essential	**$ (0.04)**	$ (0.09)	**$ 0.04**	$ 0.06

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 six months ended June 30 **2014**	2013
Share capital		
Balance, January 1	**$ 262,177**	$ 258,772
Exercise of options *(note 11)*	**1,303**	2,827
Shares repurchased in normal course issuer bid *(note 11)*	**(418)**	(419)
Balance, June 30	**$ 263,062**	$ 261,180
Retained earnings		
Balance, January 1	**$ 46,622**	$ 38,276
Net income	**4,724**	7,126
Dividends *(note 9)*	**(7,542)**	(6,227)
Balance, June 30	**$ 43,804**	$ 39,175
Other reserves		
Balance, January 1	**$ 4,358**	$ 5,363
Other comprehensive loss *(note 12)*	**(166)**	(178)
Equity-settled share-based compensation	**400**	612
Exercise of options	**(434)**	(643)
Shares cancelled under normal course issuer bid *(note 12)*	**(83)**	-
Balance, June 30	**$ 4,075**	$ 5,154
Total equity attributable to shareholders of Essential	**$ 310,941**	$ 305,509
Equity attributable to non-controlling interest	**$ -**	$ (178)
Total equity	**$ 310,941**	$ 305,331

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

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

(Thousands)		For the six months ended June 30 **2014**		2013
Operating activities:				
Net income from continuing operations	**$**	**4,724**	$	10,247
Non-cash adjustments to reconcile net income for the period to operating cash flow:				
Depreciation and amortization		**13,361**		13,050
Deferred income tax expense		**450**		58
Share-based compensation *(note 13)*		**400**		612
Provision for impairment of trade accounts receivable *(note 5)*		**225**		280
Finance costs		**914**		778
Loss on disposal and retirement of assets *(note 7)*		**848**		64
Operating cash flow before changes in non-cash working capital		**20,922**		25,089
Change in non-cash operating working capital:				
Trade and other accounts receivable before provision		**32,374**		31,326
Inventories		**(5,520)**		(4,218)
Prepayments		**(379)**		547
Trade and other accounts payable		**(4,540)**		(6,156)
Current income taxes payable		**(6,102)**		(1,374)
Net cash provided by operating activities from continuing operations		**36,755**		45,214
Investing activities:				
Purchase of property, equipment and intangibles *(note 7)*		**(19,172)**		(18,704)
Business acquisition, net of cash acquired *(note 4)*		**(5,533)**		-
Non-cash investing working capital in trade and other accounts payable		**(4,349)**		(546)
Proceeds on disposal of equipment *(note 7)*		**1,902**		726
Net cash used in investing activities from continuing operations		**(27,152)**		(18,524)
Financing activities:				
Issuance of long-term debt		**(594)**		(20,971)
Proceeds from exercise of share options		**871**		2,187
Repurchase of shares		**(500)**		(421)
Dividends paid		**(7,534)**		(6,227)
Finance costs		**(914)**		(778)
Net cash used in financing activities from continuing operations		**(8,671)**		(26,210)
Foreign exchange (gain) loss on cash held in a foreign currency		**(19)**		17
Net increase in cash		**913**		497
Bank indebtedness, beginning of period		**(2,112)**		(1,835)
Bank indebtedness, end of period	**$**	**(1,199)**	$	(1,338)
Supplemental cash flow information				
Cash taxes paid	**$**	**7,434**	$	4,830
Cash interest and standby fees paid	**$**	**794**	$	645

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 June 30, 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 three and six months period ended June 30, 2014 and 2013 were authorized by the Board of Directors on August 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 primarily in western Canada. The address of the registered office is 3400, 350 – 7 Avenue S.W., Calgary, Alberta, Canada, T2P 3N9.

2. STATEMENT OF COMPLIANCE & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements as at and for the three and six months ended June 30, 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. SIGNIFICANT ACCOUNTING POLICIES

I) CHANGES IN ACCOUNTING POLICIES

The following amendments and interpretation standards are effective for annual periods beginning on or after January 1, 2014: ISA 32 *Offsetting Financial Assets and Liabilities*, IAS 36 *Impairment of Assets* and IFRIC 21 *Levies – interpretation of IAS 37 Provisions, contingent liabilities and assets*. There was no material impact to Essential's interim financial statements as a result of adopting the aforementioned amendments.

II) FUTURE ACCOUNTING POLICIES

Financial Instruments

IFRS 9 *Financial instruments:* IFRS 9 addresses requirements for the classification and measurement of financial instruments, impairment methodology and hedge accounting. The IASB set a mandatory effective date for annual periods beginning on or after January 1, 2018. The Company continues to assess this new standard, but does not expect it to have a significant impact.

Revenue

IFRS 15 *Revenue from contracts with Customers:* IFRS 15 replaces the existing revenue recognition guidance with a new framework to determine the timing and measurement of revenue, providing users of the financial statements more information and relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company continues to assess this new standard, but does not expect it to have a significant impact.

4. BUSINESS ACQUISITION

On April 30, 2014, Essential acquired all of the issued and outstanding shares of Sam's Packer & Supply LLC ("Sam's"), a private downhole tool rental and service company that operates in Norman, Oklahoma and Liberal, Kansas, United States. The purchase price was $5.7 million (US $5.1 million) plus working capital adjustments of $0.5 million (US $0.5 million).

This acquisition has been accounted for using the acquisition method. Essential has allocated the purchase price to the net assets acquired based on management's best estimate of fair value, which takes into consideration the condition of the assets acquired as well as the amount expected to settle the outstanding liabilities, with the residual allocated to goodwill. Sam's operating results have been included in Essential's interim consolidated financial statements from the date of acquisition.

The following summarizes the allocation of the aggregate consideration for the acquisition of Sam's:

		Amount
Calculation of purchase price:		
Cash paid on closing	$	5,664
Working capital adjustments		510
	$	6,174

		Amount
Net assets acquired:		
Cash	$	131
Net working capital (including accounts receivable of $636)		1,146
Property and equipment		175
Intangible assets		1,677
Goodwill		3,045
	$	6,174

The net assets acquired and liabilities assumed have been included in the Downhole Tools & Rentals segment. Goodwill relates to the following: 1) the acquisition of Sam's is complementary to Essential's current downhole tool business and a continuation of the Company's strategy to expand into the United States; and 2) an experienced management team and work force has been in place for many years. Intangibles relate to a customer list and a non-compete agreement. The goodwill and intangible assets recognized are deductible for United States income tax purposes.

5. TRADE AND OTHER ACCOUNTS RECEIVABLE

		As at June 30 2014		As at December 31 2013
Trade receivables, net of provision	**$**	**44,399**	$	76,358
Other receivables		**3,090**		282
	$	**47,489**	$	76,640

Trade receivables are non-interest bearing 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 June 30 2014	As at December 31 2013
Canadian dollar	**$ 41,224**	$ 74,266
United States dollar	**3,175**	2,092
	$ 44,399	$ 76,358

The aging analysis of trade receivables is as follows:

	As at June 30 2014	As at December 31 2013
< 31 days	**$ 25,797**	$ 31,458
31-60 days	**8,356**	27,146
61-90 days	**2,614**	12,206
>90 days	**7,632**	5,548
	$ 44,399	$ 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 periods were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2014	2013	**2014**	2013
Balance, beginning of period	**$ 1,076**	$ 522	**$ 962**	$ 314
Provision for receivables impairment	**-**	30	**225**	280
Receivables written off against the provision	**(24)**	(110)	**(135)**	(152)
Balance, end of period	**$ 1,052**	$ 442	**$ 1,052**	$ 442

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.

6. INVENTORIES

	As at June 30 2014	As at December 31 2013
Downhole tools	**$ 25,254**	$ 19,924
Coil well service products	**8,779**	8,055
	$ 34,033	$ 27,979

Inventory charged through operating expenses in the consolidated statement of net income and comprehensive income for the three and six months ended June 30, 2014 was $8.9 million and $23.4 million (2013 - $6.1 million and $23.9 million), respectively.

7. PROPERTY AND EQUIPMENT

As at June 30, 2014	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Coil well service rigs and equipment	**$ 134,973**	**$ 27,616**	**$ 107,357**
Service rigs and equipment	**100,696**	**26,514**	**74,182**
Oilfield equipment	**47,933**	**18,441**	**29,492**
Vehicles	**28,935**	**8,800**	**20,135**
Office and computer equipment	**4,155**	**2,486**	**1,669**
Land	**482**	**-**	**482**
Other	**4,918**	**2,669**	**2,249**
	$ 322,092	**$ 86,526**	**$ 235,566**

As at December 31, 2013	Cost	Accumulated Depreciation	Net Book Value
Coil well service rigs and equipment	$ 126,847	$ 24,400	$ 102,447
Service rigs and equipment	100,438	23,821	76,617
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 $24.5 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 June 30		For the six months ended June 30	
	2014	2013	**2014**	2013
Net book value, beginning of period	**$ 233,563**	$ 212,215	**$ 230,292**	$ 211,304
Assets acquired in business combination	**171**	-	**171**	-
Additions	**8,043**	11,775	**18,845**	18,538
Disposals	**(840)**	(293)	**(2,751)**	(790)
Depreciation	**(5,310)**	(4,590)	**(10,914)**	(9,945)
Currency translation adjustment	**(61)**	-	**(77)**	-
Net book value, end of period	**$ 235,566**	$ 219,107	**$ 235,566**	$ 219,107

8. TRADE AND OTHER ACCOUNTS PAYABLE

	As at June 30 2014	As at December 31 2013
Trade accounts payable	**$ 12,727**	$ 17,151
Accrued payables	**5,575**	7,290
Accrued payroll	**6,232**	9,405
Other	**3,273**	2,315
	$ 27,807	$ 36,161

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

	As at June 30 2014	As at December 31 2013
Canadian dollar	**$ 11,243**	$ 17,122
United States dollar	**1,484**	29
	$ 12,727	$ 17,151

9. 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	$ 0.03
June 30, 2014	July 15, 2014	$ 3,774	$ 0.03

10. LONG-TERM DEBT

	As at June 30 2014	As at December 31 2013
Term loan	**$ 38,550**	$ 39,100
Deferred financing costs	**(117)**	(73)
	38,433	39,027
Less: current portion of long-term debt	**-**	7,603
Non-current portion of long-term debt	**$ 38,433**	$ 31,424

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

As at June 30, 2014, the Company was in compliance with all financial debt covenants 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 June 30 2014
Repayments are required as follows:	
Within one year	$ -
Between one and two years	-
Between two and three years	38,433
	$ 38,433

11. SHARE CAPITAL

Authorized

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

	Number of Common Shares		Amount
As at January 1, 2013	123,991	$	258,772
Shares issued on exercise of options	2,025		4,491
Shares repurchased under normal course issuer bid	(520)		(1,086)
As at December 31, 2013	125,496	$	262,177
Shares issued on exercise of options	**511**		**1,303**
Shares repurchased in normal course issuer bid	**(200)**		**(418)**
As at June 30, 2014	**125,807**	**$**	**263,062**

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 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 and six months ended June 30, 2014, 200,000 Common Shares were acquired and cancelled under the renewed NCIB at an average cost of $2.50 per Common Share. Any excess amount paid for these shares, relative to their carrying amount, was recorded as a reduction of contributed surplus.

12. 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		**400**		**-**		**400**
Exercise of options		**(434)**		**-**		**(434)**
Shares cancelled under NCIB		**(83)**		**-**		**(83)**
Unrealized foreign exchange loss on foreign operations		**-**		**(166)**		**(166)**
As at June 30, 2014	**$**	**4,295**	**$**	**(220)**	**$**	**4,075**

13. SHARE-BASED COMPENSATION

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

The maximum number of share options issuable under the Share Option Plan and RSU units under the RSU Plan, together may not exceed 9% of the Company's outstanding Common Shares. As at June 30, 2014, the maximum number of share options and RSU units allowed for issuance was 11,322,645 (2013 – 11,225,265).

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

	For the three months ended June 30 **2014**	2013	For the six months ended June 30 **2014**	2013
Equity-settled share options	**$ 188**	$ 269	**$ 400**	$ 612
Restricted share units	**414**	-	**788**	-
Cash-settled deferred share units	**76**	-	**141**	-
Total share-based compensation expense	**$ 678**	$ 269	**$ 1,329**	$ 612

(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's Common Shares, with terms not to exceed five years from the date of the grant. The exercise price is the weighted-average price of the Common Shares for the five trading days immediately prior to the grant date. Under the Share Option Plan, vesting periods are determined by the Board of Directors 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 six months ended June 30 2014		For the six months ended June 30 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	$ 1.91
Issued	**655**	**2.90**	698	2.21
Exercised	**(511)**	**1.71**	(1,268)	1.78
Forfeited	**(75)**	**2.02**	(155)	2.12
Outstanding, end of period	**5,513**	**$ 2.11**	6,649	$ 1.97
Exercisable, end of period	**3,550**	**$ 1.93**	3,619	$ 1.85

The fair value of the 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 – 1.67%**	1.1 – 1.4%
Expected volatility	**43.5 – 46.4%**	45.9 – 58.5%
Expected term	**3.61 – 4.35 years**	2.7 – 4.1 years
Expected forfeiture rate	**7.9 – 17.4%**	7.9 – 18.1%
Dividend yield	**4.12%**	4.29 – 4.35%

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

The following table summarizes information with respect to the share options outstanding as at June 30, 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	1,154	1.18	$1.51	1,141
$2.00 – $2.90	4,359	2.23	$2.23	2,409
	5,513	1.89	$1.93	3,550

(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 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 associated liability related to the RSUs as at June 30, 2014 is $1.0 million (2013 – nil) of which $0.6 million is due within one year.

The following table summarizes information with respect to the RSU units outstanding as at June 30, 2014:

	For the six months ended June 30	
	2014	2013
	Number of RSUs	Number of RSUs
Outstanding, beginning of period	**588**	-
Issued	**765**	-
Vested	**(200)**	-
Forfeited	**(31)**	-
Outstanding, end of period	**1,122**	-

(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 carrying amount of the liability as at June 30, 2014 is $0.3 million (2013 – nil).

The following table summarizes information with respect to the DSU units outstanding as at June 30, 2014:

	For the six months ended	June 30
	2014	2013
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	**100**	-
Issued	**4**	-
Vested	**-**	-
Forfeited	**-**	-
Outstanding, end of period	**104**	-

14. DISCONTINUED OPERATIONS

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

15. 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. During periods of net loss, the dilutive effect on Common Shares from share options and RSUs are not used in calculating net income per share as their effect is anti-dilutive.

	For the three months ended	June 30	For the six months ended	June 30
	2014	2013	**2014**	2013
Basic	**125,771**	124,156	**125,662**	124,091
Dilutive common shares from share options and RSUs	**-**	-	**2,464**	1,187
Total diluted	**125,771**	124,156	**128,126**	125,278
Net income (loss) attributable to Essential from continuing operations	**$ (5,425)**	$ (8,958)	**$ 4,724**	$ 10,247
Net income (loss) attributable to Essential	**$ (5,425)**	$ (11,501)	**$ 4,724**	$ 7,126
Comprehensive income (loss) attributable to Essential	**$ (5,505)**	$ (11,650)	**$ 4,558**	$ 6,947
Net income (loss) attributable to Essential from continuing operations per share				
Basic and diluted attributable to shareholders of Essential	**$ (0.04)**	$ (0.07)	**$ 0.04**	$ 0.08
Net income (loss) per share				
Basic and diluted, attributable to shareholders of Essential	**$ (0.04)**	$ (0.09)	**$ 0.04**	$ 0.06
Comprehensive income (loss) per share				
Basic and diluted, attributable to shareholders of Essential	**$ (0.04)**	$ (0.09)	**$ 0.04**	$ 0.06

16. 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	$ 2,949
2015	5,636
2016	5,614
2017	5,984
2018	3,247
Thereafter	11,693
	$ 35,123

Other commitments

Essential entered into agreements to build certain assets for $26 million of which approximately $15 million is expected to be paid in 2014 and $11 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, any 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 that the suit is without merit and is defending against the allegations.

17. 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 quarter of the year and lower in the second quarter.

18. SEGMENTED INFORMATION

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

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

a) Well Servicing

The Well Servicing segment provides well completion, production and workover services throughout the Western Canadian Sedimentary Basin. 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 United States downhole tools, and rentals business.

c) Corporate and Eliminations

The Corporate and Eliminations segment is comprised of: i) corporate office costs, which are managed on a group basis and are not allocated to the operating segments; and ii) eliminations, which include transactions between segments which are eliminated upon consolidation. Net income (loss) before income tax for the three and six months period ended June 30, 2014 for the Corporate and Eliminations segment, substantially represents corporate office costs.

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

As at and for the three months ended June 30, 2014	**Well Servicing**	**Downhole Tools & Rentals**	**Corporate & Eliminations**	**Consolidated**
Revenue	**$ 33,835**	**$ 19,521**	**$ (604)**	**$ 52,752**
Net income (loss) before income tax	**$ (6,879)**	**$ 5,321**	**$ (5,835)**	**$ (7,393)**
Depreciation and amortization	**$ 5,472**	**$ 854**	**$ 250**	**$ 6,576**
Total assets	**$ 337,423**	**$ 68,097**	**$ 3,444**	**$ 408,964**
Total liabilities	**$ 23,104**	**$ 2,174**	**$ 72,745**	**$ 98,023**
Equipment expenditures	**$ 6,349**	**$ 1,599**	**$ 175**	**$ 8,123**

As at and the three months ended June 30, 2013	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	$ 24,165	$ 14,252	$ -	$ 38,417
Net income (loss) before income tax	$ (10,493)	$ 2,676	$ (4,218)	$ (12,035)
Depreciation and amortization	$ 5,108	$ 644	$ 254	$ 6,006
Total assets	$ 324,415	$ 48,106	$ 3,216	$ 375,737
Total liabilities	$ 44,620	$ 4,992	$ 24,714	$ 74,326
Equipment expenditures	$ 10,365	$ 1,297	$ 218	$ 11,880

As at and the six months ended June 30, 2014		**Well Servicing**		**Downhole Tools & Rentals**		**Corporate & Eliminations**		**Consolidated**
Revenue	**$**	**107,833**	**$**	**49,807**	**$**	**(1,158)**	**$**	**156,482**
Net income (loss) before income tax	**$**	**5,069**	**$**	**13,391**	**$**	**(11,970)**	**$**	**6,490**
Depreciation and amortization	**$**	**11,243**	**$**	**1,597**	**$**	**521**	**$**	**13,361**
Total assets	**$**	**337,423**	**$**	**68,097**	**$**	**3,444**	**$**	**408,964**
Total liabilities	**$**	**23,104**	**$**	**2,174**	**$**	**72,745**	**$**	**98,023**
Equipment expenditures	**$**	**13,156**	**$**	**5,316**	**$**	**699**	**$**	**19,171**

As at and for the six months ended June 30, 2013		Well Servicing		Downhole Tools & Rentals		Corporate & Eliminations		Consolidated
Revenue	$	107,342	$	51,594	$	-	$	158,936
Net income (loss) before income tax	$	9,415	$	14,935	$	(10,589)	$	13,761
Depreciation and amortization	$	11,109	$	1,359	$	582	$	13,050
Total assets	$	324,415	$	48,106	$	3,216	$	375,737
Total liabilities	$	44,620	$	4,992	$	24,714	$	74,326
Equipment expenditures	$	16,508	$	1,741	$	455	$	18,704

19. COMPARATIVE FIGURES

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

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

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