



**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF  
ESSENTIAL ENERGY SERVICES LTD. SHAREHOLDERS**

**to be held June 15, 2020**

**and**

**INFORMATION CIRCULAR**

**April 29, 2020**

*The deadline for the receipt of proxies for the Meeting is 2:00 p.m. (Calgary time) on June 11, 2020*

**ESSENTIAL ENERGY SERVICES LTD.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL VIRTUAL-ONLY MEETING OF SHAREHOLDERS**

**You are invited to the Essential Energy Services Ltd. (“Essential”) 2020 annual general and special virtual-only meeting (the “Meeting”) of holders of common shares (“Shares”) of Essential (“Shareholders”)**

When: Monday, June 15, 2020  
2:00 p.m. (Calgary time)

Where: Virtual-only meeting conducted via live audio online webcast at <https://web.lumiagm.com/243330394>

**Why is Essential having a Virtual-only Meeting?**

Essential is having a virtual-only meeting this year as a result of the social distancing measures put in place by the Federal and Provincial Governments, Alberta Health Services and the City of Calgary to protect the health and well-being of our communities during the COVID-19 global health pandemic. The board of directors of Essential determined that a virtual-only meeting was the only responsible way to hold an annual meeting this year. The Meeting will be conducted via live audio online webcast and allows Essential’s Shareholders to participate in the Meeting regardless of their geographic location. Shareholders will not be able to attend the Meeting in person.

**At the Meeting we will Cover Five Items of Business:**

1. Receive Essential’s 2019 consolidated financial statements and the auditors report;
2. Elect the directors;
3. Appoint the auditors;
4. Confirm the adoption of Essential’s Amended and Restated By-law No. 1; and
5. Other business.

The full text of resolutions in respect of special business can be found in the attached management information circular (the “**Circular**”).

**Your Vote and Participation is Important**

If you are a Shareholder of record of Essential at the close of business on April 29, 2020, you are entitled to receive notice of, participate in, and vote at the Meeting. We encourage you to vote your Shares and participate in the Meeting.

Participation in the Meeting will be via the following website: <https://web.lumiagm.com/243330394>.

If you participate in the Meeting, it is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the Meeting. You should allow ample time to check into the Meeting online and complete the related registration procedures.

The board of directors has approved the contents of the Circular. Please review the Circular as it contains important information about the Meeting, the items of business and explains who can vote and how to vote.

Dated at the City of Calgary, in the Province of Alberta, this 29th day of April 2020.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
ESSENTIAL ENERGY SERVICES LTD.**

(signed) “*Garnet K. Amundson*”  
Garnet K. Amundson, President and Chief Executive Officer  
Essential Energy Services Ltd.

## INFORMATION CIRCULAR FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 15, 2020

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies by and on behalf of the management of Essential Energy Services Ltd. (“Essential” or the “Company” or the “Corporation”) for use at the annual general and special meeting (the “Meeting”) of the holders of common shares (“Shareholders”) of Essential to be conducted in a virtual-only format via live audio webcast at <https://web.lumiagm.com/243330394> at 2:00 p.m. (Calgary time) on June 15, 2020, and at any adjournment(s) thereof, for the purposes set forth in the accompanying notice of annual general and special meeting of Shareholders (“Notice of Meeting”). No person has been authorized to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized. Information contained in this Circular is given as at April 29, 2020, unless otherwise stated and all dollar amounts are expressed in Canadian dollars.

### DETAILS ABOUT THE MEETING

Shareholder participation at the Meeting is important to Essential.

#### Virtual-only Meeting

Essential is having a virtual-only Meeting this year as a result of the social distancing measures put in place by the Federal and Provincial Governments, Alberta Health Services and the City of Calgary to protect the health and well-being of our communities during the COVID-19 global health pandemic. The board of directors of Essential (“**Board of Directors**” or “**Board**”) determined that a virtual-only meeting was the only responsible way to hold an annual meeting this year. The Meeting will be conducted via live audio online webcast and allows Essential’s Shareholders to participate in the Meeting regardless of their geographic location. Shareholders will not be able to attend the Meeting in person.

Despite holding the Meeting in a virtual-only format, Essential’s intention is to return to an in-person meeting format for its 2021 annual meeting of Shareholders.

The following sections provide detailed information about the Meeting and how Shareholders can participate in the Meeting and vote their common shares of Essential (“**Shares**”).

#### Meeting Date, Time and Location

The Meeting will be held on June 15, 2020 at 2:00 p.m. (Calgary time). The Meeting will be conducted in a virtual-only format via live audio online webcast at <https://web.lumiagm.com/243330394>.

#### Participation at the Meeting

**Registered Shareholders:** A Shareholder whose name appears on Essential’s records as a Shareholder (a “**Registered Shareholder**”) may vote at the Meeting by completing a ballot online during the Meeting, as described below under “How to Vote”.

**Beneficial Shareholders:** A non-registered Shareholder whose Shares are registered in the name of a nominee, such as a bank, trust company, securities broker or other intermediary (a “**Beneficial Shareholder**”) that would like to vote at the Meeting must appoint themselves as a proxyholder, see “Voting and Proxies - How to Vote – Beneficial Shareholders”. Beneficial Shareholders who have not appointed themselves as proxyholders will be able to participate as a guest but will not be able to vote or ask questions at the virtual Meeting.

Shareholders that wish to appoint a third-party proxyholder to represent them at the virtual Meeting must submit their proxy or voting instruction form (as applicable) prior to registering their proxyholder. Registering a proxyholder is an additional step once a Shareholder has submitted their proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a username to participate in the Meeting. To register a

proxyholder, Shareholders MUST visit <https://www.computershare.com/ESNQ> by 2:00 pm (Calgary time) June 11, 2020 and provide the transfer agent, Computershare Trust Company of Canada (“**Computershare**”) with their proxyholder’s contact information, so that Computershare may provide the proxyholder with a username via email.

Shareholders can attend the meeting as follows:

- Log in online at <https://web.lumiagm.com/243330394>. We recommend visiting the website in advance of the Meeting to ensure it works on the Shareholder’s computer or device;
- Password: essential2020 (case sensitive);
- Registered Shareholders must enter the 15-digit control number provided on their form of proxy provided by Computershare, which constitutes their username;
- Appointed proxyholders must enter the username provided by Computershare via email.

## **Voting and Proxies**

### ***Who is Seeking my Vote?***

Management of Essential is soliciting proxies from Shareholders for the Meeting. The costs incurred in the preparation and mailing of the form of proxy, Notice of Meeting and this Circular will be borne by Essential. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of Essential, who will not be specifically remunerated therefore.

### ***Who can Vote?***

Shareholders at the close of business on April 29, 2020 (the “**Record Date**”) are entitled to receive notice of, and to vote at the Meeting. To the extent a Shareholder transfers the ownership of any of their Shares after the Record Date and the transferee of those Shares establishes that they own such Shares and request, at least 10 days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Shares at the Meeting.

### ***How to Vote***

The procedures for voting are different for a Registered Shareholder and a Beneficial Shareholder.

### **Registered Shareholders**

A Registered Shareholder may vote virtually at the Meeting or by proxy or they may appoint another person, who does not have to be a Shareholder, as their proxy to attend virtually and vote in their place. The persons named in the enclosed form of proxy are directors and/or officers of Essential.

**Each Registered Shareholder submitting a proxy has the right to appoint a proxyholder other than the persons designated in the form of proxy furnished by Essential, who need not be a Shareholder to attend and act for the Registered Shareholder and on the Registered Shareholder’s behalf at the Meeting.** To exercise such right, the names of the persons designated by management should be crossed out and the name of the Registered Shareholder’s appointee should be legibly printed in the blank space provided in the enclosed form of proxy or by submitting another appropriate form of proxy.

Registered Shareholders can vote virtually at the Meeting by logging in as set out above under “Participation at the Meeting” and clicking on the voting icon when the chair declares the poll open.

Registered Shareholders can vote by proxy in one of three ways:

- Call 1-866-732-VOTE (8683) toll-free and follow the instructions. Registered Shareholders will need to enter their 15-digit control number (located on the bottom left corner of the first page of the proxy form that was sent to them) to identify themselves as a Shareholder on the telephone voting system;
- Go to [www.investorvote.com](http://www.investorvote.com). Registered Shareholders will need to enter their 15-digit control number (located on the bottom left corner of the first page of the proxy form that was sent to them) to identify themselves as a Shareholder on the voting website; or
- Complete the proxy form that was sent to them, sign and date it and return to: Computershare Trust Company of Canada, 8th floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department).

Computershare must receive completed proxy forms not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, before the time set for the holding of the Meeting or any adjournment(s) thereof.

#### *Exercise of Discretion by Proxyholders*

All Shares represented at the Meeting by properly completed forms of proxy will be voted or withheld from voting in accordance with the specifications of the Registered Shareholder contained in the proxy. **In the absence of such specification, such Shares will be voted in favour of the matters set forth in the Circular.** All Shares represented at the Meeting will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment(s) thereof. At the time of printing this Circular, management of Essential knows of no such amendments, variations or other matters to come before the Meeting.

#### **Beneficial Shareholders**

The majority of Essential's Shares are held by Beneficial Shareholders. Most nominees (i.e. the bank, trust company, securities broker or other intermediary) delegate responsibility for obtaining voting instructions from their clients to Broadridge Financial Solutions Inc. ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form (the "**Voting Instruction Form**") in lieu of the form of proxy provided by Essential.

Beneficial Shareholders can vote by proxy in the following ways:

- Complete and return the Voting Instruction Form to Broadridge;
- Call the toll-free telephone number (1-800-474-7493); or
- Access Broadridge's dedicated voting website at [www.proxyvote.com](http://www.proxyvote.com) to deliver their voting instructions.

Broadridge will tabulate the results of all instructions received and provide appropriate instructions respecting the voting of Shares to be represented at the Meeting. **The Voting Instruction Form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Shares voted. Beneficial Shareholders cannot use the Voting Instruction Form to vote Shares directly at the virtual Meeting.**

If the Beneficial Shareholder wishes to vote their Shares at the virtual Meeting, they must do so as proxyholder for the Registered Shareholder. To do this, the Beneficial Shareholder should enter their name in the blank space on the Voting Instruction Form provided and return the same to their broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

#### ***Notice and Access Regime***

Essential is using "notice and access" to deliver Meeting materials to Beneficial Shareholders ("**Notice and Access**"). Notice and Access is a set of rules developed by the Canadian Securities Administrators that allows companies to post

meeting materials online, reducing paper and mailing costs. Essential will post the Notice of Meeting, Circular, audited consolidated annual financial statements for the year-ended December 31, 2019 and related Management’s Discussion and Analysis (collectively, the “**Meeting Materials**”) for Beneficial Shareholders to access electronically.

Beneficial Shareholders will receive a package in the mail containing a Voting Instruction Form, a notice outlining the business items to be addressed at the Meeting as well as information about how to access the Meeting Materials online, how to obtain paper copies of the Meeting Materials at no charge and how to vote.

Essential will not be using Notice and Access for Registered Shareholders. Essential will mail paper copies of the Circular and Meeting Materials to Registered Shareholders that have not consented to electronic delivery together with a solicitation for consent from Registered Shareholders to electronic delivery in future years. Registered Shareholders that consented to electronic delivery will receive instructions via email on where to access the Circular and Meeting Materials on Essential’s website at [www.essentialenergy.ca](http://www.essentialenergy.ca).

A paper copy of Essential’s annual financial statements and related management’s discussion and analysis for the most recently completed financial year has been mailed to Registered Shareholders who have not informed Essential in writing that they do not want to receive a copy of such items or who have not consented to electronic delivery. Registered Shareholders that consented to electronic delivery received instructions via email on where to access Essential’s annual financial statements and related management’s discussion and analysis for the most recently completed financial year on Essential’s website.

Essential will not send its proxy-related meeting materials directly to non-objecting beneficial owners under National Instrument NI 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”). Essential intends to pay for proximate intermediaries to forward the proxy-related materials and Voting Instruction Form to objecting beneficial owners under NI 54-101.

### ***Changing Your Vote***

Registered Shareholders can revoke their previously submitted proxy form by voting at the Meeting. That will automatically revoke their previous proxy. In addition, a proxy may be revoked by instrument in writing executed by the Registered Shareholder or their attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal and by a director, officer or attorney thereof duly authorized, and deposited either: (i) at the offices of Essential’s transfer agent, Computershare Trust Company of Canada, 8th floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department) not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, before the time set for the holding of the Meeting or any adjournment(s) thereof; or (ii) at the head office of Essential at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used.

Beneficial Shareholders may revoke their previously submitted voting instructions by contacting their nominee.

### ***Advance Notice Requirement***

Essential’s by-laws include an advance notice requirement relating to the nomination of directors (the “**Advance Notice Requirement**”) designed to facilitate an orderly and efficient director nomination process by ensuring that all Shareholders receive adequate notice of director nominations and sufficient information in respect of all nominees so that the proposed nominees’ qualifications and suitability as directors can be evaluated and an informed vote cast for the election of directors. The Advance Notice Requirement is intended to provide Shareholders, the Board of Directors and Essential with a clear framework for nominating directors and sets certain deadlines before each Shareholder meeting for a Shareholder to notify Essential of its intention to nominate one or more directors.

For the purposes of the Meeting, to be valid under the Advance Notice Requirement, as Notice and Access will be used for delivery of the Meeting Materials, notice must be received not less than 40 days prior to the date of the Meeting, provided that if the Meeting is to be held on a date that is less than 50 days after the date of the first public announcement of the date of the Meeting, notice must be received not later than the 10<sup>th</sup> day following the date of the first public announcement of the Meeting.

Essential's by-laws set out the information that must be included in or that must accompany the nominating Shareholder's notice. The Board of Directors may, in its sole discretion, waive any provision under the Advance Notice Requirement.

Pursuant to Essential's by-laws, no business may be transacted at the Meeting unless it is: specified in the Company's notice of meeting given by or at the discretion of the Company's Board of Directors; otherwise properly brought before the annual meeting of Shareholders by or at the discretion of Essential's Board of Directors; or that is properly brought before the annual meeting of Shareholders by any Shareholder in accordance with the requirements of the *Business Corporations Act* (Alberta) ("ABCA"), subject to the Advance Notice Requirement. No business may be transacted at a special meeting of Shareholders unless it is specified in the Essential's notice of meeting, subject to the Advance Notice Requirement. The entirety of the Advance Notice Requirements is set out in Essential's Amended and Restated By-law No. 1 (the "**Amended and Restated By-law**"), which is available on Essential's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON**

Management of Essential is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or nominee for director, executive officer, or anyone who has held office as such since the commencement of the last completed fiscal year of the Company, or of any associate or affiliate of any of the foregoing individuals, in any matter to be acted on at the Meeting, except as set forth in this Circular.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

Essential is authorized to issue an unlimited number of Shares. As at April 29, 2020, an aggregate of 141,856,813 Shares were issued and outstanding. Shareholders are entitled to one vote for each Share held.

As of the date hereof, to the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, or controls or directs, directly or indirectly, Shares carrying 10% or more of the voting rights attached to all of the issued and outstanding Shares, except as outlined below:

<b>Name</b>	<b>Number of Shares</b>	<b>Percent Outstanding <sup>(1)</sup></b>
Ewing Morris & Co. Investment Partners Ltd.	16,578,820	11.7%

*Note:*

(1) Calculated based on the number of issued and outstanding Shares of the Corporation on April 29, 2020.

### **APPROVAL REQUIREMENTS**

All of the matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

### **MATTERS TO BE ACTED UPON AT THE MEETING**

#### **Item 1 - Presentation of Financial Statements**

Essential will present to Shareholders the consolidated audited financial statements of Essential for the year ended December 31, 2019 and the auditors' report thereon. The financial statements for the year ended December 31, 2019 have been approved by the Board of Directors and no formal action will be taken at the Meeting to approve the financial statements.

#### **Item 2 - Election of Directors**

Shareholders will be asked to elect the proposed directors set forth below to hold office until the next annual meeting of Shareholders or until their successors are elected or appointed. There are presently six directors of Essential, including Michael Black who, after serving on Essential's Board of Directors since 2012, will be retiring from the Board this year and will not stand for re-election. Essential would like to thank Mr. Black for his many contributions to the Company and its Board of Directors. Each of the other five directors of Essential have been nominated to stand

for re-election to the Board and one new director, Steven Sharpe, has been nominated to stand for election to the Board, until the Company's 2021 annual meeting or until their successors are elected or appointed.

Voting for the election of directors will be conducted on an individual, and not on a "slate", basis. Management of Essential recommends that Shareholders vote "for" each of the appointments. The persons named in the enclosed proxy intend to vote "for" the election of each of the nominees unless the Shareholder specifies authority to vote "withhold".

The Board of Directors has a majority voting policy such that if a nominee for director receives a greater number of "withhold" votes than "for" votes, the director shall promptly, following the certification of the Shareholder vote, submit his resignation to the Board of Directors. The Compensation and Governance Committee ("**C&G Committee**") shall consider the offer of resignation and recommend to the Board of Directors whether it should accept such resignation. The director will not participate in any deliberations on his resignation. The Board of Directors is required to act on the recommendation within 90 days of the Shareholder vote and will publicly disclose its decision. If such resignation is accepted by the Board of Directors, the Board of Directors may fill the vacancy created.

The name of each nominee and their relevant information is set out below. Also included is Share ownership, Share-based awards and Share option-based awards outstanding at April 24, 2020 for the nominee directors. Share-based awards include awards under the Deferred Share Unit ("**DSU**") Plan ("**DSU Plan**") and the Restricted Share Unit ("**RSU**") Plan ("**RSU Plan**"). Share option-based awards include the option to purchase Shares ("**Share Options**") under the Company's share option plan (the "**Share Option Plan**"). Non-employee directors are excluded from participation in the Share Option Plan and as such, Share Options may not be granted to non-employee directors.

<b>Garnet K. Amundson</b> Age: 58 Calgary, Alberta, Canada Director since April 2008 <sup>(1)</sup>		Mr. Amundson is the President, Chief Executive Officer and a Director of Essential, and has been, since 2008. He was one of the founders of Builders Energy Services Trust (" <b>Builders</b> ") in 2004. Mr. Amundson led Essential and its predecessors through the initial public offering of Builders, two public company merger transactions with the acquisitions of Builders in 2008 and Technicoil Corporation in 2011, the acquisition and integration of numerous private oilfield service companies and multiple oilfield service-line business dispositions. Prior to his role at Essential, Mr. Amundson's business experience included managerial and officer roles at various levels of seniority with multi-national oil and gas producers, an international fertilizer company and a national accounting firm. He holds the Chartered Professional Accountant (CPA, CA) designation.				
		<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2019</b>		
		Board of Directors		12 of 12	100%	
		Health, Safety and Environment Committee		4 of 4	100%	
		<b>Other Public Company Board Memberships</b>				
		None				
<b>Securities Held</b>						
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options</b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>	
1,230,753	1,900,769	1,845,334	\$721,644	1,685,000	n/a	



<b>James A. Banister</b> Age: 75 Calgary, Alberta, Canada Director since April 2008 <sup>(1)</sup>	Mr. Banister is an independent businessman. He is the President and Chief Executive Officer of BanCor Inc., a private investment company since 1997. Mr. Banister has been an independent businessman since 1985 and has served as a director on the boards of a variety of public and private companies. Mr. Banister has a Diploma in Business Administration.				
	<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2019</b>		
	Board of Directors		12 of 12	100%	
	C&G Committee		6 of 6	100%	
<b>Other Public Company Board Memberships</b>					
None					
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
1,071,230	472,842	nil	\$223,890	nil	Yes

<b>Robert T. German</b> Age: 60 Calgary, Alberta, Canada Director since May 2011	Mr. German is the Vice President, Finance at Oculus Transport Ltd., a private oilfield hauling company, since 2015. Prior thereto, Mr. German was with Horizon North Logistics as the President and Chief Executive Officer and Director (2010 to 2014). Mr. German has over 30 years of experience and holds the Chartered Professional Accountant (CPA, CA) designation.				
	<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2019</b>		
	Board of Directors		12 of 12	100%	
	Audit Committee		4 of 4	100%	
Health, Safety and Environment Committee		4 of 4	100%		
<b>Other Public Company Board Memberships</b>					
None					
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
42,000	345,878	nil	\$56,242	nil	Yes

<b>Nicholas G. Kirton</b> Age: 75 Calgary, Alberta, Canada Director since May 2009 <sup>(1)</sup>	Mr. Kirton is an independent businessman and formerly a partner with KPMG LLP, until 2004. Mr. Kirton has been a director of a number of publicly traded companies. He holds the Chartered Professional Accountant (CPA, CA) designation and is a Fellow of the Chartered Professional Accountants. Mr. Kirton holds the ICD.D designation from the Institute of Corporate Directors.				
	<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2019</b>		
	Board of Directors		12 of 12	100%	
	Audit Committee		4 of 4	100%	
C&G Committee		5 of 6 <sup>(5)</sup>	83% <sup>(5)</sup>		
<b>Other Public Company Board Memberships</b>					
The Green Organic Dutchman Holdings Ltd. (TSX: TGOD)					
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
235,500	328,228	nil	\$81,741	nil	Yes

<b>Robert B. Michaleski</b> Age: 67 Calgary, Alberta, Canada Director since June 2013		Mr. Michaleski is an independent businessman. He is a retired senior executive after spending the majority of his career at Pembina Pipeline Corporation. He was the Chief Executive Officer (2000 to 2013) and President (2000 to 2012). Mr. Michaleski holds the Chartered Professional Accountant (CPA, CA) designation.			
		<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2019</b>	
		Board of Directors		12 of 12	100%
		Audit Committee		4 of 4	100%
		C&G Committee		6 of 6	100%
		<b>Other Public Company Board Memberships</b>			
		Pembina Pipeline Corporation (TSX: PPL) Vermillion Energy Inc. (TSX:VET)			
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
160,000	351,761	nil	\$74,205	nil	Yes

<b>Steven Sharpe</b> Age: 66 Toronto, Ontario, Canada Nominee Director		Mr. Sharpe is the Managing Director of the The EmBeSa Corporation, a private consultancy dealing with corporate restructuring, business strategy and crisis management and he is the Chairman of The Privacy Co. LLC. Most recently, Mr. Sharpe was with Madalena Energy Inc. (2014 to 2017) in roles including the Chairman of the Board and Interim Chief Executive Officer. He was also the Chairman of the Board of Corporate Risk Holdings, LLC (2015 to 2017). Mr. Sharpe is a lawyer by training.			
		<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2019</b>	
		n/a		n/a	n/a
		<b>Other Public Company Board Memberships</b>			
		Dundee Corporation (TSX: DC.A)			
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
nil	nil	nil	nil	nil	n/a

## Notes:

- (1) The periods of service of the director on the Board of Directors and its committees may include service as a director of Essential Energy Services Operating Corp., the manager of Essential Energy Services Trust, the predecessor of Essential, prior to its conversion to a corporation.
- (2) Based on the April 24, 2020, Share price of \$0.145 and includes the number of Shares, DSUs and if applicable, the number of RSUs.
- (3) Share ownership requirements apply to non-employee directors and are discussed below under "Share Ownership Guidelines". Mr. Sharpe has until June 15, 2023 to meet the requirements.
- (4) Non-employee directors are excluded from the Share Option Plan and as such, Share Options may not be granted to non-employee directors.
- (5) Mr. Kirton was unable to attend one meeting of the C&G Committee. However, Mr. Kirton met separately with management in advance of the meeting to contribute to the discussion despite his absence.

**Board Skill Set Matrix**

The following table reflects the diverse and broad skill set of the nominee directors.

	<b>G. Amundson</b>	<b>J. Banister</b>	<b>R. German</b>	<b>N. Kirton</b>	<b>R. Michaleski</b>	<b>S. Sharpe</b>
<b>Business</b> – executive or board experience in the oil and gas services industry or oil and gas exploration and production sector.	√	√	√	√	√	√
<b>Corporate Governance</b> – deep understanding of corporate governance through experience as an executive or board member of public and private organizations.	√	√	√	√	√	√
<b>Financial</b> – executive experience in public financial accounting and reporting; corporate finance including debt and equity and capital markets; familiarity with internal financial controls and procedures.	√		√	√	√	√
<b>Legal</b> – experience as a legal practitioner.						√
<b>Compensation</b> – executive or board compensation committee participation with an understanding of executive compensation programs and succession planning.	√	√	√	√	√	√
<b>Strategic Growth</b> – executive or board experience related to strategic planning and strategy execution.	√	√	√	√	√	√
<b>HSE</b> – experience and/or understanding of the health, safety, environmental challenges facing Essential and its responsibility to protect the environment and ensure safe and healthy operations for its employees, customers and stakeholders.	√	√	√	√	√	

**Share Ownership Guidelines**

The Board of Directors has guidelines for minimum share ownership requirements for non-employee directors. Within a three year time frame, starting from the latter of March 2012 or appointment to the Board of Directors, each non-employee director is expected to own a minimum of three times the annual retainer received, based on the greater of the cost of the Shares when purchased or the market value of the Shares at time of measure. Upon assessment in the fourth quarter of 2019, each existing director met the minimum ownership requirement. The new nominee director, Mr. Sharpe, has until June 15, 2023 to meet the requirements.

### ***Voting Recommendation***

It is the intention of the management designees, if named as proxyholder, to vote for the election of the above mentioned persons to the Board of Directors unless otherwise directed. Management does not contemplate that any of such nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees does not stand for election or is unable to serve as such, the management designees, if named as proxyholder, reserve the right to vote for any other nominee at their discretion.

### ***Cease Trade Orders, Bankruptcies, Penalties or Sanctions***

No proposed director is, or was within the last 10 years prior to April 29, 2020, a director, chief executive officer (“CEO”) or chief financial officer of any company (including Essential) that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director: (i) is, or was within the last 10 years prior to April 29, 2020, a director or executive officer of any company (including Essential) that, while that person was acting in that capacity, or within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has within the last 10 years prior to April 29, 2020, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director.

No proposed director has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### ***Shareholder Engagement***

Management typically meets, either in person or via telephone, with its largest known institutional Shareholders on an annual basis, at a minimum. Management welcomes more frequent dialogue, when requested by the Shareholder. When items of significant concern are raised by Shareholders, management ensures these items are brought to the attention of the Board of Directors. In addition, management has regularly engaged with the investment community through: quarterly conference calls open to all investors, the investment community and media; attendance at investor-focused conferences; and are available to meet, as requested, with Shareholders and potential Shareholders.

### ***Shareholder Responsiveness***

Voting results for certain items at Essential’s 2019 Annual General and Special Meeting were as follows:

- Election of Directors: Messrs. Amundson, Banister, German, Kirton and Michaleski: 80% “For” votes; Mr. Black: 62% “For” votes.
- Approval of unallocated Share Options under the Share Option Plan: 68% “For” votes.

With regard to the voting results for Mr. Black, Glass Lewis & Co. had recommended voting “Withhold” as Mr. Black was a partner of a law firm that provides legal services to Essential for an undisclosed fee. Mr. Black who, after serving on Essential’s Board of Directors since 2012, will be retiring from the Board this year and will not stand for re-election.

With regard to the voting results for the other directors, management engaged in outreach with a number of Essential's institutional Shareholders to understand the reason behind the "Withhold" votes but was not able to gain insight into the source or reasons. In addition, there were no Shareholders that came forward acknowledging they voted "Withhold" and to discuss concerns. Both Glass Lewis & Co. and Institutional Shareholder Services recommended voting "For" those directors.

With regard to the voting results for unallocated Share Options under the Share Option Plan, there was no communication from Shareholders expressing concern with Essential's granting of Share Options or with the Share Option Plan. In March 2019, the Board of Directors significantly reduced the threshold for the number of Share Options that can be granted, from 9% of Shares outstanding to 6% of Shares outstanding. Essential's Share Option "Burn Rate" for 2019 was 0.4% (see "Equity Compensation Plans – Share Option Burn Rate"). Management has no insight into the source or reasons behind the "Withhold" votes.

### ***Governance Scorecard***

<b>Board Composition and Policies</b>	
Number of independent directors <sup>(1)</sup>	5 of 6 (83%)
Every meeting has an <i>in camera</i> session without the employee director (see page 37)	Yes
Share ownership policy for directors (see page 11)	Yes
Formal Board assessment process (see page 44)	Yes
Director attendance at 100% of the Board / committee meetings <sup>(2)</sup> (see page 38)	No
Directors that are on an excessive number of other public company boards (see page 37)	None
<b>Governance</b>	
Fully independent chair of the Board (see page 38)	Yes
Fully independent Audit and Compensation & Governance Committees (see page 37 and 38)	Yes
Separate Board Chair and Chief Executive Officer	Yes
Anti-hedging policy (see page 22)	Yes
Directors elected individually (not by slate) (see page 8)	Yes
Majority voting policy (see page 8)	Yes
Board succession planning (see page 42)	Yes
Regular engagement with Shareholders (see page 12)	Yes
<b>Audit</b>	
Percentage of Audit Committee members that are financial experts <sup>(3)</sup>	100%

*Notes:*

- (1) Including the nominee director, Mr. Sharpe. Mr. Amundson, by virtue of his role as President & Chief Executive Officer of Essential is considered non-independent.
- (2) Other than Mr. Kirton, each of the Board members had 100% attendance at all Board and committee meetings in 2019 (for the committees they are a member of). Mr. Kirton was unable to attend one meeting of the C&G Committee. However, Mr. Kirton met separately with management in advance of the meeting to contribute to the discussion despite his absence.
- (3) All of the Board members are financially literate, four of the six Board nominees are financial experts (CPA, CA designated) and each of the Audit Committee members are financial experts (CPA, CA designated).

**Item 3 - Appointment of Auditors**

Shareholders will be asked to consider and, if thought advisable, pass an ordinary resolution to appoint KPMG LLP (“KPMG”), Chartered Accountants, Calgary, Alberta, to serve as auditors of Essential until the next annual meeting of Shareholders and to authorize the Board of Directors to fix their remuneration as such. KPMG have been the auditors of Essential since March 21, 2018.

Certain information regarding the Audit Committee, including the fees paid to Essential’s auditors in the last fiscal year, that is required to be disclosed in accordance with National Instrument 52-110 - *Audit Committees* (“NI 52-110”) of the Canadian Securities Administrators is contained in the current Annual Information Form dated March 4, 2020 and is incorporated by reference herein. The current Annual Information Form is available on Essential’s SEDAR profile at [www.sedar.com](http://www.sedar.com). The Annual Information Form is also available to Shareholders, free of charge, upon request at Essential Energy Services Ltd., Livingston Place West, 1100, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta T2P 0C1, attention: Corporate Secretary, by telephone at (403) 513-7272 or by email at [service@essentialenergy.ca](mailto:service@essentialenergy.ca).

The Audit Committee formally reviews and evaluates the performance of the external auditors annually. Every five years, a comprehensive review is completed and in the interim years an auditor evaluation questionnaire is used. When completed, the comprehensive review evaluates the external auditor’s performance and independence and has been carried out under guidance published by Chartered Professional Accountants of Canada, the Institute of Corporate Directors and the Canadian Public Accountability Board. The review focuses on the following key factors affecting audit quality: independence, objectivity and professional skepticism of the external auditor; quality of the external auditor’s engagement team; and quality of the communications and interactions between the Audit Committee and the external auditor. In the interim years, the auditor evaluation questionnaire that is used is a formal, but not comprehensive, assessment.

In December 2019, the Audit Committee conducted a review of KPMG using an auditor evaluation questionnaire. The questionnaire evaluated KPMG in terms of the quality of services provided, independence and various other aspects of the services they provided. The Audit Committee concluded to recommend the re-appointment of KPMG as auditors until the next annual meeting.

It is the intention of the management designees, if named as proxyholder, to vote for the above-referenced resolution unless otherwise directed.

**Item 4 – Confirmation of Amended and Restated By-law No. 1 of the Corporation**

At the Meeting, Shareholders will be asked to confirm the Amended and Restated By-law, which was adopted to allow the Corporation’s Board of Directors or Shareholders, as the case may be, to determine that a meeting of Shareholders be held entirely by electronic means, subject to the ABCA and the consent of the Board of Directors. There have been no other changes other than amendments of a housekeeping nature.

The Amended and Restated By-law was approved by the Board of Directors and became effective as of April 28, 2020. Pursuant to the requirements of the ABCA, the adoption of the Amended and Restated By-law must be submitted to Shareholders for confirmation. If approved by ordinary resolution, the Amended and Restated By-law will remain in full force and effect after the Meeting. If not, it will terminate at the end of the Meeting and the Corporation’s previous Amended and Restated By-law No. 1 will again become effective. Shareholders should review the Amended and Restated By-law in its entirety, which is available on Essential’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

***Shareholder Approval***

At the Meeting, Shareholders will be asked to consider the following ordinary resolution confirming the adoption of the Amended and Restated By-law:

“BE IT RESOLVED THAT:

1. The Amended and Restated By-law, adopted by the Corporation’s Board of Directors on April 28, 2020, is hereby ratified, confirmed and approved as a by-law of the Corporation.
2. Any one officer or director of the Corporation is authorized, on behalf of the Corporation, to execute and deliver or file such documents and do all things as such person may determine to be necessary or advisable to give effect to this resolution.”

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who voted in person or by proxy at the Meeting.

It is the intention of the management designees, if named as proxyholder, to vote for the above resolution unless otherwise directed.

#### **Item 5 – Other Business**

The directors and officers of Essential are not aware of any matters, other than those indicated above, which may be submitted to the Meeting for action. However, if any other matters should properly be brought before the Meeting, the enclosed proxy confers discretionary authority to vote on such other matters according to the best judgment of the person holding the proxy at the Meeting.

### **EQUITY COMPENSATION PLANS**

#### **Share Option Plan**

Essential’s Share Option Plan is designed to provide officers and employees of, and consultants to, the Company and its subsidiaries (collectively, the “**Optionees**”) with a long-term equity-based performance incentive. Under the Share Option Plan, the Board of Directors or a committee of the Board of Directors appointed from time to time (if appointed, such committee is referred to as the “**Committee**”) may grant Share Options to Optionees. Non-employee members of the Board of Directors are not allowed to participate in the Share Option Plan.

On May 9, 2019, the Shareholders approved the unallocated Share Options under the Share Option Plan and provided authorization for Essential to grant any unallocated options under the Share Option Plan until May 9, 2022.

The Share Option Plan is the only security-based compensation arrangement that Essential has. A copy of the Share Option Plan can be found at Essential’s SEDAR profile at [www.sedar.com](http://www.sedar.com). The terms of the Share Option Plan are summarized as follows:

*Purpose:* The Share Option Plan is intended to afford persons who provide services to the Company an opportunity to acquire a proprietary interest in the Company by permitting them to purchase Shares and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with the Company. The Share Option Plan permits the granting of Share Options to Optionees which includes officers, employees of, and consultants to the Company and its subsidiaries. “Non-employee directors”, as such term is defined in the Share Option Plan, are not eligible to receive Share Options.

*Limitations:* The maximum number of Shares issuable on exercise of the Share Options and pursuant to all other security-based compensation arrangements of the Company shall be limited, in the aggregate, to 6% of the issued and outstanding Shares. The number of Shares issuable pursuant to the Share Options granted under the Share Option Plan or any other security-based compensation arrangements of the Company: (i) issuable to insiders at any time may not exceed 6% of the issued and outstanding Shares; and (ii) issued to insiders within any one-year period may not exceed 6% of the issued and outstanding Shares. The Share Options granted under the Share Option Plan are personal to the Optionee and are not assignable, except in the case of death of an Optionee.

*Term and Vesting:* The Share Options will have a term not to exceed five years and, subject to the terms of the Share Option Plan, will vest in such manner as determined by the Committee. If a Share Option is set to expire within any

“Black Out Period” (as such term is defined in the Share Option Plan) or within 10 business days following the end of a Black Out Period, the expiry date of the Share Option shall, without any further action, be extended to the date that is 10 business days following the end of such Black Out Period. The Black Out Period is self-imposed by the Company.

*Exercise of Options:* The exercise price of any Share Options granted will be determined by the Committee at the time of grant, provided that the exercise price shall not be less than the volume weighted average trading price of the Shares on the Toronto Stock Exchange (the “TSX”) (or such other stock exchange on which the Shares may be listed and if the Shares are listed on more than one stock exchange, such stock exchange as may be designated by the Committee) for the five trading days immediately preceding the date of grant.

The Share Option Plan provides Optionees with an election, if permitted by the Committee, for a cashless exercise (“Cashless Exercise”) of an Optionee’s vested and exercisable Share Options. If an Optionee elects a Cashless Exercise the Optionee shall surrender its Share Options in exchange for the issuance by the Company of that number of Shares with a dollar value equal to the number that is the sum of the market price (calculated as at the date of exercise) less the exercise price of such Share Option (as defined in the Share Option Plan), multiplied by the number of Shares subject to the Share Options to be exercised.

*Termination of Options:* If an Optionee ceases to be an officer or employee of, or consultant to the Company or a subsidiary of the Company for any reason, the Optionee shall, unless otherwise provided in the Share Option agreement or otherwise determined by the Committee, have a period not in excess of 90 days (12 months in the case of death), after ceasing to be an officer or employee of, or consultant to the Company or its subsidiaries to exercise the Share Options held to the extent that the Optionee was entitled to exercise the Share Options at the date of such cessation and to the extent the initial expiry date of the Option is not exceeded. Notwithstanding the foregoing, in the case of the death of an Optionee, all unvested Share Options shall immediately vest. In the event that an Optionee is terminated “For Cause” (as such term is defined in the Share Option Plan), all unvested Share Options and any Share Options that have not yet been exercised, shall be cancelled as of the Optionee’s date of termination.

*Change of Control or Take-Over Proposal:* In the case of a “Change of Control” or “Take-Over Proposal” (as such terms are defined in the Share Option Plan) the Committee shall have the authority to take all necessary steps so as to ensure the preservation of economic interests of the Optionees, including ensuring that the Company or any successor entity will provide each Optionee with new or replacement or amended Share Options which will continue to vest and be exercisable following the Change of Control or Take-Over Proposal on similar terms and conditions as provided for in the Share Option Plan or causing all or a portion of the outstanding Share Options to become vested prior to the Change of Control or Take-Over Proposal, or any combination thereof. If the Optionee’s employment is terminated by the Company or a subsidiary as a result of constructive dismissal within six months following a Change of Control or Take-Over Proposal, all of the Optionee’s unvested Share Options shall vest as of the date of termination and be exercisable in accordance with the Share Option Plan.

*Amendment Provisions:* Without the prior approval of the Shareholders, as may be required by the TSX or such other exchange as the Shares may be listed on, the Committee may not:

- (i) make any amendment to the Share Option Plan to increase the maximum number or percentage of Shares issuable on exercise of outstanding Share Options at any time;
- (ii) reduce the exercise price of any outstanding Share Options (including the reissue of a Share Option within 90 days of cancellation);
- (iii) extend the expiry date of an outstanding Share Option beyond the original expiry date of such Share Option;
- (iv) remove or increase the maximum limit on the number of securities that may be issued to insiders;
- (v) make amendments to eligible participants that may permit the introduction or reintroduction of non-employee directors on a discretionary basis or amendments that increase the limits previously imposed on non-employee director participation;



- (vi) make any amendment to the Share Option Plan to permit an Optionee to transfer or assign the Share Options other than for normal estate settlement purposes; or
- (vii) amend the amendment provisions in the Share Option Plan.

Subject to the restrictions set out above, the Committee may amend, suspend or discontinue the Share Option Plan and the Share Options granted thereunder without Shareholder approval provided that any amendment to the Share Option Plan that requires approval of any stock exchange on which the Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Share Option Plan or the Share Options granted pursuant to the Share Option Plan may be made without the consent of the Optionee, if it adversely alters or impairs in an adverse manner any Share Option previously granted to such Optionee.

### **Restricted Share Unit Plan**

Essential has an RSU Plan that is intended as a compensation tool for the Company to recognize the contribution of officers, employees and consultants (the “**Participants**”) to the growth of the Company, to provide a longer-term incentive element in the Company’s overall compensation package and to retain and attract Participants. Essential believes it is important to align the interests of the Participants with Shareholder interests. The Board of Directors or the Committee shall have absolute discretion to approve the Participants entitled to participate in the RSU Plan and the number of RSUs to be awarded to each Participant. The RSU Plan does not provide for the grant of RSUs to non-employee directors. RSUs can only be settled by payment of cash to the Participant.

The terms of the RSU Plan are summarized as follows:

*Vesting:* The vesting provisions of any RSUs granted under the RSU Plan will be subject to the sole discretion of the Committee and may be based on (i) a Participant’s continued employment with, or services to, the Company or a subsidiary of the Company, and/or (ii) any criteria established by the Committee in order to measure the Company’s or a Participant’s performance over time. The vesting dates with respect to each grant of RSUs shall be determined by the Committee.

*Limitations:* The RSUs granted under the RSU Plan represent an entitlement held directly by the Participant and are not assignable, except in the case of death of a Participant.

*Term:* The term of RSUs shall be determined by the Committee provided it shall not exceed December 31 of the third calendar year following the year of the Participant’s service in respect of which the RSUs were granted. Subject to the terms of the RSU Plan, RSUs will vest in such manner as determined by the Committee.

*Dividends:* Should the Company issue dividends, the Participant’s RSU account will be credited with additional RSUs in respect of such dividends paid by the Company.

*Settlement of RSUs:* RSUs will be settled by cash payment to the Participant. The value of each RSU will be equal to the volume weighted average trading price of the Shares on the TSX (or such other stock exchange on which the Shares may be listed and if the Shares are listed on more than one stock exchange, such stock exchange as may be designated by the Board of Directors) for the five trading days immediately preceding the vesting date, less any applicable withholding taxes.

*Termination of RSUs:* If a Participant is terminated “For Cause” (as such term is defined in the RSU Plan) or resigns, all unvested RSUs and any vested RSUs that have not been paid shall be cancelled. If a Participant ceases to be an officer or employee of, or consultant to the Company or its subsidiaries for any other reason, except in the case of death of the Participant, subject to any resolution passed by the Committee, any RSUs which have not become vested RSUs within a period of 90 days succeeding such Participant ceasing to be an officer or employee of, or consultant to the Company shall be cancelled and of no further effect. In the case of the death of a Participant, all unvested RSUs shall immediately vest and be paid to the Participant’s designated beneficiary as soon as possible following 90 days from the date of the Participant’s death, or such earlier or later date as may be agreed to with the beneficiary.

*Change of Control or Take-Over Proposal:* In the case of a Change of Control or Take-Over Proposal (as such terms are defined in the RSU Plan), the Committee shall have the authority to take all necessary steps so as to ensure the preservation of the economic interests of the Participants in, and to prevent the dilution or enlargement of, any RSUs, including, without limitation, ensuring that the RSUs become vested prior to such Change of Control or Take-Over Proposal or ensuring the Participant is provided with new or replacement or amended RSUs which will continue to vest following such event, merger, amalgamation or certain other transactions or a take-over bid, or any combination thereof. If the employment of a Participant is terminated by the Company or its subsidiaries or by the Participant as a result of Constructive Dismissal (as defined in the RSU Plan) within six months following a Change of Control or Take-Over Proposal, all unvested RSUs credited to the Participant shall become vested as of the Participant's termination date and the Participant shall be entitled to payments in accordance with the terms of the RSU Plan.

*Amendment Provisions:* The Committee may amend, suspend or discontinue the RSU Plan and the RSUs granted thereunder without Shareholder approval provided that any amendment to the RSU Plan that requires approval of any stock exchange on which the Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the RSU Plan or the RSUs granted pursuant to the RSU Plan may be made without the consent of the applicable Participant, if it adversely alters or impairs in an adverse manner any RSU previously granted to such Participant.

### Shares Authorized for Issuance Under Equity Compensation Plans

The following tables that set forth information with respect to Essential's long-term incentive plans ("LTIP") solely relate to Essential's Share Option Plan at December 31, 2019:

Plan Category	Number of Shares to be issued upon exercise of outstanding Share Options at December 31, 2019	Weighted-average exercise price of outstanding Share Options	Number of Shares remaining available for future issuance under equity compensation plans <sup>(1)</sup>
Equity compensation plans approved by Shareholders:			
Share Option Plan	4,428,583	\$0.77	4,082,826
Equity compensation plans not approved by Shareholders	n/a	n/a	n/a
Total	4,428,583	\$0.77	4,082,826

*Note:*

(1) The maximum number of Shares that could be issued by the Company on the exercise of Share Options at December 31, 2019 was 6% of issued and outstanding Shares.

### Share Option Burn Rate

Essential's burn rate for each of the last three years is calculated as follows:

	2019	2018	2017
Equity compensation plans approved by Shareholders:			
Share Option Plan grants	532,000	Nil	1,315,000
Weighted average shares outstanding	141,856,813	141,856,813	141,856,813
Burn rate	0.4%	0.0%	0.9%

## EXECUTIVE COMPENSATION

In this section, the terms EBITDAS, Bank EBITDA and funded debt are used. These terms do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and may not be comparable to similar measures presented by other companies. Refer to the “Non-IFRS Measure” section for definitions of these terms.

### Mandate and Composition of the C&G Committee

The C&G Committee of the Board of Directors provides oversight of Essential’s executive compensation program. The purpose of the C&G Committee is to assist the Board of Directors in fulfilling its oversight obligations relating to human resources, compensation and governance matters with a view toward making recommendations to the Board of Directors as appropriate. Such matters are set out in the mandate of the C&G Committee and include the compensation philosophy, compensation for the executive team, bonus and benefit plans and succession planning. Matters related to compensation of the Named Executive Officers (“NEOs”) are recommended by the C&G Committee to the Board of Directors for approval.

The C&G Committee is composed of three directors. As set out in the mandate of the C&G Committee, a majority of the members must be independent. The Board of Directors appoints the Chairman of the C&G Committee.

The C&G Committee may retain legal, compensation, accounting, financial or other consultants or advisors to advise the C&G Committee at the Company's expense and shall have sole authority to retain and terminate any such consultants or advisors and to approve any such consultants or advisors’ fees and terms.

The members of the C&G Committee are:

	<u>Independent <sup>(1)</sup></u>	<u>Experience Relevant for Executive Compensation</u>
Robert Michaleski, Chair	Yes	14 years as the Chief Executive Officer of a publicly traded entity representing management on executive compensation matters.
James Banister	Yes	Over 25 years of experience managing executive compensation in oilfield service companies; specifically, with small market capitalization companies.
Nicholas Kirton	Yes	In the past 15 years has sat on the compensation committee of four public companies, including Essential. Holds the ICD.D (Institute of Corporate Directors) certification which includes education regarding executive compensation.

*Note:*

(1) Independent for the purposes of section 1.4 of NI 52-110.

### Compensation Discussion and Analysis

This section describes Essential’s NEO compensation philosophy and objectives and provides an overview of the process that the C&G Committee undertakes in deciding how to compensate the NEOs.

The NEOs of the Company for the year ended December 31, 2019 were:

<u>Name</u>	<u>Position</u>
Garnet Amundson	President and CEO
Eldon Heck	Vice President, Downhole Tools & Rentals
Jeff Newman <sup>(1)</sup>	Chief Financial Officer
Karen Perasalo	Vice President, Finance & Corporate Secretary
Jade Iluk	Director, Human Resources
Allan Mowbray <sup>(1)</sup>	Former Vice President, Finance and Chief Financial Officer

*Note:*

(1) Mr. Mowbray resigned from Essential and Mr. Newman was appointed Chief Financial Officer, effective March 8, 2019.

### *Compensation Philosophy, Strategy, Objectives and Components*

Essential's NEO compensation program is designed to align the interests of NEOs with the interests of Shareholders, link NEO compensation to Essential's strategic business objectives and attract and retain high-performing NEOs. Essential's philosophy is to compensate NEOs in consideration of the following:

- business performance;
- health, safety and environment performance; and
- achievement of individual annual qualitative and quantitative goals.

Essential's NEO compensation program is generally consistent with its senior management and employee programs in relative terms. Where certain programs, such as certain perquisites, are only provided to NEOs or senior management, they reflect competitive practice and business needs.

In the period 2012 to 2015, Essential utilized third party compensation consultants to provide a strategy for Essential's compensation structure for the executives and the Board of Directors. This included consideration of the various pay elements to align them with market practices, Essential's compensation philosophy and to develop a strategy regarding compensation against the peer group, including making compensation decisions based on market data.

Commencing in 2015 and continuing through 2020 (the "**Downturn**"), the significant decline in commodity prices and customer spending resulted in reduced and volatile business activity. As a result, NEO compensation decisions during the Downturn placed less consideration on direct peer group comparison and instead focused on Essential's financial health and performance, ability to pay, and individual performance and relativity. The C&G Committee has not engaged a compensation consultant since 2015.

Essential's NEO compensation program typically includes four components: salary, annual bonus plan ("**ABP**"), LTIP and benefits. LTIP includes Share Options, RSUs and DSUs. Essential does not have a target ratio for each of the four individual components but the C&G Committee does consider the relative ratio of each element of pay. These elements also vary in size and proportion each year depending on cash availability of the Company and the individual's performance.

Prior to the Downturn, fixed compensation components, such as salary, were typically positioned at market median levels, with consideration given for individual performance, tenure, and scope of role. Variable compensation components, such as annual bonus and LTIP, were structured to provide the opportunity for above-market total compensation for high levels of corporate and individual performance.

During the Downturn, the C&G Committee has used, to a certain extent, a percentage of 2014 NEO total compensation levels as a benchmark to set NEO total compensation relative to both company and individual performance. However, fixed compensation has been reduced and variable compensation has been altered or eliminated to align with Shareholder interests in order to preserve cash flow, reduce debt, and still retain key personnel. NEOs voluntarily accepted DSUs and reduced cash compensation, thereby increasing their compensation risk as DSU value is only realizable when the NEO leaves the organization. In addition, given Share price declines in each year as the Downturn has continued, NEOs have lost significant compensation value that was reported in the years granted, but never realized. Although the NEO DSU value loss aligned well with losses experienced by Shareholders, Essential's NEOs have accepted increased compensation risk through the decision to decrease their components of cash compensation and increase LTIP compensation. See "Compensation Granted Versus Compensation Realized".

<b><u>Type of Compensation</u></b>	<b><u>Component</u></b>	<b><u>Objective</u></b>	<b><u>Form</u></b>	<b><u>Performance Period</u></b>
Fixed Compensation	Salary <sup>(1)</sup>	Compensates NEOs for performing day-to-day responsibilities	Cash	Ongoing
Variable Compensation	Short-term incentive (ABP)	Rewards accomplishment of annual business, safety and individual goals	Cash	One year
	Medium-term incentive (LTIP)	Aligns compensation with medium-term corporate performance and the interests of shareholders	RSUs (time and/or performance-vested)	One to three years
	Long-term incentive (LTIP)	Aligns compensation with long-term corporate performance and the interests of shareholders	DSUs (time-vested) Share Options	Indefinite <sup>(2)</sup> One to five years
Other Compensation <sup>(3)</sup>	Savings plan	Assist with saving including establishing investment in Essential's Shares	Match/supplement NEO savings plan contributions	Ongoing
	Benefits	Provide market competitive benefits	Life and accidental death and dismemberment insurance, disability insurance, health, vision and dental coverage	Ongoing
	Perquisites	Market competitive perquisites that vary based on seniority	Taxable allowances or perquisites	Ongoing

*Notes:*

(1) While salary is considered a "fixed" component, NEOs are subject to downside risk. From 2015 to 2019, NEO salaries have been rolled-back, to varying degrees, below their 2014 salaries.

(2) Cash payment is not received until the NEO departs the organization.

(3) Essential does not have a pension plan.

**Compensation Approval Process**

The C&G Committee reviews the various compensation components both individually and in total, to ensure they align with the program objectives. The C&G Committee then recommends all NEO compensation components to the Board of Directors for their approval. Typically, this process begins in the fall with any LTIP grants occurring in January and ABP payments typically occurring in March, based on performance from the previous year. Salaries are typically reviewed in June after peer information circular documents are available.

**Peer Group / Benchmark Review**

The peer group is considered by the C&G Committee annually based on the following criteria: market capitalization, revenue, earnings, number of employees and the requirement that the peer company is a drilling or oilfield services company that is publicly traded in Canada and headquartered in Canada. The peer group for 2019 data analysis (analysis of 2018 data in 2019) included:

Cathedral Energy Services Ltd.  
 CWC Energy Services Corp.  
 High Arctic Energy Services Inc.  
 PHX Energy Services Corp.  
 Source Energy Services Ltd.

STEP Energy Services Ltd.  
 Strad Inc.  
 Trican Well Service Ltd.  
 Western Energy Services Corp.

The peer group is typically analyzed for the following compensation elements: salary, bonus and the estimated value of equity-based incentives. The C&G Committee acknowledges that during the Downturn, business performance, debt levels and financial conditions faced by some peers could have dictated decisions and outcomes that may not be relevant to Essential's compensation practices. In addition, due to the static or reduced nature of NEO cash compensation during the Downturn, peer data has generally not been used to set compensation but has nonetheless been considered to understand where NEO compensation fits relative to the peer group.

### **Risk and Compensation**

The C&G Committee considers the risks associated with Essential's compensation policies and practices and the impact of individual compensation and any potential correlation with the amount of risk that an NEO may take. It is believed that through the following policies and practices, the ability for an NEO to take excessive risk has been reduced:

- The C&G Committee reviews the design parameters of the components of compensation and the potential rewards to be paid out. The C&G Committee considers not only financial and operational accomplishments of the Company but also the process by which those accomplishments were achieved.
- Total compensation for NEOs consists of: salary, ABP, LTIP and benefits. At the NEO level, a significant percentage of total compensation is tied to LTIP. Share Options are vested over three years and exercisable up to five years from the date of grant. RSUs typically vest over a three-year period and expire at the end of three years. DSUs may vest after one year or immediately, however, they cannot be exercised until the NEO leaves the organization.
- The performance of the President and Chief Executive Officer is reviewed "in camera" by the C&G Committee and the Board of Directors to ensure his actions align with the risk tolerance of the Company.

The Board of Directors has a policy that prohibits the Board of Directors and executives from purchasing financial instruments including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of Shares or other securities of the Corporation held directly, or indirectly, by a Board member or an executive.

### **Salary**

Prior to the Downturn, salary was based on relevant market information and an NEO's experience, performance and scope of responsibility. For a fully competent NEO in a given position, Essential targeted salary at the median of the peer group. A high performing, long-serving NEO with a broader than typical role scope could have salary exceeding the peer group median. Since 2015, NEO salaries have been rolled-back from 2014 levels to varying degrees.

### **Annual Bonus Plan**

Prior to the Downturn, Essential's ABP program targeted annual NEO cash compensation (calculated as: salary plus target ABP) at or above the median of the peer group for target levels of performance. Thresholds were set for each NEO for the percentage of salary that could be earned for minimum (nil), threshold, target and maximum achievement of each category of performance. Those percentages have continued to be used during the Downturn. The percentage of salary is higher for the CEO than the other NEOs. The Board of Directors has the discretion to reward above ABP parameters for exceptional business performance or when an individual has made an exceptional contribution. The Board of Directors also has the discretion to pay zero or below ABP parameters if the Company has insufficient cash flow to support ABP payments, for poor business performance or when individual performance has been unsatisfactory. Essential's ABP scorecard approach links bonus awards with business results and individual

performance. A corporate performance factor aligns the ABP plan directly to EBITDAS, as defined under “Non-IFRS Measures”, and is considered along with the following quantitative and qualitative criteria:

- (a) Assessment of the execution of an effective health, safety and environmental (“HSE”) program, fostering a safety conscious culture and strong statistical safety performance. This includes the measure of total recordable incident frequency (“TRIF”) against targets that are typically set late in the previous year. TRIF measures the number of total recordable injuries in the exposure period as a percentage of workforce hours;
- (b) Achievement of individual annual qualitative and quantitative performance goals. Specific and measurable individual goals are set annually, and each NEO is evaluated against those goals; and
- (c) Individual performance, as evaluated annually through a performance management process.

For each of the three categories, actual performance results are compared against predetermined criteria to determine if performance warrants a minimum (nil), threshold, target or maximum award, or somewhere in between. In the case of significant underperformance, any category can be assigned a zero. The categories are weighted relative to one another and a performance factor is then applied to the sum to determine an individual’s ABP payment.

The performance factor is determined based on EBITDAS and is approved by the Board of Directors. For ABP determination purposes, the EBITDAS is considered prior to ABP expense. The use of a performance factor allows the Board of Directors to consider Essential’s ability to pay a short-term incentive. Individual awards, which are performance-driven and based on pre-established targets, are then proportionately adjusted for all participants as dictated by the performance factor.

The target value of NEO ABP awards, as a percentage of the NEO’s base salary, increases as the scope of responsibility increases so that the percentage of at-risk versus cash compensation correlates with increased responsibilities.

The Board of Directors approves the total Company ABP pool and individual NEO ABP awards each year. The Board of Directors can exercise discretion when determining an NEO’s ABP award. NEO ABP awards are specified in contractual agreements. Through the Downturn, the NEOs often volunteered to accept reduced cash ABP, below contractual levels, despite strong personal performance. In some years, a portion of that voluntary cash compensation reduction was replaced with higher risk RSU or DSU compensation.

The oilfield service sector is very cyclical in nature. As a result, the annual payout of ABP awards fluctuate in relation to Company performance and the condition of the oil and gas industry in the Western Canadian Sedimentary Basin. The ABP does not constitute a promise to pay. The ABP may, from time to time, be changed, altered, modified, suspended or revoked at the discretion of the Board of Directors. Since 2014, the ABP was suspended in two separate years, with nil payments.

The ABP payment for the Vice President, Downhole Tools & Rentals is subject to a different scorecard methodology that is based on relative weighting of revenue, EBITDAS and safety metrics for the Downhole Tools & Rentals business.

In 2019, based on evaluation of results compared to specified benchmarks, HSE was ranked as “maximum” due to the strong safety results in 2019. The performance factor was ranked “below target” by the Board of Directors, resulting in lower than target ABP payments for the NEOs. The “below target” assessment was driven by reduced industry activity and resultant lower EBITDAS generation in 2019. Achievement of individual goals and individual performance was factored into each NEO’s ABP determination. Generally, individual NEO performance was assessed “above target” in most categories.

### **Long Term Incentive Plans**

Prior to the Downturn, the number of Share Options, RSUs and/or DSUs granted annually to each NEO targeted the median of the peer group such that, when combined with other elements of compensation, Total Compensation (salary plus target ABP plus LTIP) could achieve the 75<sup>th</sup> percentile of the peer group when Share price performance warrants,

or above in the case of superior Share price performance. During the Downturn, LTIP grants have been based largely on historical grants. In 2019, LTIP grants were largely based on the value of 2017 and 2018 regular grants.

Superior or inferior Share price performance cannot be predicted at the time of grant and is only known at the time of exercise of Share Options, RSUs or DSUs. For this reason, LTIP compensation is considered “at-risk” compensation. RSUs may have time-vested and/or performance-vested criteria. NEOs also have the option to receive a portion or all of their ABP payment in DSUs, solely at the option of the NEO.

In determining the number of Share Options, RSUs and/or DSUs to grant each year, the C&G Committee considers the plan’s parameters and their potential dilutive impact on Shareholders. Market information, positional responsibility, performance and attraction and retention considerations determine the extent that Share Options, RSUs and/or DSUs are used to compensate NEOs.

During the Downturn, in certain years, reductions in cash compensation (i.e. rolled-back salaries and lower, or nil, ABP) were offset by incremental LTIP grants (“**Shortfall LTIP**”). This measure conserved cash for Essential and deferred compensation and increased the component of “at risk” compensation for NEOs. In 2019, a Shortfall LTIP grant was planned for NEOs to recognize rolled-back salaries and lower ABP. The Shortfall LTIP grant did not occur due to trading blackout restrictions. A reduced cash amount was paid for 2019, in lieu of the Shortfall LTIP grant and classified as “Other Compensation” in the Summary Compensation Table for NEOs.

#### Share Option Plan

The Company's Share Option Plan provides Optionees with a long-term equity-based incentive to align the interests of management with the interests of Shareholders. As Essential’s Share price rises, Share Options held increase in value. Share Options have recently been primarily granted to NEOs.

The Share Option Plan is described in detail under the heading “Equity Compensation Plans – Share Option Plan”. More information regarding Share Options granted to NEOs is available in the table under the heading “Outstanding Option-Based Awards and Share-Based Awards”.

#### RSU Plan

The RSU Plan provides a medium-term incentive to retain and attract employees and align the interest of management with the interests of Shareholders. It consists of time-vested and/or performance-vested components. RSUs granted under the RSU Plan can only be settled with cash. The RSU Plan is described in detail under the heading “Equity Compensation Plans – Restricted Share Unit Plan”.

The time and performance vesting provisions of the RSU Plan are subject to the discretion of the C&G Committee and may be based on (i) a Participant’s continued employment with the Company, or (ii) any criteria established by the C&G Committee in order to measure the Company’s performance over time. Historical RSU grants have ranged from 100% performance-vested to 100% time-vested with varying proportions in between. In setting the vesting-criteria for a particular grant, the C&G Committee considers other elements of compensation, seniority in the organization and objectives of the grant. As at December 31, 2019, the outstanding RSUs were 100% time-vested.

More information regarding RSUs granted to NEOs is available in the table under the heading “Outstanding Option-Based Awards and Share-Based Awards”. The values presented in the table are theoretical values for RSUs at December 31, 2019, not the value that may ultimately be realized by the NEO.

#### Deferred Share Unit Plan

The DSU Plan provides non-employee members of the Board of Directors (“**Eligible Directors**”) and the president and CEO and vice presidents of Essential (being each of the NEOs other than Mr. Iluk) (“**Eligible Officers**”, and collectively the “**DSU Participants**”) an opportunity to participate in the long-term success of the Company and to align the interests of the DSU Participants with the interests of Shareholders. Participation in the DSU Plan is currently restricted to Eligible Directors and Eligible Officers, as approved by the C&G Committee.



A DSU is a phantom unit granted to a DSU Participant, the value of which on any particular date is equal to the market price (as defined in the DSU Plan and calculated as at the redemption date) of a Share. A DSU gives the DSU Participant a right of redemption in the form of a lump sum cash payment after the DSU Participant ceases to be an Eligible Director or Eligible Officer.

An Eligible Director may participate in the DSU Plan in the following ways:

- Automatic DSU Retainer - the C&G Committee may determine that a certain percentage of the annual retainer payable to Eligible Directors will automatically be satisfied in the form of DSUs.
- Electable DSU - an Eligible Director may elect to receive all, or a portion of, their retainer or meeting fees that would otherwise be payable as compensation for services to be performed after the date of the election in the form of DSUs.
- Discretionary DSU - the C&G Committee may grant discretionary DSUs to an Eligible Director in respect of the services the Eligible Director renders to the Company as a member of the Board of Directors.

An Eligible Officer may participate in the DSU Plan in the following ways:

- Discretionary DSU - the C&G Committee may grant discretionary DSUs to an Eligible Officer as a portion of their LTIP grant.
- ABP Election - an Eligible Officer may elect to receive all, or a portion, of their ABP in the form of DSUs rather than cash.

Subject to certain exceptions, DSUs granted on a discretionary basis typically only become fully vested one calendar year from the grant date, unless otherwise determined by the C&G Committee. Automatic and electable DSUs become fully vested when earned.

DSUs are redeemed within 15 days of the DSU Participant ceasing to be an Eligible Director or Eligible Officer, except in the case of death, or other unique circumstances where a longer time period for redemption may be allowed.

More information regarding DSUs granted to Eligible Officers is available in the table under the heading “Outstanding Option-Based Awards and Share-Based Awards”. The values presented in the table are theoretical values for DSUs at December 31, 2019, not the value that may ultimately be realized by the Eligible Officer.

More information regarding DSUs granted to Eligible Directors is available in the table under the heading “Directors’ Outstanding Option-Based Awards and Share-Based Awards”. The values presented in the table are theoretical values for DSUs at December 31, 2019, not the value that may ultimately be realized by the Eligible Director.

### **Employee Benefits**

Essential’s employee group health benefits and savings plans support the health and well-being of its employees and NEOs. Essential does not have a pension plan or provide any pension benefits to its employees or NEOs. The plans are reviewed periodically to ensure they remain market competitive and continue to meet these objectives.

#### **Group Health Benefits Plan**

Essential’s group health benefits plan is designed to protect the health of its employees and that of their dependents and provide certain coverage in the event of disability or death. The Company believes that, relative to industry peers, the group plan is an industry-competitive plan for the oilfield services sector. The group plan provides employees with accidental death and dismemberment insurance, disability insurance as well as extended health, vision and dental coverage.

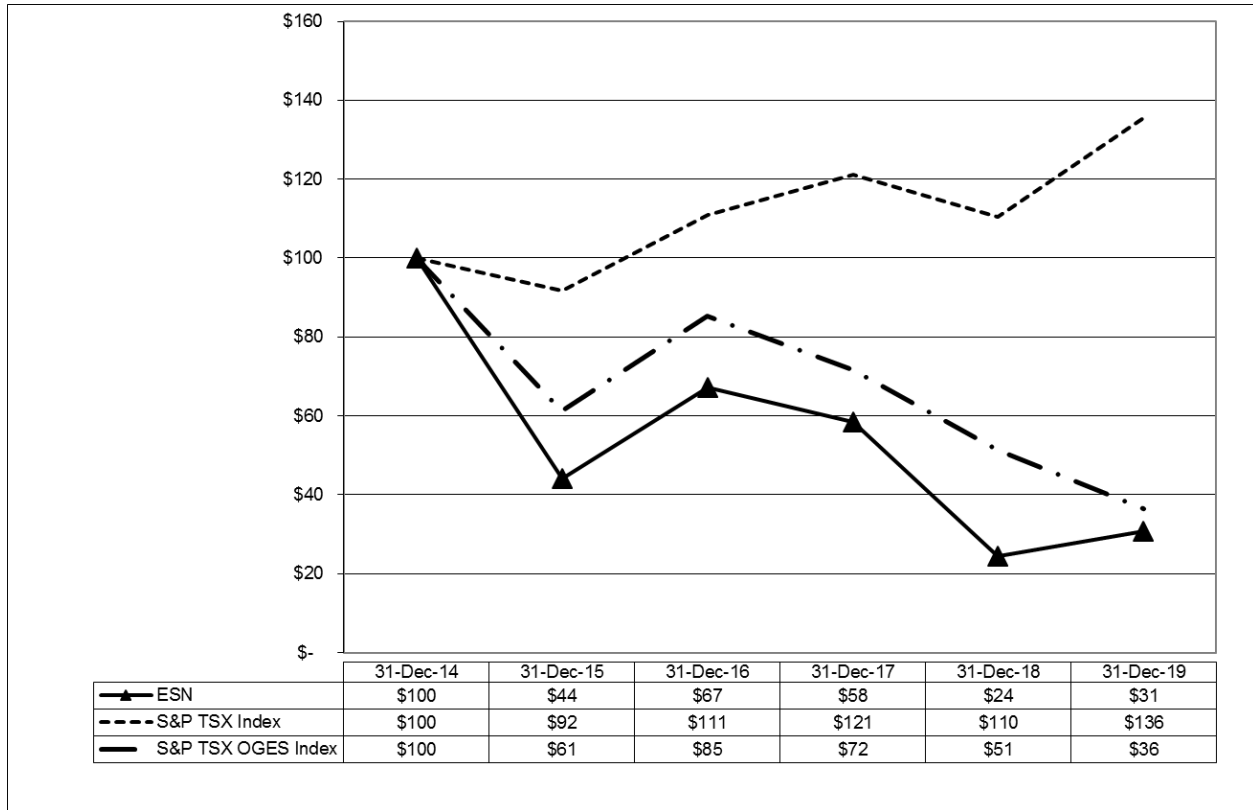
#### **Employee Savings Plan**

All employees may contribute to Essential’s employee savings plan (“**Employee Savings Plan**”), through payroll deduction, up to a pre-determined percentage of their base salary, to purchase either Shares or contribute to a group

investment account, or a combination of both. The contributions may be to a registered or a non-registered account, or a combination of both. Essential matches employee contributions in the form of Shares and/or by contributions to the group account to a prescribed maximum.

### Performance Graph

The following graph illustrates the cumulative total shareholder return for \$100 invested in Essential, effective December 31, 2014 compared to the S&P TSX Composite Total Return Index (the “**Index**”) for the applicable period, assuming all distributions and dividends are reinvested, and compared to the S&P TSX Composite Oil and Gas Equipment & Services Index (the “**OGES Index**”).



Essential underperformed the Index and the OGES Index since the end of 2014. While Essential’s Share price followed the trend of the OGES Index over the five year time period, the Share price underperformance relative to the OGES Index at the end of 2018 may be attributed to Essential’s relatively small market capitalization and low trading liquidity. Essential experienced a unique increase in its Share price at the end of 2019 after receiving a positive ruling from the Supreme Court of Canada with regard to a patent litigation suit it was defending.

In 2014, Essential’s Share price started to decrease and continued to decrease through to the end of 2015. This was primarily due to the significant decline in oil prices, the low natural gas price and the negative impact on oilfield service activity and service pricing. The Share price decline was not unique to Essential and was experienced by other Canadian oilfield service companies over the same period, as evidenced by the OGES Index. The Share price improved in the latter part of 2016 as the outlook for the oilfield services sector started to improve. However, after peaking in January 2017, the Share price softened, and was fairly volatile throughout 2017. The Share price experienced a significant decrease in 2018, ending well below the previous year. Increased concern began to arise, once again, in the Canadian oil and gas industry in the fall of 2018 as the industry continued to deal with export capacity issues. Oil and natural gas exploration and production companies and oilfield service companies struggled to maintain investor confidence. These issues continued in 2019 as industry activity decreased from 2018. Essential’s Shares continued to trade at a relatively low Share price in 2019, despite having a strong balance sheet, with funded debt to Bank EBITDA

at December 31, 2019 of 0.5x, as measured for bank covenant purposes. See “Non-IFRS Measures” for an explanation of this calculation.

### Compensation Granted Versus Compensation Realized

The “Summary Compensation Table for Named Executive Officers” herein (“**Summary Compensation Table**”) sets out compensation that was *granted* to the NEOs with calculations based on the requirements outlined in Form 51-102F6 – *Statement of Executive Compensation*. The total value granted for Share-based awards and Share Option-based awards was not actually realized (i.e. that value was not received) by the NEOs.

Using the CEO as a representative example for the compensation impact on all NEOs, in the following table, in the line titled “CEO Realized Compensation”, the granted values for Share-based awards and Share Option-based awards as presented in the Summary Compensation Table have been replaced with the value that was actually *realized* (i.e. received) on the exercise of Share-based awards and Share Option-based awards in each year. The actual compensation realized by the CEO in 2019 was \$1.0 million compared to the \$1.2 million value granted, as presented in the Summary Compensation Table. Over the five-year period, the granted value was \$2.5 million higher than the realized value. Given the general downward trajectory of Essential’s Share price through the Downturn, the NEOs’ acceptance of decreased cash compensation and increased equity-based non-cash compensation has significantly reduced the compensation realized by NEOs. The trend in CEO total compensation is generally representative of the trend in NEO total compensation.

(millions)	2015	2016	2017	2018	2019	Total
CEO Granted Compensation <sup>(1)</sup>	\$0.9	\$1.4	\$1.9	\$1.3	\$1.2	\$6.7
CEO Realized Compensation <sup>(2)</sup>	\$0.4	\$0.6	\$1.0	\$1.2	\$1.0	\$4.2

*Notes:*

- (1) *CEO Granted Compensation: as presented in the Summary Compensation Table as “Total Compensation” in this and prior year information circulars. This includes the granted (theoretical) values for Share-based awards and Share Option-based awards.*
- (2) *CEO Realized Compensation: calculated using the CEO Granted Compensation and for each year replaces the granted (theoretical) value at the time of grant for Share-based awards and Share Option-based awards with the value actually realized (i.e. received) in each year upon the exercise of Share-based awards and Share Option-based awards. There were RSUs exercised in each of the years.*

## Summary Compensation Table for Named Executive Officers

The following is the Summary Compensation Table and sets forth for each of Essential's three most recently completed financial years information concerning the total compensation granted to the NEOs.

Name and Principal Position	Year	Salary <sup>(1)</sup> (\$)	Share-based awards <sup>(2)</sup> (\$)	Option-based awards <sup>(3)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation <sup>(5)</sup> (\$)	Total compensation (\$)
					Annual incentive plans <sup>(4)</sup>	Long-term incentive plans			
Garnet Amundson <sup>(6)</sup> <i>President &amp; Chief Executive Officer</i>	2019	\$322,008	\$329,225	\$30,000	\$390,000	n/a	n/a	\$168,641	\$1,239,874
	2018	\$372,205	\$379,200	Nil	\$495,000	n/a	n/a	\$44,665	\$1,291,070
	2017	\$372,205	\$830,250	\$152,023	\$515,000	n/a	n/a	\$44,665	\$1,914,143
Eldon Heck <i>VP, Downhole Tools &amp; Rentals</i>	2019	\$193,210	\$137,800	\$12,450	\$245,000	n/a	n/a	\$55,796	\$644,256
	2018	\$223,462	\$158,000	Nil	\$490,000	n/a	n/a	\$6,704	\$878,166
	2017	\$223,462	\$356,400	\$65,153	\$500,000	n/a	n/a	\$6,704	\$1,151,719
Jeff Newman <i>Chief Financial Officer</i>	2019	\$227,597	\$137,800	\$12,450	\$185,000	n/a	n/a	\$108,712	\$671,559
	2018	\$246,712	\$158,000	Nil	\$210,000	n/a	n/a	\$66,505	\$681,217
	2017	\$246,712	\$372,600	\$68,494	\$230,000	n/a	n/a	\$41,286	\$959,092
Karen Perasalo <i>VP, Finance &amp; Corporate Secretary</i>	2019	\$198,992	\$137,800	\$12,450	\$155,000	n/a	n/a	\$73,879	\$578,121
	2018	\$226,594	\$158,000	Nil	\$205,000	n/a	n/a	\$27,191	\$616,785
	2017	\$226,594	\$315,900	\$58,471	\$215,000	n/a	n/a	\$15,608	\$831,573
Jade Iluk <sup>(7)</sup> <i>Director, Human Resources</i>	2019	\$162,885	\$99,220	Nil	\$41,100	n/a	n/a	\$9,773	\$312,978
Allan Mowbray <sup>(8)</sup> <i>Former, VP, Finance &amp; Chief Financial Officer</i>	2019	\$42,000	\$137,800	\$12,450	\$0	n/a	n/a	\$23,429	\$215,679
	2018	\$228,000	\$158,000	Nil	\$185,000	n/a	n/a	\$27,360	\$598,360
	2017	\$226,391	\$275,400	\$95,223	\$195,000	n/a	n/a	\$27,167	\$819,181

### Notes:

(1) Salaries have been rolled-back since 2014. The effective roll-back in 2019 relative to 2014 salary: Amundson - 19%; Heck - 19%; Newman - 14%; Perasalo - 15%. Salary relative to pre-roll-back level: Iluk - 7%.

(2) This is related to RSUs and DSUs and reflects the grant date fair value which is the theoretical expected value calculated at the date of grant by multiplying the number of RSUs and DSUs granted by the closing price of Shares on the date of grant. Share prices on date of grants:

- 2019: January 8, 2019 - \$0.325; August 15, 2019 - \$0.33 (Mr. Iluk only)
- 2018: January 10, 2018 - \$0.79
- 2017: January 10, 2017 - \$0.81

These values may differ from the actual value at the time the awards vest. The fair value of the award on the grant date is not different from the fair value if determined in accordance with IFRS 2 Share-based Payment. In addition to regular annual grants, 2017 included a shortfall grant for reduced cash compensation in 2016.

(3) This is related to Share Options and reflects the estimated fair value under the Black-Scholes pricing model of Share Options granted in the year. Share Options vest as to one third in each of the first, second and third year anniversaries of the date of grant. The Black-Scholes pricing model is used as it is a generally accepted pricing model. The assumptions for each year are:

	2019 Option Grant	2018 Option Grant	2017 Option Grant
Share price	\$0.32	n/a	\$0.83
Exercise price <sup>(a)</sup>	\$0.32	n/a	\$0.83
Risk-free interest rate	1.9%	n/a	0.9% - 1.0%
Expected volatility	56.3% - 58.7%	n/a	48.8% - 50.1%
Expected term	3.9 - 4.6 years	n/a	3.9 - 4.7 years
Expected forfeiture rate	7.6% - 13.7%	n/a	8.2% - 16.1%
Dividend yield	Nil	n/a	Nil
Fair value per option issued	\$0.15	n/a	\$0.32 - \$0.35

<sup>(a)</sup>As per the Share Option Plan, the exercise price is the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding the date of grant. The fair value of the award on the grant date is not different from the fair value if determined in accordance with IFRS 2 Share-based payment.

(4) Reflects the value of awards earned in each year under Essential's ABP. ABP payments are typically paid to the executives in March of the following calendar year to reward business performance of the prior fiscal year.

(5) For 2019, Mr. Amundson, Mr. Heck and Ms. Perasalo: includes amounts contributed by the Company on their behalf, subsequent to their individual contribution, pursuant to the Employee Savings Plan ("Employee Savings Plan Contribution") in the following amounts: Amundson - \$38,641; Heck - \$5,796; Perasalo - \$23,879. It also includes cash compensation in lieu of a planned LTIP grant in 2019 that could not be issued due to trading blackouts ("Incremental LTIP") in the following amounts: Amundson - \$130,000; Heck - \$50,000; Perasalo - \$50,000. For each, the total value of all other perquisites not generally available to employees did not exceed \$50,000 or 10% of total salary.

For 2019, Mr. Newman: includes Employee Savings Plan Contribution: \$27,312; Incremental LTIP: \$50,000; vehicle allowance: \$20,400; health spending: \$8,000 and other perquisites, less than 25% of total perquisites.

For 2019, Mr. Iluk: includes Employee Savings Plan Contribution. The total value of all other perquisites not generally available to employees did not exceed \$50,000 or 10% of total salary.

For 2019, Mr. Mowbray: includes Employee Savings Plan Contribution: \$4,597; vacation payout upon his departure: \$18,832. The total value of other perquisites not generally available to employees did not exceed \$50,000 or 10% of salary.

For 2018 and 2017, Mr. Amundson, Mr. Heck, Mr. Perasalo and Mr. Mowbray: includes Employee Savings Plan Contribution. For each, the total value of other perquisites not generally available to employees did not exceed \$50,000 or 10% of salary.

For 2018, Mr. Newman: includes Employee Savings Plan Contribution: \$29,605; vehicle allowance: \$20,400 and other perquisites, less than 25% of total perquisites.

For 2017, Mr. Newman: includes Employee Savings Plan Contribution: \$14,651; vehicle allowance: \$19,616 and other perquisites, less than 25% of total perquisites.

Total salary for each year was considered on a pre-roll-back basis.

- (6) Mr. Amundson does not receive compensation for his role as a member of the Board of Directors. After departure of the Chief Operating Officer (“COO”) in November 2016, Mr. Amundson undertook the COO duties in addition to his President and CEO duties.
- (7) Mr. Iluk was considered a NEO for 2019.
- (8) Mr. Mowbray resigned from Essential effective March 8, 2019.

### Outstanding Option-Based Awards and Share-Based Awards

The following table outlines for each NEO all Share Option-based awards and Share-based awards (RSU and DSU) outstanding as at December 31, 2019.

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested <sup>(2)</sup> (#)	Market or payout value of Share-based awards that have not vested <sup>(3)</sup> (\$)	Market or payout value of vested Share-based awards not paid out or distributed <sup>(4)</sup> (\$)
Garnet Amundson	80,000 350,000 430,000 250,000 455,000 200,000	\$1.46 \$1.12 \$0.55 \$0.61 \$0.83 \$0.32	Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022 Jan 8, 2024	Nil Nil Nil Nil Nil \$12,000	1,353,000	\$514,140	\$636,792
Eldon Heck	55,000 125,000 180,000 260,417 195,000 83,000	\$1.46 \$1.12 \$0.55 \$0.61 \$0.83 \$0.32	Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022 Jan 8, 2024	Nil Nil Nil Nil Nil \$4,980	627,334	\$238,387	\$68,400
Jeff Newman	55,000 200,000 255,000 114,583 205,000 83,000	\$1.46 \$1.12 \$0.55 \$0.61 \$0.83 \$0.32	Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022 Jan 8, 2024	Nil Nil Nil Nil Nil \$4,980	587,334	\$223,187	\$266,292
Karen Perasalo	55,000 125,000 180,000 114,583 175,000 83,000	\$1.46 \$1.12 \$0.55 \$0.61 \$0.83 \$0.32	Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022 Jan 8, 2024	Nil Nil Nil Nil Nil \$4,980	577,334	\$219,387	\$251,092
Jade Iluk	30,000	\$1.12	Jun 11, 2020	Nil	419,556	\$159,431	Nil

Notes:

- (1) Based on the market price of \$0.38 as at December 31, 2019 including vested and unvested Share Options.
- (2) Share based awards consist of RSUs granted in 2017, 2018 and 2019, and DSUs granted in 2019 that have not vested.
- (3) Includes all unvested RSUs and unvested DSUs, based on the Share price of \$0.38 as at December 31, 2019.
- (4) Includes DSUs that have vested but have not paid out, based on the Share price of \$0.38 as at December 31, 2019. DSUs do not pay out until the NEO is no longer employed by the Company and the value is determined at that future date.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of Share Option-based awards and Share-based awards for each NEO which vested during the year ended December 31, 2019 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2019.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year		Non-equity incentive plan compensation – Value earned during the year <sup>(4)</sup> (\$)
		RSUs (cash settled) <sup>(2)</sup> (\$)	DSUs (not paid out) <sup>(3)</sup> (\$)	
Garnet Amundson	Nil	\$109,369	\$39,600	\$390,000
Eldon Heck	Nil	\$92,724	\$16,500	\$245,000
Jeff Newman	Nil	\$52,720	\$16,500	\$185,000
Karen Perasalo	Nil	\$47,378	\$16,500	\$155,000
Jade Iluk	Nil	\$38,001	Nil	\$41,100
Allan Mowbray <sup>(5)</sup>	Nil	\$29,778	\$16,500	Nil

**Notes:**

- (1) The value is calculated based on the difference between the Share price at the vesting date and the exercise price of the Share Options on the grant date for the vested Share Options that were “in the money”. All Share Options that vested in 2019 were “out of the money”.
- (2) The value is calculated based on the RSUs that vested in the year multiplied by the five-day volume weighted average Share price at time of vesting.  
 On January 7, 2019, one third of the time-vested RSUs from the January 7, 2016 grant vested. The five-day volume weighted average price was \$0.31. The grant was 50% time-vested and 50% performance-vested (the performance vested grants did not vest until March 7, 2019). Time-vested RSUs for Amundson - 60,277; Heck - 21,767; Newman - 25,115; Perasalo - 21,767; Iluk - 7,535; Mowbray - 21,767.  
 On January 10, 2019, one third of the time-vested RSUs from the January 10, 2017 grant vested. The five-day volume weighted average price was \$0.33. Time vested RSUs for Amundson - 100,000; Heck - 103,333; Newman - 63,333; Perasalo - 53,333; Iluk - 53,333.  
 On January 10, 2019, one third of the time vested RSUs for the January 10, 2018 grant vested. The five-day volume weighted average price was \$0.33. Time vested RSUs for Amundson - 120,000; Heck - 50,000; Newman - 50,000; Perasalo - 50,000; Iluk - 31,111; Mowbray - 50,000.  
 On March 7, 2019, one third of the performance-vested RSUs from the January 7, 2016 grant vested. The performance criteria was met. The five-day volume weighted average price was \$0.30. Performance vested RSUs for Amundson - 60,277; Heck - 21,767; Newman - 25,115; Perasalo - 21,767; Iluk - 7,535; Mowbray - 21,767.  
 On June 30, 2019, one third of the time-vested RSUs from the June 30, 2016 grant vested. The five-day volume weighted average price was \$0.30. Time vested RSUs for Heck - 96,154; Iluk - 18,462.
- (3) The value of DSUs is calculated based on the DSUs that vested in the year multiplied by the five-day volume weighted average Share price at time of vesting. DSUs typically vest one-year after grant, or in certain circumstances, vest at grant. DSUs are not paid out until the individual ceases to be an employee of Essential.  
 On January 10, 2019, all of the DSUs from the January 10, 2018 grant vested. The five-day volume weighted average price was \$0.33. DSUs vesting for Amundson - 120,000; Heck - 50,000; Newman - 50,000; Perasalo - 50,000; Mowbray - 50,000.
- (4) Reflects the value of awards earned in 2019 under Essential’s ABP. ABP payments are typically paid to the executives in March of the following calendar year to reward business performance of the prior fiscal year.
- (5) Amounts that vested prior to Mr. Mowbray’s departure.

### Employment Contracts and Termination and Change of Control Benefits

The Company recognizes that the NEOs are critical to Essential's ongoing business. Essential's NEOs that are at the president or vice president level have employment contracts in place to protect them from employment interruption and treat them in a fair and equitable manner. The following table outlines the key contract terms in place for each NEO that is a president or vice president, in the event of a change in their employment status.

Name	Change of Control		Involuntary Termination		Voluntary Termination	
	% Change in Securities Ownership Required	Payment Obligation <sup>(1)</sup>	Without Cause <sup>(1)</sup>	With Cause	Resignation	Death/Disability <sup>(1)</sup>
Garnet Amundson	more than 50%	<ul style="list-style-type: none"> <li>▪ 24 months pay in lieu of notice at current base salary;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>▪ in 2019: the average of the bonus payments for the preceding two years multiplied by 2;</li> <li>▪ in 2020: base salary multiplied by 'at target' bonus percent multiplied by 2;</li> <li>▪ the pro-rata amount of any earned bonus for the current fiscal year calculated as base salary multiplied by 'at target' bonus percent from Jan 1<sup>st</sup> through to the termination date;</li> <li>▪ 20% of the pay in lieu amount for lost benefits; and</li> <li>▪ accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 24 months pay in lieu of notice at current base salary;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>▪ in 2019: the average of the bonus payments for the preceding two years multiplied by 2;</li> <li>▪ in 2020: base salary multiplied by 'at target' bonus percent multiplied by 2;</li> <li>▪ the pro-rata amount of any earned bonus for the current fiscal year calculated as base salary multiplied by 'at target' bonus percent from Jan 1<sup>st</sup> through to the termination date;</li> <li>▪ 20% of the pay in lieu amount for lost benefits; and</li> <li>▪ accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>▪ Base salary accrued and unpaid;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>▪ upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>
Eldon Heck	more than 50%	<ul style="list-style-type: none"> <li>▪ Should a good reason exist (as defined in the employment contract)<sup>(2)</sup> in addition to a 'change of control', the executive would be entitled to the payments described under 'Involuntary Termination – Without Cause'; and</li> <li>▪ accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18 months pay in lieu of notice at current base salary;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>▪ in 2019: the average of the bonus payments for the preceding two years multiplied by 1.5;</li> <li>▪ in 2020: base salary multiplied by 'at target' bonus percent multiplied by 1.5;</li> <li>▪ the pro-rata amount of any earned bonus for the current fiscal year calculated as base salary multiplied by 'at target' bonus percent from Jan 1<sup>st</sup> through to the termination date;</li> <li>▪ 20% of the pay in lieu amount for lost benefits; and</li> <li>▪ accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>▪ Base salary accrued and unpaid;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>▪ upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>

Name	Change of Control		Involuntary Termination		Voluntary Termination	
	% Change in Securities Ownership Required	Payment Obligation <sup>(1)</sup>	Without Cause <sup>(1)</sup>	With Cause	Resignation	Death/Disability <sup>(1)</sup>
Jeff Newman	more than 50%	<ul style="list-style-type: none"> <li>▪ Should a good reason exist (as defined in the employment contract)<sup>(2)</sup> in addition to a 'change of control', the executive would be entitled to the payments described under 'Involuntary Termination – Without Cause'; and</li> <li>▪ accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18 months pay in lieu of notice at current base salary;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>▪ in 2019: the average of the bonus payments for the preceding two years multiplied by 1.5;</li> <li>▪ in 2020: base salary multiplied by 'at target' bonus percent multiplied by 1.5;</li> <li>▪ the pro-rata amount of any earned bonus for the current fiscal year calculated as base salary multiplied by 'at target' bonus percent from Jan 1<sup>st</sup> through to the termination date;</li> <li>▪ 20% of the pay in lieu amount for lost benefits; and</li> <li>▪ accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>▪ Base salary accrued and unpaid;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>▪ upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>
Karen Perasalo	more than 50%	<ul style="list-style-type: none"> <li>▪ Should a good reason exist (as defined in the employment contract)<sup>(2)</sup> in addition to a 'change of control', the executive would be entitled to the payments described under 'Involuntary Termination – Without Cause'; and</li> <li>▪ accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18 months pay in lieu of notice at current base salary;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>▪ in 2019: the average of the bonus payments for the preceding two years multiplied by 1.5;</li> <li>▪ in 2020: base salary multiplied by 'at target' bonus percent multiplied by 1.5;</li> <li>▪ the pro-rata amount of any earned bonus for the current fiscal year calculated as base salary multiplied by 'at target' bonus percent from Jan 1<sup>st</sup> through to the termination date;</li> <li>▪ 20% of the pay in lieu amount for lost benefits; and</li> <li>▪ accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>▪ Base salary accrued and unpaid;</li> <li>▪ accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>▪ upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>

## Notes:

- (1) Any decrease to an NEOs compensation, taken as a cost reduction measure, will be ignored for severance payment calculations and the executive's compensation will be taken at the level it was at prior to the reductions including salary, target bonus and benefits.
- (2) "Good reason" is defined in each NEO's employment contract and references the NEO's right to terminate their employment in certain circumstances, which includes generally those matters at common law that are interpreted to be constructive dismissal.



The following table outlines the estimated incremental payments the NEOs would be entitled to had their employment been terminated without cause, or in the case of the President and CEO, had a change of control occurred on December 31, 2019, or in the case of the other NEOs, had a change of control occurred on December 31, 2019 and there was ‘good reason’, as defined in their employment contracts.

Name	Severance Period (# of months)	Severance Package <sup>(1)</sup>	Contractual Share Option/RSU Obligation <sup>(2)</sup>	Contractual DSU Obligation <sup>(3)</sup>	Total Obligation
Garnet Amundson	24	\$1,970,000	\$440,640	\$722,292	\$3,132,932
Eldon Heck	18	\$1,174,500	\$207,647	\$104,120	\$1,486,267
Jeff Newman	18	\$807,000	\$192,447	\$302,012	\$1,301,459
Karen Perasalo	18	\$738,000	\$188,647	\$286,812	\$1,213,459
Jade Iluk <sup>(4)</sup>	n/a	n/a	\$159,431	n/a	\$159,431

Notes:

- (1) Includes salary, annual bonus and benefits for the specified severance period.
- (2) Includes accelerated vesting and assumed payout of unvested Share Options and unvested RSUs using the December 31, 2019 Share price of \$0.38.
- (3) Includes assumed payout of vested and unvested DSUs using the December 31, 2019 Share price of \$0.38. DSUs by their nature do not pay out until the NEO leaves the organization. The value in the table represents DSUs earned to date (vested and unvested) that have not paid out.
- (4) As Mr. Iluk is not a vice president, he does not have an employment contract. However, Essential is obligated to accelerate the vest and payment of Mr. Iluk’s RSUs that are outstanding at the time of his termination in the event of a change of control. In addition, Mr. Iluk would receive severance considered standard by way of employment law commensurate with his position, age and tenure.

## DIRECTOR COMPENSATION

Essential provides its non-employee directors with a comprehensive compensation package consisting of an annual cash retainer, meeting fees and long-term incentives in the form of DSUs granted pursuant to the DSU Plan.

All elements of director compensation are typically reviewed annually for competitiveness against Essential's peer group by the C&G Committee and the Board of Directors with the objective of attracting and retaining qualified members to serve on the Board of Directors. In most years since 2015, the Board of Directors received rolled-back compensation. For 2019, retainers and meeting fees reflect a 20% reduction from 2014 compensation levels.

### Summary Director Compensation Table

The following table outlines for the year ended December 31, 2019 information concerning the compensation paid to members of the Board of Directors other than Mr. Amundson. Mr. Amundson is also an NEO and is not separately compensated for his duties as a director. Mr. Amundson's compensation has been disclosed in the preceding section related to NEO compensation.

Name	Fees earned (\$)	Share-based awards <sup>(1)(2)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation <sup>(2)</sup> (\$)	Total (\$)
James Banister <sup>(3)</sup>	\$66,800	Nil	n/a	n/a	\$60,346	\$127,146
Michael Black	\$44,400	Nil	n/a	n/a	\$41,438	\$85,838
Robert German <sup>(4)</sup>	\$55,200	Nil	n/a	n/a	\$41,438	\$96,638
Nicholas Kirton <sup>(5)</sup>	\$62,400	Nil	n/a	n/a	\$45,180	\$107,580
Robert Michaleski <sup>(6)</sup>	\$63,600	Nil	n/a	n/a	\$44,441	\$108,041

Notes:

- (1) This is related to DSUs and typically reflects the grant date fair value which is the theoretical expected value calculated at the date of grant by multiplying the number of DSUs granted by the closing price of Shares on the date of grant.
- (2) Each Board member typically receives an annual DSU grant however, due to trading blackouts in place at certain times in 2019, Essential was not able to provide the typical DSU grant to the Board of Directors. In lieu of a DSU grant, cash compensation was provided, in a similar dollar amount as the 2018 DSU grant date amount. In addition, Board members were incrementally remunerated in respect of their duties as Board members.
- (3) Mr. Banister is the Chairman of the Board of Directors.
- (4) Mr. German is the Chairman of the HSE Committee.
- (5) Mr. Kirton is the Chairman of the Audit Committee.
- (6) Mr. Michaleski is the Chairman of the C&G Committee.

### Director Retainers and Fees Summary

Annual Board of Directors and committee retainers are paid quarterly and pro-rated for partial service. The same meeting fees are paid for attending meetings in person or by conference call.

	2019 <sup>(1)</sup>
Board of Directors Chair <sup>(2)</sup>	\$44,000
Board of Directors Member	\$24,000
Audit / C&G Committee Chair <sup>(2)</sup>	\$36,000
HSE Committee Chair <sup>(2)</sup>	\$30,000
Board of Directors and Committee Meeting (per meeting)	\$1,200

Notes:

- (1) Reflects 20% roll-back for retainers and meeting fees in 2019.
- (2) Represents the total retainer paid to the chairs. It is not additive to the Board of Director's member retainer.

**Director Retainers and Fees Paid in 2019**

Name	Chairman Retainer (\$)	Board Member Retainer (\$)	Committee Chair Retainer <sup>(1)</sup> (\$)	Board Meetings <sup>(2)</sup> (\$)	Committee Meetings <sup>(3)</sup> (\$)	Total (\$)
James Banister	\$20,000	\$24,000	-	\$15,600	\$7,200	\$66,800
Michael Black	-	\$24,000	-	\$15,600	\$4,800	\$44,400
Robert German	-	\$24,000	\$6,000	\$15,600	\$9,600	\$55,200
Nicholas Kirton <sup>(4)</sup>	-	\$24,000	\$12,000	\$14,400	\$12,000	\$62,400
Robert Michaleski	-	\$24,000	\$12,000	\$15,600	\$12,000	\$63,600

Notes:

- (1) Includes committee chair retainers for the Audit Committee, C&G Committee and HSE Committee.  
(2) Includes meeting fees earned for board meetings attended and attendance at the 2019 Annual General and Special Meeting ("2019 AG&SM").  
(3) Includes meeting fees earned for the Audit Committee, C&G Committee and HSE Committee meetings attended.  
(4) Mr. Kirton attended all Board meetings but was not able to attend the 2019 AG&SM. Mr. Kirton was unable to attend one meeting of the C&G Committee. However, Mr. Kirton prepared for the meeting and met separately with management in advance of the meeting to contribute to the discussion despite his absence. Mr. Kirton received the Company's standard committee meeting fee for his contributions.

**Directors' Outstanding Option-Based Awards and Share-Based Awards**

The following table outlines for each member of the Board of Directors, other than Mr. Amundson who is an NEO, all Share Option-based and Share-based awards outstanding for the year ended December 31, 2019.

	Option-based awards				Share-based awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested <sup>(1)</sup> (#)	Market or payout value of Share-based awards that have not vested (\$)	Market or payout value of vested Share-based awards not paid out or distributed <sup>(2)</sup> (\$)
James Banister	n/a	n/a	n/a	n/a	n/a	Nil	\$179,680
Michael Black	n/a	n/a	n/a	n/a	n/a	Nil	\$124,727
Robert German	n/a	n/a	n/a	n/a	n/a	Nil	\$131,434
Nicholas Kirton	n/a	n/a	n/a	n/a	n/a	Nil	\$124,727
Robert Michaleski	n/a	n/a	n/a	n/a	n/a	Nil	\$133,669

Notes:

- (1) There were no DSU grants in 2019.  
(2) DSUs typically vest one-year after grant but are not paid out until the individual ceases to be an Eligible Director. Based on the Share price of \$0.38 as at December 31, 2019 multiplied by the DSUs that have vested to-date. Vested Share-based awards for: Banister – 472,842; Black – 328,228; German – 345,878; Kirton – 328,228 and Michaleski – 351,761.

**Director Incentive Plan Awards – Value Vested or Earned During the Year**

The following table sets forth the value of Share Option-based and Share-based awards that vested during the year ended December 31, 2019 for each member of the Board of Directors, other than Mr. Amundson who is an NEO, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2019. The Company does not have a non-equity incentive plan in place for members of the Board of Directors.

<b>Name</b>	<b>Option-Based Awards – Value Vested During the Year (\$)</b>	<b>Share-Based Awards – Value Vested During the Year - DSUs <sup>(1)</sup> (\$)</b>	<b>Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)</b>
James Banister	n/a	\$35,200	n/a
Michael Black	n/a	\$23,360	n/a
Robert German	n/a	\$23,360	n/a
Nicholas Kirton	n/a	\$23,360	n/a
Robert Michaleski	n/a	\$23,360	n/a

Note:

(1) The value is calculated based on the DSUs that vested in the year multiplied by the five-day volume weighted average Share price at the time of vesting. DSUs cannot be exercised until the director is no longer an Eligible Director. On August 15, 2019, the DSUs granted on August 15, 2018 vested but were not exercised. The value is the five-day volume weighted average Share price at time of vesting (\$0.32) multiplied by the DSUs that vested. Share-based awards vesting for Banister – 110,000; Black – 73,000; German – 73,000; Kirton – 73,000, and Michaleski – 73,000.

## CORPORATE GOVERNANCE DISCLOSURE

Set out below is a description of the corporate governance practices of Essential, in accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”).

### Board of Directors

***Disclose the identity of directors who are independent. Disclose the identity of directors who are not independent and describe the basis for that determination. Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.***

NI 58-101 defines “independence” by reference to the meaning of section 1.4 of NI 52-110, which provides that a member is “independent” if the member has no direct or indirect material relationship with the issuer, a “material relationship” being one which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgement. NI 52-110 also specifically prescribes certain relationships which are deemed to be material.

Based on the foregoing, Essential has determined that all of its current directors are independent, except for Mr. Amundson and Mr. Black. Mr. Amundson is considered to have a material relationship with Essential by virtue of his position as President and Chief Executive Officer. Mr. Black was considered to have a potentially material relationship with Essential by virtue of his position as a partner of Fasken Martineau DuMoulin LLP, one of the law firms that provide legal services to Essential. However, Mr. Black will be retiring from the Board of Directors this year and will not stand for re-election at the Meeting. The new nominee director, Mr. Sharpe, is independent.

The majority of the Board of Directors are independent.

Assuming the directors nominated for election at the Meeting are elected, the Board of Directors will be comprised of six directors, five of whom are independent.

***If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.***

The following is a list of the current directors who are presently directors of other reporting issuers (or the equivalent):

<u>Name</u>	<u>Name of Reporting Issuer</u>
Michael Black	Experion Holdings Ltd. (TSXV)
Nicholas Kirton	The Green Organic Dutchman Holdings Ltd. (TSX)
Robert Michaleski	Pembina Pipeline Corporation (TSX) Vermillion Energy Inc. (TSX)

The new nominee director, Steven Sharpe, is board member of Dundee Corporation (TSX).

***Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer’s most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board of Directors does to facilitate open and candid discussion among its independent directors.***

The independent directors do not hold regularly scheduled Board of Director meetings at which non-independent directors are not in attendance, however, at each Board of Director meeting the directors hold an *in camera* session at which members of management, including the employee director, are not in attendance.

The C&G Committee is comprised entirely of independent directors and holds regular *in camera* sessions where management is not present. There were six such meetings in 2019.

The Audit Committee is comprised entirely of independent directors and holds regular *in camera* sessions where management is not present. There were four such meetings in 2019.

The HSE Committee holds regular *in camera* sessions where the employee director and executive management are not present. The HSE Committee meets *in camera* with the Director, Essential Coil Well Service (“ECWS”), Manager, HSE (when in attendance) and the Director, Human Resources. The Director, ECWS and Manager, HSE (when in attendance) are then excused and the HSE Committee continues *in camera* with the Director, Human Resources, a non-operational manager. There were four such meetings in 2019.

If the Board of Directors deems a conflict with a non-independent director in attendance, at any Board meeting, an *in camera* session would be held without that director. Essential maintains a majority of independent directors and there are procedures to ensure the Board of Directors is able to, and does, function independently of management.

***Disclose whether or not the chair of the Board of Directors is an independent director. If the Board of Directors has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board of Directors has neither a chair that is independent nor a lead director that is independent, describe what the Board of Directors does to provide leadership for its independent directors.***

The chairman of the Board of Directors (“**Board Chair**”) is Mr. Banister and he is an independent director. The Board Chair’s primary role is to manage the Board of Directors and ensure that the Board of Directors is organized properly and functions effectively to meet its obligations and responsibilities. The Board Chair works with the President and Chief Executive Officer of Essential to ensure effective relations with members of the Board of Directors, Shareholders, other stakeholders and the public.

***Disclose the attendance record of each director for all Board of Director meetings held since the beginning of the issuer’s most recently completed financial year.***

The attendance record for each director of Essential since the beginning of the most recently completed financial year is indicated in the following table.

Name	2019 Board Meetings Attended	2020 Board Meetings Attended <sup>(1)</sup>
Garnet Amundson	12 of 12	2 of 2
James Banister	12 of 12	2 of 2
Michael Black	12 of 12	2 of 2
Robert German	12 of 12	2 of 2
Nicholas Kirton	12 of 12	2 of 2
Robert Michaleski	12 of 12	1 of 2

Note:

(1) From January 1, 2020 to April 29, 2020.

***Disclose the attendance record of each director for all committee meetings held since the beginning of the issuer’s most recently completed financial year.***

The attendance record for each C&G Committee meeting of Essential since the beginning of the most recently completed financial year is indicated in the following table.

Name	2019 C&G Committee Meetings Attended	2020 C&G Committee Meetings Attended <sup>(1)</sup>
James Banister	6 of 6	2 of 2
Nicholas Kirton	5 of 6 <sup>(2)</sup>	2 of 2
Robert Michaleski	6 of 6	2 of 2

Notes:

(1) From January 1, 2020 to April 29, 2020.

(2) Mr. Kirton was unable to attend one meeting of the C&G Committee. However, Mr. Kirton met separately with management in advance of the meeting to contribute to the discussion despite his absence.

The attendance record for each Audit Committee meeting of Essential since the beginning of the most recently completed financial year is indicated in the following table.

Name	2019 Audit Committee Meetings Attended	2020 Audit Committee Meetings Attended <sup>(1)</sup>
Robert German	4 of 4	1 of 1
Nicholas Kirton	4 of 4	1 of 1
Robert Michaleski	4 of 4	0 of 1

Note:

(1) From January 1, 2020 to April 29, 2020.

The attendance record for each HSE Committee meeting of Essential since the beginning of the most recently completed financial year is indicated in the following table.

Name	2019 HSE Committee Meetings Attended	2020 HSE Committee Meetings Attended <sup>(1)</sup>
Garnet Amundson	4 of 4	1 of 1
Michael Black	4 of 4	1 of 1
Robert German	4 of 4	1 of 1

Note:

(1) From January 1, 2020 to April 29, 2020.

### Board Mandate

***Disclose the text of the Board of Directors' written mandate. If the Board of Directors does not have a written mandate, describe how the Board of Directors delineates its role and responsibilities***

The mandate of the Board of Directors is attached as Appendix "A".

### Position Descriptions

***Disclose whether or not the Board of Directors has developed written position descriptions for the Board Chair and the chair of each committee of the Board of Directors. If the Board of Directors has not developed written position descriptions for the Board Chair and/or the chair of each committee of the Board of Directors, briefly describe how the Board of Directors delineates the role and responsibilities of each such position.***

The Board of Directors has developed written position descriptions or terms of reference for the Board Chair and the chair of each committee of the Board of Directors (which include terms of reference for the chair for each of the Audit Committee, the C&G Committee and the HSE Committee).

***Disclose whether or not the Board of Directors and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the Board of Directors and the Chief Executive Officer have not developed such a position description, briefly describe how the Board of Directors delineates the role and responsibilities of the Chief Executive Officer.***

The Board of Directors and the President and Chief Executive Officer have developed a written position description referred to as the Terms of Reference for the President and Chief Executive Officer.

### Orientation and Continuing Education

***Briefly describe what measures the Board of Directors takes to orient new directors regarding:***

- (i) *the role of the Board of Directors, its committees and its directors; and*
- (ii) *the nature and operation of the issuer's business.*

The Board of Directors has a Charters and Policies Manual that provides guidance to the Board of Directors, the Board Chair and the various committees of the Board of Directors and their respective chairman on various corporate governance matters. It also serves as a primary source of information concerning governance and the mandate of the Board of Directors and its committees. The Charters and Policies Manual includes each of the following items:

- Mandates for the Board of Directors and each committee of the Board of Directors;
- Position descriptions and terms of reference for the Board Chair, each committee chair, the directors, and the President and Chief Executive Officer;
- Governance Guidelines;
- Board Diversity Policy (“**Diversity Policy**”);
- Code of Business Conduct and Ethics (“**Corporate Code of Conduct**”);
- Code of Conduct and Conflict of Interest Guidelines for Directors and Officers (“**Code for Directors and Officers**”);
- Disclosure and Confidentiality Policy;
- Insider Trading Policy;
- Privacy Policy; and
- Whistleblower Policy.

New directors are invited to meet with senior management to learn about the business and may be invited to sit as an observer at the Board of Directors meeting and relevant committee meetings just prior to their anticipated approval as a director. Members of the Board of Directors are also encouraged to attend relevant third-party development courses. Through these means, the Board of Directors attempts to ensure that all new directors receive a comprehensive orientation regarding both the business of Essential and the duties of a director.

*Briefly describe what measures, if any, the Board of Directors takes to provide continuing education for its directors. If the Board of Directors does not provide continuing education, describe how the Board of Directors ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

The President and Chief Executive Officer and the management team provide regular written and verbal updates to the Board of Directors to keep the directors apprised of current industry conditions and business operations on a historical and prospective basis. Members of the Board of Directors are encouraged to communicate with management, auditors and industry contacts to keep themselves current with industry trends and developments and changes in regulations and legislation.

The directors are encouraged to participate in continuing education programs that are focused on enhancing individual director’s skills and abilities as directors and maintaining and enhancing the currency of their knowledge and understanding of Essential’s business. Many of the directors pursue continuing education by attending professional and industry association seminars and workshops.

### **Ethical Business Conduct**

*Disclose whether or not the Board of Directors has adopted a written code for the directors, officers and employees. If the Board of Directors has adopted a written code:*

- (i) *disclose how a person or company may obtain a copy of the code;*
- (ii) *describe how the Board of Directors monitors compliance with its code, or if the Board of Directors does not monitor compliance, explain whether and how the Board of Directors satisfies itself regarding compliance with its code; and*
- (iii) *provide a cross-reference to any material change report filed since the beginning of the issuer’s most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

Essential has the Corporate Code of Conduct that is applicable to Essential’s directors, officers and employees and the Code for Directors and Officers which is applicable to Essential’s directors and officers. The Corporate Code of Conduct and/or the Code for Directors and Officers, as applicable, is made available to all employees and can also be accessed on the Essential website at [www.essentialenergy.ca](http://www.essentialenergy.ca) and via SEDAR at [www.sedar.com](http://www.sedar.com). Essential requires regular sign-off of the Code for Directors and Officers or the Corporate Code of Conduct, as applicable, by the



members of the Board of Directors, officers, Calgary office employees and certain operational managers and employees.

Employees with questions about the Corporate Code of Conduct are encouraged to refer the matter to their General Manager, Chief Financial Officer, Corporate Secretary, President and Chief Executive Officer or the Chair of the C&G Committee. Employees and directors are required to promptly report violations to the President and Chief Executive Officer or the Chair of the C&G Committee. All reports will be reviewed and if appropriate, investigated in a discreet, confidential, professional, unbiased and timely manner. Any violations of the Corporate Code of Conduct or the Code for Directors and Officers may result in disciplinary action, up to and including termination of employment.

The Code for Directors and Officers provides that any nominee director must disclose to the C&G Committee all interests and relationships that the nominee director is aware of at the time which will or may give rise to a conflict of interest. If such interest or relationship arises while the individual is a director, there is a positive onus on the director to disclose relevant facts to the Corporate Secretary or the Board Chair. Each director is also required by the Code for Directors and Officers to report any known or suspected breach of the Corporate Code of Conduct to the Board Chair and is regularly required to review and sign a copy of the Code for Directors and Officers.

Neither the President and CEO nor the Chair of the C&G Committee is aware of any conduct of a director or officer that constitutes a departure from the Code for Directors and Officers requiring the filing of a material change report since the beginning of the Company's most recently completed financial year.

***Describe any steps the Board of Directors takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.***

In accordance with the Act, directors who are a party to or are a director or an officer of a party to a material contract or material transaction with Essential are required to disclose the nature and extent of their interest and are not permitted to vote on any resolution to approve the contract or transaction. See "*Conflicts of Interest*" in the Annual Information Form for further information regarding potential conflicts of interests involving members of the Board of Directors.

***Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.***

As discussed above, the Corporate Code of Conduct, which is applicable to all employees, sets out certain common values under which Essential and its employees conduct the Company's business. This Corporate Code of Conduct, which is promoted by management, is intended to create a positive image of Essential by promoting high ethical standards in all aspects of the Company's business.

## **Nomination of Directors**

***Describe the process by which the Board of Directors identifies new candidates for nomination to the Board of Directors.***

The nominees for directors are initially considered and recommended by the C&G Committee, after consultation with the President and Chief Executive Officer, to the Board of Directors, approved by the Board of Directors and appointed annually by Shareholders. Selection of nominees for election takes into consideration such matters that the C&G Committee and the Board of Directors deem relevant including any gaps in competencies and skills of the Board of Directors and the competencies and skills each nominee will bring to the Board of Directors along with the ability of any such nominee to devote sufficient time and resources to their duties as a member of the Board of Directors. In accordance with the mandate of the Board of Directors, the Board's set of criteria for addressing composition of the Board includes the present and anticipated skill set needed by the Board, experience, ethics, education, time availability, involvement in activities that conflict with Essential's business, term and the number of other directorships held. Consideration will be given to the requirements set out in Essential's Diversity Policy. Other matters may be included that vary from time to time.

***Disclose whether or not the Board of Directors has a nominating committee composed entirely of independent directors. If the Board of Directors does not have a nominating committee composed entirely of independent directors, describe what steps the Board of Directors takes to encourage an objective nomination process.***

The C&G Committee, comprised entirely of independent directors, carries out some of the duties of a nominating committee and the full Board of Directors acts as a committee in respect of ultimately nominating candidates for election to the Board of Directors. The C&G Committee makes nominee recommendations to the Board of Directors and the Board of Directors as a whole approves nominees to the Board of Directors. Full Board discussion and approval encourages an objective and robust nomination process.

The C&G Committee is required to perform the following duties in respect of its governance mandate related to nomination to the Board of Directors and composition of the Board of Directors:

- (a) develop, and annually update, a long-term plan for Board composition that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of Essential;
- (b) develop recommendations regarding the essential and desired experiences and skills for potential directors, taking into consideration the Board's short-term needs and long-term succession plans including considering the competencies and skills the Board, as a whole, should possess and the competencies and skills each existing member of the Board of Directors possesses;
- (c) in consultation with the Board Chair and the Chief Executive Officer, recommend to the Board of Directors nominees for election as members of the Board taking into consideration such matters as the C&G Committee deems relevant including the matters referred to above, and the competencies and skills each new nominee will bring to the Board and the ability of any such new nominee to devote sufficient time and resources to his or her duties as a member of the Board; and
- (d) evaluate regularly the effectiveness and contribution of the Board, the Board Chair and the chair of each committee and the effectiveness and contribution of individual directors, having regard for the mandate of the Board and position description, the results of surveys of the directors, attendance at Board and committee meetings, overall contribution and, in the case of individual directors, the competencies and skills the individual director is expected to bring to the Board.

## **Compensation**

***Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.***

The C&G Committee has the responsibility to annually review the directors' and officers' compensation program and make any recommendations to the Board of Directors for approval. Further details are outlined in the "Director Compensation" section and the "Executive Compensation" section of this Circular.

***Disclose whether or not the Board of Directors has a compensation committee composed entirely of independent directors. If the Board of Directors does not have a compensation committee composed entirely of independent directors, describe what steps the Board of Directors takes to ensure an objective process for determining such compensation.***

The mandate of the C&G Committee includes compensation matters. The C&G Committee is comprised entirely of independent directors.

***If the Board of Directors has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.***

The purpose of the C&G Committee as it relates to compensation matters is to assist the Board of Directors in fulfilling its oversight obligations relating to human resource and compensation matters including succession planning for senior

management. The C&G Committee will also review and/or approve any other matters specifically delegated to the C&G Committee by the Board of Directors.

Subject to the powers and duties of the Board of Directors, the C&G Committee is required to perform the following duties in respect of its compensation mandate:

- (a) recommend a performance evaluation process and metrics for the Chief Executive Officer and receive the Board Chair's evaluation of the Chief Executive Officer;
- (b) review and recommend to the Board of Directors for approval the Chief Executive Officer's compensation including incentives, bonuses and benefit plans;
- (c) review the recommendations of the Chief Executive Officer and recommend to the Board of Directors for approval of the executive team's compensation including incentives, bonuses and benefit plans;
- (d) establish and review annually the compensation philosophy, guidelines and plans for Essential employees and executives in conjunction with periodic reviews of peer group compensation policies to permit effective comparison with those of Essential;
- (e) review and approve the recommendations of the Chief Executive Officer regarding compensation including incentives, bonuses and benefit plans for Essential employees other than the executive team and the Chief Executive Officer;
- (f) recommend to the Board of Directors any long-term incentive plan grant for the executive team, the Chief Executive Officer and the Board of Directors;
- (g) review and approve the recommendation of the Chief Executive Officer regarding any long-term incentive plan grant and long-term incentive plan pools for Essential employees other than the executive team and the Chief Executive Officer;
- (h) recommend to the Board of Directors any incentive compensation plans and equity-based plans, including but not limited to the Share Option Plan, the RSU Plan and the DSU Plan;
- (i) review annually the succession plan for the Chief Executive Officer position and recommend such plan to the Board of Directors;
- (j) review with the Chief Executive Officer existing management resources and plans, including recruitment and training programs, to ensure that qualified personnel are attracted and developed with a view toward becoming available for succession to executive positions at Essential and key officer positions in its major subsidiaries, and report on this matter to the Board of Directors at least once each year;
- (k) review and recommend to the Board of Directors for approval, all executive compensation information for inclusion in public disclosure documents; and
- (l) review annually director compensation and recommend compensation terms that adequately reflect the responsibilities of the Board of Directors, the Board Chair, committee chairs and members.

The C&G Committee has the power to retain special legal, accounting, financial or other consultants or advisors to advise the C&G Committee, at Essential's expense, including a compensation consultant or advisor.

## **Other Board Committees**

***If the Board of Directors has standing committees other than the Audit and Compensation and Governance Committees, identify the committees and describe their function.***

In addition to the committees set out above, the Board of Directors also has an HSE Committee. The primary function of this committee is to assist the Board of Directors in carrying out its oversight and due diligence responsibilities by reviewing, reporting and making recommendations to the Board of Directors on the development and implementation of the policies, standards and practices of Essential with respect to health, safety and the environment.

In addition to the disclosure contained in this document, please see Essential's Annual Information Form for the year ended December 31, 2019 filed on SEDAR at [www.sedar.com](http://www.sedar.com) for further details regarding the Audit Committee and the mandate of the Audit Committee of Essential.

## **Assessments**

***Disclose whether or not the Board of Directors, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board of Directors satisfies itself that the Board of Directors, its committees, and its individual directors are performing effectively.***

The Board of Directors conducts an annual performance assessment of its overall performance, committee performance and individual self-assessments by each director. The objective of the review is to contribute to a process of continuous improvement in the Board of Directors' execution of its responsibilities. The assessments are conducted using a questionnaire that has been approved by, and then administered by the C&G Committee. The review has regard to the mandate of the Board of Directors and the applicable committees and identifies areas where the directors believe the Board of Directors could improve their collective contribution to overseeing the business and operation of Essential. The Board members also self-assess their effectiveness, contribution and competencies, as individual directors.

## **Director Term Limits and Other Mechanisms of Board Renewal**

***Disclose whether or not the Board of Directors has adopted term limits for the directors or other mechanisms of Board renewal, and if so, include a description of those director term limits or other mechanisms of Board renewal. If not, disclose why it has not done so.***

Essential has not adopted director term limits. The Board of Directors does not believe that tenure of a director is necessarily a predictor of director effectiveness. Through the annual Board assessment process (discussed above in the section "Assessments"), the Board of Directors rigorously assess the effectiveness, contributions, competencies and skills of the individual directors and the Board as a whole with a view to identifying any gaps in skills and competencies considered most relevant for Board renewal considerations.

## **Policies Regarding the Representation of Women on the Board**

***Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If not, disclose why it has not done so.***

Essential has adopted the Diversity Policy to take into account diversity considerations such as business experience, geographic representation, age, gender and ethnicity for Board composition. This is intended to promote the inclusion of different perspectives and ideas, mitigate against groupthink and ensure Essential has the opportunity to benefit from all available talent.

### **Consideration Given to the Representation of Women in the Director Identification and Selection Process**

*Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board, and if not, disclose the issuer's reasons for not doing so.*

The C&G Committee and the Board of Directors go through a rigorous process when considering a nominee director including an evaluation of the skills and experience of the current directors, determining the gaps in skills and experience that exist and finding potential candidates to fill those gaps and round out the skills and experience of the Board of Directors as a whole. When identifying suitable candidates for appointment or re-election to the Board of Directors, the Company will consider candidates on merit against objective criteria having due regard to the competencies, expertise, skills, background and other qualities identified from time to time by the Board of Directors as being important, in addition to the benefits of diversity and the needs of the Board of Directors.

Under the Diversity Policy, any search to identify candidates for appointment to the Board of Directors will include women candidates. The C&G Committee, or the Board of Directors, in addition to its own search, may engage qualified independent advisors to assist in identifying prospective director candidates that meet the selection criteria established by the Board and that support the Company's diversity objectives.

### **Consideration Given to the Representation of Women in Executive Officer Appointments**

*Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.*

Executive management does not specifically focus on having a certain representation of women in executive officer positions. When making executive officer appointments, the skills and experiences of the candidates are considered without specifically targeting a male or female candidate. The successful candidate is the one with the desired mix of skills and experience, regardless of the individual's gender. Essential has had one female vice president since 2013.

### **Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

*Disclose whether the issuer has adopted a target regarding women on the issuer's board. If not, disclose why it has not done so.*

Essential has not adopted a target regarding the number of women on the Board of Directors. As discussed above, the C&G Committee and the Board of Directors focus on the best combination of skills and experience for the position rather than setting a specific target based on gender. Any search to identify candidates for appointment to the Board of Directors will include women candidates.

The Board of Directors do not believe it is in the Company's best interest to implement arbitrary targets in determining the most qualified Board members.

*Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If not, disclose why it has not done so.*

Essential has not adopted a target regarding women in executive officer positions. As discussed above, senior management focuses on the best combination of skills and experience for the position rather than setting a specific target based on gender.

The Board of Directors and executive management do not believe it is in the Company's best interest to implement arbitrary targets in determining the most qualified executive officers.

### **Number of Women on the Board and in Executive Officer Positions**

*Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.*

Essential has no (0%) women on the Board of Directors.

*Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.*

Essential has one woman in an executive officer position, representing 25% of the Eligible Officers, at April 29, 2020. The position held by the woman is Vice President, Finance and Corporate Secretary.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the directors, nominee directors or senior officers of Essential, nor any of their associates, or affiliates is now or has been indebted to Essential or any of its subsidiaries since the commencement of the last completed fiscal year, other than for routine indebtedness, nor is, or at any time since the beginning of the most recently completed financial year of Essential has, any indebtedness of any such person been subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Essential or any of its subsidiaries.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of directors and officers of Essential, nominees for director, any Shareholder who beneficially owns more than 10% of the Shares, any other informed person (as defined in NI 51-102), or any known associate or affiliate of such persons, in any transaction since the beginning of Essential's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Essential or any of their respective subsidiaries other than as set forth herein.

Essential has entered into lease agreements for shop premises with certain private corporations that are controlled by Eldon C. Heck, Vice President, Downhole Tools & Rentals. The terms and conditions of these agreements are based on market rates for similar leases and are no more favourable than those available, or which might reasonably be expected to be available, in similar transactions on an arm's length basis.

For the year ended December 31, 2019, Essential incurred lease and leasehold improvement payments related to these shop premises of \$1.5 million (2018 - \$0.6 million, 2017 - \$0.6 million). Included in accrued payables at December 31, 2019 is leasehold improvement payments of nil (December 31, 2018 – \$0.4 million, December 31, 2017 – nil).

### **OTHER MATTERS**

Essential knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

### **ADDITIONAL INFORMATION**

Additional information relating to Essential is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial and other information with respect to Essential is provided in Essential's annual audited consolidated financial statements for the year ended December 31, 2019 and the related management's discussion and analysis. Copies of Essential's financial statements and related management discussion and analysis are available upon request from Essential at Essential Energy Services Ltd., Livingston Place West, 1100, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta T2P 0C1, attention: Corporate Secretary, by telephone at (403) 513-7272 or by email at [service@essentialenergy.ca](mailto:service@essentialenergy.ca). This information is also accessible on Essential's website at [www.essentialenergy.ca](http://www.essentialenergy.ca).

## NON-IFRS MEASURES

This Circular contains reference to the measures EBITDAS, Bank EBITDA and funded debt, which do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. These terms are defined as follows:

Bank EBITDA – generally defined in Essential’s credit facility as EBITDAS, including the equity cure, excluding severance costs and excluding the impact of lease accounting under the IFRS 16 – Leases standard (“**IFRS 16**”), for the most recent trailing twelve months.

EBITDAS – earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal, write-down of assets, impairment loss, foreign exchange gains or losses, and share-based compensation, which includes both equity-settled and cash-settled transactions.

Funded debt – generally defined in Essential’s credit facility as long-term debt plus deferred financing costs and bank indebtedness, net of cash. It does not include the lease liability related to IFRS 16.

A reconciliation of Bank EBITDA and EBITDAS to the IFRS measure, net income (loss), can be found in Essential’s MD&A for the year ended December 31, 2019, which may be accessed through on Essential’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## APPENDIX “A”

### MANDATE OF THE BOARD OF DIRECTORS

In the Mandate of the Board, the following words and phrases shall have the meanings ascribed thereto:

“**Auditor**” means an external auditor to Essential;

“**Board**” or “**Board of Directors**” or “**Directors**” means the board of directors of the Corporation;

“**Board Chair**” refers to the chair of the Board, or to any lead director who is an independent director elected by peers to act as lead director;

“**Chairs**” or “**Committee Chairs**” refer to chairs of any Committee of the Corporation;

“**Chief Executive Officer**” means the President and Chief Executive Officer of Essential Energy Services Ltd.;

“**Committees**” means the committees of the Board;

“**Corporation**” means Essential Energy Services Ltd.;

“**Essential**” means, collectively, the Corporation and its subsidiaries and affiliated entities;

“**Executive Officers**” or “**Officers**” means the executive officers of the Corporation;

“**Mandate**” means the mandate of the Board of Directors of the Corporation;

“**Shares**” means shares of the Corporation.

#### **Introduction to Stewardship Duties**

The purposes and responsibilities outlined in this Mandate and accompanying Board materials are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities.

The Board is responsible to shareholders and others for the stewardship of Essential. The Board is responsible to oversee management of the business affairs of the Corporation and to act with a view to the best interests of the Corporation, growing value and maximizing return to shareholders.

The Board has plenary power with respect to the Corporation. Any responsibility not delegated to management or a Committee of the Board remains with the Board.

#### **General Legal Obligations of the Board**

1. The Board is responsible for the following legal matter oversight:
  - (a) overseeing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained;
  - (b) approving changes in the By-laws, Articles of Incorporation, matters requiring shareholder or shareholder approval, and agendas for shareholder and shareholder meetings;
  - (c) approving Essential’s legal structure, names and brands, mission statement and vision statement, and any amendments thereto;



- (d) overseeing management to ensure compliance by the Corporation with all applicable securities laws, including continuous disclosure obligations and in relation to an offering of securities of the Corporation; and
  - (e) overseeing management to ensure compliance by the Corporation with stock exchange rules.
2. The following business matters are the responsibility of the Board generally:
- (a) to oversee the management of the business and affairs of Essential including the relationships among the Corporation and its respective affiliates with their executives, affiliates, shareholders, Directors and officers;
  - (b) to act honestly and in good faith with a view to the best interests of Essential;
  - (c) to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
  - (d) to act in accordance with its obligations contained in the *Business Corporations Act* (Alberta), the *Securities Act* of each province and territory of Canada, other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws;
  - (e) in particular, it should be noted that the following matters must be considered by the Board as a whole:
    - (i) submit to the shareholders of the Corporation any question or matter requiring the approval of the shareholders of the Corporation;
    - (ii) fill a vacancy among the Directors or in the office of Auditor;
    - (iii) issue securities except in the manner and on the terms permitted by law and authorized by the Board;
    - (iv) declare dividends;
    - (v) purchase, redeem or otherwise acquire Shares;
    - (vi) the payment of a commission to any person in consideration of that person purchasing or agreeing to purchase Shares;
    - (vii) approve management proxy circulars;
    - (viii) approve take-over bid circulars or Directors' circulars;
    - (ix) approve any financial statements; or
    - (x) adopt, amend or repeal By-laws of the Corporation.

### **Composition and Board Organization**

Nominees for Directors are initially considered and recommended by the Compensation and Governance Committee of the Board, approved by the entire Board and appointed annually by the Corporation, in accordance with the direction given to the Corporation by vote of the shareholders of the Corporation.

The appropriate number of Directors from time to time will be determined to fairly reflect the investment in Essential by those shareholders other than a significant shareholder or significant group of shareholders.

A majority of Directors comprising the Board must qualify as "independent" Directors in accordance with the definition of "independent" Director from time to time under the requirements or guidelines for Board service under

applicable securities laws and the rules of any stock exchange on which the Shares are listed for trading. On at least an annual basis, the Board will conduct an analysis and make a determination as to the “independence” of each Board member.

Certain of the responsibilities of the Board referred to herein may be delegated to Committees of the Board. The responsibilities of those Committees will be as set forth in their respective mandates, as amended from time to time.

The Board’s set of criteria for addressing composition of the Board will include the present and anticipated skill set needed by the Board, experience, ethics, education, time availability, involvement in activities that conflict with Essential’s business, term and the number of other directorships held. Consideration will be given to the requirements set out in Essential’s Board Diversity Policy. Other matters may be included that vary from time to time.

### **Duties and Responsibilities**

#### 3. Managing the Affairs of the Board and Governance

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described under the heading “General Legal Obligations of the Board”. Subject to these legal obligations and to the Articles and By-laws of the Corporation, the Board retains the responsibility for managing its own affairs, including:

- (a) developing the Board’s approach to governance, including the development and maintenance of the Board Manual and the Governance Guidelines, which may be delegated to the Compensation and Governance Committee;
- (b) planning its composition and size;
- (c) selecting the Board Chair, or, as applicable, a “Lead Director”;
- (d) nominating candidates for election to the Board;
- (e) appointing Committees;
- (f) determining Director compensation;
- (g) developing position descriptions or terms of reference for the Board Chair and the Chair of each Committee of the Board, as well as for the President, Chief Executive Officer and for individual Directors; and
- (h) assessing the effectiveness of the Board itself, Committees and individual Directors in fulfilling their responsibilities at least annually.

#### 4. Management and Human Resources

The Board has oversight responsibility for:

- (a) the appointment and succession of the Chief Executive Officer and evaluating the Chief Executive Officer’s performance, approving Chief Executive Officer compensation and providing advice and counsel to the Chief Executive Officer in the execution of the Chief Executive Officer’s duties;
- (b) satisfying itself as to the integrity of the Chief Executive Officer and that the Chief Executive Officer and other Executive Officers create a culture of integrity throughout the organization;
- (c) approving a position description or terms of reference for the Chief Executive Officer;

- (d) reviewing Chief Executive Officer performance at least annually against agreed upon written goals and objectives that the Chief Executive Officer is responsible for meeting and that have been approved by the Board;
- (e) approving decisions relating to senior management, including appointment and discharge of Officers, compensation and benefits for the Chief Executive Officer, acceptance of outside directorships on public companies by Executive Officers (other than not-for-profit organizations), and special arrangements with Executive Officers, or other employee groups;
- (f) ensuring succession planning programs are in place, including programs to train and develop management; and
- (g) approving certain matters relating to all employees, including:
  - (i) the annual salary policy/program for employees;
  - (ii) new benefit programs or material changes to existing programs; and
  - (iii) material benefits granted to retiring employees outside of benefits received under any approved pension and other benefit programs.

## 5. Strategy and Plans

The Board has oversight responsibility to:

- (a) participate with management in the development of, and ultimately approve, Essential's strategic plan, which strategic plan will take into account, among other things, the opportunities and risks of the business;
- (b) approve the annual business plans that enable Essential to realize its objectives;
- (c) approve annual capital and operating budgets that support Essential's ability to meet its strategic objectives;
- (d) approve any political or charitable donations policy or budget;
- (e) approve the entering into, or withdrawing from, lines of business or geographic markets that are, or are likely to be, material to Essential;
- (f) approve financial and operating objectives used in determining compensation if they are different from the strategic, capital or operating plans referred to above;
- (g) approve material divestitures and acquisitions;
- (h) approve major leases; and
- (i) monitor Essential's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

## 6. Financial and Corporate Issues

The Board has oversight responsibility to:

- (a) take reasonable steps to ensure the implementation and integrity of Essential's internal control and management information systems;
- (b) monitor operational and financial results;

- (c) approve the Audit Committee recommendation to recommend appointment of external Auditors and approve Auditors' fees;
- (d) approve annual and quarterly financial results as approved by the Audit Committee and to approve release thereof by management;
- (e) approve any management proxy circular, annual information form and any documents incorporated by reference therein;
- (f) approve dividends in respect of the Shares;
- (g) approve financings, changes in authorized capital, issue and repurchase of Shares, issue, reissue, sell or pledge debt obligations of the Corporation, listing of Shares and other securities, issue of commercial paper, and related prospectuses;
- (h) approve banking resolutions and significant changes in banking relationships;
- (i) review coverage, deductibles and key issues regarding corporate insurance policies;
- (j) approve contracts, arrangements or commitments that may have a material impact on Essential;
- (k) approve the commencement or settlement of litigation that may have a material impact on Essential; and
- (l) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation owned or subsequently acquired to secure any obligation of the Corporation.

7. Business and Risk Management

The Board has oversight responsibility for the following functions, which may be delegated to one or more Committees of the Board:

- (a) ensure management identifies the principal business and financial risks and implements appropriate systems to manage these risks;
- (b) ensure management procures appropriate insurance including Director and officer insurance;
- (c) review operating and financial performance relative to budgets or objectives;
- (d) receive reports from management on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;
- (e) to the extent the same have not been delegated to the Audit Committee, assess and monitor management control systems:
  - (i) assess information provided by management and others (e.g., external Auditors) about the effectiveness of management control systems; and
  - (ii) understand principal risks and review whether Essential achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified.
- (f) monitor Essential's risk management process.

8. Policies and Procedures

The Board has oversight responsibility to:

- (a) approve and monitor compliance with all significant policies and procedures by which Essential is operated;
- (b) direct management to ensure Essential operates at all times within applicable laws and regulations and according to the Code of Conduct adopted by Essential; and
- (c) review significant new corporate policies or material amendments to existing policies.

9. Compliance Reporting and Communications

The Board has oversight responsibility to:

- (a) ensure Essential has in place effective communication processes with its shareholders and other stakeholders and financial, regulatory and other recipients;
- (b) approve interaction with shareholders on all items requiring shareholder response or approval;
- (c) ensure that the financial performance of the Corporation is reported to shareholders, other securityholders and regulators in compliance with applicable law and regulations on a timely and regular basis, fairly and in accordance with generally accepted accounting principles;
- (d) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- (e) report annually to shareholders on the Board governance for the preceding year.

10. Standards of Liability

Nothing contained in this Mandate is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or members of its Committees. The purposes and responsibilities outlined in this Mandate and accompanying Board materials are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities.