ESSENTIAL
ENERGY SERVICES

Annual Information Form

Year Ended December 31, 2022

March 3, 2023

TABLE OF CONTENTS

GLOSSARY OF TERMS

In this Annual Information Form, unless the context otherwise requires, references to "we", "us", "our" or similar terms, or to "Essential", or the "Company", or the "Corporation" refers to Essential Energy Services Ltd. (either alone or together with its subsidiaries) and the following terms shall have the meanings set forth below.

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated thereunder, each as may be amended from time to time and any successor laws or regulations thereto.

"**AECO**" refers to the Alberta natural gas price which is traded on the Natural Gas Exchange.

"**Annual Information Form**" or "**AIF**" means this annual information form dated March 3, 2023, for the year ended December 31, 2022.

"**bbl**" is a measure that means barrel of oil.

"**Board of Directors**" or "**Board**" means the board of directors of the Corporation.

"**CAOEC**" means the Canadian Association of Energy Contractors.

"**Credit Facility**" has the meaning given to such term under "General Development of the Business – Three Year History – Credit Facility" herein.

"**ESG**" means Environmental, Social and Governance.

"**E&P**" means oil and natural gas exploration and production.

"**lbs**" means pounds.

"**m**" means meters.

"**Manager**" means Essential Energy Services Operating Corp., as the formerly wholly-owned subsidiary of the Trust and former manager of the Trust.

"**mcf**" is a measure that means one thousand cubic feet of natural gas.

"**MD&A**" refers to Essential's Management's Discussion and Analysis for the year ended December 31, 2022.

"**MMBtu**" is a measure that stands for one million British Thermal Units ("**BTU**"). A BTU is a measure of the energy content in fuel.

"**NYMEX**" means New York Mercantile Exchange.

"**OPEC**" means the Organization of the Petroleum Exporting Countries.

"**Shareholders**" means the holders from time to time, of the Shares.

"**Shares**" or "**Common Shares**" means common shares of the Corporation.

"**Trust**" means Essential Energy Services Trust, a trust formed pursuant to the laws of the Province of Alberta and including, unless the context otherwise requires, its subsidiaries and operating entities.

"**Tryton MSFS®**" has the meaning given to such term under "Corporate Structure" herein and MSFS® is a registered trademark of Essential Energy Services Ltd.

"**TSX**" means the Toronto Stock Exchange.

"**U.S.**" means the United States of America.

"**WCS**" means Western Canadian Select benchmark price for oil.

"**WCSB**" means the Western Canadian Sedimentary Basin.

"**WTI**" means the West Texas Intermediate benchmark price for oil.

GENERAL MATTERS

Essential prepares its financial statements in Canadian dollars and in accordance with accounting policies in compliance with *International Financial Reporting Standards* ("**IFRS**"), as issued by the International Accounting Standards Board.

References in this AIF to research reports or to articles in publications should not be construed as depicting the complete findings of the entire referenced report or article.

Certain information contained in this AIF includes market and industry data that has been obtained from or is based upon estimates derived from third party sources, including industry publications, reports and websites. Although the data is believed to be reliable, Essential has not independently verified such information and cannot provide any assurance of its accuracy, currency, reliability or completeness.

Essential's website is located at www.essentialenergy.ca.

Special Note Regarding Forward Looking Statements and Information

Certain statements contained in this document constitute forward-looking statements and information within the meaning of applicable securities laws. The use of any of the words "anticipate", "plan", "potential", "continue", "expect", "future", "may", "will", "project", "could", "can", "forecast", "believe", "seeks", "likely", "would", "typically", "generally", "intend" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. More particularly, this document contains forward-looking statements and information pertaining to, among other things:

- Essential's future growth, anticipated results of operations and performance;
- anticipated business prospects and opportunities;
- customer demand for services and equipment;
- Essential's capital budget;
- plans to potentially retrofit and/or reactivate certain equipment and the cost and timing of such;

- expectations regarding the activity of Essential's fleet;
- expectations regarding E&P cash flows and E&P company capital spending;
- expectations regarding the availability of labour and equipment;
- expectations regarding the number and type of wells and complexity of wells to be drilled;
- expectations regarding export capacity for the WCSB;
- the impact of new liquefied natural gas export facilities on the demand for natural gas;
- implications of any litigation claims;
- the impact of new laws, regulations and changing government policies on Essential and the oilfield services sector;
- the impact of changing investor sentiment toward the oil and natural gas industry;
- the impact of activism on the oil and natural gas industry and oilfield services;
- the expected macroeconomic conditions and global supply and demand levels affecting commodities;
- the Corporation's normal course issuer bid;
- ESG practices;
- plans and timing of release of an ESG report;
- climate change;
- the COVID-19 health pandemic, the duration and implications;
- expectations regarding drilling activity, oilfield service activity and service pricing and related economic factors;
- competitiveness of Essential's service offering;
- the level of risk from operating in the U.S.;
- all assumptions made around whether the Corporation maintains adequate insurance coverage;
- activity levels in the WCSB; and
- the expected industry trends in the WCSB.

The forward-looking statements are based on a number of key expectations and assumptions made by Essential including, but not limited to:

- supply and demand for Essential's products and services;
- successful service delivery and ability to meet commitments for operations and sales;
- maintenance or improvement in Essential's pricing, service quality and reliability, equipment availability and performance, technical expertise and reputation for safety;
- availability and cost of materials, technology, labour and expertise;
- amount of capital expenditures;

- the geopolitical environment regarding oil and natural gas;
- general economic, financial market and oil and natural gas industry conditions including oil and natural gas pricing; and
- government regulation pertaining to oil and natural gas production, transportation of product and the oilfield services sector.

Although Essential believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Essential can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve numerous inherent known and unknown risks and uncertainties that contribute to the possibility that the forward-looking statements may prove to be incorrect. As such, forward-looking information included in this AIF should not be unduly relied upon. Actual performance and results could differ materially from those currently anticipated in the forward-looking information due to a number of known and unknown risks, including the risk factors set forth under "Risk Factors" in this AIF and those set forth below. These include but are not limited to:

- fluctuations in the level of oil and natural gas exploration and development activities;
- fluctuations in the price and demand for oil and natural gas;
- fluctuations in the demand for oilfield services;
- the behavior of competition in the industry in which Essential operates;
- Essential's ability to attract and retain key personnel and customers;
- Essential's ability to appropriately match labour recruiting and training with work demand;
- competition for, among other things, capital, market share, customers and skilled personnel;
- the safety risks inherent in Essential's operations;
- cost inflation;
- Essential's timely access to supplies, parts and tools;
- changes in investor sentiment;
- unforeseen cybersecurity issues;
- uncertainties surrounding the COVID-19 pandemic or other future pandemics;
- international oil and natural gas supply;
- global economic uncertainty;
- changes in laws, regulations and government policies relating to the oil and natural gas industry in general and the oilfield service sector, including but not limited to implications of new climate change rules, government support for new pipelines, Indigenous Peoples treaty rights, changes in tax legislation, hydrocarbon transportation related laws and royalty rates;
- fixed costs in relation to variable revenue streams;

- customer cash flow and spending programs;
- Essential’s ability to collect accounts receivable;
- uncertainties surrounding shareholder activism and environmental activism;
- uncertainties surrounding the outcome of known or unknown litigation;
- general economic and market conditions;
- failure of counterparties to perform on contracts;
- uncertainties associated with regulatory approvals;
- unforeseen risks with Canadian, U.S. or international operations;
- inability to enforce legal rights in foreign jurisdictions;
- changes in political and security stability in Canadian and foreign jurisdictions;
- alternatives to and changing demand for petroleum products;
- changes in well completion and production stimulation techniques and the type and nature of equipment used to perform these services;
- uncertainties associated with intellectual property and technology issues;
- the reliability of Essential’s equipment and tools;
- failure to protect confidential information;
- unforeseen internal control weaknesses;
- oversupply of oilfield services equipment;
- risks inherent in oilfield service operations;
- inadequate insurance coverage;
- Essential’s ability to raise capital;
- uncertainties associated with Share repurchases under the normal course issuer bid;
- Essential’s ability to access credit on commercially reasonable terms;
- uncertainties associated with the Credit Facility;
- unforeseen risk of tax reassessments;
- the effects of seasonal and weather conditions on operations and facilities;
- the effects of climate change on weather conditions;
- Essential’s ability to manage growth;
- anticipated outcomes of acquisitions and dispositions;
- potential conflicts of interest;
- reputation risk from negative public opinion;
- amounts expended by Essential for capital expenditures and timely delivery;

- changes in laws, regulations and government policies relating to human rights and treaty rights for Indigenous People; and
- fluctuations in foreign exchange or interest rates and stock market volatility.

Global economic conditions and uncertainty, including the volatility of the price of oil and natural gas as well as limited Canadian export capacity, has resulted in a substantial amount of risk to the oil and natural gas industry in the WCSB and to financial markets. The continuation of such factors may adversely impact Essential's anticipated or expected results and may cause actual results to materially deviate from the forward-looking statements and information contained in this AIF.

Many of these risk factors and other specific risks and uncertainties are discussed in further detail throughout this AIF. Readers are referred to the risk factors described in this AIF under "Risk Factors" and in other documents Essential files from time to time with securities regulatory authorities. Copies of these documents are available without charge from Essential or electronically under Essential's profile on SEDAR at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Essential does not undertake any obligation to publicly update or revise any forward-looking statements other than as required under applicable securities laws.

Non-IFRS and Other Financial Measures

Certain specified financial measures in this AIF, including "growth capital" and "maintenance capital", as denoted with [(a)] in this AIF, do not have a standardized meaning as prescribed under IFRS. These measures should not be used as an alternative to IFRS measures because they may not be comparable to similar financial measures used by other companies. These specified financial measures used by Essential are further explained in the Non-IFRS and Other Financial Measures section of the Corporation's MD&A for the year ended December 31, 2022 (available on the Corporation's profile on SEDAR at www.sedar.com), which section is incorporated by reference herein.

Currency

All dollar amounts set forth in this AIF are in Canadian dollars, except where otherwise indicated.

CORPORATE STRUCTURE

Essential Energy Services Ltd. was incorporated under the ABCA on February 26, 2010. It was formed in connection with the conversion of the Trust to a corporation pursuant to a plan of arrangement under the ABCA (the "**Conversion**"), which was completed on April 29, 2010. Upon closing of the Conversion, Essential assumed the business of the Trust.

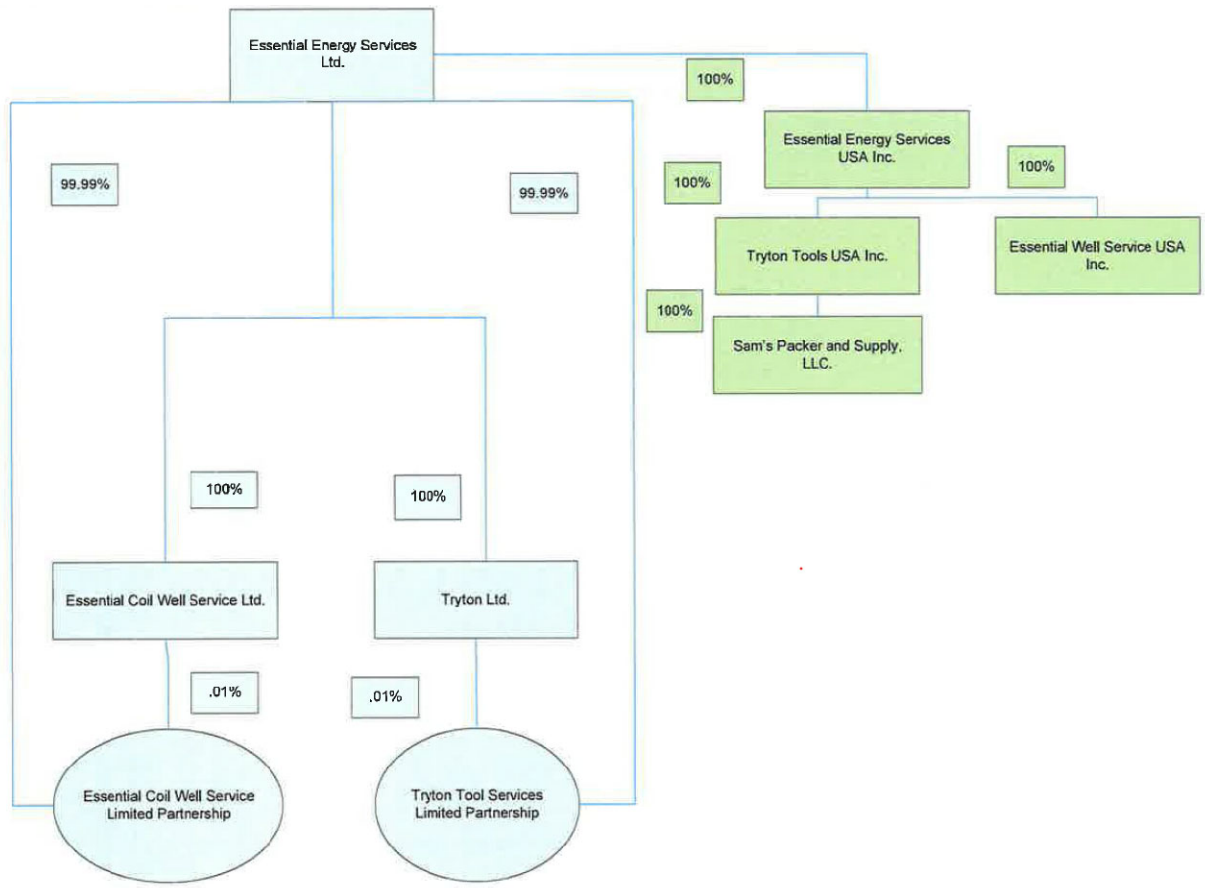
The head and principal office of Essential is located at Suite 1100, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1. The registered office of Essential is located at Suite 3400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

The principal undertaking of Essential, through its subsidiaries, is to provide oilfield services to oil and natural gas producers, primarily in the WCSB. Essential provides oilfield services with coiled tubing, fluid and nitrogen pumpers and downhole tools and rentals, including the Tryton Multi-Stage Fracturing System

(“**Tryton MSFS®**”). As at December 31, 2022, Essential and its subsidiaries collectively employed 332 employees.

Organizational Structure of the Corporation

The following diagram sets forth the organizational structure of Essential and its subsidiary entities as at December 31, 2022, with the percentage figures denoting the percentage of votes attaching to all the voting securities beneficially owned by Essential and each of its subsidiaries.



The corporations identified above were formed under the ABCA except for:

- Essential Energy Services USA Inc. and Essential Well Service USA Inc. were formed under the laws of the State of Delaware;
- Tryton Tools USA Inc. was formed under the Texas Business Organizations Code; and
- Sam’s Packer and Supply, LLC was formed under the laws of the State of Kansas.

The partnerships identified above were formed under the *Partnership Act* (Alberta).

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

This section discusses the major events that have influenced the general development of Essential in the past three financial years.

Macroeconomic and COVID-19 Pandemic Challenges

2020: In early March 2020, the Saudi Arabia/Russia oil price war (the "**Oil Price War**") resulted in sudden oil price destruction. This, coupled with the world-wide COVID-19 health pandemic that decimated global demand for hydrocarbons, resulted in unprecedented low oil prices. For E&P companies, which includes Essential's customers, these macroeconomic factors resulted in significantly lower cash flow and lower capital spending, which translated into reduced drilling and completion activity and reduced demand for oilfield services.

2021: The global demand for oil steadily improved in 2021 as did the price for oil. In addition, the price for Canadian natural gas improved in 2021 relative to 2020. These two factors generally increased commodity price-driven E&P company cash flows in 2021. Although cash flows improved for E&P companies, surplus cash flow was generally applied to reduce debt and return cash to shareholders through dividends and share repurchases, rather than significantly increasing capital spending. Drilling and completion activity and the demand for oilfield services were low relative to the strength of commodity prices and E&P cash flow generation. As well, oilfield service pricing remained depressed through 2021 as there were no constraints on equipment or personnel given the low activity.

2022: Activity increased in the year, with both wells drilled and wells completed improving over the prior year. However, E&P companies remained quite conservative with their capital programs choosing to continue to pay down debt, pay dividends and buy back shares. Cost inflation continued to impact operating costs during the year. During 2022, oilfield service companies obtained pricing improvements, which offset some of the significant cost inflation and resulted in improved financial results in the latter half of 2022.

See "Description of the Business – General Factors Impacting the Business – Commodity Pricing" and "Description of the Business – General Factors Impacting the Business – Industry Conditions".

<u>Cost Management</u>

2020: Due to the unforeseen and sudden industry downturn in 2020 and the future demand uncertainty for oil because of the COVID-19 pandemic, Essential took a number of steps in the second quarter of 2020 to reduce costs, including: significant compensation adjustments for the Board of Directors, executives and employees throughout the organization, operations-related cost reductions and headcount reductions. In addition, Essential reduced its active fleet, allowing for a smaller capital spending budget that focused on maintaining a smaller fleet in good working order. Essential sold redundant assets, the proceeds from which funded capital spending in 2020. Essential's cost cutting initiatives reduced costs, preserving cash flow, to maintain the strength of the balance sheet.

2021: The oilfield service sector, including Essential, experienced COVID-19 driven downturn conditions during the first part of the year before starting to transition into economic recovery. As activity improved in 2021, relative to the prior year, compensation was partially restored throughout the organization and there was an increased focus on hiring field employees. Competitive labor markets resulted in wage inflation in some areas as attraction and retention of employees became critical to respond to early recovery conditions.

2022: The oilfield service sector, including Essential, experienced a competitive labor market through 2022. Attracting and retaining qualified personnel was a challenge during the year. As such, Essential's compensation programs were reinstated and adjusted to improve the retention and attraction of key personnel in a challenging labour market. During 2022, cost inflation was significant and resulted in higher costs for wages, fuel, inventory and repairs & maintenance.

Government Health Pandemic Programs

2020: Essential received benefits under the following government support programs: the Canadian Emergency Wage Subsidy, the Canadian Emergency Rent Subsidy, the Employee Retention Tax Credit program and the U.S. Paycheck Protection Plan (collectively the "**Government Subsidy Programs**"). In total, $7.3 million was received by Essential in 2020.

2021: Essential continued to benefit from the Government Subsidy Programs in the first three quarters of 2021. In total, $4.4 million was received by Essential in 2021. Benefits received under these Government Subsidy Programs ended in the third quarter of 2021.

2022: Essential received $0.2 million of benefits in 2022 related to a prior period filing for the Employee Retention Tax Credit Program.

Health and Safety Considerations

Due to the high risk of transmission of COVID-19, safe work protocols were established in March 2020 and continued as the COVID-19 situation continued to evolve during 2021 and 2022. Field operations were deemed an "essential service" by the Government of Alberta which allowed field operations to continue.

Capital Spending

2020 Capital Spending

In 2020, Essential spent $2 million on the purchase of property and equipment, with spending focused on critical maintenance activities. This was funded with proceeds on disposal of equipment.

2021 Capital Spending

In 2021, Essential spent $8 million on the purchase of property and equipment. This was comprised of $4 million of growth capital[a] and $4 million for maintenance capital[a]. The growth capital[a] primarily related to the acquisition and refurbishment of two quintuplex fluid pumpers in Essential Coil Well Service ("**ECWS**") and the purchase of specialty drill pipe in Tryton Tool Services ("**Tryton**"). One quintuplex fluid pumper went into service during the fourth quarter 2021 and the second pumper went into service in January 2022. At December 31, 2021, ECWS had 9 total quintuplex fluid pumpers in the fleet.

2022 Capital Spending

In 2022, Essential spent $10 million on the purchase of property and equipment. This was comprised of $3 million of growth capital[a] and $7 million for maintenance capital[a]. The growth capital[a] related to the purchase and upgrade of two additional quintuplex fluid pumpers in ECWS. Both fluid pumpers went into service during the fourth quarter of 2022. At December 31, 2022, ECWS had 11 total quintuplex fluid pumpers in the fleet. The maintenance capital related to the ECWS active fleet and replacement of pickup trucks in both ECWS and Tryton.

2023 Capital Budget

On March 3, 2023, Essential announced its 2023 capital budget of $8 million for the purchase of property and equipment which relates entirely for spending on maintenance capital[(a)], including pickup truck replacement. Essential will continue to monitor fleet activity and industry opportunities and adjust its spending as appropriate.

Disposition of Assets

2020-2022

Essential did not have any significant asset dispositions in 2022, 2021 or 2020.

In each of these years, proceeds on disposal of equipment were: 2022 - $3.3 million, 2021 - $1.4 million and 2020 - $2.3 million. Dispositions primarily related to redundant, old or obsolete operating assets such as pickup trucks, shallow coiled tubing rigs and older, low capacity fluid pumpers and nitrogen pumpers. These assets had nominal value to the ongoing operations of Essential.

Credit Facility

2021-2022

On November 25, 2021, Essential entered into the second amending agreement (the "**2nd Amendment**") to its ninth amended and restated credit agreement dated as of June 26, 2018 (the "**Original Credit Facility**" and the Original Credit Facility as amended by the 1st Amendment (as defined below) and the 2nd Amendment, the "**Credit Facility**") among, *inter alios*, a syndicate of lenders comprised of National Bank of Canada, ATB Financial and Canadian Western Bank (the "**Lenders**").

The primary changes reflected in the 2nd Amendment include:

- Extension of the maturity date from June 30, 2022 to November 30, 2024;
- Removing the borrowing base covenants and calculations;
- Removing restrictions relating to the "Covenant Relief Period"; and
- Distributions, in the form of dividends or a normal course issuer bid, are permitted provided no pending event of default or event of default, as defined in the Credit Facility, is continuing or would result from such distribution.

The financial covenants include:

- The funded debt to capitalization ratio cannot exceed 50%;
- The funded debt to EBITDA ratio cannot exceed 3.5x; and
- The fixed charge coverage ratio must not be less than 1.25x.

The Credit Facility is a revolving credit facility and the amount available to be borrowed is $25 million. It is renewable with the Lenders' consent and the obligations are secured by, *inter alia*, a general security agreement over Essential's assets. To the extent the current maturity date under the Credit Facility is not extended, the balance becomes immediately due and payable on the maturity date. The Credit Facility also contains a number of positive and negative customary covenants, including restrictions on Essential's ability to change its primary business; incur certain types of debt outside of the Credit Facility; incur liens on assets; acquire new assets; enter into a consolidation, amalgamation or merger; or dispose of assets; among other requirements and restrictions.

The foregoing description of the Credit Facility does not purport to be complete and is qualified by reference to the full text of the Credit Facility, the 2nd Amendment and the 1st Amendment (as defined below) which are available under Essential's profile at www.sedar.com. The financial covenant calculations are as described in the full text of the Credit Facility and each amendment thereto and are also described in Essential's MD&A for the year ended December 31, 2022, which is filed under Essential's profile at www.sedar.com.

2020

On July 9, 2020, Essential entered into the first amending agreement (the "**1st Amendment**", the Original Credit Facility as amended by the 1st Amendment, the "**Prior Credit Facility**") to the Original Credit Facility among, *inter alios*, the agent and the Lenders. The Prior Credit Facility provided Essential an extension of the maturity date to June 30, 2022, along with revisions to certain terms and conditions.

The primary changes to the Original Credit Facility pursuant to the 1st Amendment included:

- a decrease in the commitment from $50 million to the lesser of: i) $25 million, ii) the borrowing base, and iii) $15 million during the Covenant Relief Period (as defined below);
- creation of a Covenant Relief Period;
- the equity cure provision was removed; and
- Essential could not distribute cash in the form of dividends or implement a normal course issuer bid.

The covenant relief period was available until December 31, 2021 (the "**Covenant Relief Period**") and provided for the following:

- the amount that could be drawn under the Prior Credit Facility during the Covenant Relief Period was the lesser of $15 million and a borrowing base calculation;
- the funded debt to capitalization ratio could not exceed 20%;
- the funded debt to EBITDA ratio and the fixed charge coverage ratio covenants were not tested; and
- a minimum trailing 12-month EBITDA covenant of not lower than negative $10 million.

Normal Course Issuer Bid

On December 21, 2022, the Corporation announced the TSX had accepted its notice of intention (the "**NCIB Notice**") to implement a normal course issuer bid ("**NCIB**") during the 12-month period commencing December 23, 2022 and ending December 22, 2023, or until such earlier time the NCIB is completed or terminated at the option of Essential. Shareholders may obtain a copy of the NCIB Notice, without charge, by contacting Essential.

Under the NCIB, Essential may purchase up to 12,965,027 Shares, representing 10% of the public float, on the open market through the facilities of the TSX and/or other alternative Canadian trading systems. The actual number of Shares that will be purchased will be determined by Essential, subject to the maximum daily purchase limitation of 20,542 Shares, which is 25% of the six-month average daily trading volume of Shares on the TSX at November 30, 2022. Essential may make one block purchase per calendar week which exceeds the daily purchase limitation. Any Shares purchased under the NCIB will be cancelled. The price which Essential will pay for any Shares purchased will be the prevailing market price of such Shares at the time of purchase.

Essential entered into an Automatic Share Purchase Plan with a broker for the purpose of buying Shares through Essential's blackout periods. Such purchases would be determined by the broker in its sole discretion, based on parameters that are established by Essential prior to any blackout period. All other purchases under the NCIB will be at the discretion of Essential.

On December 17, 2021, the Corporation announced the TSX had accepted its NCIB Notice to implement a NCIB during the 12-month period commencing December 21, 2021 and ending December 20, 2022, or until such earlier time the NCIB was completed or terminated at the option of Essential (the "**2021 – 2022 NCIB**"). Pursuant to the 2021 – 2022 NCIB, Essential purchased and cancelled 8,490,216 Shares, which was 82% of the maximum allowed (10,374,478 Shares). Total consideration was $3.4 million at a weighted average cost per Share of $0.40. The Shares were purchased through the facilities of the TSX and alternative Canadian trading systems.

See "Risk Factors – NCIB".

Legal Proceedings

On October 30, 2020, Essential filed a Statement of Claim at the Court of Queen's Bench of Alberta (the "**Court**") for unpaid invoices in the amount of $0.8 million. Subsequently, in November 2020 Yangarra Resources Ltd. ("**Yangarra**") filed a Statement of Defence and a $9.3 million Counterclaim at the Court against Essential alleging a breach of contract and negligence for services provided (the "**Litigation Claim**"). Essential is relying on communications from Yangarra's own on-site representatives and reports from three independent third party reports that clearly refutes Yangarra's position that Essential was responsible for damages alleged in the Litigation Claim. Essential believes the Litigation Claim is without merit and retaliatory in nature. The litigation is ongoing.

Proceedings of this nature can take years to resolve through the court process. Currently, Essential is not able to predict when a trial date will be set.

DESCRIPTION OF THE BUSINESS

Essential supplies specialized staff and equipment to oil and natural gas E&P companies to complete new wells, service and restore existing wells. Completions activity is done with the following services: coiled tubing rigs, fluid and nitrogen pumpers and downhole tools. Production, wellsite restoration and equipment rental services are also offered. As at December 31, 2022, Essential employed 332 employees who worked in Alberta, British Columbia, Saskatchewan, Kansas, Texas and Oklahoma. Essential provides services through two operating segments: ECWS and Tryton.

A summary of revenue by segment is set out below.

(*Millions*)	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue by segment:		
ECWS	$ 81.4	$ 59.2
Tryton	68.7	62.0
Revenue	$ 150.1	$ 121.2

ECWS

ECWS provides completion, stimulation and work-over services with its fleet of coiled tubing rigs, fluid and nitrogen pumpers. As at December 31, 2022, Essential's fleet included 19 coiled tubing rigs, 11 fluid pumpers and five nitrogen pumpers. As at December 31, 2022, ECWS had 213 employees.

The coiled tubing and pumper fleets mainly operate in northeastern British Columbia and throughout Alberta.

Coiled Tubing Rigs

ECWS operates one of the industry's largest active and deep coiled tubing fleets in Canada. Coiled tubing rigs provide completion, stimulation and work-over services on long-reach horizontal wells. The rigs have continuous steel tubing of various dimensions that is used to transmit inert gas or other fluids through the tubing to clean out oil and natural gas wells or treat specific problems and conditions within the wellbore. Coiled tubing rigs are also used to convey, implement and install various downhole tools for completion, work-over and fishing operations and to drill-out multi-stage fracturing components.

ECWS's coiled tubing rigs are equipped to work with coiled tubing from 1 ½ inches to 2 ⅞ inches in diameter, with 2 ⅜ inch diameter coiled tubing being the most common. The rigs have a depth capacity of up to 8,000+ meters using 2 ⅜ inch coil when the coil is transported on the rig and up to 9,400 meters using 2 ⅜ inch coil if the coil is transported separately. ECWS's coiled tubing fleet is currently comprised of Generation II, III and IV coiled tubing rigs, which are differentiated by capability to service wells with varying depths and well pressures. The varied rig size, reel capacity and coil diameter of ECWS's coiled tubing fleet make this equipment ideally suited to work in all facets of a customer's horizontal well completion and work-over program. ECWS operates masted and conventional coiled tubing rigs.

ECWS's Generation III and Generation IV coiled tubing rigs have the capability to work on long-reach horizontal and high-pressure wells primarily in the Montney and Duvernay formations of the WCSB. In the first quarter of 2023, the last active Generation I coiled tubing rig was removed from service.

ECWS's coiled tubing rig fleet is summarized in the following table:

Number of Coiled Tubing Rigs at December 31, 2022	Generation I[1]	Generation II	Generation III	Generation IV	Total
Active rigs	1	1	8	2	12
Inactive rigs	1	3	-	3	7
Total rigs	2	4	8	5	19
Depth:					
1 ½" coil	8,150 m	n/a	n/a	n/a	
1 ¾" coil	5,580 m	n/a	n/a	n/a	
2" coil	4,500 m	5,500 m	9,600 m	n/a	
2 ⅜" coil	n/a	4,500 m	6,600 m	8,000+ m[2]	
2 ⅝" coil	n/a	3,500 m	5,200 m	6,700 m	
2 ⅞" coil	n/a	2,700 m	4,400 m	5,300 m	
Injector capacity	60,000 and 80,000 lbs	100,000 lbs	130,000 lbs	130,000 and 160,000 lbs	

Notes:
[1] The last active Generation I coiled tubing rig was removed from service in the first quarter of 2023.
[2] 8,000+ m when coil is transported on the rig; 9,400 m if coil is transported separately using 2 ⅜ inch coil.

Of the total fleet of 19 coiled tubing rigs at December 31, 2022, 12 were active and ready to work and seven were inactive.

The number of active coiled tubing rigs is primarily determined by activity, customer demand, nature of work and crewing capacity. The number of active rigs that are crewed and working varies with demand. Generally, the Generation I and II inactive coiled tubing rigs can become active rigs with a relatively small investment and in a relatively short amount of time. The time and cost to reactivate two of the three inactive Generation IV coiled tubing rigs is higher as some retrofit work is required to provide these inactive Generation IV coiled tubing rigs with the same operating features as the active Generation IV coiled tubing rigs. The retrofit work required on these two inactive Generation IV coiled tubing rigs is less than building a new Generation IV coiled tubing rig. The third inactive Generation IV coiled tubing rig is a reel trailer that works in conjunction with a Generation II coiled tubing rig.

Coiled tubing rigs are typically hired by an E&P company to be involved in the completion of a horizontal well in the following areas:

- Pre-Fracturing – Coiled tubing is used to complete pre-fracturing confirmation runs and/or place the tools used to isolate a portion of the wellbore during third-party oilfield service fracture stimulation.
- Fracturing – Dependent on the design of the customer's fracturing program, coiled tubing can be used in conjunction with a third-party fracturing company and possibly other service providers to frac-thru-coil, complete annular fracturing, convey and actuate sliding-sleeve tool assemblies or perform tubing conveyed plug-and-perf operations in the well.
- Post-Fracturing – Once the fracturing has been completed, coiled tubing is used to complete post-fracturing confirmation runs, clean-outs and mill-outs/drill-outs of ball & seat systems. Coiled

tubing can also be used for work-overs and to convey third party instrumentation and evaluation tools to confirm the results of the fracture treatment.

Pumpers

ECWS's coiled tubing rigs are supported by a fleet of fluid and nitrogen pumpers.

- Fluid pumpers are used to maintain downhole circulation, provide ancillary acid/solvent treatments and inject friction reducers and other chemicals into the wellbore. Fluid pumpers also perform stand-alone pump-down work independent of the coiled tubing fleet.

- Nitrogen pumpers are used to pump inert nitrogen gas into the wellbore for stimulation or work-over operations and to purge the coiled tubing of fluids once the coiled tubing work has been completed.

ECWS's fluid pumper fleet is summarized in the following table:

Number of Fluid Pumpers at December 31, 2022	Quintuplex
Active pumpers	11
Inactive pumpers	-
Total pumpers	11

Number of Nitrogen Pumpers at December 31, 2022

- Of the total fleet of five nitrogen pumpers, four were active at December 31, 2022. In 2022, the total fleet of nitrogen pumpers was reduced by one which was sold during the year.

Tryton

Essential's Tryton segment provides a wide range of downhole tool and rental services for completion, production and wellsite restoration of oil and natural gas wells, including horizontal and vertical wells. Its operations are well-placed geographically across the WCSB and in the U.S., providing services in Texas, Oklahoma and Kansas. Tryton also sells tools and provides these services internationally, on a small scale. Tryton's tool and rental services includes:

- Conventional Tools – Includes downhole packers, tubing anchors, bridge plugs, sub-surface safety valves, cement retainers and related accessories that are used in production, abandonment and wellsite restoration activities.
- Tryton MSFS® – Tryton MSFS® tools are used for horizontal well completions, allowing producers to isolate and fracture intervals of the horizontal section of a well separately and continuously. Tryton offers a variety of MSFS® tools that provide customers with a choice of completion technologies to use when completing their horizontal wells. The completion technology selected will vary based on wellbore characteristics and client preference. Revenue and cost parameters of each completion technology vary depending on the nature of the tools used and the services provided:

  - Ball & Seat – Tryton's Ball & Seat system uses open hole packers and sleeves, which are opened in sequential order by dropping progressively larger balls through a liner, to isolate and fracture each zone along the non-cased horizontal leg of a well. The number of zones, or "stages", that can be fractured using a Ball & Seat system is limited by the size specifications of the balls and seats used.
  - Composite/Dissolvable Bridge Plugs – Tryton's Bridge Plugs, typically used in "plug-and-perf" completion programs, provides customers the ability to fracture an unlimited number of stages in the horizontal leg. These plugs are relatively quick to mill-out post-fracturing.
- Rentals – The rentals business offers a small selection of drilling-related oilfield service equipment, including specialty drill pipe and various other tools and handling equipment. The rentals business operates exclusively in Canada.

As at December 31, 2022, there were 74 employees in the Canadian portion of Tryton and 23 employees in the U.S.

General Factors Impacting the Business

Factors including commodity pricing, industry conditions, competition, customer relationships, seasonality, industry trends and regulations are similar for ECWS and Tryton. These factors are discussed in this section.

Overview

In March 2020, the Oil Price War resulted in sudden oil price destruction globally. This, coupled with the world-wide COVID-19 health pandemic that decimated global demand for hydrocarbons, resulted in unprecedented low oil prices. For E&P companies, including Essential's customers, these macroeconomic factors resulted in significantly lower cash flow and lower capital spending, which translated into reduced drilling and completion activity and reduced demand for oilfield services. This was made incrementally worse as the Canadian oil and natural gas industry was still working through the prolonged downturn that started in 2015.

2021 was a transition year towards economic recovery as global demand for oil and natural gas increased and commodity prices improved. The arrival of the omicron variant of COVID-19 in latter 2021 saw the re-introduction of COVID-19 related health and economic restrictions. Companies also had to adjust to the cessation of Government Subsidy Programs. Supply chain, cost inflation and labor shortage issues all began to surface as significant issues. For E&P companies, cash flow increased significantly in 2021 as a result of the higher commodity prices; however, this incremental cash flow was generally applied to E&P company debt reduction and returning cash to shareholders through dividends and share repurchases rather than significantly increasing oilfield service spending or acceptance of oilfield service price increases. The Canadian E&P capital "reinvestment ratio" (capital spending as a percentage of cash flow) was lower in 2021 than the previous 10 years (source: ARC Energy Charts February 28, 2022). Drilling and completion activity and the demand for oilfield services remained low relative to the strength of commodity prices and E&P free cash flow generation in 2021. Oilfield service pricing in 2021 continued to remain relatively unchanged from prior years as sufficient industry equipment and personnel were generally still available at 2021 activity levels.

In 2022, industry activity increased compared to 2021, mainly as a result of stronger commodity prices and post COVID-19 improvement in economic activity. E&P company cash flow generation was strong in 2022; however, similar to 2021, E&P companies chose to be conservative with their capital spending, and often chose to reduce debt, buy back shares and pay dividends. Inflation continued to be a concern in 2022, increasing input costs including fuel, supplies and repairs & maintenance. As well, labor shortages continued to be a concern in the oilfield service sector, presenting the industry with challenges attracting and retaining qualified personnel.

Greater detail about these factors and the implications for Essential's business are described in the section below.

Commodity Pricing

The price of oil and natural gas generally drive the size and timing of capital budgets for E&P companies, which in turn, drives the demand for oilfield services. 2021 and 2022 demonstrated a deviation from the typical correlation as the Canadian E&P capital "reinvestment ratio" reached the lowest level in 10 years (source: ARC Energy Charts February 13, 2023). The prices for oil and natural gas are driven by supply and demand fundamentals. Oil prices fluctuate in response to global supply and demand. Natural gas prices are typically driven by North American factors, although increasing liquefied natural gas ("**LNG**") export capacity from the U.S. has allowed international demand and supply issues to somewhat support North American natural gas fundamentals.

<u>Global Oil Prices and OPEC</u>

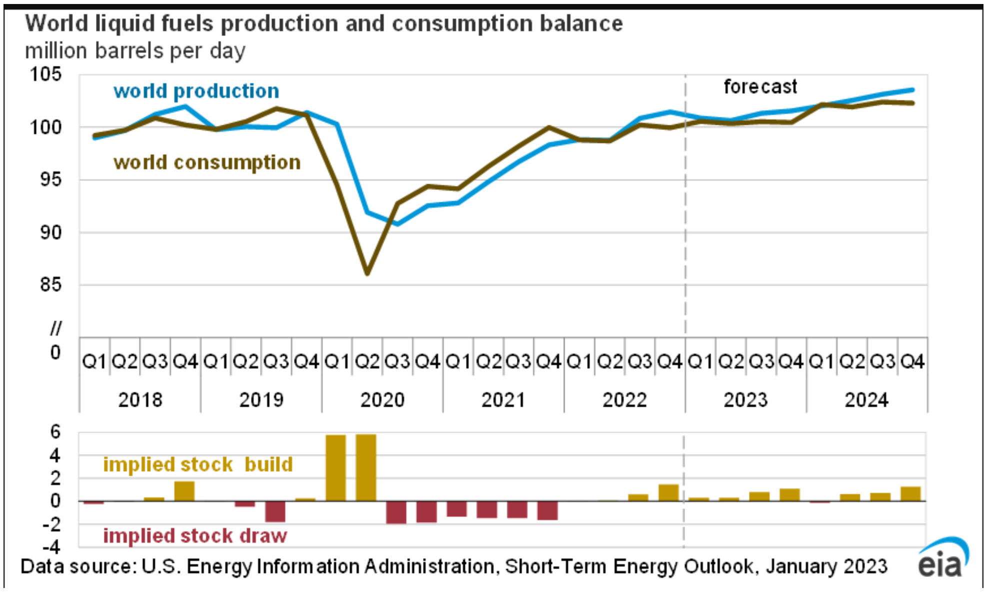
Oil prices are dependent on global supply, demand and economic activity. Geopolitical stability and market access are also key price factors. Supply is driven by many factors and is influenced by the level of stability in oil producing regions of the world that contain significant reserves.

In 2020, WTI exhibited significant volatility due to COVID-19 and the Oil Price War. WTI fell to $50 U.S./bbl by early February 2020, due to concerns of the potential economic impact of COVID-19 on global oil demand. As shown in the U.S. Energy Information Administration chart below, demand destruction for oil intensified as the quarter progressed, as a result of the disruptive impact of the COVID-19 pandemic, concurrent with the effects of the Oil Price War. WTI dropped to $14 U.S./bbl by the end of March 2020, as excess oil in the market began raising fears about storage capacity limits and the price of oil dropped into negative pricing in mid-April. The Oil Price War ended in April 2020 with OPEC+ (Saudi Arabia, Russia and certain other oil producing nations) agreeing to cut oil production by 9.7 million bbl/day starting May 1, 2020. Production cuts were revised to 7.7 million bbl/day from August to the end of December 2020. This resulted in the oil price recovering somewhat in May with WTI reaching $35 U.S./bbl in late May. WTI found some stability, hovering around $40 U.S./bbl from June to October. In mid-November, with optimism for COVID-19 vaccines, the price of oil improved, ending 2020 at $48 U.S./bbl.

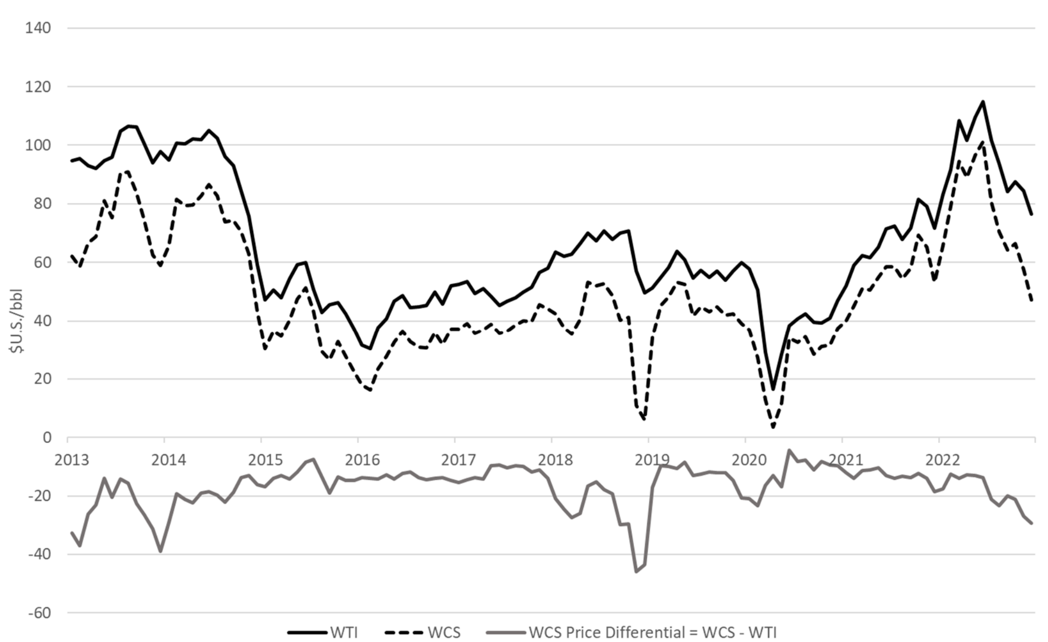
The global oil supply and demand imbalance experienced throughout 2020, narrowed significantly in 2021, and demand outpaced supply throughout the year. Supply and demand increased to near pre-pandemic levels by the end of 2021. The price of oil increased with economic growth, largely due to COVID-19 vaccinations and loosening pandemic-restrictions, while supply lagged as OPEC+ continued to limit production in 2021 and production in the U.S. was below 2019 levels. WTI started 2021 at $47 U.S./bbl and ended the year at $75 U.S./bbl.

In the first half of 2022, oil supply/production and demand were relatively balanced. Geopolitical tension with Russia resulted in supply concerns which caused oil prices to rise in the first half of the year, when compared to 2021. WTI averaged $95 U.S./bbl in the first quarter of 2022 and $109 U.S./bbl in the second quarter of 2022. In the last half of 2022, oil prices generally decreased from the first half of 2022 as concerns over a possible economic recession reduced the price for oil. As well, COVID-19 restrictions resurfaced in China which contributed to concerns of lower demand. WTI ended 2022 at $80 U.S./bbl.

See "Description of the Business - General Factors Impacting the Business - Commodity Pricing - Monthly Average Price of WTI and WCS".



Monthly Average Price of WTI and WCS



[(1)] Represents monthly average prices. In April 2020, the daily price for WTI and WCS fell to negative pricing.

Source: Government of Alberta. The source of the materials https://economicdashboard.alberta.ca/OilPrice. The use of these materials by Essential is done without any affiliation with or endorsement by the Government of Alberta. Reliance upon Essential's use of these materials is at the risk of the end user.

WCSB Oil Price and WCS Differentials

While oil prices are generally dependent on global factors, Canadian E&P companies rarely realize the WTI benchmark price. Limited pipeline and rail export capacity have kept the realized price for Canadian produced oil, particularly heavy oil, below the WTI benchmark price. The monthly WCS differential (the difference between WTI and WCS), in 2021 and 2022 ranged from $10 U.S./bbl to $29 U.S./bbl, ending 2022 at $29 U.S./bbl. See the preceding chart.

There are positive developments in Canadian oil export pipeline capacity, but each project seems to encounter resistance in the current regulatory environment. Construction is underway on the Trans Mountain Pipeline, which was purchased by the Government of Canada in 2018. This pipeline has faced numerous regulatory delays and disruptions; it is currently expected to be completed in the third quarter of 2023. The Enbridge Line 3 Replacement Project faced regulatory opposition and numerous hurdles but went into service in late 2021. The Enbridge Line 5 Project, which delivers significant volumes of light crude oil and natural gas liquids to the eastern Canadian market, is being opposed by a U.S. state legislator due to purported environmental risks as a portion of Enbridge Line 5 traverses U.S. territory. Permits and a safety and environmental impact assessment for the Enbridge Line 5 Project are expected to take years to complete and are still pending. The case is currently before a U.S. federal court.

Pipeline apportionment issues on pipelines that ship different grades of crude oil and can alter the grades of crude oil that are shipped generally result in discounts for lighter Canadian crude oil as well, but not to the same extent as the WCS differential. The price of WCS is also impacted by refinery demand for differing grades of crude oil; when the demand is greater for lighter oil, the WCS differential may be larger.

The lack of export capacity puts Canadian oil producers at a disadvantage as it negatively impacts the realized price of oil produced in the WCSB, which in turn reduces E&P drilling and completion activity and the demand for oilfield services. The vast majority of Canadian oil is sold to the U.S. As U.S. oil production increased in recent years, U.S. exports have increased, making it a key competitor. This highlights the need for incremental pipeline capacity to export oil from the WCSB to tidewater in order for E&P companies in the WCSB to access markets other than the U.S.

Natural Gas Prices – North America

North American natural gas prices are driven by supply and demand, the balance of which is measured by the amount of natural gas in storage in North America. Supply is primarily determined by North American natural gas production. Demand is primarily driven by North American industrial demand, weather-related heating and electrical consumption and U.S. LNG export. Drilling and completion activity generally increases as natural gas prices rise in response to lower natural gas storage levels. Drilling and completion activity generally decreases as natural gas prices decline in response to higher natural gas storage levels.

In 2021, the price for NYMEX natural gas reached highs not seen since 2014. This was due to a number of factors including low levels of U.S. natural gas storage, extreme weather (well freeze-offs in Texas and hurricanes) interrupting natural gas production, natural gas producer capital discipline, strong U.S. LNG export demand from the U.S. and higher industrial, residential and commercial demand.

NYMEX prices improved further in 2022 with highs reaching $8.78 U.S./MMBtu on average for August 2022 due to increased demand, as demand outpaced domestic production growth which kept inventory levels low. As well, U.S. natural gas exports benefitted from growth of economies in Asia and increased demand for exports to Europe. Increased global demand, combined with the lower inventory levels, resulted in higher prices.

The monthly average NYMEX price for natural gas was $2.13 U.S./MMBtu in 2020, $3.71 U.S./MMBtu in 2021 and $6.51 U.S./MMBtu in 2022.

Natural Gas Prices – Canada

The AECO price for natural gas trades at a discount to NYMEX. The discount has been volatile during the last few years, widening significantly at certain times due to excess supply combined with inadequate pipeline and export capacity to access alterative markets. The price of AECO was stronger in 2021, when compared to recent historical years, reflecting additional WCSB egress and intra-basin demand, more than offsetting supply growth. AECO prices continued to be strong through 2022, ahead of 2021 pricing. The monthly price of AECO averaged $1.68 U.S./MMBtu in 2020, $2.91 U.S./MMBtu in 2021 and $4.34 U.S./MMBtu in 2022.

LNG – Canadian Export Potential

A number of Canadian export LNG facilities have been proposed, but LNG Canada is the only major LNG project currently under construction in Canada. Construction on phase one of the project is ongoing and is expected to be complete in 2025. Canadian regulatory, social and political issues have slowed the progress of the LNG Canada project. There is uncertainty around other Canadian LNG projects proceeding. Canadian natural gas pricing is discounted compared to the U.S. due to a lack of pipeline transportation capacity and LNG export facilities.

Industry Conditions

The oil and natural gas industry and the oilfield services sector are impacted by the demand for oil and natural gas and the ability of E&P companies to produce, sell and transport oil and natural gas to markets. The WCSB is one of the largest oil and natural gas exploration and producing basins in North America, with the majority of Canadian oil and natural gas production occurring in this basin.

Industry Activity (WCSB)

	Wells Drilled (1)	Change from Prior Year	Wells Completed (2)	Change from Prior Year
2019	5,529	-25%	4,807	-22%
2020	3,303	-40%	2,771	-42%
2021	4,844	+47%	3,422	+23%
2022	5,994	+24%	4,506	+32%
2023F (3)	6,409	7%	-	-

(1) Rig released. Source: Daily Oil Bulletin website. 2019 to 2021 as previously reported.
(2) Source: Daily Oil Bulletin website. 2019 to 2021 as previously reported.
(3) CAOEC Forecast at November 23, 2022.

Industry Implications for Essential

2020: The Oil Price War and COVID-19 pandemic, as previously discussed, resulted in significantly reduced drilling and completion activity. The number of wells drilled and wells completed decreased 40% and 42%, respectively, from 2019. This reduced the demand for Essential's services and resulted in lower activity. In response, Essential implemented a number of cost cutting initiatives including significant compensation reductions, operations-related cost reduction initiatives and headcount reductions.

2021: Towards the middle of this year, the industry experienced the beginning of a recovery with the number of wells drilled and completed much higher than 2020, but still below 2019. Significantly higher commodity prices resulted in strong cash flows for E&P companies however, this incremental cash flow was generally applied to E&P company debt reduction and returning cash to shareholders through dividends and share repurchases, rather than significantly increasing their spending on well development. Essential saw increased activity relative to 2020, but cost inflation, lack of service price increases and lower COVID-19 government subsidies negatively impacted financial performance.

2022: Industry activity in 2022 improved compared to 2021 with an increase in the number of wells drilled and wells completed. E&P cash flows were significant in the year with increased activity combined with stronger commodity pricing on average through the year. However, E&P capital spending remained relatively conservative, with E&P companies choosing to apply cash flow to buy-back shares, reduce debt or pay dividends. Despite E&P capital programs remaining conservative in 2022, Essential experienced improved activity in the year compared to 2021. Inflation continued to be an issue in the year, which resulted in increased operating costs. However, Essential's customer pricing improved in mid-2022, resulting in stronger financial performance when compared to 2021.

2023 Forecast: Industry activity is expected to improve in 2023, when compared to 2022. On November 23, 2022, CAOEC projected that 6,409 wells will be drilled in 2023, an increase of 7% from 2022, and higher than the number of wells drilled in 2019. E&P companies are expected to continue to be strict with their capital discipline strategies in 2023, with a continued focus on paying down debt, paying dividends and share buybacks.

See "General Development of the Business – Three Year History – Macroeconomic and COVID-19 Pandemic Challenges".

See "Risk Factors – Volatility of Industry Conditions".

Competition

The oilfield services sector is highly competitive. Essential must provide services that meet the needs of customers at competitive prices. The principal competitive factors are safe operations, service quality, equipment availability and proximity to customer locations, price, reliability, equipment capability and performance, technical knowledge and experience. Essential competes with companies smaller and larger than it. Competitors offer similar services in the same geographic regions that Essential operates.

During periods of industry downturn, E&P activity generally reduces, resulting in service companies competing in a smaller industry, offering less potential work. This causes intense competition, which often leads to aggressive, predatory service pricing.

See "Risk Factors – Competition".

Customer Relationships

Essential provides oilfield services to a broad range of E&P companies from large, multinational to small, junior companies. E&P customer head offices are in Canada, the U.S. and international locations. During the year ended December 31, 2022, Essential earned revenue from 523 customers (2021 – 504 customers), with the top five customers representing 46% of revenue (2021 – 48% of revenue), with one customer representing more than 22% of revenue (2021 – 27%). As at December 31, 2022, approximately 50% of Essential's accounts receivable balance was from five companies (2021 – 50%). The importance of certain customers to Essential has changed over time depending on commodity prices, the customer's specific plans and its choice of service and service provider. Customer concentration was a more prominent factor during the downturn as E&P company capital spending in the WCSB was more concentrated on fewer key resource plays, with significant capital spending typically made by larger companies.

See "Risk Factors – Reliance on Key Customers".

Seasonality

In Canada, activity in the oilfield services sector is influenced by seasonal weather patterns. On a quarterly basis, activity varies greatly. The Canadian annual cycle can typically be viewed in four components:

- January through mid-March: winter drilling season; this is the period when, typically, the majority of industry activity takes place as E&P companies take advantage of the frozen landscape to access winter locations. This is typically the busiest season for completions and work-overs;
- mid-March through mid-May: spring break-up; drilling locations typically thaw and roads become impractical for travel due to wet road conditions and regional road bans. Work can continue where equipment is already on location. Completion and work-over activity is generally slower with companies planning for their summer programs;
- mid-May through October: summer and fall drilling season; generally focuses on areas that are accessible in the late spring and summer. Completion and work-over activity typically increases; and
- November and December: pre-winter drilling season; many companies move off summer drilling locations and prepare winter drilling leases for delivery of equipment. Completion and work-over activity can vary depending on E&P spending plans for the remainder of the year, cash flow and the commodity price outlook.

The prolonged industry downturn disrupted typical historic oilfield services seasonal patterns in the WCSB as E&P company spending decisions have been driven by cash flow, reinvestment considerations and shareholder pressures, in addition to weather and access issues.

Activity in the southern U.S. is generally not as influenced by seasonal conditions.

See "Risk Factors – Seasonality".

Recent Industry Trends

The following industry trends have been observed in the WCSB:

E&P Access to Capital and Priorities for Use of Cash Flow

Investor uncertainty regarding the Canadian energy industry, along with a movement for certain investors to avoid investing in oil and natural gas companies, has resulted in less investor capital being available to many Canadian E&P companies from both debt and equity markets.

As commodity prices strengthened in 2021 and 2022, and E&P company cash flow improved, there generally has been significant pressure by investors to have the companies reduce debt and return cash flow by way of share buybacks or dividends, rather than increase capital spending. The Canadian E&P capital reinvestment ratio (capital spending as a percentage of cash flow) was lower in 2021 and 2022 than the previous ten years. Although industry oilfield service activity did increase in 2022, drilling and completion activity and the demand for oilfield services was relatively low when compared to the strength of commodity prices and E&P cash flow generation.

Oilfield Service Sector Pricing

Reduced oilfield service pricing has been prevalent since the commencement of the downturn in the oil and natural gas industry in 2015. The downturn resulted in reduced demand without a significant decrease in competition offering these services. In mid-2022, oilfield service companies were able to secure better pricing. However, additional price increases and activity improvements are required to support oilfield service business economics, expansion of crews and activation of additional equipment.

Cost Inflation

Inflation of wages, fuel, inventory and repairs & maintenance costs increased oilfield service company cost structures in 2022.

Oilfield Service Labour Constraints

With the volatility in industry activity, matching work demand with availability of trained crews is challenging. It takes time to hire and train an employee. Oilfield service work can be intermittent, and it can be difficult to ensure the timing of work demand is matched with readiness of employees.

Mandatory Entry Level Training requirements put in place by the federal government in March 2019 increased the cost and hours of training for an individual to get a Class 1 driver’s license and reduced the labour pool of qualified individuals for certain oilfield service positions. Further, with a reduced pool of qualified drivers, oilfield service companies are also competing with other unrelated industries for this reduced pool of qualified employees which can increase the challenge and cost to attract and retain these employees.

With improved activity in 2022, combined with supply chain and general labour shortages, recruiting and retaining employees was a challenge for the oilfield service sector throughout the year and is expected to remain a challenge in 2023.

Changes to Government Policies

The Canadian Federal Government proposes to release “just transition” legislation in later 2023 that aims to prepare the workforce for a low carbon economy. An initial sustainable jobs plan was released in

February 2023 that broadly outlined how the government plans to help train workers for roles in the clean energy economy. This proposed legislation may impact the ability of Essential to continue to employ and retain skilled technical and qualified personnel. This proposed legislation may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

On August 16, 2022, the *Inflation Reduction Act of 2022* ("**IRA**") was passed in the U.S. The IRA directs federal spending towards lowering carbon emissions and funding clean energy projects. The purpose of the IRA is to meet the U.S. carbon emissions target by 2030.

On June 29, 2021, Bill C-12 (*Net-Zero Emissions Accountability Act*) received Royal Assent. This legislation preserves Canada's commitment to reach net zero emissions by 2050 by law and establishes Canada's first comprehensive climate governance system. Bill C-12 establishes the long-term target of reaching net zero emissions in 2050, with milestone reductions starting in 2030 and provides a framework for reporting. This legislation may make the Canadian industry less competitive than the U.S. oil and natural gas industry despite the fact that both industries generally produce for the same North American market.

On January 20, 2021, the Biden administration in the U.S. announced its decision to revoke the federal permit granted by the former administration for the Keystone XL Pipeline, which overturned a comprehensive regulatory process that lasted more than a decade. In addition, the North American Free Trade Agreement has been replaced with the United States-Mexico-Canada Agreement ("**USMCA**"). This has affected the competitiveness of other jurisdictions, including Canada. On January 25, 2021, the Biden administration signed an executive order with respect to stringent new "Made-In-America" rules for the U.S. government and has indicated that the exceptions to such rules will be very limited. It remains unclear what the full extent of the impact of the executive order will be and how it may impact the USMCA and the Canada-U.S. supply chain. Further, it is unclear exactly what other actions the U.S. administration will implement, and if implemented, how these actions may impact the oil and natural gas industry in Canada.

On January 1, 2019, the Government of Canada's federal carbon tax came into effect. Alberta was not initially affected by this tax as it had a provincial carbon tax that came into effect on January 1, 2017. The provincial carbon tax was eliminated on May 30, 2019, and, as a result, the federal carbon tax became effective in Alberta on January 1, 2020. The carbon tax legislation is expected to have a continued negative impact on oil and natural gas industry costs, which has made the Canadian industry less competitive than the U.S. oil and natural gas industry.

On February 8, 2018, the Government of Canada introduced Bill C-69, which enacted, among other things, the *Impact Assessment Act* (the "**IAA**"). The IAA overhauled the Canadian environmental review process for major infrastructure projects, including pipelines. Bill C-69 received Royal Assent on June 21, 2019 and the IAA came into force on August 28, 2019. The IAA has led to significant changes for proponents of major projects in Canada, in that they need to take more steps to manage their project's environmental, socio-economic, cultural and health impacts.

See "Risk Factors – Changes in Government Policy".

<u>The Requirement for Oilfield Services</u>

The success of Essential's business relies, in large part, on the financial health of the oil and natural gas industry in the WCSB. The oilfield services sector offers equipment and personnel to conduct oil and natural gas exploration, development, completion, production and wellsite restoration activities. Oilfield services include drilling and completing new wells, service activities to maintain existing wells that are already producing, and restoration of wells taken out of service. At certain commodity prices, drilling, completion, production and wellsite restoration work may become non-economic, which in turn, can affect oilfield service activity. Successful oilfield service firms offer safe operations, service quality, equipment availability and proximity to customer locations, price, reliability, equipment capability and performance, technical knowledge and experience.

Regulations

In addition to the various federal, provincial, state and municipal regulations that Essential adheres to in the jurisdictions in which it operates, its business is also subject to industry regulations relating to the oil and natural gas industry, including land tenure, exploration, development, production, transportation and marketing legislated by various levels of government, as well as taxation and royalty regulations for oil and natural gas resources.

Environmental Regulations

The oilfield services sector is subject to environmental regulations pursuant to federal and regional legislation in Canada and the U.S. Compliance with such legislation can require significant expenditures or result in operational restrictions. A breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness.

Essential provides completion, work-over and wellsite restoration services for oil and natural gas wells. Rendering these services could expose Essential to potential liability for claims related to the costs of environmental remediation and other damages which could far exceed the fees derived from these services. Typically, Essential's clients are generally responsible for any environmental liability arising from completion, work-over and wellsite restoration activity resulting from pollution sources below the surface. Although Essential maintains a comprehensive insurance program suitable for the nature of its operations, there can be no assurance that liabilities which may be incurred by Essential will be covered by such insurance or, if covered, that the dollar value of such liabilities will not exceed Essential's policy limits. A partially or completely uninsured claim, if successful and of sufficient magnitude, could have a material adverse effect on Essential. Essential has established environmental response protocols that are consistent with the regulatory framework. These procedures are designed to mitigate the impact an environmental incident could have on the work location as well as the personnel employed by Essential and its customers.

See "Risk Factors – Environmental Legislation".

ESG Practices

The first element of Essential's culture statement, which articulates the values of Essential, states: "We care about the safety of each other and our environment". To that end, Essential has a number of policies and procedures to reinforce its commitment to society, governance of Essential and the environment, by operating with high ethical standards and a commitment by its employees to conduct themselves with care and attention in the communities where Essential conducts business.

During 2023, Essential plans to release its first inaugural ESG Report which will identify and discuss the significant ESG factors that impact Essential's business and operations.

The Board is responsible for ESG oversight and each Board committee is focused on ESG as outlined below. The Board, in its entirety, is provided reports and recommendations from each committee and provides ultimate oversight and approval, as appropriate.

The Health, Safety and Environment ("**HSE**") Committee has oversight for environmental ("E") and certain social ("S") matters including:

- Oversees and monitors Essential's compliance with its legal, industry and community obligations pertaining to health, safety and the environment; and

- Oversees and monitors management's activities to ensure Essential is establishing appropriate environment, health and safety policies and has procedures in place for maintaining management systems to monitor compliance.

The Compensation and Governance ("**C&G**") Committee has oversight for certain social ("S") matters and most governance ("G") matters including:

- Oversees and assesses the functioning of the Board, its committees and individual members, and the nomination process for new candidates;

- Oversees the development, implementation and assessment of effective governance policies;

- Oversees Chief Executive Officer ("**CEO**") and executive succession planning; and

- Oversees director, executive and employee compensation.

The Audit Committee has oversight for the following governance ("G") matters:

- Ensures corporate financial integrity is maintained, including approval of all financial disclosures; and

- Oversees the Whistleblower Policy and the Chair of the Audit Committee receives any whistleblower complaints.

The Board as a whole oversees Essential's cybersecurity program.

For each committee and the Board, oversight includes understanding and monitoring the risks, activities and opportunities inherent in each committee mandate and in the mandate of the Board of Directors itself.

Environmental

Essential's Environmental Policy recognizes that Essential and its employees have a role in protecting the environment when conducting operations. Essential is committed to minimizing the impact that the Company's activities have on the environment while managing operations safely, economically and efficiently. Essential's commitment is integrated with corporate decisions and strategies based on the following guiding principles:

- Compliance with applicable environmental laws, industry standards and Essential's policies.

- Environmental considerations are an integral part of the planning process.

- Vehicles and facilities are operated in a manner that seeks to minimize the impact on the environment.

- The adverse impacts of operations on the environment are identified and mitigated in keeping with good environmental and business practices.

- Emergencies and environmental incidents are responded to in a prompt and efficient manner.

- Employees are informed of their responsibilities and the Company ensures they are trained to protect the environment while performing their duties.

- There are established processes and reporting to track and monitor environmental and safety situations to increase awareness and initiate procedural conversations to eliminate or mitigate future incidents.

The practical application of this policy includes:

- Essential follows best practices for spill prevention. Spill containment systems are utilized on customer locations to capture any potential unintended releases.
- Essential's field offices are treated with the same high level of respect and diligence as Essential extends to its customers' sites, including timely reporting and remediation of any spills or equipment fluid leakage.
- Protocols are in place to ensure responsible handling of fluids. This is accomplished through ensuring proper training, handling and mitigation techniques and tools are utilized.
- Water management:
    - Shops and offices: Essential utilizes motion activated technology and water efficient appliances.
    - Wash bay contaminant systems in shops and facilities: Essential utilizes fit for purpose contamination separators that allows oils and debris to be separated from water in order to dispose of contaminants efficiently and responsibly.
    - In the field: With ECWS's fluid rheology system, a fluid pumper and a chemical van provide real time monitoring and optimizing by determining the Reynolds number to maintain an ideal flow regime. The benefits include reduced cycle meters with fewer wiper trips, optimization of chemical consumption and reduced operating hours.
- Chemical management and storage: Where possible, Essential utilizes downhole chemicals that are both effective for their intended purpose while being non-toxic for personnel to handle or inhale. Chemicals are stored in such a manner that potential spills will not cause environmental harm prior to clean-up. Personnel in charge of chemical handling are trained to do so.
- All personnel are trained in pressure control safe work practices and equipment is certified and inspected to ensure no unintended releases of hydrocarbons or chemicals occur.
- Essential follows best practices for noise mitigation. Equipment is baseline tested for decibel output. Technology is incorporated where possible to, firstly, ensure that noise levels are below regulated requirements but are also acceptable to residents that live nearby to field operations.

Social

Essential's social policies and practices focus on safety, training and development of employees, and being a responsible and supportive member of the communities where employees live and work.

<u>Safety</u>

Safety is the foundation of Essential's vision and mission. Everyone is responsible for safety at Essential, and the Company's leaders are accountable for HSE performance with the main focus being to operate safely. The following is part of Essential's Health and Safety Policy:

- Train leaders to understand that safety is not just a priority, it is a value. Priorities can change, values do not.
- Recognize that safety and operations are not mutually exclusive. Safety is at the forefront and integrated with operations. It is simple. If the job cannot be accomplished safely, Essential will not do it. Operational leaders are specifically mandated to follow a "right and obligation to refuse dangerous work" practice which is posted in the Company's operational work areas.
- Provide technical, safety and leadership training throughout all levels of the organization.
- The HSE model is built upon continuous improvement. Operations management and HSE professionals are constantly analyzing and auditing work procedures in the field. When improvements are identified, the process is adjusted accordingly.
- Employees are experts at identifying and, most importantly, mitigating hazards and risks.

The practical application of this policy is that:

- Essential establishes targets, measures and monitors appropriate safety statistics, and regularly reports on those statistics in operational management meetings. The outcome of those discussions are regularly reported to executive management and to the HSE Committee. Improvement, process change, and consequences of non-compliance are discussed and actions are taken.

- Essential's customers monitor the HSE metrics through online registries. Customers hold Essential accountable for HSE and operational performance through business performance reviews. These reviews typically are broad-based to address the spectrum of ESG principles applicable to a customer-service provider relationship. Any spill or safety/operational incident is reviewed and causal analysis is conducted to mitigate future risk and ensure prevention where possible.

  The metrics include, among others:

  - Total Recordable Injury Frequency ("**TRIF**"): A statistical measure of the frequency of injuries over the number of total hours worked. It is typically measured on a rolling 12-month basis with incidents "falling off" one year after they occur. A lower TRIF score is an indication of fewer workplace injuries relative to hours worked. Essential is focused on continual improvement with regard to injury frequency metrics through thorough investigations and causal analysis. 'Lessons Learned' are applied and hazards are engineered out where applicable.

  - Fatigue Violation Rate ("**FVR**"): Used by the provincial government to assess compliance when conducting National Safety Code audits. The FVR measures the violation rate, or fatigue violations, as a percent of the total hours worked when auditing logbooks. Examples of fatigue violations include exceeding daily limits for work, not taking requisite breaks and missing logs.

  - Carrier Profile Risk Factor ("**R Factor**"): R Factor is calculated by Alberta Transportation by determining past history of infractions and incidents to predict future risk. A low R Factor is reflective of dedication to operating in a safe, responsible and disciplined manner while driving large equipment amongst the public and in the communities where Essential operates.

  - Severity Rate: Measures lost days relative to number of hours worked.

    - Environmental or fluid spills: All reportable and non-reportable (as defined by regulation) spills are properly documented and cleaned.

- HSE statistics and performance are part of the determination of bonus payments for all employees who participate in the Annual Bonus Plan.

- Essential has a Right and Obligation to Refuse Dangerous Work Policy whereby all employees have the right to refuse or stop any task or operation where there are potential concerns or questions regarding the existence and control of health and safety hazards. An employee may refuse to perform any activity, or work in any area, without reprimand, if the worker has reasonable cause to believe that performing the activity or working in the area constitutes a danger to the employee or any other person.

- Essential has established social and safety policies related to ensuring that an employee is fit for duty prior to commencing work. Employees are required to review and understand these policies and compliance is monitored by supervisors. Employment pre-screening includes physical capability testing, drug and alcohol screening/testing and fatigue management.

- Essential's periodic field tours by management personnel provide supervisors, leaders and staff face-to-face opportunities to focus on safety, potential environmental impacts of Essential's business, and other operational and Company matters.

<u>First Nations Policy</u>

Essential has a First Nations Policy. The policy reflects that Essential is committed to consult, engage and work collaboratively with First Nations people and their communities to identify new – and underpin existing – efforts and initiatives to advance cultural understanding and respectfully contribute to improve the lives and livelihoods of First Nations people and their communities.

Essential believes that through considerate and consultative engagement of First Nations peoples, the Company and First Nations peoples can foster mutually beneficial, long-term relationships that demonstrate support and understanding of First Nations beliefs, culture and traditions.

Essential is committed to ensuring First Nations candidates have an equal opportunity for employment with the Company. Qualified candidates are hired and promoted regardless of race, country of origin, religion or creed, marital or family status, age, gender or sexual orientation. This includes past and present First Nations employees and consultants who were, are or will become, valued professionals at Essential.

<u>Supporting Local Charities</u>

Essential believes governments, business and individuals share the responsibility for supporting those charitable and non-profit organizations that enrich the lives of Canadians. Investing in such organizations leads to healthy, thriving communities that are desirable places to live and do business. Essential provides support to charitable and non-profit organizations through financial donations, including an employee donation matching program.

Essential supports a number of organizations. The following are a few of the organizations that Essential supports on a yearly basis: STARS Air Ambulance, the Calgary Drop-In Centre, Inn from the Cold, United Way, CUPS Calgary Society, Adopt a Family and Food Banks in communities where Essential works.

Governance

Essential's C&G Committee focuses on, among other things, the implementation and assessment of effective governance principles. In accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, Essential reports on its governance practices each year in the Company's information circular. A copy can be found under Essential's profile on SEDAR at www.sedar.com or on Essential's website at www.essentialenergy.ca.

Some of the key elements that demonstrate Essential's commitment to good governance are outlined below.

Board of Directors

Board Effectiveness and Renewal

The Board conducts an annual assessment of its overall performance, committee performance and individual self-assessments by each Board member. The objective of the review is to create a process of continuous improvement in the Board's 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 considers the mandates of the Board and the applicable committees and identifies areas where the Board members believe the Board could improve their collective contribution to overseeing the business and operations of Essential. The Board members also self-assess their effectiveness, contribution and competencies, as individual directors.

Through the annual Board assessment process, the Board rigorously assesses 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.

Board of Director Commitment

In 2022, each director had 100% attendance for Board meetings as well as the committee meetings that each director is a member of.

Board Independence and Expertise

The Board is comprised of six members, five of which are independent. Garnet Amundson, the President and CEO, is the only Board member that is a non-independent director. The Board has three established committees: the Audit Committee, the C&G Committee and the HSE Committee. The committees assist the Board with oversight of Essential's activities, within their respective areas of expertise. The Audit Committee and C&G Committee each consist entirely of independent directors.

Essential's Board members have a diverse and broad skill set, as set out in the following table:

	G. Amundson	J. Banister	F. Bortolussi	R. German	S. Langlois	R. Michaleski
Business Experience (oilfield services or exploration and production)	√	√	√	√	√	√
Corporate Governance	√	√	√	√	√	√
Financial Expertise	√		√	√	√	√
Executive Compensation	√	√	√	√	√	√
Strategic Planning and Execution	√	√	√	√	√	√
HSE	√	√	√	√		√

Board Diversity

Essential adopted a Board Diversity Policy in March 2019, to take into account diversity considerations such as gender, business experience, geographic representation, age and ethnicity for Board composition. The Board Diversity Policy explicitly states the Board will target inclusion of an appropriate number of women directors. Currently, 33% of the members of the Board are women.

Ethics and Integrity

Code of Business Conduct and Ethics

Essential has a Corporate Code of Conduct that is applicable to Essential's directors, officers and employees and a Code for Directors and Officers which is applicable to Essential's directors and officers. These codes are intended to guide the activities and actions of all employees, directors and officers of Essential to enhance value and minimize situations where conflicts of interest could arise and where harm to the Company and its employees could occur.

The Corporate Code of Conduct addresses the following key areas, among others:

- Avoiding conflicts of interest
- Protection and proper use of Essential's assets
- Confidentiality of corporate information
- Fair dealing
- Avoiding corruption and bribery
- Complying with economic sanctions
- Complying with laws, rules, regulations and corporate policies
- Reporting of illegal or unethical behaviour
- Promoting diversity
- Prohibiting harassment and discrimination

A copy of the Corporate Code of Conduct and the Code for Directors and Officers can be found on Essential's website at www.essentialenergy.ca.

Whistleblower Policy

To support Essential's continuing commitment to integrity and ethical behaviour, Essential has adopted a Whistleblower Policy. This policy establishes procedures that allow employees to confidentially and anonymously submit their concerns to the Chair of Essential's Audit Committee regarding questionable ethical, moral, accounting, internal accounting control, or auditing matters, without fear of retaliation. Reported concerns are investigated promptly. In 2022, there were no whistleblower complaints.

A copy of the Whistleblower Policy can be found on Essential's website at www.essentialenergy.ca.

Respectful Workplace

All employees and directors are expected to treat each other with respect and dignity. Violence, harassment and/or discrimination are not tolerated. Essential works to prevent all forms of discrimination and harassment in the workplace and to deal quickly and effectively with any incident that might occur. This is reflected in the Company's Violence, Harassment and Discrimination Policy.

Anti-Corruption and Economic Sanctions Policies

Essential has an Anti-Corruption, Anti-Bribery and Political Compliance Policy (the "**Anti-Corruption Policy**") which is designed to ensure that employees, directors, agents and contractors of Essential are at all times compliant with anti-corruption laws and prohibits bribery of foreign and domestic public officials, corporate officials or politicians and to ensure Essential does not receive an improper advantage in its business dealings. This includes domestic and international activities.

Essential also has an Anti-Money Laundering, Anti-Terrorist Financing and Compliance with Sanctions Policy (the "**Economic Sanctions Policy**"). This policy outlines the process to ensure Essential's Compliance Committee reviews and provides approval for international work in new countries. The Compliance Committee is comprised of executives and business unit management and works with external legal counsel in its review process.

Essential's revenue is generated primarily in Canada with a small percentage generated in the U.S. and a very small percentage from international work (outside of Canada and the U.S.). All non-Canadian revenue is generated from the Tryton business.

Other Policies and Programs

Essential has other policies that promote good governance including: Insider Trading, Disclosure and Confidentiality and Privacy policies. As well, Essential has a robust cybersecurity program with oversight by the Board of Directors.

Diversity

Essential recognizes the importance of diversity in the workplace as it promotes the inclusion of different perspectives and ideas, mitigates against groupthink and ensures the Company has the opportunity to benefit from all available talent. Essential's Corporate Code of Conduct outlines that all staff and directors are expected to respect the rights and differences of each other as everyone plays a critical role in creating a fair and diverse workplace. Essential is committed to providing a work environment with equal opportunity for recruitment and advancement free from discrimination.

Representation of women at various levels of the organization on December 31, 2022, included:

- Board of Directors: two women Board members (33% of Board members);
- Executive officers: one woman executive (33% of the executive officers); and
- Senior corporate management: 38% were women (includes executive officers and director-level managers).

Essential supports gender diversity as well as diversity related to, but not limited to, race, colour, family status, disabilities, ethnicity, religious beliefs and sexual orientation.

RISK FACTORS

Investing in securities of Essential involves a number of risks. The following is a summary of certain risk factors relating to the business of Essential, many of which are beyond its control or influence. The risks summarized below are not the only ones facing the Corporation. Additional risks not presently known to the Corporation or that the Corporation currently deems immaterial may also impair Essential's business operations. If any of these risks actually occur, Essential's business, operating results, cash flows and financial condition could be materially and adversely affected. Shareholders and potential shareholders should consider carefully the risks summarized below as well as those described elsewhere in this Annual Information Form and in Essential's other publicly disclosed reports and materials.

Volatility of Industry Conditions

The oilfield services sector is directly affected by fluctuations in the level of oil and natural gas exploration, development, production and decommissioning activities carried on by its customers, which in turn is dictated by numerous factors, including broad-based economic activity, world energy prices and government policies. Additionally, business risks also include but are not limited to seasonality, availability of skilled workers, ability to retain key customers and the environmental and safety risks inherent in the business.

The demand, pricing and terms for oilfield services largely depend upon the level of oil and natural gas exploration and development activity. Industry conditions are influenced by numerous factors that Essential has no control over, including but not limited to: broad-based economic activity; oil and natural gas prices; expectations about future oil and natural gas prices; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; certain regional weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and natural gas producing companies to raise equity capital or debt financing.

The oilfield services sector is highly reliant on the level of capital expenditures made by E&P companies who base their capital expenditure decisions on several factors, including but not limited to oil and natural gas prices, production levels, availability of export capacity, capital allocation pressure by shareholders and access to capital. Recent market events and conditions, including the potential for an economic recession, slowing growth in certain global economies, and political events, such as the Russian invasion of Ukraine, have caused significant volatility in commodity prices. Constrained capital spending decisions by E&P companies affects the activity levels of E&P companies and may negatively affect the demand for Essential's services. A significant, prolonged decline in commodity prices or constrained capital spending by E&P companies could have a material adverse effect on the oilfield services sector, service sector pricing, Essential's business, results of operations, cash flows and financial condition.

The price of labour, fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and international, national and regional economic conditions are factors over which Essential has little or no control. A significant increase in fuel prices, equipment prices, employee wages and other input prices, interest rates, currency exchange rates or insurance costs could reduce profitability and could adversely affect Essential's cash flow and financial condition, especially during inflationary periods. Essential cannot predict the impact of future economic conditions and there is no assurance that the operations of Essential will continue to be profitable.

See "Risk Factors – Cost Escalation and Inflation".

Demand for Services

Demand for Essential's services depends largely on the amount and timing of E&P customer capital spending dedicated to oil and natural gas exploration, development, completion, production and wellsite restoration activities. Essential can give no assurance about current oil and natural gas drilling activity, completion activity, production work or restoration work and whether demand will increase or decrease, or whether Essential will be directly impacted by such increase or decrease in demand. A decrease in the demand for Essential's services may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Competition

The oilfield services sector is highly competitive. To be successful, Essential must provide services that meet the specific needs of its customers at competitive prices. The principal competitive factors for Essential's business are safe operations, service quality, equipment availability, proximity to a customer's site, price, reliability, equipment capability and performance, technical knowledge and experience. Essential competes with companies that are smaller and larger than it. These competitors offer similar services in all geographic regions that Essential operates. As a result of competition, utilization of Essential's equipment may be adversely impacted, which may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

See "Description of the Business – General Factors Impacting the Business – Competition".

Reduced activity in the oil and natural gas industry can intensify competition and result in lower revenue to Essential. Variations in the exploration and development capital spending budgets of oil and natural gas E&P companies, which are directly affected by fluctuations in commodity prices, capital allocation decisions, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, have an effect upon Essential's ability to generate revenue and earnings. During periods of low utilization and intense competition, competitive pricing pressure may negatively impact Essential's business, results of operations, cash flows and financial condition.

Reliance on Key Customers

Essential has a number of key customers that, in aggregate, contribute a significant portion of Essential's revenue. During periods of slower activity, Essential may have greater exposure to fewer E&P customers. The loss of one or more larger customers could have a material adverse effect on Essential's business. Merger and acquisition activity amongst key customers could decrease demand for Essential's services as customers focus on reorganizing their business prior to committing funds to exploration and development projects. Further, the acquiring company may already have preferred supplier relationships with oilfield service providers other than Essential. There can be no assurance that Essential's relationship with its customers will continue, and a significant reduction or total loss of business from its customers, if not offset by sales to new or existing customers, may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

See "Description of the Business – General Factors Impacting the Business – Customer Relationships".

Key Personnel

The successful operation of Essential's business depends upon the availability, ability, expertise, judgment, discretion, integrity and good faith of Essential's directors, executive officers, managers, employees, contractors and consultants. The ability to attract, retain, and develop, qualified people throughout Essential's organization is critical to its long-term success. Failure to develop strong policies, processes, commitments, and demonstrated performance around employee engagement, diversity and talent development could negatively impact the productivity of the workforce. Many critical responsibilities within Essential's business have been assigned to a small number of key employees and the loss of their services, could disrupt Essential's operations.

Essential's ability to operate its fleet and expand its services depends upon its ability to attract qualified personnel as needed. The demand for skilled oilfield service employees follows the cyclical nature of the oilfield services sector. Volatility in the oilfield service sector and the demanding nature of the work, might prompt employees to pursue other careers that offer employment stability, less remote work and less physically demanding work with competitive wages. This may also make it difficult to attract new employees to the industry. As activity levels increase, the demand for qualified personnel increases and retaining and recruiting personnel can be very competitive and very costly. As activity levels fall, the demand for qualified personnel decreases. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on Essential's business, future growth, results of operations, cash flows and financial condition.

Due to the time required to hire and train employees, and the challenge of effectively estimating future customer work demands, it can be difficult to ensure the right number of employees are available to work and meet the required demand for services so that Essential is optimally staffed rather than over-staffed or under-staffed. Inefficient timing may negatively impact Essential's business, results of operations, cash flows and financial condition.

Safe Operations and Workforce Health and Safety

Essential is subject to many health, safety and environmental laws, rules and regulations. Workplace health and safety has evolved to include employee wellness and mental health in addition to physical health and safety. Failure to adhere to laws, rules and regulations can result in personal injury to field workers, the public and increased costs and/or lower demand for services. Accidents or other events resulting in injury may result in costs and material liabilities related to litigation or regulatory penalties. In addition to laws, rules and regulations, Essential's safety practices are dictated by accepted industry practices and customer specific safety requirements. Safety is a key factor considered by E&P companies when selecting oilfield service providers. Deterioration in Essential's safety performance could result in a decline in the demand for Essential's services and damage to Essential's reputation and could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Cost Escalation and Inflation

Inflation and cost increases for wages, fuel, repairs & maintenance, inventory and other operating costs increase Essential's cost structure. Customer pricing may be insufficient to cover the increase in costs and may not be sufficient to support the activation of additional equipment, making Essential uncompetitive.

This inability to control and manage costs could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Suppliers, Pricing and Availability of Equipment, Equipment Parts and Downhole Tools Inventory

Essential sources its equipment, equipment parts, downhole tools inventory, coiled tubing strings and chemical supplies from a variety of suppliers, most of which are located in Canada and the U.S. Should any suppliers be unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required or within certain timing and specification requirements, resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Takeaway Capacity for Essential's Customers

Essential's customers rely on various transportation methods to deliver produced oil and natural gas to the end market including pipelines, railway and trucking, collectively referred to as "takeaway capacity". If such takeaway capacity becomes full and incremental capacity is not added, E&P company drilling and completion activity may be reduced. Limited takeaway capacity could decrease the realized price for oil and natural gas produced in Canada and result in E&P companies curtailing capital spending. This could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

See "Description of the Business – General Factors Impacting the Business – Commodity Pricing – WCSB Oil Price and WCS Differentials".

Changes in Government Policy

It is possible that the Canadian and U.S. federal, provincial, state or local government or regulatory authorities could choose to change the income tax laws, royalty regimes, environmental laws, tariff laws or other laws that affect oilfield services companies or Essential's E&P customers and any such changes could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

On December 9, 2016, the Government of Canada announced the Pan-Canadian Framework on Clean Growth and Climate Change which allowed some flexibility for provinces to have their own climate action policies based on their specific circumstances. The Government of Alberta had previously enacted its Climate Leadership Plan on June 13, 2016 introducing an initial carbon levy of $20 per tonne effective January 1, 2017 and increasing this levy to $30 per tonne January 1, 2018 with planned federally imposed increases to $40 per tonne in 2021 and $50 per tonne in 2022. Alberta's compliance with this federal pricing schedule was linked with the construction of the Trans Mountain Pipeline. On May 30, 2019, the Government of Alberta eliminated its carbon tax. With no provincial carbon tax in Alberta, the Federal government imposed the federal carbon levy starting on January 1, 2020. The rate at January 1, 2020 was $20 per tonne, increasing to $30 per tonne on April 1, 2020 and rising by $10 annually to $50 per tonne in 2022. On December 11, 2020, the Government of Canada announced its plan to increase the federal carbon levy by $15 per tonne per year starting in 2023 to $170 per tonne in 2030. The introduction of these measures have had and may continue to have a negative impact on oil and natural gas industry costs, making the Canadian industry less competitive than the U.S. oil and natural gas industry.

On February 8, 2018, the Government of Canada introduced Bill C-69, which enacted, among other things, the IAA. The IAA overhauled the Canadian environmental review process for major infrastructure projects, including pipelines. Bill C-69 received Royal Assent on June 21, 2019 and the IAA came into force on August 28, 2019. The IAA has led to significant changes for proponents of major projects in Canada, in that they need to take more steps to manage their project's environmental, socio-economic, cultural and health impacts.

On January 20, 2021, the Biden administration in the U.S. announced its decision to revoke the federal permit granted by the former administration for the Keystone XL Pipeline, which overturned a comprehensive regulatory process that lasted more than a decade. In addition, the North American Free Trade Agreement has been replaced with the USMCA. This has affected the competitiveness of other jurisdictions, including Canada. On January 25, 2021, the Biden administration signed an executive order with respect to stringent new "Made-In-America" rules for the U.S. government and has indicated that the exceptions to such rules will be very limited. It remains unclear what the full extent of the impact of the executive order will be and how it may impact the USMCA and the Canada-U.S. supply chain. Further, it is unclear exactly what other actions the U.S. administration will implement, and if implemented, how these actions may impact the oil and natural gas industry in Canada.

On June 29, 2021, Bill C-12 *(Net-Zero Emissions Accountably Act*) received Royal Assent. This legislation preserves Canada's commitment to reach net zero emissions by 2050 by law and establishes Canada's first comprehensive climate governance system. Bill C-12 establishes the long-term target of reaching net zero emissions in 2050, legislates setting five-year milestone emissions reductions targets starting in 2030, requires climate targets to be set ten years in advance and creates a framework for detailed climate policy planning and progress reporting. This legislation may make the Canadian industry less competitive than the global oil and U.S. natural gas industry.

On August 16, 2022, the IRA was passed in the U.S. The IRA directs federal spending towards lowering carbon emissions and funding clean energy projects. The purpose of the IRA is to meet the U.S. carbon emissions target by 2030.

The Canadian Federal Government proposes to release "just transition" legislation in later 2023 that aims to prepare the workforce for a low carbon economy. An initial sustainable jobs plan was released in February 2023 that broadly outlined how the government plans to help train workers for roles in the clean energy economy. This proposed legislation may impact the ability of Essential to continue to employ and retain skilled technical and qualified personnel.

Government policy may have a material adverse effect on the demand for Essential's services and in turn, on Essential's business, results of operations, cash flows and financial condition.

See "Description of the Business – General Factors Impacting the Business – Recent Industry Trends – Changes to Government Policies" and "Risk Factors – Climate Change – Transition Risk".

Recession Risk

The potential for a recession, with high inflation and higher interest rates, could reduce the demand for oil and natural gas, and result in the reduction of commodity prices. A reduction in commodity prices could negatively affect the activity levels of E&P companies and the demand for Essential's services. A significant, prolonged decline in commodity prices or constrained capital spending by E&P companies could have a material adverse effect on the oilfield services sector, service sector pricing, Essential's business, results of operations, cash flows and financial condition.

Changing Investor Sentiment and Activist Shareholders

Investor concerns over unsupportive government policies related to energy, the changing Canadian regulatory environment, the potential effects of the use of fossil fuels on climate change, the transition to a net-zero economy, the potential impact of oil and natural gas operations on the environment, the risk of environmental damage related to petroleum product spills during transportation and concerns about Indigenous rights have resulted in the announcement by some institutional, retail and public investors that they are no longer willing to fund or invest in oil and natural gas, including investing in E&P or oilfield service companies, or have indicated that they are reducing their investment over time. As well, some investors are placing an increased emphasis on ESG factors when making investment decisions. Governance is a critical ESG factor, encompassing oversight and risk management. The drive to integrate ESG into corporate governance could lead to changes in the Board, its skills, behaviors, and composition. Corporate ESG governance expectations are rapidly evolving and new issues require Board oversight.

Investors may be seeking enhanced ESG disclosures or may implement policies that discourage or prohibit investment in oil and natural gas, including investments in E&P and/or oilfield service companies. There may be large sector biases against the oil and natural gas industry. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry or, in the Shares, may result in a limitation on the Company's access to capital, increasing the cost of capital, and decreasing the trading price and liquidity of Shares. A limitation on the Company's access to capital could have a material adverse effect on Essential's business, cash flows and financial condition.

Customers working to meet ESG initiatives of their own may look to their supply chain, including oilfield service providers, to assist with meeting their targets. Failure to meet the customers' ESG initiatives could result in lost work and could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition. Alternatively, the cost to comply with their requirements could decrease Essential's operating margin and have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Activist shareholders could advocate for changes in Essential's corporate governance, operational practices and strategic direction. In recent years, publicly traded companies have been increasingly subject to demands for changes to corporate governance practices, such as executive compensation practices, social issues, or for certain corporate actions or reorganizations. Responding to challenges from activist shareholders such as proxy contests, media campaigns or other activities, could be costly and time consuming and divert the attention of management and the Board, which could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Information and Computer Systems and Cybersecurity

Essential is dependent on its information systems and computer-based programs to manage its business. The Company is subject to a variety of information technology and system risks as part of normal course operations, including breakdowns, viruses, cyber phishing attacks, cyber attacks, cyber fraud, security breaches and destruction or interruption of the Company's information systems by third parties or insiders. Hybrid or remote work arrangements has potentially heightened these risks due to the increase in numbers of employees working remotely.

Any unauthorized access, failure, or creation of erroneous information in these systems could result in corruption or exposure of confidential, fiduciary or proprietary information, a loss of communication links, disruption to business activities, the inability to automatically process commercial transactions or engage in similar automated or computerized business activity or harm to Essential's reputation. The Company applies industry-accepted standards for technical and process controls to protect information systems, however, such controls may not adequately prevent cybersecurity breaches. Any of these events could have a material adverse effect on Essential's reputation, business, results of operations, cash flows and financial condition.

Pandemics (including COVID-19), Natural Disasters or Other Unanticipated Events

The occurrence of pandemics, such as COVID-19, natural disasters or other unanticipated events, and the restrictions and other government measures put in place in response to these events, could result in reduced demand for oil and natural gas, disruptions to global supply chains and volatile financial markets, as well as declining trade and market sentiment, and reduced mobility of people. This could affect commodity prices, borrowing rates and credit risk, and have negative implications to the North American oil and natural gas industry.

There could be disruptions to Essential's operations, including limitations on access to raw materials, supply chain disruptions, inability to retain or recruit skilled personnel, potential disruptions to an employee's ability to perform their duties or loss of the Company's key employees. In addition, the Company could be impacted by government-mandated shutdowns, or other preventative measures. These factors could have a material adverse effect on Essential's business, results of operations, cash flows, financial condition and the trading price of the Company's securities.

International Oil and Natural Gas Supply

Certain global and political events, including decisions by OPEC, or OPEC+, to increase or decrease their oil production levels may increase or decrease the supply of oil into the global market. The lifting or placement of sanctions on international oil producing countries may also increase or limit international oil production. Political instability, such as the current conflict between Russia and Ukraine, may also cause disruptions in the supply of oil and natural gas. Any one of these events may create uncertainty about the level and future supply of oil and natural gas, which results in uncertainty on the price of oil and natural gas and could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Canada is a net exporter of oil and natural gas, but virtually all the exports are to the U.S. As the production of oil and natural gas in the U.S. increases, the demand for Canadian oil and natural gas may decrease. This could have a negative impact on the price and production of Canadian oil and natural gas and could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

See "Description of the Business – General Factors Impacting the Business – Commodity Pricing".

Global Economic Uncertainty

At times, geopolitical events, acts of war, such as the current conflict between Russia and Ukraine, or economic events in foreign countries, especially those countries that are either a material supplier or consumer of oil or natural gas, may increase global economic uncertainty as it relates to the supply of and/or demand for oil or natural gas. This may, in turn, create volatility of these commodity prices and global equity markets. This could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Fixed Cost Management

Many of Essential's costs are fixed in nature, including certain operating expenses, labour costs and facility leases. Further, these fixed costs may increase over time as a result of inflation. A reduction in the demand for Essential's services and a corresponding reduction of revenue may result in the Corporation being unable to cover its fixed costs. The inability to obtain sufficient price increases to offset inflation could result in the Corporation being unable to cover its fixed costs. These events could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Collection and Credit Risks

The majority of Essential's accounts receivable are with E&P customers involved in the oil and natural gas industry whose revenues may be impacted by fluctuations in commodity prices. Collection of these receivables could be influenced by economic factors affecting the oil and natural gas industry.

Essential actively manages credit risk though a formal credit limit approval process with new customers, ongoing monitoring of the aging of receivables, proactively following up on balances owing, placing well liens as required and limiting credit when appropriate. The allowance for doubtful accounts and past due receivables are reviewed by Essential, at a minimum, on a monthly basis. Accounts receivable are considered impaired when there is objective evidence that a customer may default. When a receivable is considered uncollectible it is written off against the allowance for doubtful accounts.

The inability to collect on receivables or significant delays in collection could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Customer Cash Flow and Uses of Cash Flow

The oilfield services sector is directly affected by the financial health of its customers, the E&P companies. Low oil and natural gas prices negatively impact E&P company cash flows and capital spending programs. A long duration of reduced prices may result in E&P companies having over-leveraged balance sheets, bank covenant breaches and limited access to financial capital markets. Negative sentiment toward the industry may result in E&P companies having limited access to financial capital markets. As a result, E&P companies may be unable to access additional debt or raise equity at reasonable prices and may choose to, or become constrained, to spend less than their generated cash flows. In addition, E&P companies may choose to repay debt or pay dividends or buy back shares, thus reducing cash flow available for E&P company capital spending. Reduced capital spending may reduce the demand for oilfield services. As a result of lower demand, utilization and pricing for Essential's equipment may be adversely impacted, which may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Technology Risk

Essential's ability to meet customer demands may be influenced by advances and changes in technology and continuous improvements in oilfield service equipment and service offerings. To the extent Essential does not develop and implement changes in technology, including but not limited to changes to reduce emissions or other environmental considerations, demand for its services may be hindered or the cost-competitiveness of Essential's services may not keep up with competitors. There is no assurance the Corporation will be able to keep up with changes in technology or that it will have the skills and resources to meet this continuing demand on a timely basis and failure to do so may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Legal Proceedings

From time to time Essential may be involved in legal proceedings arising from the ordinary course of its business. The outcome of outstanding, pending or future legal proceedings cannot be predicted and the ultimate resolution of any such proceeding, individually or in aggregate, could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition. To the extent expenses incurred in connection with any litigation (which may include substantial fees for lawyers and other professional advisors and potential obligations to indemnify officers and directors who may be parties to such litigation) are not covered by available insurance, such expenses could have a material adverse effect on Essential's results of operations, cash flows and financial condition.

See “General Development of the Business – Three Year History – Legal Proceedings”.

Price Volatility of Publicly Traded Shares

Securities markets in Canada can experience high price and volume volatility, and the market price of securities may experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that future fluctuations in market price will not occur. It is likely that the market price for the Shares will be subject to market trends generally, notwithstanding the financial and operational performance of Essential. The trading activity and market price for the Shares may be subject to downward risk due to Essential’s small market capitalization, low trading volume and low liquidity.

Agreements and Contracts

Essential provides services to customers in accordance with mutually agreed upon terms and conditions. Key factors that determine whether a customer continues to use Essential are its safe operations, service quality, equipment availability and proximity to customer locations, price, reliability, equipment capability and performance, technical knowledge and experience. Despite having agreements and contracts in place with E&P customers, there can be no assurance that Essential will provide ongoing services to these customers. A significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Essential’s business, results of operations, cash flows and financial condition.

Environmental Legislation

Oil and natural gas exploration and development activities by E&P companies can have significant impacts on biodiversity and ecosystems, including through disposal of drilling and associated wastes, well decommissioning, land use and fuel spills. The oil and natural gas industry is subject to environmental regulations pursuant to a variety of Canadian and U.S. federal, provincial, state and local legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances used or produced by E&P companies in association with certain oil and natural gas industry operations. In addition, such legislation requires that E&P company well and facility sites be decommissioned and reclaimed to the satisfaction of regional authorities. Compliance with such legislation can require significant expenditures by E&P’s and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Essential is committed to meeting its responsibilities to protect the environment wherever it provides services to its E&P customers and takes the required steps to ensure compliance with E&P company policies and environmental legislation in the jurisdictions in which it operates. Essential believes that it is in material compliance with applicable environmental laws and regulations.

Essential believes that it is reasonably likely that the trend towards more stringent standards in environmental legislation and regulation will continue. Given the evolving nature of the debate related to climate change and the control of greenhouse gases (“**GHG**”) and resulting requirements, Essential cannot predict the nature of those requirements or the impact on Essential and its business, results of operations, cash flows and financial condition at this time.

Future regulatory developments could have the effect of reducing industry activity. Essential cannot predict the nature of the restrictions that could be imposed. Environmental concerns over hydraulic fracturing services and its seismic-related impacts, have been raised at the industry level, which may result in increased regulation. The possible adoption of future laws or possible implementation of regulations aimed at limiting or banning the hydraulic fracturing process could decrease the demand for completion services offered by Essential. Essential cannot predict the impact this could have on Essential and its business, results of operations, cash flows and financial condition at this time.

Essential's E&P customers' operations and activities use chemicals that could contaminate local water sources, often require significant quantities of water that can have significant impacts on the availability and quality of local water resources, may impact biodiversity and ecosystems and emit GHG. Essential's customers are required to comply with environmental and GHG emissions legislation that is in place or may be enacted in the regions in which they operate. Essential has no influence or control over how E&P customers manage these risks or their compliance with legislation.

With respect to ESG and climate reporting, the International Sustainability Standards Board has issued, for proposal, an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 – *Disclosure of Climate-related Matters*. Management has not yet quantified the cost to comply with these standards, and other standards that may be developed or evolve over time. There may be additional uncertainties related to assumptions and estimate with respect to climate change.

The implications or the direct or indirect costs associated with compliance with environmental regulations and laws could have a material impact on Essential's customers' programs or could have a direct material impact on Essential's operations, either of which, could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

See "Description of the Business – General Factors Impacting the Business – Regulations – Environmental Regulations".

Government Laws and Regulation

The operations of Essential are directly and indirectly impacted by a variety of Canadian and U.S. federal, provincial, state and local laws and regulations, including laws and regulations relating to health and safety, conduct of operations, protection of the environment, operation of equipment, and the transportation of materials and equipment. Any regulatory changes that impose more restrictions and limitations on Essential or its customers could increase operating costs and possibly result in lower demand. The operations of Essential may also be directly or indirectly impacted by elections, which may result in a change in government on a local, national or international level. Essential believes each of its operating entities operate in compliance with laws and regulations in the regions in which it operates. The Corporation invests financial and managerial resources to ensure such compliance and will continue to do so in the future. Essential cannot predict the cost or impact of changes to any such laws and regulations on Essential's future operations. Adverse changes to laws and regulation could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition. Essential believes that it is in material compliance with applicable government regulations.

International Risk and Business Ethics

Essential's downhole tools business conducts a small amount of business for its E&P customers internationally. Essential can supply products and inventory for international work and have personnel travel and provide services in international locations. Essential does not have permanent offices, equipment, facilities or assets in international locations outside of Canada and the U.S. Potential risks for E&P customers' international operations, and to Essential when working internationally, may include but may not be limited to: expropriation or nationalization, civil insurrection, corruption, bribery, money laundering, kidnapping of employees, labour unrest, strikes and other political risks, terrorist activities, modification of existing contracts, retroactive tax claims, fluctuations in foreign currency and exchange controls, increases in duties and taxes, and changes in laws and policies governing operations of foreign-based companies. In particular, Essential must ensure its governance structures and practices address the risk of corruption, willful or unintentional participation in illegal or unethical payments and gifts to a public official, corporate official or politician, or the risk of otherwise unfairly influencing these individuals, whether internationally or domestically.

Essential provides downhole tool services in the southern U.S. and has offices in Texas, Oklahoma and Kansas. Essential believes that working in these regions has not introduced risks that are significantly different than operating in Canada. Sudden or unexpected changes to rules, regulations and customer expectations in the U.S. could change this belief.

Through its operations outside of Canada, Essential could be exposed to trade and economic sanctions or other restrictions imposed by the Canadian or other governments or organizations. Federal agencies and authorities may seek to impose a broad range of criminal or civil penalties against corporations or individuals for violations of securities laws, foreign corrupt practice laws or other federal statutes. If any of these situations materialize, it could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, climate change initiatives, an increasing focus on renewable resources and low-emission sources of energy, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and energy generating devices could reduce the demand for oil, natural gas and other hydrocarbons. A rapid transition to oil and natural gas alternatives could be driven by government and regulatory policy. Essential cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Intellectual Property

Essential's future success may depend in part on the Company's proprietary technologies, tools and equipment; however, Essential may not be successful in obtaining patents, its patents may be unenforceable, or the claims allowed under its patents may not be sufficient to protect its technology, tools and equipment. In addition, there is no assurance that certain technologies, tools and equipment which may be developed by Essential will not be the subject of future patent infringement claims that may result in future litigation, resulting in the payment of licensing fees or other results that could have a material impact on Essential's business, results of operations, cash flows and financial condition.

Essential believes it offers competitive services. To the extent that any of Essential's competitors obtain patents over intellectual property on the types of services that Essential provides, Essential may be unable to provide certain services in certain jurisdictions which would reduce Essential's competitiveness and Essential may have to use a less effective or more expensive technology. This may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Performance of Equipment and Tools

Essential's financial and operating results are dependent on continued successful performance of its coiled tubing rigs and pumpers and its downhole tools, rentals and related equipment. Unanticipated equipment breakdowns or tool failures could have a negative impact on Essential's reputation, business, results of operations, cash flows and financial condition.

Improper Access to Confidential Information

In the normal course of business, Essential may discuss with advisors, third parties and employees, potential business relationships, transactions, customer activities, technologies and well procedures, financing solutions or other activities, at which time Essential may disclose confidential information relating to the business or operations of Essential. Resignation of an employee or competitors hiring former management and employees of Essential may result in disclosure of confidential information relating to the business or operations of Essential. There is no assurance that, in the event of a breach of confidentiality, Essential will be able to obtain equitable remedies, such as injunctive relief, from a court of competent authority in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause. A breach of confidentiality could put Essential at a competitive risk and may have a material adverse effect on its business, results of operations, cash flows and financial condition.

Essential's efforts to protect its confidential information, as well as the confidential information of its customers and suppliers, may be unsuccessful due to the actions of third parties, employees, software bugs or other technical malfunctions, employee error or wrongdoing, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers, or other factors. Any of these events could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Disclosure and Internal Controls

Effective disclosure and internal controls are put in place by Essential to provide reasonable assurance regarding the reliability of the Company's disclosures, financial reporting and the preparation of financial statements and to prevent fraud. Management assesses the design effectiveness of disclosure controls and internal controls over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework 2013. All disclosure controls and internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that disclosures and financial information are accurate and complete. If Essential or its independent auditors discover a material internal control weakness, such disclosure could result in loss of reputation, a reduction to the market's confidence in the Company's financial statements and have a material adverse effect on the trading price of Shares, on Essential's business, results of operations, cash flows and financial condition.

Oversupply of Equipment

Due to the long-life nature of oilfield service equipment and the sometimes-long period of time from when a decision is made to build or fabricate equipment until the equipment is delivered, the amount of equipment in the industry does not always correlate to the timing of demand for that equipment. Periods of high demand often result in increases in oilfield service companies' capital expenditures, which in turn may result in an oversupply of equipment. This potential oilfield service equipment overbuild may result in downward oilfield service pricing and reduced utilization across the industry which could materially impact Essential's business, results of operations, cash flows and financial condition.

Additionally, industry conditions may change resulting in a change in demand from a certain type of equipment to another. Recently built equipment that was purposely built for a certain industry condition or trend may be unable to work if that trend is interrupted due to changes in market conditions or the development and adoption of new technologies. This could have a material impact on Essential's ability to offer services to customers, which in turn could adversely affect Essential's business, results of operations, cash flows and financial condition.

Environmental and Anti-Canadian Oil and Natural Gas Industry Groups and Radical Activism

In recent years, public opinion regarding the Canadian oil and natural gas industry has been negatively influenced by anti-Canadian oil and natural gas industry and environmental self-interest groups' negative portrayal of the industry's development projects. These projects include proposed pipeline projects that, if built, would help alleviate Canadian oil and natural gas transportation bottlenecks and increase the ability to reach new markets. The impacts of negative public opinion on the industry may include decreases in Canadian oil and natural gas production, declining investor interest, increased regulatory oversight, increased litigation directed towards market access infrastructure and delays in project execution.

Radical activism such as protests, blockades, and environmental terrorism may affect Essential's ability to carry out its business. Oil and natural gas related sites and facilities could be direct targets of activist attacks, blockades or other eco-terrorism. Essential's operations could be adversely impacted if equipment, vehicles, access roads or infrastructure integral to Essential or Essential's customers is blockaded, destroyed or damaged.

Public opposition and radical activism could have a continued negative effect on the industry which could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Operating Risks and Insurance

Essential's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, damage, loss, malfunction and failures, natural disasters, fires, vehicle accidents, explosions and uncontrollable flows of oil, natural gas or other fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose Essential to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages. The frequency and severity of such incidents may affect operating costs, insurability and relationships with customers, employees and regulators.

Essential maintains insurance coverage that it believes to be adequate and customary in the industry. However, there can be no assurance that such insurance will be adequate to cover potential liabilities. ESG governance has the potential to impact access to insurance. Insurance coverage, or the cost of insurance, could be influenced by ESG if insurance providers require certain ESG metrics to be implemented. There can be no assurance that Essential will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable.

The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by Essential, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Access to Additional Financing

Essential may find it necessary to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combinations. ESG governance has the potential to impact access to capital. There can be no assurance that additional capital will be available to Essential when needed or on terms acceptable to Essential. Essential's inability to raise money to support ongoing operations or to fund capital expenditures or acquisitions could limit Essential's growth and may have a material adverse effect on Essential's business, results of operations, cash flows or financial condition.

NCIB

Subject to the limitations set out by the TSX, the repurchase of Shares is at the discretion of the Board of Directors. Essential's repurchase of Shares and the number of Shares repurchased may be dependent on, among other things, the Company's financial performance, financial position, financial forecast, restrictions set out in the Credit Facility, trading blackout periods and future capital requirements. There is no certainty that Essential will repurchase Shares under its NCIB.

See "General Development of the Business – Three Year History – Normal Course Issuer Bid".

Capital Asset Impairment

Essential is required by accounting regulations to periodically review its long-lived asset balances for impairment. An impairment test must be completed at least annually and when certain internal and external factors indicate the need for further analysis. These calculations are based on management's estimates and assumptions. Several factors may be considered such as future cash flows and earnings estimates, changes in market conditions, general local and global economic conditions, third-party asset appraisals and changes in Share price. Any impairment or write-down of long-lived assets could result in a non-cash charge against net earnings, which could be material in nature and potentially impact investors' perception of Essential which could adversely impact the Share price.

Debt Servicing

At certain times, Essential may be indebted to its lenders under its Credit Facility. There can be no assurance that the amounts available under the Credit Facility will be adequate for the financial obligations of Essential, that Essential will be able to meet the restrictive covenants in the Credit Facility or upon its expiration, that the Credit Facility can be refinanced on terms acceptable to Essential and to the applicable lenders.

Failure to comply with the obligations and covenants in the Credit Facility could result in a default of the Credit Facility which, if not cured or waived, may result in acceleration of the repayment of the debt outstanding and the inability to borrow under the Credit Facility thereafter. In this circumstance there is no certainty Essential would be able to find replacement financing or have sufficient means to repay the amount owing under the Credit Facility. This could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Essential is exposed to interest rate fluctuations on any bank indebtedness which is tied to the Canadian bank prime rate or bankers' acceptance rates. An increase in these rates could increase the cost of financing. Essential is required to pay financing fees for borrowings on its Credit Facility as well as refinancing fees, fees on the undrawn portion of its Credit Facility and amendment fees. These fees are based on the credit status of Essential and the general credit environment. A significant increase in these rates and fees may decrease the amount of cash flow available to Essential's business and may have a negative effect on Essential's cash flows and financial condition.

Reassessment of Taxes

The Company files all required tax returns and believes it is in compliance with the provisions of applicable taxation legislation. However, tax authorities with jurisdiction over Essential may disagree with how the taxes were calculated and with the amount of taxes remitted or recovery received. A successful reassessment of the Company's tax filings by a tax authority may have a negative impact on current and future taxes payable, which could have a material adverse effect on Essential's results of operations, cash flows and financial condition.

Seasonality

In the WCSB, the level of activity in the oilfield services sector is influenced by seasonal weather patterns. Spring typically leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which may result in restrictions on oilfield service activity. The duration of this period has a direct impact on Essential's operations. The timing and duration of spring breakup is dependent on weather patterns but generally begins in March and may continue into May or June.

The volatility in the weather and temperature can create unpredictability in activity and utilization of Essential's equipment. The demand for WCSB oilfield services may be affected by the severity of Canadian winters. If an unseasonably warm winter prevents sufficient freezing, Essential may not be able to access certain well sites. At the other extreme, very cold weather may curtail operations for a period of time. During excessively rainy periods, equipment moves may be delayed. During periods of extreme heat and drought, forest fires and associated smoke can reduce Essential's access to customer wellsite locations and create safety issues for Essential's personnel and equipment. Extreme summer heat can create dangerous working conditions and restrict the ability of Essential's personnel to safely complete services for customers. Any weather or temperature-driven events can lead to volatility and adverse working conditions which can have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Operations in Texas, Oklahoma and Kansas are generally less impacted by seasonal weather and temperature conditions but can experience different types of weather patterns and impacts including, but not limited to, hurricanes, heavy rainfalls, unseasonably cold weather or extreme heat. However, the volume of business and revenue in these regions is small compared to Essential's operations in Canada.

See "Description of the Business – General Factors Impacting the Business – Seasonality".

Climate Change – Transition Risk

The Canadian government is committed to achieve net-zero GHG emissions by 2050 through the *Canadian Net-Zero Emissions Accountability Act*. While the specifics of the requirements to achieve these targets have not been released, it is expected that the impact on the oil and natural gas industry may be significant. Essential may need to adapt its equipment and technologies to potentially changing government and customer requirements and preferences, as well as engaging with customers to develop solutions to reduce carbon emissions from their operations. As Essential's customers seek to achieve their GHG emission reduction targets, they may be increasingly favoring low-emitting services providers to achieve their goals. Also, communicating Essential's approach to reducing its operational GHG emissions may become of increasing importance to customers, capital markets, and future investors. The energy transition may impact the demand for Essential's products and services, increase operating costs, impact asset valuation and impact access to capital.

The Canadian Federal Government plans to release "just transition" legislation in 2023 that aims to prepare the workforce for a low carbon economy. A sustainable jobs plan outlining how the government plans to help train workers for roles in the clean energy economy was released, with legislation expected to be released later in 2023. This proposed legislation may impact the ability of Essential to continue to employ and retain skilled technical and qualified personnel. This legislation may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

See "Risk Factors – Changes in Government Policy" and "Description of the Business – General Factors Impacting the Business – Recent Industry Trends – Changes to Government Policies".

Climate Change – Physical Risk

A possible consequence of climate change is increased volatility in seasonal temperatures. Global climate change could impact the timing and length of spring thaw and the severity of winter temperatures. Extreme weather conditions could result in natural disasters such as flooding or forest fires which could result in delays or cancellation of some of Essential's customers' operations, could increase Essential's operating costs or could result in supply chain disruptions. Extreme weather events could also pose safety risks for employees. Essential cannot estimate the degree to which climate change and extreme climate conditions could impact Essential's business, results of operations, cash flow and financial condition.

Management of Growth

Essential may be subject to growth related risks including capacity restraints and pressure on its internal systems and controls. The ability of Essential to manage growth effectively may require it to continue to improve its operational and financial systems and to expand, train, and manage its employee base. If Essential is unable to deal with this growth, it could have a material adverse effect on Essential, its Share price, business, results of operations, cash flows and financial condition.

Security, Human Rights and Rights of Indigenous Peoples

On June 21, 2021, The *United Nations Declaration on the Rights of Indigenous Peoples Act* (the "**Act**") received Royal Assent. The Act sets out Canada's obligation to uphold human rights, including treaty and inherent rights, of Indigenous People affirmed by the 2007 United Nations Declaration of the Rights of Indigenous People. Indigenous Peoples have claimed treaty, title, and rights to broad portions of Western Canada. Such claims may affect Essential's business as claims are litigated or settled with the federal and provincial governments. The federal and provincial governments have a duty to consult with Indigenous Peoples on actions that may affect the asserted Indigenous or treaty rights and this duty may be triggered when Essential's E&P customers apply to obtain or renew permits, leases licenses and other approvals for operations in areas subject to outstanding Indigenous rights claims. Government consultation with Indigenous Peoples and opposition by Indigenous Peoples may add time, effort, and risk to applications. This could impact future development projects by E&P companies and, in turn, reduce the demand for oilfield services. It could have a material adverse effect on Essential, its business, results of operations, cash flows and financial condition.

Failure to identify and assess human rights violations that Essential may cause or contribute to through its own activities, or which may be directly linked to its operations, could have a material adverse effect on Essential, its business, results of operations, cash flows and financial condition.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Essential may acquire or dispose of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations, processes and procedures in a timely and efficient manner, as well as Essential's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Essential. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters.

In connection with acquisitions, Essential seeks to conduct due diligence on the businesses or assets being acquired and seeks detailed representations and warranties. However, there can be no assurance that Essential may not become subject to undisclosed liabilities as a result of acquisitions. The failure to discover potential liabilities may be due to various factors and if this occurs, may have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Management continually assesses the value and contribution of services offered to customers and assets required to provide such services. In this regard, non-core assets may be disposed of, so that Essential can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of Essential, if disposed of, could realize less than their carrying value in the financial statements of Essential.

Potential Conflicts of Interest

Certain of the members of the Board of Directors or officers of Essential are, or may become, directors or officers of other oil and natural gas E&P, or oilfield service companies, and conflicts of interest may arise between their duties as directors and officers of Essential and as directors and officers of such other companies. Such conflicts must be disclosed in accordance with, and are subject to, other procedures and remedies as applicable under the ABCA, securities laws and other applicable laws.

There may be situations in which the interests of the directors and management of, and consultants to, Essential may conflict with those of Essential. Furthermore, some of these conflicts may result in the individual being in a direct conflict of interest in relation to Essential. Any conflicts will be resolved in accordance with the provisions of the ABCA, securities laws and other applicable laws.

Community Relations and Reputational Risk

Communities may be affected by environmental and social impacts of Essential's operations or the operations of Essential's E&P customers, such as competing for access to local and natural resources, impacts from air emission, waste from operations, and impacts on biodiversity.

Due to the widespread reach of social media and other online activity, Essential may be at risk of losing control of how it is perceived by a community or capital markets. Various social media sites and online platforms may be used by individuals outside the organization, or by disgruntled employees, to discuss Essential, its business, its strategic direction, among other elements. There may be discussions and statements that may be fabricated, may be false and may misrepresent the Company and its perspectives.

Negative public opinion could result in reputational damage, decreased Shareholder confidence and could negatively impact the Share price. This could become an impediment to Essential's ability to conduct its operations and could have a material adverse effect on Essential, its business, results of operations, cash flows and financial condition.

Timely Delivery of Quality Equipment

Essential's ability to expand its operations is dependent upon timely delivery of new or acquired equipment. Equipment fabricators may be unable to meet their planned delivery schedules for new or upgraded equipment due to supply chain issues, cost inflation, skilled labour shortages, the inability to source component parts in a timely manner, complexity of new technology and inadequate operational or financial management. Essential may implement hiring plans and make customer commitments for the equipment based on the planned delivery schedules. Failure of Essential or a fabricator to meet their delivery schedules and to provide high quality working equipment may have a negative impact on Essential's business, results of operations, cash flows and financial condition.

Capital Cost Overruns

From time to time, Essential contracts with third parties for the construction of new equipment. Actual construction costs may vary from the initial estimated cost due to a number of factors including, without limitation, change orders, changes in input costs such as the price of steel, variations in labour rates and to the extent that component parts must be sourced from other countries, fluctuations in exchange rates. A change to one of these factors could increase the cost of the capital project and could have a negative impact on Essential's business, results of operations, cash flows and financial condition.

Foreign Currency Exchange Rates

Essential has only a small direct exposure to fluctuations of the Canadian dollar in relation to the U.S. dollar. The majority of Essential's revenues and expenses are denominated in Canadian dollars. Essential has downhole tools operations in the U.S. with revenue and expenses denominated in U.S. dollars; however, the amount of revenue and expenses are small relative to Essential's total business. In addition, a small portion of Essential's input costs, such as inventory, are U.S. dollar denominated. The Company has not entered into any hedging positions.

Essential has indirect exposure to fluctuations of the Canadian dollar in relation to the U.S. dollar as many of its customers operating in Canada have revenue denominated in U.S. dollars but expenses denominated in Canadian dollars. Generally speaking, as the Canadian dollar decreases in value relative to the U.S. dollar, net cash flow increases for these customers. This may increase their demand for oilfield services. As the Canadian dollar increases in value relative to the U.S. dollar, net cash flow decreases for these customers. Less cash flow may decrease their demand for oilfield services and could have a material adverse effect on Essential's business, results of operations, cash flows and financial condition.

Structure of the Corporation

From time to time, Essential may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable as well as limit litigation risk with respect to the operation of Essential and its subsidiaries. If the manner in which Essential structures its affairs is successfully challenged by a taxation or other authority, it could have a material adverse effect on Essential, its Share price, business, results of operations, cash flows and financial condition.

Force Majeure Events

Essential's operations and information systems may be vulnerable to substantial loss or damage, including the curtailment or suspension of its operations, as a result of possible disruptions, including, but not limited to, acts of terrorism, acts of war, civil disobedience or unrest, domestic and global trade disruptions, infrastructure disruptions, national emergencies, natural disasters, technological attacks, the outbreak of disease or similar events, any of which may have a material adverse effect on Essential's reputation, its Share price, business, results of operations, cash flows and financial condition.

Forward-Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements because Essential can give no assurance that they will prove to be correct. By their nature, forward-looking statements reflect numerous inherent known and unknown risks and uncertainties that contribute to the possibility that the forward-looking statements may prove to be incorrect or incomplete and could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections could prove to be materially inaccurate.

See “General Matters – Special Note Regarding Forward Looking Statements and Information”.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. Each Common Share entitles the holder to receive notice of and to attend all meetings of Shareholders of the Corporation and to one vote per Common Share at such meetings (other than meetings at which only holders of a specified class of shares are entitled to vote). The Common Shares entitle the holders to receive any dividend declared by the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends. Holders of Common Shares are entitled to receive the remaining property of the Corporation upon its liquidation, dissolution or winding-up.

The preferred shares may be issuable in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors. The Board of Directors may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of preferred shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, and any sinking fund or other provisions.

The holders of each series of preferred shares, if such shares are issued, are entitled to receive any dividends declared by the Board of Directors in priority to the Common Shares and are entitled to participate in any distribution of the assets of the Corporation upon the liquidation, dissolution, bankruptcy or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of its assets among its Shareholders for the purpose of winding-up its affairs in priority to the holders of the Common Shares. There are currently no preferred shares outstanding.

DIVIDENDS AND DISTRIBUTIONS

Essential did not pay a dividend in 2022 and has not paid a dividend since 2016.

MARKET FOR SECURITIES

The outstanding Shares are traded on the TSX under the trading symbol “ESN”. The following table sets forth the price range and trading volume of the Shares as reported by the TSX for the periods indicated.

Month – 2022	High	Low	Volume
January	$0.445	$0.380	2,566,868
February	$0.490	$0.430	1,566,604
March	$0.550	$0.400	7,000,109
April	$0.560	$0.420	5,638,515
May	$0.520	$0.405	3,431,758
June	$0.490	$0.370	2,514,090
July	$0.415	$0.335	1,132,795
August	$0.415	$0.350	2,805,656
September	$0.390	$0.260	1,896,759
October	$0.420	$0.310	1,413,097
November	$0.440	$0.355	6,639,448
December	$0.430	$0.330	2,569,799

DIRECTORS AND OFFICERS

Directors and Officers of Essential

The Board of Directors is currently comprised of six individuals. The Corporation has three executive officers. The directors are elected annually by the Shareholders by ordinary resolution, or until their successors are appointed and hold office until the next annual meeting of the Corporation. The names, places of residence, the offices held, the principal occupation of each of the directors and officers, the period served as director and the number of securities of Essential beneficially owned, or controlled or directed, directly or indirectly, by each individual is as follows:

Name and Place of Residence	Position Held	Year and Month Became Director or Officer [(1)]	Number of Shares Held [(3)(7)]	Principal Occupation and Positions for the Past Five Years
Garnet K. Amundson[(2)(6)] Alberta, Canada	President, CEO and Director	April 2008	1,334,456 (1.0%)	President, CEO and Director of Essential since 2008.
James A. Banister[(2)(5)] Alberta, Canada	Director and Chair	April 2008	1,376,730 (1.0%)	Independent businessman. President and Chief Executive Officer of BanCor Inc., a private investment company, since 1997.
Felicia B. Bortolussi[(5)] Alberta, Canada	Director	November 2021	25,000 (0.0%)	Corporate lawyer with an independent legal and advisory practice since 2014.
Robert T. German[(4)(6)] Alberta, Canada	Director	May 2011	42,000 (0.0%)	Vice President, Finance at Oculus Transport Ltd., a private oilfield hauling company, since 2015.
Sophia J. Langlois[(4)(5)] Alberta, Canada	Director	November 2022	0 (0.0%)	Formerly a partner with KPMG LLP ("KPMG"), an accounting firm, until 2020.
Robert B. Michaleski[(4)(5)(6)] Alberta, Canada	Director	June 2013	160,000 (0.1%)	Independent businessman.
Jeffrey B. Newman[(2)] Alberta, Canada	Chief Financial Officer	April 2008	361,689 (0.3%)	Chief Financial Officer since 2019. Senior Vice President, Business Development of Essential (2015 – 2019).

Name and Place of Residence	Position Held	Year and Month Became Director or Officer (1)	Number of Shares Held (3)(7)	Principal Occupation and Positions for the Past Five Years
Karen D. Perasalo(2) Alberta, Canada	Vice President, Finance and Corporate Secretary	April 2008	266,495 (0.2%)	Vice President, Finance and Corporate Secretary since 2019. Vice President, Investor Relations and Corporate Secretary of Essential (2013 – 2019).

Notes:
(1) The term of office of all directors will expire on the date of the next annual meeting of Shareholders or until their successors are elected or appointed pursuant to the ABCA.
(2) The periods of service include service as a director or officer of the Manager prior to the Conversion.
(3) "Number of Shares Held" indicates Shares beneficially owned, or controlled or directed, directly or indirectly, as of December 31, 2022.
(4) Member of the Audit Committee.
(5) Member of the C&G Committee.
(6) Member of the HSE Committee.
(7) As of December 31, 2022, the directors and executive officers of the Corporation as a group beneficially own, or control or direct, directly or indirectly, 3,566,370 Shares, representing approximately 2.7% of the 133,366,597 Shares outstanding.

Corporate Cease Trade Orders

For the purposes of this section, "order" means:

(a) a cease trade order;

(b) an order similar to a cease trade order; or

(c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

No current director or executive officer is, at the date of this AIF, or was within the last ten years prior to the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Essential) that: (i) was subject to an order that was issued while such director or executive officer was acting in that capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director or executive officer 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 that capacity as director, chief executive officer or chief financial officer.

Penalties or Sanctions

No current director or executive officer or securityholder holding a sufficient number of securities of Essential to affect materially the control of Essential 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 investor in making an investment decision.

Bankruptcies

No current director or executive officer or securityholder holding a sufficient number of securities of Essential to affect materially the control of Essential: (i) is, at the date of this AIF, or was within the last ten years prior to the date of this AIF, 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 ten years prior to the date of this AIF, 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, executive officer or securityholder.

Composition of the Audit Committee and Mandate

The Mandate and Terms of Reference of the Audit Committee of the Board of Directors is attached to this AIF as "Appendix "A". The members of the Audit Committee are Sophia J. Langlois (Chair), Robert T. German and Robert B. Michaleski.

The members of the Audit Committee are independent (in accordance with National Instrument 52-110 – *Audit Committees*) and are financially literate. The following table sets out the assessment of each of the Audit Committee member's independence, financial literacy and relevant educational background and experience supporting such financial literacy.

Name and Place of Residence	Independent	Financially Literate	Relevant Education and Experience
Sophia J. Langlois Calgary, Alberta	Yes	Yes	Ms. Langlois holds a CPA, CA designation and is a former audit partner with KPMG. Ms. Langlois holds the ICD.D designation from the Institute of Corporate Directors.
Robert T. German Calgary, Alberta	Yes	Yes	Mr. German holds a CPA, CA designation and has worked in the capacity of Vice President, Finance of four oilfield service companies. He was also the CEO of a public oilfield service company.
Robert B. Michaleski Calgary, Alberta	Yes	Yes	Mr. Michaleski holds a CPA, CA designation and formerly held positions as the CEO, President and Chief Financial Officer at Pembina Pipeline Corporation.

Pre-Approval Policies and Procedures

The chair of the Audit Committee is authorized to grant the pre-approvals and approvals of fees related to the provision of both audit and non-audit related services, up to a maximum of $25,000 per engagement, with a cumulative maximum of $75,000. This is in addition to any fee approvals provided by the Audit Committee by way of resolutions passed at a meeting of the Audit Committee. In the event that the chair of the Audit Committee grants any such pre-approval, the particulars of each grant, and the nature of the underlying services, shall be presented to the full Audit Committee at the next scheduled Audit Committee meeting. After such meeting, the cumulative limit shall be reset to zero.

Auditors' Fees

KPMG has served as the auditor of Essential since March 21, 2018. Fees paid or payable to KPMG are detailed below:

	2022	2021
Audit Fees (1)	$ 315,000	$ 267,500
Audit-Related Fees (2)	58,500	54,000
Tax Fees (3)	14,000	28,500
Other Fees (4)	30,434	27,606
Total	$ 417,934	$ 377,606

Notes:
(1) Audit fees consist of fees for the audit of annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
(2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of Essential's financial statements and are not reported as Audit Fees. The services provided in this category include quarterly review fees.
(3) Fees for tax compliance, tax advice, tax consulting and tax planning. 2022 and 2021 tax advice, tax consulting and tax planning fees were $9,000 and $19,500, respectively.
(4) Other fees consist of fees for an on-line subscription and a fee levy for the Canadian Public Accountability Board.

Conflicts of Interest

The directors and officers of Essential are engaged in and will continue to engage in other activities in the oil and natural gas industry and the oilfield services sector and, as a result of these and other activities, the directors and officers of Essential may become subject to conflicts of interest. The ABCA provides that, in the event that a director or officer has an interest in a contract or proposed contract or agreement, the director or officer shall disclose his/her interest in such contract or agreement and a director shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

Essential is not aware of any existing or potential material conflicts of interest between Essential and a director or officer of Essential.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as outlined below, there were no material interests, direct or indirect, of: (i) directors and officers of Essential, (ii) any Shareholder who beneficially owns more than 10% of the Shares, (iii) any informed person (as defined in National Instrument 51-102 - *Continuous Disclosure Obligations*), or (iv) any known associate or affiliate of such persons, in any transaction during the past three fiscal years or in any proposed transaction which has materially affected or would reasonably be expected to materially affect Essential or any of its subsidiaries.

> Essential has lease agreements for shop premises with certain private corporations that are controlled by Eldon Heck, who, until January 2022, was the Vice President, Downhole Tools & Rentals. The terms and conditions of these agreements were based on market rates for similar leases and are no more favourable than those available, or which might reasonably be expected to have been available, in similar transactions on an arm's length basis.
>
> For the year ended December 31, 2022, for the period Mr. Heck was an employee, Essential incurred lease payments related to these shop premises of $nil (2021 - $0.7 million, 2020 - $0.8 million).

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada, at Suite 600, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8, is the transfer agent and registrar of Essential.

MATERIAL CONTRACTS

The Corporation currently has in place the following material contract:

> The Second Amending Agreement to the Ninth Amended and Restated Credit Agreement dated November 25, 2021 among Essential Energy Services Ltd., as borrower, National Bank of Canada, ATB Financial and Canadian Western Bank. Key terms and conditions are outlined in "General Development of the Business – Three Year History - Credit Facility".

INTERESTS OF EXPERTS

The Company's auditors are KPMG LLP, Chartered Professional Accountants, 3100, 205 – 5th Avenue SW, Calgary, Alberta, T2P 4B9. KPMG have confirmed with respect to Essential that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

LEGAL PROCEEDINGS

On October 30, 2020, Essential filed a Statement of Claim for unpaid invoices in the amount of $0.8 million. Subsequently, in November 2020, Yangarra filed the Litigation Claim. Essential is relying on communications from Yangarra's own on-site representatives and reports from three independent third party reports that clearly refutes Yangarra's position that Essential was responsible for damages alleged in the Litigation Claim. Essential believes the Litigation Claim is without merit and retaliatory in nature. The litigation is ongoing.

Proceedings of this nature can take years to resolve through the court process. Currently, Essential is not able to predict when a trial date will be set.

See “General Development of the Business – Three Year History – Legal Proceedings”.

There are no other outstanding legal proceedings that are material to Essential to which Essential is a party, or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

ADDITIONAL INFORMATION

Additional financial information is provided in the financial statements and management’s discussion and analysis for the year ended December 31, 2022, which may be found on SEDAR at www.sedar.com. Documents affecting the rights of Shareholders, along with other information relating to Essential, may also be found on SEDAR at www.sedar.com.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of Essential’s securities and securities authorized for issuance under equity compensation plans, is contained in Essential’s information circular for its most recent annual meeting which may be found on SEDAR.

APPENDIX "A"

MANDATE OF THE AUDIT COMMITTEE

Glossary

"**Board**" or "**Board of 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;

"**Chair**" refer to the chair of the Committee;

"**Chief Executive Officer**" means the President and Chief Executive Officer of Essential;

"**Committee**" means the Audit Committee; and

"**Essential**" or "**Corporation**" means Essential Energy Services Ltd.

Purpose

The Committee is appointed by the Board of Essential to assist the Board in fulfilling its oversight responsibilities. The Committee's primary purposes are to:

(a) Oversee and monitor the integrity of the Corporation's accounting and financial reporting processes, financial statements and system of internal controls regarding accounting and financial reporting and accounting compliance.

(b) Oversee and monitor management's identification and management of principal financial risks.

(c) Oversee and monitor the Corporation's compliance with legal and regulatory requirements relating to accounting, internal accounting controls and auditing matters.

(d) Oversee and monitor the qualifications, independence and performance of the Corporation's external auditors.

(e) Enhance communications among the Board, management and the external auditors.

Composition

The Audit Committee shall be a committee to the Board of Directors of the Corporation.

The Committee shall consist of not fewer than three directors, one of whom shall be the Chair of the Committee. All members of the Committee shall be "independent", having no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment. Each member shall also be financially literate, being able to read and understand financial statements that present a level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements. For definitions and guidance as to the meanings of "independence" and “financial literacy”, the Committee refers to the requirements or guidelines for audit committees under applicable securities laws and the rules of any stock exchange on which the Corporation's shares are listed for trading.

The Committee shall have a Chair who is a full voting member of the Committee. The Committee Chair and its members shall be elected annually by the Board of Directors following recommendation of the Compensation and Governance Committee and the Board Chair. Any member of the Committee may be removed or replaced at any time by the Board and shall, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

The Committee composition, including the qualifications of its members, shall comply with the applicable requirements of stock exchanges on which Essential lists its securities and of securities regulatory authorities, as such requirements may be amended from time to time.

Operations

The Committee shall meet at least quarterly to review the interim and year end financial results.
The Chair of the Committee may call additional meetings as required including meetings with the external auditors to review and approve the annual audit plan and to receive the report of the external auditors. In addition, a meeting may be called by the Board Chair, the Chief Executive Officer, or any member of the Committee or by the external auditors.

Committee meetings may, by agreement of the Chair of the Committee, be held in person, by video conference, by means of telephone or by other electronic communication, or by a combination of any of the foregoing.

The Chair shall, in consultation with management and the external auditors, establish the agenda for the meetings and ensure that properly prepared meeting materials are circulated to the members with sufficient time for study prior to the meeting. The Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.

The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.

Directors, who are not members of the Committee, may attend Committee meetings, on an ad hoc basis, upon prior consultation and approval by the Committee Chair or by a majority of the members of the Committee.

The Committee may, by specific invitation, have other resource persons in attendance.

The Chief Executive Officer, the Chief Financial Officer and the Board Chair will be available to attend Committee meetings or portions thereof as requested by the Committee.

Notice of the time and place of each Committee meeting shall be given in writing and delivered by courier, facsimile or email, to each member of the Committee at least 48 hours prior to the time fixed for such meeting. Notice of each meeting shall also be given to the external auditors of the Corporation.

A member and the external auditors may, in any manner, waive notice of the Committee meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

A majority of Committee members, present in person, by video conference, by telephone, or by a combination thereof, shall constitute a quorum.

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen to preside by a majority of the members of the Committee present at such meeting.

Minutes of each Committee meeting should be succinct yet comprehensive in describing substantive issues discussed by the Committee. They should clearly identify those items of responsibilities scheduled by the Committee for the meeting that have been discharged by the Committee and those items of responsibilities that are outstanding. Minutes of Committee meetings shall be sent to all Committee members and to the Chief Executive Officer.

The Committee shall provide a written or oral report to the Board of its recommendations. In respect of matters for which decision making authority has been delegated by the Board to the Committee, the Committee shall approve such matters by way of resolutions passed at Committee meetings and reflected in the Committee meeting minutes. Otherwise, the Committee will make recommendations to the Board of the approval of matters discussed and agreed to by the Committee.

Authority

Primary responsibility for the Corporation’s financial reporting, accounting systems and internal controls is vested in management and is overseen by the Board. The Committee is a standing committee of the Board established to assist the Board in fulfilling its responsibilities in this regard. While the Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Committee to plan or conduct audits or to determine if the Corporation’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for preparing the Corporation’s financial statements and the external auditors are responsible for auditing those financial statements. The Committee has an oversight responsibility over management and over the external auditors in these respects.

The Committee has the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its responsibilities.

(b) set and pay the compensation for any advisors employed by the Committee.

(c) communicate directly with the external auditors.

(d) communicate directly with the management and staff as and when the Committee deems appropriate.

(e) determine or direct the training and or professional development of Committee members.

The Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibility. In this regard, the Committee may direct management to particular areas of examination.

Duties and Responsibilities

The Committee will work closely and cooperatively with such officers and employees of Essential, its auditors, and/or other appropriate advisors and with access to such information as the Committee considers being necessary or advisable in order to perform its duties and responsibilities, as assigned by the Board, in the following areas:

Review of Financial Statements

(a) Review and approve the annual audited consolidated and quarterly unaudited consolidated financial statements, management's discussion and analysis ("MD&A") and related press releases before public disclosure of this information and make specific recommendations for approval to the Board of Directors. As part of this process the Committee should:

(i) Review the content of the MD&A in the context of prevailing and proposed legislation.

(ii) Review the appropriateness of any changes to the underlying accounting principles and practices.

(iii) Review the appropriateness of estimates, judgments of choice and level of conservatism of accounting principles.

(iv) Review business risks, uncertainties, unusual transactions, commitments and contingent liabilities.

(v) Be satisfied that adequate procedures are in place for the review of Essential's disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of these procedures.

Engagement and Evaluation of External Auditors

(b) The Committee shall recommend to the Board of Directors the appointment of the external auditor for the purpose of issuing an audit report or performing other audit, review or attest functions. The external auditors shall report directly to the Committee.

(c) The Committee shall review and approve the engagement letter. As part of this review the Committee reviews and recommends to the Board of Directors for their approval the auditor's fees for the annual audit. The Committee is responsible for the direct oversight of the work of the external auditor for the purpose of issuing an audit report or related work, and the auditor shall report directly to the Committee.

(d) The Committee shall receive a written statement not less than annually from the external auditor describing in detail all relationships between the auditor and Essential that may impact the objectivity and independence of the auditor. The Committee shall review annually with the Board of Directors the independence of the external auditors and either confirm to the Board of Directors that the external auditors are independent or recommend that the Board of Directors take appropriate action to satisfy itself of the external auditor's independence.

(e) The Committee shall resolve disagreements between management and the external auditors regarding financial reporting.

(f) The Committee shall evaluate the external auditors' qualifications, performance and independence and shall present its conclusions with respect to the external auditors to the Board.

Review and Discussion with External Auditors

(g) The Committee shall meet on a regular basis with the external auditors (without management present) and have the external auditors be available to attend Committee meetings or portions thereof at the request of the Chair of the Committee or by a majority of the members of the Committee.

(h) The Committee shall review and discuss with the external auditors at least quarterly:

(i) All critical accounting policies and practices to be used;

(ii) All alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and

(iii) Other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences.

(i) The Committee shall review and approve the hiring policies for the Corporation's hiring of partners, employees and former partners and employees of the present and former external auditors.

(j) The Committee shall review with the external auditors and management the annual external audit plans which would include objectives, scope, timing, materiality level, fee estimate, quality of and changes in critical accounting policies, emerging accounting issues and other communications as required under generally accepted auditing principles.

(k) The Committee shall consider and review with the external auditors:

(i) performance of management involved in the preparation of financial statements.

(ii) any restrictions on the scope of audit or review work.

(iii) any difficulties encountered in the course of the external audit or review.

(iv) the level of cooperation received and access to required information in performance of the audit or review.

(v) any changes required in the planned scope of the external audit plan or review.

(vi) any unresolved material differences of opinion or disputes between management and the external auditors.

(vii) any transactions or activities which may be illegal, unethical or fraudulent.

(viii) independence of the external auditor.

Review and Discussion with Management

(l) The Committee shall review and assess the adequacy and quality of resources, budget, reporting relationships, responsibilities and planned activities of management in conjunction with the external audit process and overall accounting and financial responsibilities.

(m) The Committee shall review with management the performance of preparation of the financial statements and the external audit.

Approval of Non-Audit Services

(n) Review and approve the provision of all permitted non-audit services (including the fees and terms thereof) in advance of the provision of those services by the external auditors (subject to the de minimus exception for non-audit services described in applicable legislation and regulations which are approved by the Committee prior to the completion of the audit).

(o) The Chair of the Committee may authorize fees related to non-audit and audit services, up to a maximum of $25,000 per engagement, with a cumulative maximum of $75,000. If this occurs, the Chair will present to the Committee at the next meeting the particulars of each authorization. After such meeting, the cumulative limit will be reset to zero.

(p) Delegate, if the Committee deems necessary or desirable, to subcommittees consisting of one or more members of the Committee, the authority to grant the pre-approvals and approvals described above. The decision of any such subcommittee to grant pre-approval shall be presented to the full Committee at the next scheduled Committee meeting.

(q) The Committee may establish policies and procedures for the pre-approvals described above, so long as such policies and procedures are detailed as to the particular service, the Committee is informed of each service and such policies and procedures do not include delegation of the Committee's responsibilities under the applicable legislation and regulations to management.

Other Review Items

(r) The Committee shall discuss with management quarterly the Corporation's financial controls environment, including the Corporation's internal controls over financial reporting and the disclosure controls and procedures.

Other Responsibilities

(s) The Committee shall conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including investigation of allegations of fraud, illegal acts or conflicts of interest concerning the Corporation's financial information or disclosure. The Committee shall be empowered to retain, obtain advice or otherwise receive assistance from independent counsel, accountants, or other outside sources to assist it in the conduct of any investigation as it deems necessary and the carrying out of its duties.

(t) The Corporation shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Board, for payment (i) of compensation to the external auditors for the purpose of issuing an audit report or performing other audit, review or attest services for the Corporation, (ii) of compensation to any advisors employed by the Committee and (iii) of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

(u) The Board may from time to time refer to the Committee such matters relating to the financial affairs of the Corporation as the Board may deem appropriate.

(v) The Committee is generally responsible to ensure that it satisfies those responsibilities set out by applicable legal and regulatory requirements relating to accounting, internal accounting controls and auditing matters.

(w) The Committee is responsible for monitoring Essential's financial risk management processes.

(x) The Committee is responsible for monitoring the implementation and integrity of Essential’s management information systems.

Handling of Complaints

(y) The Committee shall maintain procedures for the receipt, retention and treatment of complaints received by the Corporation regarding ethical, moral, accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters (a "whistleblower policy".)

Annual Review

(z) The Committee shall review and assess the adequacy of its mandate annually, report to the Board of Directors thereon and recommend any proposed changes to the Board of Directors for approval. The Committee shall also perform an annual evaluation of the performance of the Committee and shall report the results of the evaluation to the Chair of the Governance Committee of Essential's Board of Directors.

Accountability

The Committee shall report its activities and proceedings to the Board by distributing the minutes of its meetings or by oral or written report at the next Board meeting.

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 the Committee. The purposes and responsibilities outlined in this mandate are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

<u>Committee Timetable</u>

The major activities of the Committee with respect to scheduled meetings will be outlined in an annual schedule.

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE CHAIR

The Chair is appointed annually by and reports to the Board. The Chair's primary role is managing the affairs of the Committee, including ensuring the Committee is organized properly, functions effectively and meets its obligations and responsibilities. The Chair works with the Board Chair and the Chief Financial Officer of the Corporation to ensure effective relations with Committee members. The Chair maintains on-going communications with the Board Chair and the Chief Financial Officer and with such other Officers of the Corporation as the Chair determines appropriate. The Chair, in conjunction with the Committee, maintains ongoing communications with the Corporation's external auditors. The Chair has the responsibility to lead the Committee and report to the Board after each Committee meeting. The Chair also has the responsibility to ensure the Committee is alert to its obligations to the Board and pursuant to law and to chair Committee meetings.

The Chair must also:

(a) assist the Board in its recommendation of Committee members and its review of the performance and suitability of the Committee;

(b) ensure the co-ordination of the agenda, information packages and related events for Committee meetings in conjunction with the Board Chair, the Chief Financial Officer and the Corporate Secretary;

(c) maintain a liaison and communication with Committee members, other Directors and the Board Chair to co-ordinate input from Committee members and Directors, and optimize the effectiveness of the Committee;

(d) in collaboration with the Chief Financial Officer and other Officers, ensure information requested by Committee members is provided and meets their needs;

(e) in conjunction with the Compensation and Governance Committee, the Board and the Board Chair, review and assess Committee attendance, performance and compensation and the size and composition of the Committee; and

(f) in conjunction with the Compensation and Governance Committee, lead the Committee in assessing the performance of the Corporation's financial management team.